AIG Holdings Europe Limited

Solvency and Financial Condition Report 2020

CONTENTS

Summary

2020 Solvency and Financial Condition

This document sets out the Solvency and Financial Condition Report for AHEL in accordance with Solvency II Regulations. The group SFCR includes the Solo Solvency and Financial Condition information for AIG UK which are shown side-by-side. AIG UK contributes in excess of 82% of the group Solvency Capital Requirement (SCR).

This group SFCR also includes information on two other insurance subsidiaries. AIG Life is a UK life insurance subsidiary, which publishes its own solo SFCR separately and will be available at http://www.aiglife.co.uk/ from 16 April 2021. AIG Israel Insurance Company is a non-EEA insurance subsidiary based in Israel and is not subject to Solvency II Regulations.

Business and Performance

The principal activity of AHEL is to act as a holding company of American International Group UK Limited (AIG UK), AIG Life Limited (AIG Life) and AIG Israel Insurance Company Limited (AIG Israel). AHEL is a UK registered and domiciled company. AIG UK is the legal entity for AIG's UK General Insurance activities. AIG has a history of over 60 years in the UK, where we are one of the largest companies specialising in the UK business insurance market.

At 30 November 2020, AHEL held 100% of the ordinary shares in AIG UK, AIG Life and AIG Israel.

The results of AHEL for the year ended 30 November 2020, as shown in the Financial Statements, show a loss for the period of £14.2m (2019 - profit £18.2m). At 30 November 2020, total equity of the Company was £2,414m (2019 - £2,426m).

AIG UK is the largest insurance subsidiary contributing 71% of AHEL's aggregated net written premiums for FY2020. AIG UK's business segments are organised into Commercial and Consumer lines. Commercial lines refer to products and services for the commercial and institutional customers. Product lines include traditional types such as general liability, property and financial lines; and highly specialised ones for political risk, cyber security and aviation. Consumer lines focus on customer-centric services, innovating product offerings and developing strong distribution relationships. Main product types in this segment are personal accident, income protection and medical expense cover.

AIG Life contributed 20% of AHEL's aggregated net written premium for FY2020. AIG Life is a provider of long term life insurance, critical illness and income protection products. Products are sold through intermediaries and distribution partnerships. All of AIG Life's products are considered to belong within two business segments, Life and Health.

AIG Israel contributed 9% of AHEL's aggregated net written premium for FY2020. The majority of AIG Israel's business is on the consumer side, these being retail policies which are marketed, sold and serviced directly to customers either through call centres or online. Most of the commercial business and a small proportion of its retail business is also sold through intermediaries.

AIG UK made a total underwriting loss of £130m (2019 – profit of £44m).

AHEL in 2020 had total investment returns of £116.6m (2019 – £289.9m). This is made up of:

- £135.2m investment income mostly representing the coupons and interests received or accrued over the year from corporate and government bonds.
- £31.8m unrealised losses mainly driven by the pull to par of the fixed income assets and partially offset by a global drop in credit spreads and interest rates.
- Net £13.2m realised gains from fixed income asset gains driven by falls in interest rates and credit spread at the time of disposal.

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

System of Governance

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

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

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

Risk Profile

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

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

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

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

AHEL SCR (unaudited)	AHEL	AIG Life	AIG Israel	Standard Formula Consolidated**	Group SCR
£'m	Partial Internal Model * (inc AIG UK)				
	Latest approved model	**Y/E 2020**	**Y/E 2020**	**Y/E 2020**	**Y/E 2020**
Insurance risk	1,228.10	136.4	143.8	263.6	1,491.70
Market risk	251.4	26.2	48	105.7	357
Credit risk	131.3	38.2	12.3	46.6	178
Operational risk	193.8	19.9	9.4	27.8	221.6
Pension risk	51.2	0	0	0	51.2
Loss Absorbing capacity of deferred taxes	0	-1	-15.9	-16.5	-16.5
Diversification	-475.40	-63.8	-78.9	-158.5	-633.9
Planned UW Profit	0	0	0	0	0
Total SCR (unaudited)	1,380.40	155.9	118.7	268.7	1,649.10

* An accumulation of model changes triggered the need for a Major Model Change Application to the PRA. In preparation for this application the model underwent independent validation. This application was submitted on 30 April 2020 and was approved by the PRA on 23 December 2020. As the approval date of the Major Model Change was post 30 November 2020, AHEL and AIG UK are still bound to report against the reporting view of the SCR prior to the model change application and as such, the reported SCR does not reflect the model changes post year-end.

** Both the AIG Life and AIG Israel Standard Formula calculations are performed at 2020-Q3 for the AHEL Y/E 2020 capital calculation as both have 31st December 2020 year end reporting dates.

Valuation for Solvency Purposes

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

AHEL's subsidiaries consist of largely insurance undertakings and service providing entities. Whilst AHEL and the majority of its subsidiaries have a 30 November financial period end, the subsidiaries AIG Life and AIG Israel have non-coterminous period end at 31 December. At 30 November 2020, AHEL has consolidated AIG Israel's EBS as at year ended 30 September 2020 and AIG Life's EBS as at year ended 31 December 2020.

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

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

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

Capital Management

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

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

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

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

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

YE 2020	AIG Holdings Europe Limited	American International Group UK Limited
Eligible Own Funds	£2,325.1m	£1,890.9m
Solvency Capital Requirement	£1,649.1m[1]	£1,366.4m[2]
Surplus	£676m	£524.5m
Solvency Ratio	141.0%[1]	138.4%[2]
Minimum Capital Requirement	£697.7m	£468.9m

[1] Partial Internal Model

[2] Internal Model

Since 1 December 2018, both AHEL and AIG UK have been using their Partial Internal Model (PIM) / Solo Internal Model (IM) respectively for the calculation of their Group and Solo SCR. Prior to this AHEL and AEL (AIG Europe Ltd) had been using their PIM / Solo IM.

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

AHEL PIM Solvency Capital Requirement (PIM-SCR) at 30 November 2020 is £1,649.1. This is covered by £2,325.1m of eligible capital resources, providing a Solvency II surplus of £676m and a Solvency II coverage ratio of 141.0%. Both metrics are defined by the regulations to mean the excess of AHEL's total eligible own funds over its SCR.

AIG UK's IM-SCR at 30 November 2020 is £1,366.4m. This is covered by £1,890.9m of eligible capital resources, providing Solvency II surplus of £524.5m and Solvency II coverage ratio of 138.4%. Both metrics are defined by the regulations to mean the excess of AIG UK's total eligible own funds over its SCR.

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

	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Total Available Own Funds 2020	**1,500.6**	**-**	**780.0**	**106.6**	**2,387.1**
Total Available Own Funds 2019	**1,651.8**	**-**	**680.0**	**74.3**	**2,406.1**

It should be noted there is a £62m difference between eligible and available own funds. The amount of eligible Tier 2 & 3 own funds cannot exceed 50% of the SCR.

Reporting View of AHEL and AIG UK SCR

An accumulation of model changes triggered the need for a Major Model Change Application to the PRA. In preparation for this application, the model underwent independent validation. This application was submitted on 30 April 2020 and was approved by the PRA on 23 December 2020. As the approval date of the Major Model Change was post 30 November 2020, AHEL and AIG UK are still bound to report against the reporting view of the SCR prior to the Major Model Change Application. The Solvency II coverage ratio for AIG UK is 132% on the latest model as at 30 November 2020.

CEO Statement

During 2020, despite the formidable challenges created by COVID-19, we made significant progress towards our strategy of establishing a culture of underwriting excellence, delivering sustained profitable growth, modernising our operational infrastructure, delivering differentiated value to customers, and implementing a People strategy.

Our workforce adjusted to working remotely and I am incredibly proud of how the team became more unified and focused on supporting each other, our clients, and other stakeholders during this unprecedented time.

We redoubled our efforts to improve underwriting decision making with an emphasis on risk selection, which helped AIG to maintain its focus through the ongoing global economic uncertainty. These efforts were particularly visible in Financial Lines, Lexington, Property and Specialty for 2020.

We remain committed to delivering value to our clients and distribution partners and communicating our defined risk appetite. Our "Winning With AIG" campaign clearly outlined a defined risk appetite and reached thousands of brokers through digital channels.

We made significant progress with AIG 200, the global, multi-year effort focussed on the long-term strategic positioning of AIG. Since its launch in 2019, we have been focused on investing in our core processes and infrastructure to be more competitive in the marketplace and make real transformational change. The four core objectives for AIG 200 are to achieve underwriting excellence, modernise our operating infrastructure, enhance user and customer experiences and become a more unified company. Within the UK we invested in creating a standardised commercial underwriting platform, which we will continue to develop in 2021. This will provide support for underwriting through data integration, technology enabled controls and networks of automated systems which will better enable standardisation and improve competitive advantage and profitability.

To reach a broader customer base and diversify our distribution network and revenue streams, we increased investment in our digital platforms. We enhanced our e-trading digital broker platform offering and expanded our range of products available to brokers.

During the challenging times we have faced in 2020 with many people having experienced personal tragedy or struggled to cope with lockdown, we recognise how important it is to focus on the wellbeing of our own people. "Being Well at AIG" was developed during the year and some of the additional support we provided in 2020 included a range of well targeted presentations offering insights and advice spanning topics such as how to manage the reality of living in the time of pandemic, maintaining cyber security while working from home and helping children to cope with the cancellation of exams and subsequently managing the back to school process. In addition, we held wellbeing workshops for employees, offered financial support to those in need, and extra time off for all employees to focus on their mental health.

I am proud of our focus on developing our employees in 2020 and pleased to say that we maintained the recently expanded learning and development opportunities for employees during the year.

Through our diversity, equity and inclusion (DEI) framework, BeingYou@AIG, we are creating a workplace that nurtures inclusivity, where everyone feels they belong and can bring their whole selves to work. Some groups remain under-represented and we continue to strive to create equitable access. In 2020 we continued to promote opportunities for our managers and employees to increase their inclusive awareness through our monthly DEI focused communications. We launched our 7th Employee Resource Group (ERG) virtually and our employee resource groups ran 250+ events. During 2020, all our Executives and HR team received training on Racial Sensitivity and Inclusive leadership with personal commitments to various personal actions.

We entered 2020 with a clear focus on improving our core underwriting performance. Despite headwinds, our underlying underwriting result improved in the year attributed to tight portfolio management, de-risking of segments including US listed D&O, Cyber and Trade Credit, supported by increased rate and expense discipline positions the company on a solid platform for profitable growth in 2021. Supported by our continued focus on driving improvements and increased embeddedness of technical pricing models, as well as progress in transforming the operating model through SCUP furthers us in our vision to be the leading specialist insurer in the UK market.

Strategic Goals

The vision for AIG is to be the leading specialist insurer in the UK marketplace. In achieving this vision, we will lead, for Customers and Partners, in delivering innovative and segmented products and value propositions, provide a leading employee experience and deliver sustained top quartile returns for AIG Group. Our right and ability to win will be built on our strength of specialist product and underwriting offering, leading multinational and claims serving capabilities, and an ability to trade flexibly across open market, portfolio, and digital platforms.

Aligned with our strategic pillars outlined below, the following "must win battles" identify the most critical priorities to execute on in sustaining our existing strategic advantage and delivering on the vision over the medium-term.

1. Protect, leverage and grow core specialist platforms: Capture market opportunity in profitable lines, retaining scale with global broking partners and optimise contribution across our major corporate client base.
2. Maximise the retail opportunity via regional and digital footprint: Facilitate growth of small commercial with focus on specialist lines and packaged products, digital trading capability and expansion of distribution.
3. Expand distribution to diversify income generation: Deliver a segment diversification strategy to increase breadth of channel and access new customers through new partnerships, portfolio expansion and partnership with AIG's Lloyd's managing agent Talbot.
4. Execute on the Standardised Commercial Underwriting Platform (SCUP): Deliver improvements to underwriting excellence, operational efficiency, and customer service.

5. Invest in data & analytics to drive risk selection and underwriting excellence: Integrate third-party data in AIG systems with focus on implementing technical modelling enhancements, management information tools and process efficiencies.

During 2021, we will continue to focus on activities in line with our strategic pillars of establishing a culture of underwriting excellence, delivering sustained profitable growth, modernising our operational infrastructure, delivering differentiated value to customers, and implementing a people strategy in line with our business strategy.

1. Underwriting Excellence: Establish a culture of underwriting excellence through improved underwriting decision making, risk selection and continuously developing and improving technical pricing models and usage. We will continue to manage exposure through specific line of business risk appetites while managing gross and net limits in line with both global and regional underwriting strategy.

2. Profitable Growth: Target upper quartile profitability through continuous portfolio optimisation, focusing on growth in profitable lines of business such as Financial Lines, Specialty, International Property and Accident and Health where we have clear differentiation in the market.

3. Modernise Operational Infrastructure: Refining operating models to maximise AIG UK's resources, scale and expertise in collaboration across the entire company. AIG UK will help build a standard commercial underwriting platform that will modernise our global underwriting capabilities, simplify processes and create a contemporary data architecture to drive better risk management decisions while improving user experience.

4. Segmented Customer Value Proposition: Focusing on customer insight-led product development. Optimising profit contribution from our core commercial business including global broker partners, major commercial and multinational clients, while diversifying income through international broker growth, collaboration with Talbot and delivering E-Trade solutions.

5. People Strategy that Promotes Inclusion and Growth: Our talented employees continue to be our most valuable asset and we will enhance our training and development programmes for managers, as well as technical training in underwriting and claims. As part of our commitment to promoting and retaining an inclusive workforce, we will build on our BeingYou@AIG framework in 2021, targeting increased membership of Employee Resource Groups and diversity, equity and inclusion efforts.

Future Outlook

The economic outlook for 2021 remains challenging, not least due to the global pandemic. AIG continues to show remarkable strength and resiliency through the ongoing global economic uncertainty. We believe our established multi-channel footprint and broad product offering, as well as our experience and commitment to continuous improvement, positions our business for growth under uncertain and challenging economic conditions. Working together with our talented people, we look forward to the new challenges and opportunities, which 2021 will bring.

Summary – AIG Life

AIG Life is a provider of Term Assurance, Whole of Life, Critical Illness and Income Protection in the individual and group markets. Its policyholders are predominantly in the UK with some policyholders in Gibraltar, the Isle of Man and the Channel Islands.

AIG Life had a successful year in 2020, writing £147.1m of new business premiums (a 5.4% increase on 2019). AIG Life UK GAAP pre-tax profits were £9.1m, including £4.0m of investment income compared to 2019 UK GAAP pre-tax profits of £6.0m, including £4.1m of investment income.

AIG Life has a strong, effective and embedded risk management framework. This is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. Underpinning this framework is a strong risk culture articulated by senior leadership and embedded by management at multiple levels through the governance structure and risk management processes. AIG Life's adherence to its quantified risk parameters is supported by ongoing risk identification. AIG Life draws together the analysis of its risk profile within its Own Risk and Solvency Assessment (ORSA) documents and in an Annual Risk Review of the Business Plan. This allows management to ensure that the risks accepted by AIG Life are aligned to its strategic objectives, which include seeking profitable growth opportunities and identifying areas of comparative advantage. It also helps management to avoid outsized risk exposures, relative to AIG Life's or its peers' financial resources and to minimise the exposure to legal, regulatory and accounting risk.

Summary – AIG Israel

AIG Israel is an Israeli insurance company that operates in the following areas: compulsory vehicle insurance, non-compulsory vehicle insurance, home insurance, commercial insurance, health insurance and life insurance (risk only). The primary activity of the Company is individual insurance, where it markets and sells policies directly to policyholders

During the reported period, there were no events outside of the ordinary course of business for AIG Israel excluding COVID-19 related events.

Coronavirus (COVID-19) Statement

The purpose of this section is to describe AIG's assessment of the additional risks related to the COVID-19 pandemic and AIG's management of the risk to date. We recognise this is an ongoing situation that continues to evolve.

In March 2020 the World Health Organisation declared the novel coronavirus disease (COVID-19) a pandemic. Over the course of the last year governments have imposed special measures to contain the spread of the disease. COVID-19 is adversely affecting, and is expected to continue to adversely affect, our business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope and duration of the crisis and actions taken by governmental and regulatory authorities in response thereto. The COVID-19 crisis, and the governmental responses hereto, are causing ongoing and severe economic and societal disruption accompanied by significant market volatility. We are continually assessing its impact and, due to the evolving and uncertain nature of the COVID-19 crisis, cannot estimate its ultimate impact on our business, financial condition and results of operations.

Impact of COVID-19 and AIG's Actions

System of Governance

We have been closely monitoring the various impacts COVID-19 has on our business and have taken actions where appropriate. AIG has a Corporate Pandemic Planning Committee (CPPC). This group manages the day to day operational pandemic response. Incident Management Teams (IMT) at the local, Regional and Country level have been activated to respond to COVID-19. The IMT's engage with the CPPC to coordinate planning and response. Depending on the nature of the business interruption type, magnitude, and location, the IMT may include representatives from: Facilities, IT, Enterprise Risk, Finance, Legal / Compliance, Communications, Human Resources, Real Estate, Security, and Travel.

Executive-level meetings (which include members of the Executive Leadership Team as well as key business executives) dedicated to the COVID-19 event are held regularly. The meetings are held on a minimum of a weekly basis as the pandemic has continued the frequency has been adjusted according to the firm's needs. These meetings focus on reviewing new developments (internal and external), as well as forward planning and readiness. Follow-ups from this meeting are actioned same day to the extent possible. Certain decisions that impact the entire firm are elevated to the President and Chief Operating Officer for final decision, particularly if related to the issuance of a policy or standard. Similarly, Regional-level Incident Management Teams meet on a daily to weekly cadence (as required) and function similarly to the Executive Level meetings, except that the scope is narrower, i.e. the AIG UK IMT.

Business Continuity and Operations

In early March 2020, we transitioned to a work from home (WFH) position for all non-essential staff in the UK and numerous other international locations. Either a secure Virtual Private Network ("VPN") or a virtual desktop environment provides remote access to AIG's network. This technology was already in place for many employees and enabled AIG staff to complete their daily activities without many issues. The remote access has proven to be resilient, with the number of concurrent user sessions supported daily since March 2020 regularly exceeding 17,000 worldwide.

We have a network security and remote access controls in place to manage the traffic coming into and leaving our internal network. Incoming and outgoing traffic is routed through secure firewalls and other security technologies such as intrusion prevention and detection systems, both of which leverage industry standard threat intelligence feeds. Both methods of remote access used have built-in multi-factor authentication requirements. Users are challenged to use their local area network ID, password, PIN and RSA token for the connection to be successful. The increase in reports of ransomware, malware, phishing scams and disinformation related to the COVID-19 outbreak prompted IT management to make employees aware of these threats.

Systems used for remote access have been kept up-to-date with appropriate security vulnerability patches and use anti-virus protection software that is updated regularly. The AIG standards around remote access, network security, identity and access management, cryptography and key measurements are deployed to support of remote access security.

Additional controls have been put in place to ensure the risks created by new ways of working: including redirection of mail, printing at home, taking files out of the office, shipping of equipment, credit card handling, are sufficiently mitigated across our operations.

We have a robust business continuity management program (BCM Program) in place to ensure vital operations, processes, and systems are in place following a business interruption by maintaining controls required to support the timely delivery of key services. The BCM Program outlines the roles and responsibilities of:

- employees (e.g., know their roles, complete any training and testing);
- managers (e.g., ensure staff are adequately educated and trained) and
- business units and their support functions (e.g., establish business continuity controls and monitor the effectiveness of those controls).

Within the BCM program is the requirement to conduct a Business Impact Analysis (BIA) for all functions/processes deemed critically important. The BIA is the process of analysing business functions to identify, quantify and qualify the impacts of a business interruption to normal business operations over specified periods of time. It forms the basis for understanding and developing the recovery time objectives ("RTO") and recovery requirements for each business function/process.

In addition to many other considerations, the BIA includes the operational impact of a business interruption on both AIG's customers and its vendors. The return time objective of a given function/process can be shortened if there is a significant impact to the customer. Loss of vendor impacts to functions/processes can be mitigated via manual workarounds that would be implemented if a vendor is unavailable due to a business interruption and/or utilising multiple vendors during business as usual to eliminate the single point of failure.

A Return to Workplace Task Force was formed with representation across functional and business teams to develop a strategy for returning to the workplace in a safe, efficient manner and to monitor the current posture of WFH and facility access restrictions. Guiding principles were established to support AIG's commitment to protecting its people and returning the workforce to an AIG facility or in the field in a measured and methodical manner. The guiding principles for re-entry planning are outlined below:

- Provide an accommodative Human Resources policy and practices review that takes into account employee needs and personal circumstances, as well as wellness;
- Enable a flexible environment that allows the workplace to operate effectively and safely;
- Leverage a combined business value and needs-based approach to determine who, when, and how to effectively return to the office and conduct business outside the office;
- Prioritise the safety of people, while ensuring the continuity of operations and service;
- Communicate in a timely manner with transparency, honesty, and appropriate frequency; and
- Embrace the current situation to catalyse new ways of working.

Clear criteria have been established before any office is allowed to consider having employees return to the office, and final decisions are made centrally. Returning to the office will be a controlled process based first on workforce safety and with a full understanding of the internal and external operational environments for each location. Four "tollgates" must be taken into consideration as part of the decision making process:

1. Current local government / health authority recommendations,
2. Factors that could impact employee health and safety,
3. Clear business rationale / benefits related to select roles or teams more fully reoccupying office space, and
4. Assessment of preparedness of office space as well as employees to work safely on-site. At this time, we do not plan to return a significant portion of our staff to the office before the middle of 2021 which will be dependent upon the current situation.

Risk Profile

Our Risk Profile characteristics remain unchanged with Reserve Risk being the key risk. Through the use of reinsurance as a key mitigation technique Premium Risk is secondary to Reserve Risk. At the current stage, the area of Market Risk and asset valuation has been the key area of recognized impact from COVID-19 through Credit Spread movements. Interest Rate and Currency Risk are generally hedged through Asset Liability Matching. We continue to monitor our Risk Profile through the changing external environment. Core risk tools and documents such as the Risk Register including the top ten risks and the ORSA were refreshed to reflect these external environment changes. Key risk area impacts are being assessed through Stress and Scenario Testing to assure resilience of the solvency of the company. The stressed scenarios, and their outcomes, have been updated on several occasions during 2020 as the situation develops.

Management plan to use mainly external reinsurance providers rated A- and better. The credit worthiness of captive exposures (or that of their parent companies) will be thoroughly reviewed prior to approval of transactions and annually thereafter. Credit ratings of external reinsurers are continuously being assessed in view of the COVID-19 pandemic.

Claims Handling

Claims relating to COVID-19 are being handled as part of a globally coordinated cross-functional process. Within the context of that global process, the Company is handling claims in the UK in a manner tailored to reflect legal and regulatory developments and requirements in the UK.

Impact on Assets

The COVID-19 outbreak has led to volatility in the global financial markets. The main impact on our investment portfolios is through the widening of credit spreads as our holdings in equities or equity related investments is minimal. This has led to a temporary mark-to-market reduction in the valuation of our assets but the impact was managed under our capital management policy.

Our investment portfolio has largely recovered from these losses with credit spreads now at similar levels to before the COVID-19 crisis.

Investment Portfolio

The Company's investment portfolio is conservative, and we are monitoring closely all investments for potential ratings actions or other impairment indicators. The Company is primarily impacted through credit spread widening in its bond portfolio. We maintain a surplus of capital above our Solvency Capital Requirement (SCR) and monitor capital weekly. Although the company has a substantial foreign currency (non GBP) exposure, foreign exchange rate variations have limited impact on the solvency as this risk is hedged by holding capital in each currency to match the capital requirements arising in that currency.

The portfolio is liquid, including significant holdings of US and UK Government Bonds.

Affected Areas of Business

The areas of business below are those identified over the past year that have been impacted by COVID-19.

- **Property** – Only a small sub-set of our policies provide (subject to their other terms and conditions) affirmative cover in respect of business interruption loss arising from disease or government action. Within that sub-set, most provide disease cover by reference to an exhaustive list of diseases that does not include COVID-19. In line with the market, we have introduced full communicable disease exclusions on a standardised basis.
- **Financial Lines** – These lines are typically impacted upon a significant economic downturn and we are proactively working with our clients in monitoring and managing developments. However, government intervention to support companies has mitigated impact of COVID and to date we have not seen a material change in losses. We have adopted a cautious underwriting approach to those trade sectors most impacted by COVID.
- **Personal Lines** – Most of the exposure in personal insurance stems from Group Business Travel and Leisure Travel in respect of flight cancellations and trip curtailments (business travel) with cancellations representing over 90% of the total risk.
- **Credit Lines** – These lines are typically impacted upon a significant economic downturn and we are proactively working with our clients in monitoring and managing developments. However, we have historically adopted a cautious underwriting approach to these lines.

Valuation for Solvency Purposes

The pandemic has impacted global financial markets in a negative manner creating a strain on capital for the industry. There is a corresponding impact on the valuation of certain assets within AIG's balance sheet. The increase in volatility in financial markets has led to increased volatility in the value of the financial investments through 2020, with initial negative impact in the second quarter of 2020 from widening of credit spreads, followed by a partial reversion of that impact through the course of 2020.

The Technical Provisions include an allowance for COVID-19 on a best estimate basis. This estimate was initially established through a review of our underlying exposure and an assessment of the probability of a loss on a policy-by-policy basis. This estimate was refined over the year, as further information emerged relating to coverage, claims notifications and developments in the legal environment. Whilst there still remains some possibility of development of the ultimate costs of these claims, this is significantly mitigated through our reinsurance coverage.

The premium provision includes an allowance for the cost of COVID-19 on unearned exposure. Whilst this estimate considers the impact of the general economic, claims and rating environment it also anticipates a more benign COVID claims environment in 2021.

Capital Management

Throughout the volatile market movements, AHEL has taken appropriate steps to ensure continuous compliance with the Internal Model SCR and target capital level through holding sufficient capital resources to meet the total requirement. AHEL targets 130% of SCR to provide a buffer for volatile markets and business conditions. The resilience of the target capital buffer over the last year has proved appropriate.

The capital buffer is intended to withstand a range of stress events and scenarios without a breach of IM SCR. A set of stress testing scenarios has been performed to independently assess the level of proposed capital buffer to ensure it is held at such a level that any single loss from the stresses does not result in a breach. When assessing the impact of the scenarios, the reinsurance structure has been taken into account. None of the stresses resulted in a breach to the target capital buffer.

A COVID-19 stress scenario has been developed to assess the impact of losses relating to multiple lines of business (insurance risk) and market risks movements such as interest rates, credit spreads and equity shock on AIG UK's solvency position. This is intentionally meant to be an extreme stress (equating to an adverse capital impact of c. £382m) and is based on a widening of credit spreads of up to 400bps (as experienced in the Financial Crisis of 2007- 2008). It should, however, be noted that AIG UK's capital buffer could absorb the impact of this stress.

Climate Change Risk Strategy

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

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

Regulatory Requirement

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

Governance

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

Risk Management

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

Scenario Analysis

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

Disclosure

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

This Supervisory Statement was followed on 1 July 2020 by further guidance: 'Managing climate-related financial risk'. The letter noted the above areas for firms to enhance their climate-related oversight activities and also noted that 'firms should have fully embedded their approaches to managing climate-related financial risks by the end of 2021' and that 'by the end of 2021, your firm should be able to demonstrate that the expectations set out in SS3/19 have been implemented and embedded throughout your organisation as fully as possible'.

AIG Enterprise Risk Management (ERM) monitors Climate Risk as part of their Emerging Risk work and this features in our 2020 Emerging Risk Report and the ORSA.

Set out below is a summary of the Climate Plan ERM has developed to help support management to embed Climate Risk Management in business processes.

AIG UK

Summary of Climate Risk Plan

In response to the PRA's statement and letter, ERM have developed a plan capturing the work undertaken in 2020, and the actions to be completed in 2021 to address the requirements of SS3/19 - to establish a robust and embedded Climate Risk management framework across the business. This Climate Risk Plan outlines the key activities proposed by ERM and covers AIG UK's Insurance and Investment operations, as well as references to wider entity and group actions and ERM-specific activities.

Set out below is a summary of our activities in 2020.

SENIOR MANAGEMENT FUNCTION ROLE

The PRA expects to see evidence that there is a Senior Management Function (SMF) role that provides effective oversight of risk management and controls and also expects the board to ensure that adequate resources are devoted to managing the financial risks from climate change.

The Chief Risk Officer appointment to the SMF role was approved by the AIG UK Board.

PRA / FCA FINANCIAL CLIMATE RISK FORUM

In March 2019, the Climate Financial Risk Forum (CFRF) was launched by the PRA and FCA with an aim to share best practice across financial regulators and industry to advance the financial sector's response to the financial risks from climate change.

AIG volunteered to participate as a member of the CFRF and ERM contributed towards the development of the CFRF's Handbook on Climate Scenario Analysis and led the development of the chapter 'Climate Scenarios for the Financial Services Industry'.

Out of this work, the PRA developed and issued the Handbook in June 2020. Following this, ERM is supporting the development of an updated document during 2020/21.

STRESS TESTING

Following on from the 2019 General Insurance Stress Test (2019 GIST) issued by the PRA, the regulator plans to perform additional climate related scenario analysis exercises during the coming years and has provided information to AIG UK and other participants in the form of discussion papers, round tables and speeches from the Bank of England.

In December 2019, the PRA published a discussion paper which set out its proposed framework for a 2021 exercise (Climate Biennial Exploratory Scenario - BES) to test the resilience of the largest banks and insurers to the physical and transition risks associated with different possible climate scenarios. The Governor of the Bank of England in a speech confirmed this in November 2020 where it was announced that the exercise will take place in 2021.

The key features of the BES based on the initial specification are as follows:

- Early policy action scenario where the transition to a carbon-neutral economy starts early and the increase in global temperature stays below 2°C, in line with the Paris Agreement.
- Late policy action scenario where the global climate goal is met but the transition is delayed and must be more severe to compensate for the late start.
- No additional policy action scenario where no policy action beyond that which has already been announced is delivered. Therefore, the transition is insufficient for the world to meet its climate goal.

In addition to the BES, AIG UK has volunteered to take part in a PRA led exercise in 2021 to assess the impact of Climate litigation actions. Draft litigation scenarios have been provided by the PRA and ERM will be reviewing the effects that these may have on the results of AIG UK. Further information regarding timelines on this exercise will be provided by the PRA in early 2021.

INVESTMENT PORTFOLIO ANALYSIS

ERM have benchmarked the AIG UK investment portfolio against the wider corporate bond market. As planned, AIG UK's portfolio has shown a reduction in exposure to fossil fuel production and power generation and an increase in exposure to renewable energy generators.

ERM will continue to work with the Investment function during 2021 as part of activities outlined in the Climate Risk Plan to perform a more detailed assessment of the investment portfolio. The Investment function is looking at external vendors who provide Environmental, Social and Corporate Governance risk ratings as well as Climate Risk related ones.

UNDERWRITING RISKS

ERM has been reviewing the potential impacts of Climate Change scenarios on AIG UK's underwriting operations. An initial ERM review of the wider risks to the insurance industry noted that economic transition risks may impact Directors and Officers (D&O) and Liability insurance lines. There is the potential risk for long tail lines of business to incur claims where it is determined (by the courts) that companies failed to respond with appropriate speed or take appropriate actions to mitigate the impacts of climate change on their business model or design of their products. With regard to the physical risks of Climate Change, the trends of frequency and severity of Natural Catastrophe events may be evident only after a number of years and so the potential risk is there may be lags in the updating of the parameterisation of these perils based on historical data sets.

In addition, work is ongoing in 2021 to assess the overall underwriting portfolio's exposure to clients within 'high risk' industries. This exercise is being performed in parallel to the investment function's benchmarking analysis, to assess the impact of Climate Change on the business of AIG UK.

AIG Holdings Europe Limited Directors' Report

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

Statement of Directors' Responsibilities

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

Compliance with SCR

AHEL has complied with all material respects with Solvency II requirements throughout the financial year 2020. AHEL reasonably believes that it will continue to comply with the Solvency II requirements for the foreseeable future.

Statement of disclosure of information to auditors

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

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

Independent Auditors

The AHEL board has chosen to rotate auditors to be in line with AIG UK. The resignation process of PwC will commence following the sign off of the SFCR Opinion.

The transition phase between PricewaterhouseCoopers and Mazars started in May 2020, with regular meetings to discuss the planning and progression of the transition.

On behalf of the Board,

Anthony Baldwin
Director

Directors

The listing of Directors as at 30 November 2020 is as follows:

Director	**Mr A Baldwin**
Director	**Mr C Newby**
Director	**Mr F Brossart**
Director	**Mr P Willcock**
Chairman and Independent Non-Executive Director	**Mr P Tromp**

During the financial year 2020, the following resignations and appointments took place:

Mr A Hope	**Resigned**	**30 June 2020**
Mr M Bowers	**Resigned**	**30 June 2020**

American International Group UK Limited Directors' Report

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

Statement of Directors' Responsibilities

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

Compliance with SCR

The Company has complied with all material respects with Solvency II requirements throughout the financial year 2020. The Company reasonably believes that it will continue to comply with the Solvency II requirements for the foreseeable future.

Statement of disclosure of information to auditors

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

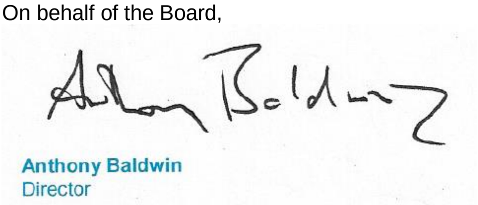
- So far as each of them is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each of them have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the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

Independent Auditors

In accordance with EU legislation on the mandatory firm rotation ("MFR") of external auditors, the AIG UK Audit Committee was presented with the MFR tender bidding documents in October 2019 and the AIG UK statutory auditor selection was awarded to Mazars for the year ending 30 November 2021. The AHEL board has chosen to rotate auditors to be in line with AIG UK. The formal appointment of the new statutory auditor for AIG UK was confirmed at the February 2021 AIG UK Audit Committee and Board. The resignation process of PwC will commence following the sign off of the SFCR Opinion.

The transition phase between PricewaterhouseCoopers and Mazars started in May 2020, with regular meetings to discuss the planning and progression of the transition

On behalf of the Board,



Directors

The listing of Directors as at 30 November 2020 is as follows:

Chief Executive Officer	A Baldwin
Chief Financial Officer	R O'Malley
Chairman and Independent Non-Executive Director	P Tromp
Independent Non-Executive Director	P Malvasio
Independent Non-Executive Director	P Shaw
Independent Non-Executive Director	D Smith

During the financial year 2020, the following resignations and appointments took place:

A Hope	Resigned	30 June 2020
M Bowers	Resigned	30 June 2020
C Townsend	Resigned	6 January 2020
D Smith	Appointed	1 January 2020
P Shaw	Appointed	1 June 2020

Post 30 November 2020 the following appointment took place:

J Hancock	Appointed	14 December 2020

Independent Auditors' Report

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

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 30 November 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 30 November 2020, ('**the Narrative Disclosures subject to audit**'); and
- Group templates S.02.01.02, S.23.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01 and S.28.02.01 in respect of American International Group UK Limited ('the group member') ('**the Company Templates subject to audit'**).

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

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

- Information contained within the relevant elements of the Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01 and S.25.02.22;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21 and S.25.03.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**').

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

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 30 November 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting

for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

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

Modifications

- Permission to publish a Single Group-Wide SFCR

Approvals

- Approval of items of ancillary own funds
- Approval to use a full or partial internal model

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

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

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

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

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Other Matter

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside, London, SE1 2RT, United Kingdom

8 March 2021

Appendix – relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit

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

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non available own funds

- The following elements of Company template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

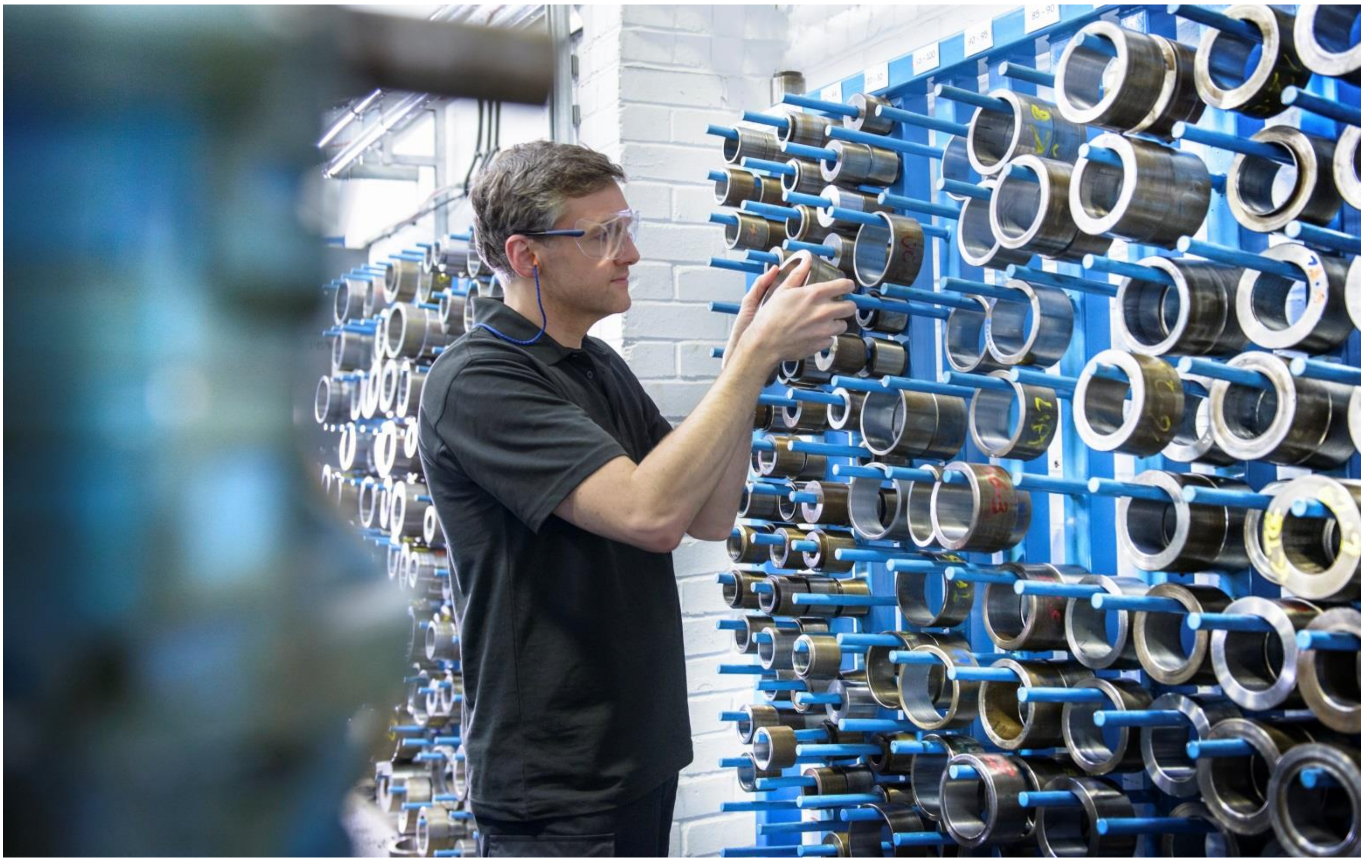
- The following elements of Company template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of Company template S.28.02.01
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.



Solvency & Financial Condition Report 2020
A. Business and Performance

THIS SECTION OF THE REPORT SETS OUT THE DETAILS REGARDING AIG HOLDINGS EUROPE LIMITED'S BUSINESS STRUCTURE, KEY OPERATIONS, MARKET POSITION AND THE FINANCIAL PERFORMANCE FOR 2020.

KEY ELEMENTS OF THE SECTION ARE:

- Business Information;
- Underwriting Performance;
- Investment Performance; and
- Performance from Other Activities.

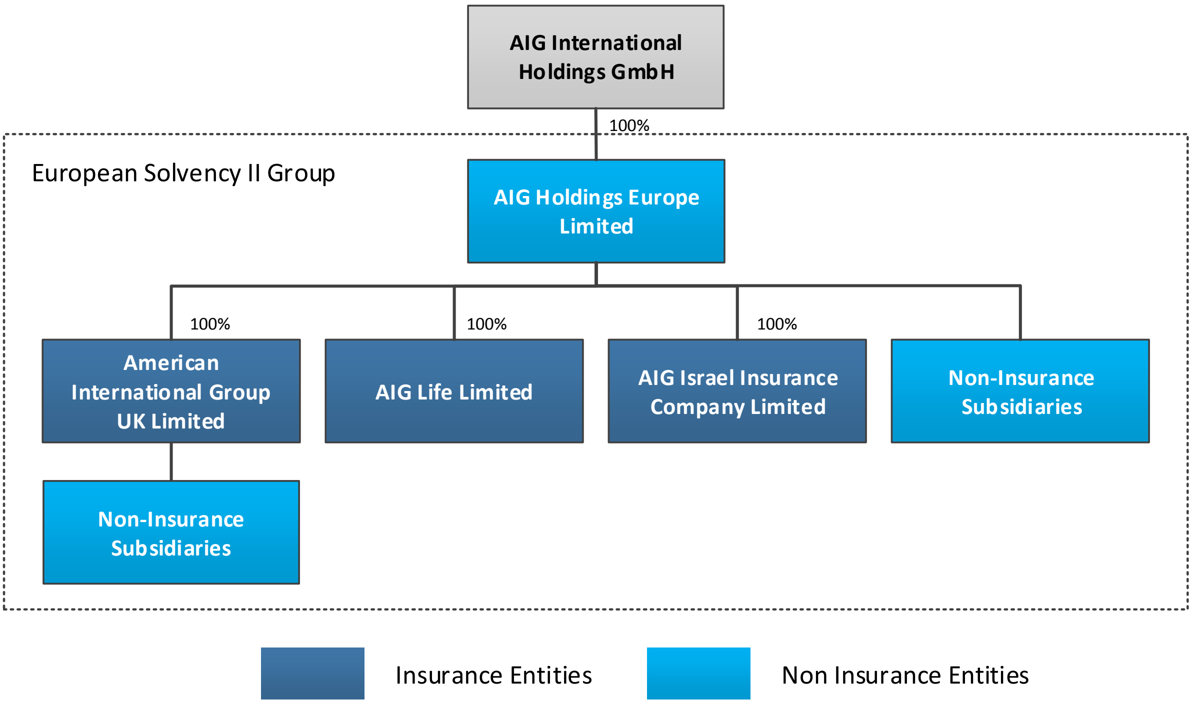
A.1 BUSINESS

AIG HOLDINGS EUROPE LIMITED INFORMATION

The AHEL Group has a simple structure to enable efficient decision making and delegation of responsibilities. The component entities of AHEL are fairly autonomous in their own right.

AHEL is a wholly owned subsidiary of AIG International Holdings GmbH, a Swiss incorporated company. Its ultimate parent company is AIG Inc., a U.S company with headquarters in New York City.

A simplified group structure as at 30 November 2020 is shown in the diagram below:



AIG UK and AIG Life are insurance companies incorporated in the United Kingdom. They are authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). AIG UK is the core subsidiary of AHEL, representing 76% of the Group's net assets as at 30 November 2020. AIG UK Ltd is a multiline insurance company writing substantially all lines of property and casualty insurance. Major lines of insurance written include commercial, consumer, accident and health and specialty coverage.

AIG UK and AIG Life are in scope of Solvency II.

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

The AIG Life 2020 SFCR report is separately reported and will be available for download from http://www.aiglife.co.uk/ from 16 April 2021.

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

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

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

Registered Office	External Auditors	Supervisory Authority
The AIG Building	PricewaterhouseCoopers LLP	PRA
58 Fenchurch Street	7 More London Riverside	20 Moorgate
London EC3M 4AB	London SE1 2RT	London EC2R 6DA
+44 (0) 20 7954 7000	+44 (0) 20 7583 5000	+44 (0) 20 7601 4444

The Group SFCR has been authorised for issue by the Board of Directors on 4 March 2021.

MATERIAL PARTICIPATING UNDERTAKINGS

AHEL's participating undertakings as at 30 November 2020 are listed in the table below.

Participation	Principal Activity	Country	Ownership
American International Group UK Limited	UK composite insurer operating in the UK	UK	100%
AIG Life Limited	UK life insurer specialising in protection products	UK	100%
AIG Israel Insurance Company Limited	Israel insurer specialising in retail general, life and health insurance policies	Israel	100%
AIG Europe (Services) Limited	Provision of operational and administrative services to affiliates within the AIG Inc. group	UK	100%
AIG Receivables Management Limited	Provision of technology based receivables management products	UK	100%
AIG Trade Finance Limited	Provision of technical knowledge in trade finance	UK	100%
Group Risk Services Limited	Service Company that provides Staff and Other Services	UK	100%
CI Group	Provision of commercial insurance brokerage and intermediary services	UK	20%

In the year end 2019 report AIG Medical Management Services UK Ltd (AIG MMS) was included as a material participating undertaking. AIG MMS was a claims management and occupational health company. The AIG MMS business was transferred to AIG UK (claims department) and the entity was subsequently dissolved. In May 2020, the external liquidators delivered the final accounts and dissolution forms for AIG MMS to Companies House.

AIG UK and AIG Life operate from the UK and AIG Israel operates from Israel. AHEL does not have any branches. More than 2,800 staff (including 440 in AIG Life and 700 in Israel) facilitate the operation of the companies specialising in dealing with the top end of the global insurance market, particularly multinational corporations, where AIG's wide global reach, product range and large capital base can be used to write business in smaller countries and leverage the size of the group through the use of global reinsurance treaties.

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

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

As of 30 November 2020 the last Major Model Change for AHEL's PIM was approved by the PRA on 27 September 2018. AIG Life and AIG Israel are modelled using the Standard Formula (SF). Subsequent to the reporting date, on 23 December 2020, the PRA approved the most recent Major Model Change Application for the AHEL PIM.

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

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

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

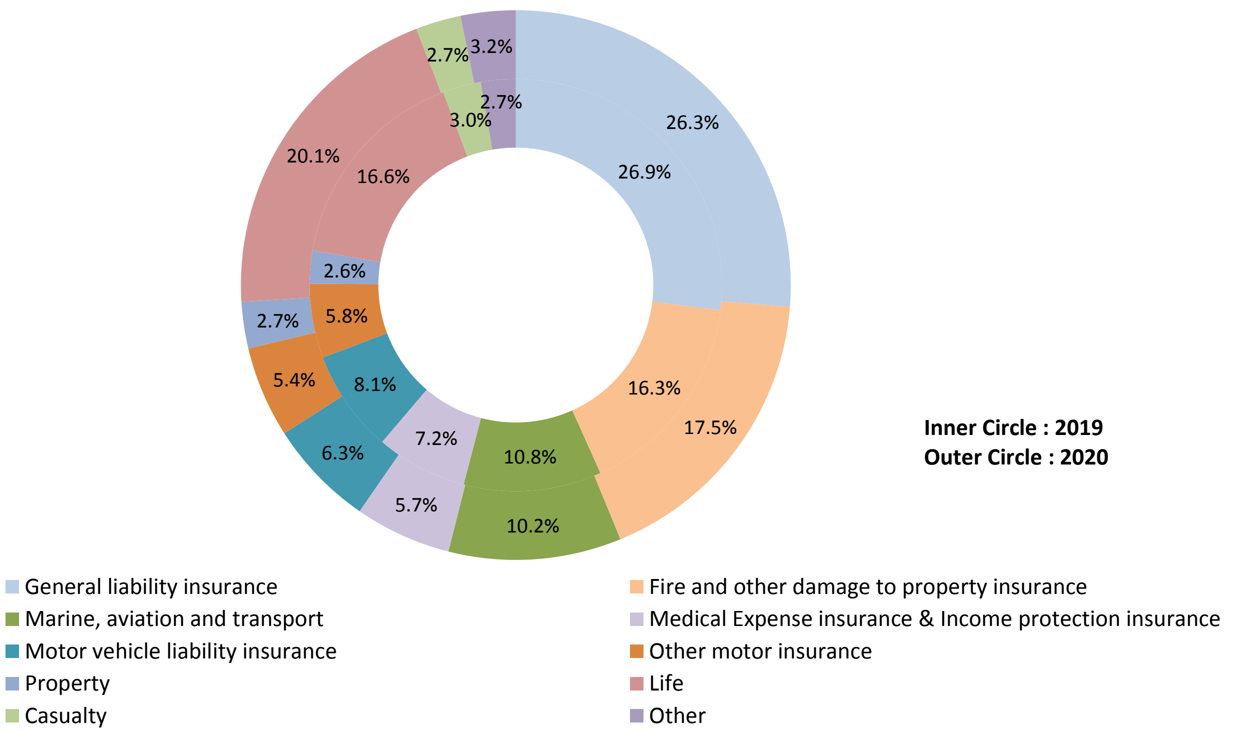
AHEL MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

AIG UK is the largest insurance subsidiary, contributing 71% of AHEL's aggregated net written premiums for FY2020. AIG UK's business segments are organised into Commercial and Consumer lines. Commercial lines refer to products and services for the commercial and institutional customers. Product lines include traditional types such as general liability, property and financial lines; and highly specialised ones for political risk, cyber security and aviation. Consumer lines focus on customer-centric services, innovating product offerings and developing strong distribution relationships. Main product types in this segment are personal accident, income protection and medical expense cover.

AIG Life contributed 20% of AHEL's aggregated net written premium for FY2020. AIG Life is a provider of long term life insurance, critical illness and income protection products. Products are sold through intermediaries and distribution partnerships. All of AIG Life's products are considered to belong within two business segments, Life and Health.

AIG Israel contributed 9% of AHEL's aggregated net written premium for FY2020. The majority of AIG Israel's business is on the consumer side, these being retail policies which are marketed, sold and serviced directly to customers either through call centres or online. Most of the commercial business and a small proportion of its retail business is also sold through intermediaries.

Solvency II LoB



Under Solvency II, insurance products and offerings are categorised into 16 standardised Solvency II lines of business (LoB). The Group's most material Solvency II LoBs by Net Premiums Written in 2020 are shown above.

Source Group QRT S.05.01

A.2 UNDERWRITING PERFORMANCE – AHEL

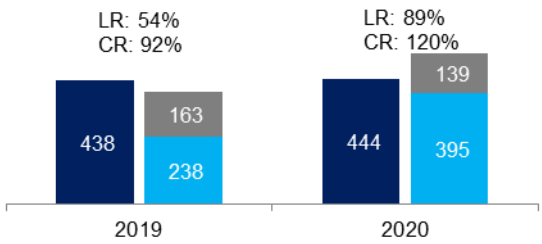
UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS AND MATERIAL BUSINESS ENTITY

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

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

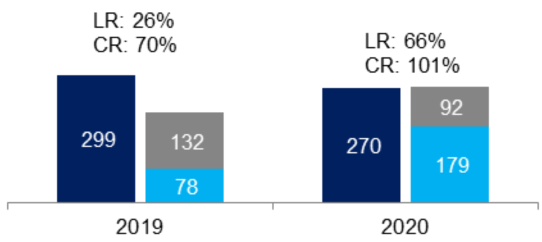
The diagrams below provide key performance indicators (Net Premium Earned, Claims Incurred and Expenses) for major Solvency II lines of business as per the Group QRT S.05.01. The Loss and Combined Ratios are on a net basis.

General Liability



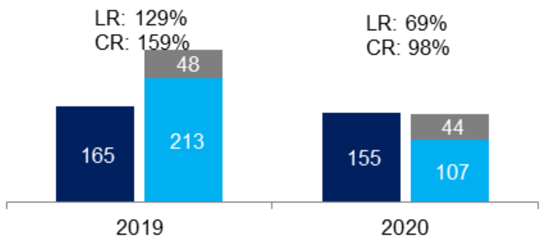
The General Liability portfolio is the largest portfolio in respect of claims reserves and premium volumes. It contains the long tailed Casualty and Financial lines of business. In comparison to 2019, the combined ratio has deteriorated in 2020 due to an increase in the claims loss ratio. This is driven by prior year claims development in the Directors & Officers and Professional Indemnity lines of business. In addition, there is also an unfavourable premium mix impact of writing less Cyber and Mergers & Acquisition business than was budgeted.

Fire and Other Damage to Property



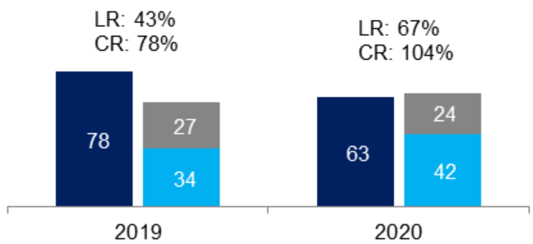
The Fire portfolio consists primarily of property damage and energy lines of business. It is a short-tailed book where the losses are reported and settled quickly. In comparison to 2019, the combined ratio is higher due to the claims loss ratio increasing. This is a result of higher claims in 2020 due to COVID-19, unfavourable attritional experience arising from local authority claims and Storm related losses.

Marine, Aviation and Transport



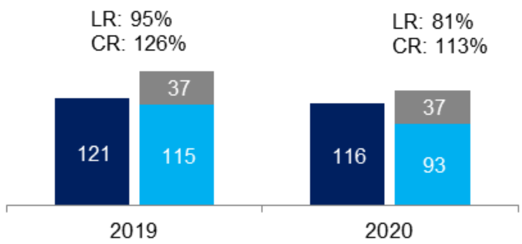
The Marine, Aviation and Transport portfolio contains Aviation and Marine hull, cargo, liability and products insurance. In comparison to 2019, the combined ratio is lower due to a reduction in the claims loss ratio. This is a consequence of benign claims experience and case reserve reductions in prior accident years.

Income Protection

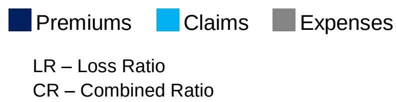


Income protection is a small book which has a higher loss ratio in 2020 in comparison to 2019. This increase is primarily due to higher claims experience as a result of COVID-19.

Motor Vehicle Liability



For the Motor Vehicle Liability portfolio, the overall loss ratio has reduced in comparison to 2019. The reduction reflects the benign claims experience for motor vehicle liability due to the national COVID-19 lockdown.



A.2 Underwriting Performance – American International Group UK Ltd

UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS

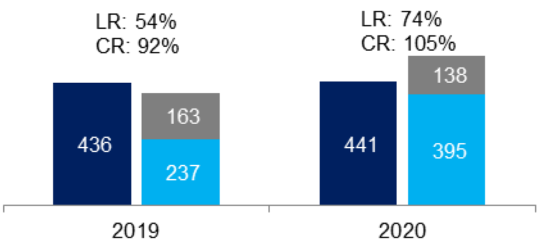
A.2.B AMERICAN INTERNATIONAL GROUP UK LIMITED

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

AIG UK saw continued strong premium momentum with rate increases across several lines mainly Casualty and Financial Lines but also Specialty and Property. 2020 includes £149m of Prior Year Development (PYD) and £52m of COVID-19 losses, explaining the higher LR and COR than 2019. Excluding PYD and Cat COVID-19 losses, the accident year loss ratio is below prior year with all lines except Property favourable vs prior year.

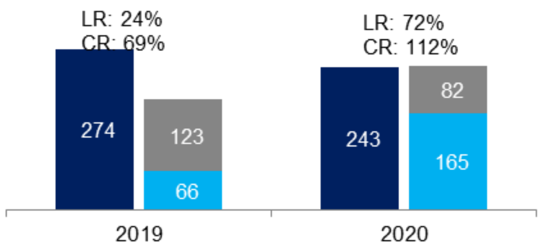
The diagrams below provide key performance indicators (Net Premium Earned, Claims Incurred and Expenses) for major Solvency II lines of business as per AIG UK QRT S.05.01. The Loss and Combined Ratios are on a net basis.

General Liability



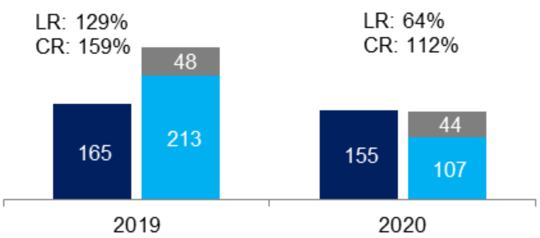
The General Liability portfolio is the largest portfolio in respect of claims reserves and premium volumes. It contains the long tailed Casualty and Financial lines of business. In comparison to 2019, the combined ratio has deteriorated in 2020 due to an increase in the claims loss ratio. This is driven by prior year claims development in the Directors & Officers and Professional Indemnity lines of business. In addition, there is also an unfavourable premium mix impact of writing less Cyber and Mergers & Acquisition business than was budgeted.

Fire and Other Damage to Property



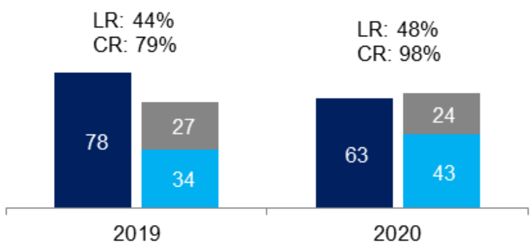
The Fire portfolio consists primarily of property damage and energy lines of business. It is a short-tailed book where the losses are reported and settled quickly. In comparison to 2019, the combined ratio is higher due to the claims loss ratio increasing. This is a result of higher claims in 2020 due to COVID-19, unfavourable attritional experience arising from local authority claims and Storm related losses.

Marine, Aviation and Transport



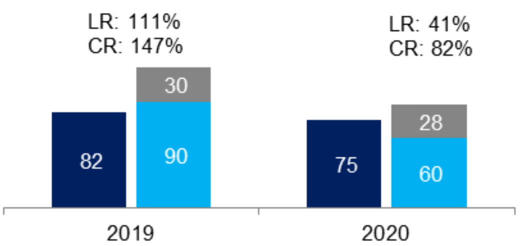
The Marine, Aviation and Transport portfolio contains Aviation and Marine hull, cargo, liability and products insurance. In comparison to 2019, the combined ratio is lower due to a reduction in the claims loss ratio. This is a consequence of benign claims experience and case reserve reductions in prior accident years.

Income Protection



Deterioration in loss ratio largely driven by COVID-19 reserves and higher claims activity in 2020.

Motor Vehicle Liability



For the Motor Vehicle Liability portfolio, the overall loss ratio has reduced in comparison to 2019. The reduction reflects the benign claims experience for motor vehicle liability due to the national COVID-19 lockdown.

Premiums Claims Expenses

LR – Loss Ratio
CR – Combined Ratio

A.3 Investment Performance

A.3.A AHEL INVESTMENT RETURN

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

AHEL's investment performance by asset class for 2019 and 2020 are shown in the table below:

Asset Classes £'m	Gross Investment Income		Realised Gains and Losses		Unrealised Gains and Losses (recognised in Equity)		Total Investment Return	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Corporate Bonds	92.9	128.8	5.4	2.3	-25.2	50.0	73.1	181.1
Government Bonds	33.8	44.3	7.5	1.4	-25.1	13.0	16.2	58.6
Securitised Assets	1.2	0.0	-0.3	0.0	-0.4	0.1	0.5	0.1
Mutual Funds	0.1	0.0	-	-8.1	18.5	9.9	18.6	1.8
Equity Instruments	0.0	34.9	0.0	0.0	5.1	-1.9	5.1	32.9
Loan Participations	6.1	12.1	0.6	0.4	-4.7	-0.5	2.0	12.0
Short Term Deposits	1.1	3.4	0.0	0.0	0.0	0.0	1.1	3.4
Total	**135.2**	**223.4**	**13.2**	**-4.0**	**-31.8**	**70.6**	**116.6**	**289.9**

Source: AIG UK, AIG Life, AIG Israel QRT S.09.01.01

£116.6m of total investment returns are made up of:

- £135.2m investment income mostly representing the coupons and interests received or accrued over the year from corporate and government bonds.
- £31.8m unrealised losses mainly driven by the pull to par of the fixed income assets and partially offset by a global drop in credit spreads and interest rates.
- Net £13.2m realised gains from fixed income asset gains driven by falls in interest rates and credit spread at the time of disposal.

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

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

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

Asset Classes £'m	Gross Investment Income		Realised Gains and Losses		Unrealised Gains and Losses (recognised in Equity)		Total Investment Return	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Corporate Bonds	78.9	118.2	6.3	4.9	11.1	30.1	96.3	153.2
Government Bonds	31.4	38.6	4.1	0.6	-7.8	1.6	27.7	40.8
Securitised Assets	1.2	0.0	-0.3	0.0	-0.4	0.1	0.5	0.1
Real estate Funds	0.0	0.0	0.0	-2.5	5.5	17.3	5.5	14.8
Equity Instruments	0.0	0.0	0.0	0.0	5.1	-1.9	5.1	-2.0
Loan Participations	6.0	12.1	0.6	0.4	-4.7	-0.5	1.9	12.0
Short Term Deposits	1.1	3.4	0.0	0.0	0.0	0.0	1.1	3.4
Total	**118.6**	**172.3**	**10.7**	**3.4**	**8.8**	**46.7**	**138.0**	**222.4**

UNREALISED GAINS AND LOSSES RECOGNISED IN EQUITY

Net unrealised gains recognised in equity in the statutory financial statements in 2020 amount to £8.8m (2019: £46.7m).

INVESTMENTS IN SECURITISATION

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

Investments in Securities, £m	2020	2019
RMBS	**0.0**	**0.0**
CMBS	**32.6**	**35.3**
Total	**32.6**	**35.3**

A.4 Performance from Other Activities

A.4.A AIG HOLDINGS EUROPE LIMITED

No other activities are material to AHEL.

A.4.B AMERICAN INTERNATIONAL GROUP UK LIMITED

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

OTHER MATERIAL INCOME AND EXPENSES

Other material income and expenses, £m	2020	2019
Net foreign exchange gain	0.2	24.7
Administrative expenses	105.6	159.2

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

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

A.5 Any Other Material Information

A.5.A AIG HOLDINGS EUROPE LIMITED

As at 30 November 2020, there is no other material information regarding Business and Performance of the Company.

A.5.B AMERICAN INTERNATIONAL GROUP UK LIMITED

As at 30 November 2020, there is no other material information regarding Business and Performance of the Company.

Solvency & Financial Condition Report 2020

B. System of Governance

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

KEY ELEMENTS OF THE SECTION ARE:

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

B.1 General Information on the System of Governance

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

B.1.A. MANAGEMENT AND GOVERNANCE STRUCTURE

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

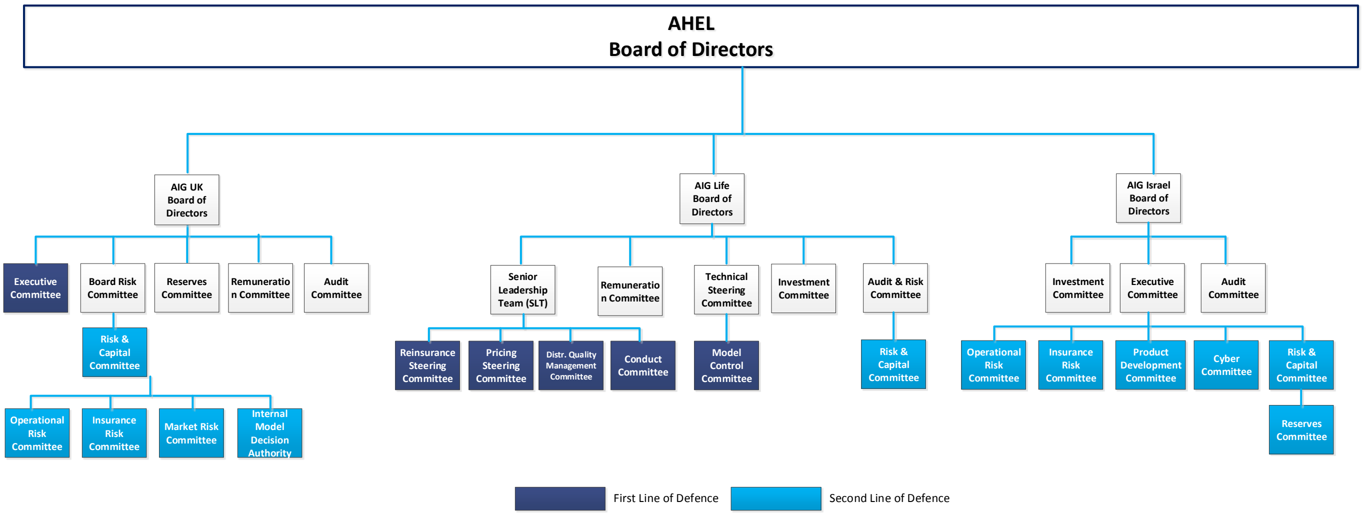
Included in the governance framework is the risk management framework which supports AHEL and its subsidiaries' risk culture. The risk framework covers the Company's subsidiaries' businesses, operations functions and risk areas and establishes risk committees, risk reporting and risk controls. The risk governance structure works to provide an oversight and decision-making framework that operates to identify, assess, monitor and manage material risks, utilising outputs from the Economic Capital Model (ECM), where appropriate.

The governance structure in AHEL and its subsidiaries has three levels of committees:

1) Subsidiary Board committees
2) Subsidiary Executive Risk and other executive committees; and
3) Ad hoc working groups.

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

AHEL STRUCTURE



AHEL BOARD

The AHEL Board operates to provide oversight of the management of the Company's subsidiaries. The Board ensures it has visibility across its key subsidiaries to enable it to identify risks which are not apparent when looking at the solo entities. The Board is responsible for maintaining the Group SCR and adhering to Solvency II.

The Board meets at least four times a year and is composed of a mix of AIG UK Executive Directors, an Independent Non-Executive Director and an AIG Life Executive Director. The composition of the Board has a balance of skills, experience, challenge and debate and operates so that no individual or small group of individuals can dominate its decision taking.

Allocation of responsibilities

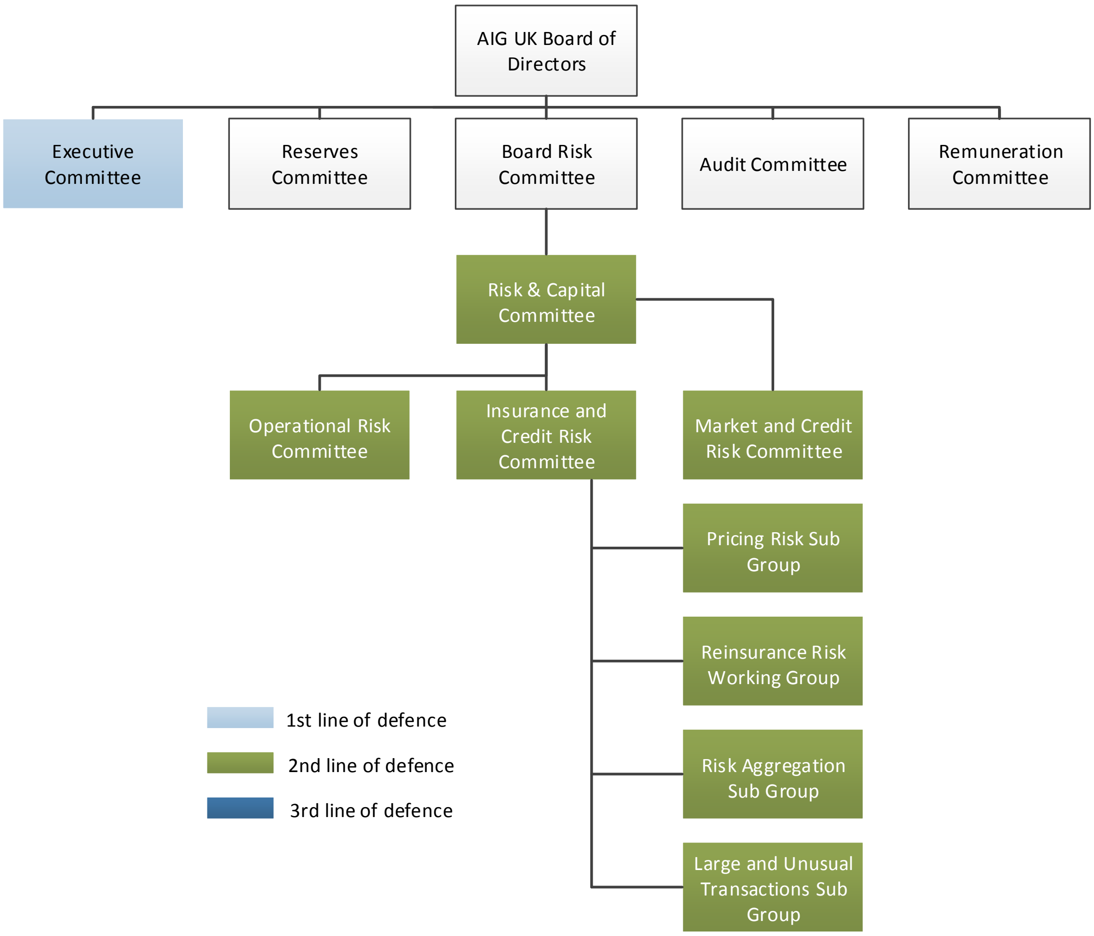
The Board fulfils its duties through reporting as required by its Terms of Reference managed through a standing items schedule. The Board delegates the management and governance of its subsidiaries to the Boards of AIG UK, AIG Life, AIG Israel. This system of governance model avoids duplicative and disproportionate reviews at the AHEL Board level and is both adequate and appropriate for the overall structure. The underlying insurance subsidiaries have appropriate and adequate governance structures in place including various risk sub committees established in compliance with local laws and regulation.

AIG UK, AIG Life and AIG Israel are regulated and have properly constituted unitary boards, appropriately structured committees and executive management teams. They also have specific personnel dedicated to the 'control functions', i.e. Compliance, Risk, Audit and Actuarial.

The core documentation, which supports the allocation of responsibilities, is as follows:

1) 'Management Responsibility Maps' for the UK regulated subsidiaries
2) Senior Manager and Certification Regime (SMCR) documentation including Fit and Proper Policy for the UK regulated subsidiaries
3) Structure charts; and
4) Documented roles and responsibilities for the UK subsidiary Boards and their controlled functions

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



Overview of Management and Governance Structure in AIG UK

Authority in AIG UK flows from the Board, which in turn delegates the authority to sub-committees as set out in their respective terms of reference. The role of the Board Risk Committee (BRC) is to challenge, oversee and monitor the management of risks in AIG UK to ensure they are being managed within the Board-approved risk appetite.

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

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

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

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

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

Overview of Management and Governance Structure in AIG Life

The role of the AIG Life Board is to exercise effective control and oversight over its business in accordance with legislative and regulatory requirements. The purpose of the Senior Leadership Committee (SLC) is to develop the AIG Life strategy through the annual business and capital plans. Following Board approval, the SLC works to implement the strategy and the annual business plan ensuring the Company’s direction and performance is aligned to AIG Life’s business objectives and those of the Group.

The Senior Leadership Team (SLT) is composed of the CEO and senior management and reports to AIG Life Board through the CEO. The Investment Committee is responsible for overseeing the performance of the assets held by AIG Life, identifying, developing and recommending appropriate investment strategies to the AIG Life Board based on the needs of the business.

The RCC oversees the risk management processes, ensuring that all risks are formally evaluated and categorised, that plans for the management of such risks are effective, and that the AIG Life Board Audit and Risk Committee (BARC) are informed of the results of this analysis and monitoring work. The RCC reviews and approves the suite of AIG Life Risk Policies with a small number of core risk management policies requiring subsequent Board approval. The RCC has oversight of model development and changes, data quality and governance and the overall risk and control environment. Solvency capital reporting and adherence to risk appetite is provided to the RCC for review prior to submission to the BARC and Board. The BARC also has responsibility for reviewing the AIG Life ORSA prior to submission to the Board for approval, on an annual basis or more often if appropriate. The BARC reports directly to the Board escalating issues as required for its attention or action. In addition, documents such as the annual accounts must be reviewed by the BARC prior to being put before the Board.

Overview of Management and Governance Structure in AIG Israel

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

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

ERM provides insight and risk reports to these committees and specifically to the Investment Committee, as required by regulation and the Investment Committee’s Terms of Reference.

In addition to the Board committees, there are five management committees as detailed below:

- Risk & Capital Committee (RCC) convenes at least quarterly, chaired by the General Manager. The Committee's Terms of Reference (TOR) is to make recommendations to the Board as to the Company's overall risk management framework, including risk appetite; Solvency II; reinsurance exposure policy; and other capital management issues.
- Insurance Risk Committee (IRC) convenes at least quarterly, chaired by the CRO. The Committee is responsible for assessing, managing, monitoring and reporting on the insurance risk of the company, ensuring the company operates within its insurance risk appetite, reviewing reinsurance changes, approving price changes, and reviewing key underlying assumptions used in the pricing models.
- Product Development Committee (PDC) convenes at least 6 times a year and is chaired by the Life and A&H Consumer Product Manager. The Committee is responsible for establishing and maintaining a framework that assures all products are developed and approved using a disciplined and consistent process before they are offered and that takes into account: (1) customer needs; (2) legal and regulatory requirements; (3) AIG policies; and (4) internal business strategies.
- Operational Risk Committee (ORC) convenes quarterly, chaired by the CRO, and includes representatives from different business units. The ORC monitors current and emerging operational risks, mitigating actions and related decisions. The Committee's TOR is to overview the operational risk framework; to promote the operational risk agenda and initiatives; to oversee, monitor, and discuss recommendations to mitigate operational risks; and to implement a procedure for risk events analysis.
- Reserves Committee (RC) convenes at least annually, chaired by the GM. The Committee's TOR is to ensure that the Company maintains reasonable and adequate technical reserves, to challenge the reserves (including Unearned Premium Reserves, Incurred But Not Enough Reported (IBNER), Incurred But Not Reported (IBNR), Unallocated Loss Adjustment Expenses (ULAE) and ad-hoc reserves) within the range of actuarial reasonable best estimates and stat reserves provided, in line with the Company’s reserving policy.
- Cyber Committee (CC) was set up in 2018 and is chaired by the Chief Information Officer. Its membership includes the Information Security officer and the CRO. The Committee is responsible for managing, monitoring and reporting on all the Company's cyber aspects,

reviewing the cyber working plan, discussing the risk assessment results and remediation plan. The Committee reports to the Board of Directors at least annually on its activities, conclusions and recommendations.

THE “THREE LINES OF DEFENCE” MODEL

The AHEL risk management framework as embedded in its subsidiaries is based on the “Three Lines of Defence” model. This structure allows for each subsidiaries functions and individuals to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture.

Overview of Management and Governance - AIG UK Board of Directors

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

B.1.A.A FIRST LINE OF DEFENCE

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

The Executive Committee

The Executive Committee (ExCo) has responsibility for developing and implementing strategy and business plans for and managing operational issues relating to the UK. It is responsible to the Board for the day-to-day management and oversight of the UK operations. It develops strategy through business and capital plans and proposes these for approval by the Board. Once approved ExCo is responsible for implementing these. ExCo forms part of the first line of defence. The ExCo is composed of the CEO and a mix of senior executives and controlled functions.

The ExCo receives reports from the business, operational and controlled functions to enable it to monitor progress against the strategy and business plan. It also maintains an oversight of transformation projects and other strategic initiatives. The ExCo reports into the Board via the CEO and achieves coordination with wider AIG Inc. Group strategy via the reporting lines of its individual members.

B.1.A.B SECOND LINE OF DEFENCE

The oversight functions are responsible for defining the risk framework and for monitoring the effectiveness of risk controls and for reporting their weaknesses or failures to the relevant risk committees. In this context, these functions are the “Second Line of Defence” against failure.

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

Board Risk Committee

The role of the BRC is to challenge, oversee and monitor the management of risks within AIG UK to ensure they are being managed within the risk governance requirements and risk appetite approved by the Board. The BRC is part of the second line of defence. The BRC is composed of at least three Independent Non-Executive Directors, the CEO, the CRO and the General Counsel. Its standing attendees include the Head of Internal Audit. The BRC reviews the Risk Review of the Annual Business Plan to ensure that risks to the business plan and the capital implications are adequately identified and assessed as part of the business planning process and that appropriate mitigating actions are in place. The BRC chair reports to the Board on key discussions and actions of the BRC.

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

Reserves Committee

The role of the Reserves Committee is to ensure that AIG UK maintains reasonable and adequate technical reserves and to oversee and manage all forms of reserving risk assumed or accepted by AIG UK. The Reserves Committee is part of the second line of defence. The Reserves Committee is composed of at least three of the Independent Non-Executive Directors, the CEO, the CRO, the CFO, the Chief Actuary, the Head of Claims and representatives from the Product lines. Standing attendees include the Head of Internal Audit. The Reserves Committee chair reports to the Board via a summary report that highlights material issues which the Committee considers should be escalated for the Board’s attention or action.

Risk and Capital Committee

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

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

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

The responsibilities of each group are as follows:

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

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

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

Finally, oversight responsibility over profit centres' adherence to product development controls and processes is delegated by ExCo to the Product Development Forum thus helping to ensure any conduct risk associated with the development and launch of products is appropriately managed. ERM is represented in these fora.

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

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

B.1.A.C THIRD LINE OF DEFENCE

Internal Audit Function

The Internal Audit function delivers the "Third Line of Defence" by providing independent and objective assurance designed to support AIG UK in achieving its defined objectives, as well as supporting the Board, through the Audit Committee, in discharging their governance responsibilities and providing assurance on the appropriateness and effectiveness of internal controls. Refer to 'B.1.A.D' of this report for details of key functions, roles and responsibilities.

Audit Committee

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

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

The role of the Audit Committee includes:

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

B.1.A.D Key functions, roles and responsibilities for AHEL's subsidiaries

Persons who effectively run AHEL or have other key functions are required to meet the fit and proper requirements. The system of governance in the insurance subsidiaries each has a finance function, a risk management function, a compliance function, an actuarial function and an internal audit function. The roles and responsibilities for each of these functions and their key function holders are set out in turn below:

1) Finance Function – AIG UK – Chief Financial Officer (CFO)

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

The Finance function has the following key responsibilities:

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

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

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

- Pertain to data inputs are complete, accurate and of appropriate quality to use in the SCR calculation;
- Provide reasonable assurance that Solvency II reporting tools are producing expected results; and

- Provide reasonable assurance regarding prevention or timely detection of errors & omissions that could have a material effect on the Solvency II reporting.

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

2) Risk Function – AIG UK – Chief Risk Officer (CRO)
The AIG UK's ERM function oversees the delivery of the risk management framework. The function is led by the CRO who is a member of the AIG UK ExCo. The ERM function implements AIG UK's Risk Management Framework through a suite of "Risk Processes". The results and findings from these processes are reviewed, challenged and escalated through the Company's risk governance framework.

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

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

The AIG UK ERM function supports the UK's risk operations. A matrix reporting structure ensures a common approach to risk management throughout the Company and ensures that all relevant risks are identified, measured, managed, monitored and reported. ERM continues to work closely with management to improve the risk profile of the business.

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

3) Compliance Function – AIG UK – Chief Compliance Officer
AIG UK Compliance is organised in accordance with the AIG Global Compliance Group (GCG) Structure, which ensures a common approach to compliance activities across AIG and provides a framework for Compliance risks to be identified, measured, managed, monitored, and reported. Compliance works closely with the business to ensure that good customer outcomes and the right market behaviours are demonstrated. The UK Compliance function is led by the UK Chief Compliance Officer, who is supported by the UK Compliance team. Subject Matter Expert teams for Privacy, Financial Crimes, and Monitoring & Testing provide input and Compliance Operations support where required. The Compliance function has the following responsibilities:

Compliance Policies and Procedures: AIG's compliance policy issuance is governed by the AIG Global Policy Management Policy overseen by the AIG Inc. Policy Governance Unit. The Policy defines a framework that is designed to provide consistency across the AIG Inc. Group in the development, implementation, and maintenance of policies, which are documents that communicate the principles, rules and expectations of AIG Inc. UK Compliance, by input to GCG, reviews its policies, and any related procedures, periodically to determine whether updating is necessary to reflect changes in law or regulations. Compliance policies are maintained on the Compliance page of the AIG intranet as well as the AIG Inc. Policy Portal.

Subject Matter Expertise: GCG has subject matter expertise with regard to Key Compliance Risks, which are evaluated as part of the annual Compliance risk assessment process, as well as via other means during the year. Although day-to-day management of these risks resides within the Business Units, in order to assist businesses with the management of locally-required compliance risk issues, the Compliance teams, including the FCG and Privacy group, provide advisory guidance for these matters.

Advisory Services: AIG UK Compliance provides guidance and advice on various compliance risk-related matters in order to assist Business Units and Corporate Functions as they assess opportunities, as well as address challenges, related to governance, performance and growth to facilitate strategies for execution.

Compliance Risk Assessments: AIG UK Compliance participates in an annual global compliance risk assessment ("CRA") program to facilitate the identification, assessment, and measurement of Key Compliance Risks. As part of this overall programme, the AIG UK Compliance teams evaluate the inherent risk ratings, applicable key controls, and residual risk ratings for Key Compliance Risks. The CRA includes the evaluation of key laws and regulations; policies, procedures, and processes; training; compliance-related external and internal risk events; and testing results, as well as relevant Audit and Regulatory reports related to Key Compliance Risks.

Compliance Testing: GCG maintains a function-wide testing program designed to verify that business operations comply with certain AIG Inc. and Business Unit policies and standards, as well as key laws and regulations. The testing program covers Key Compliance Risks that have been agreed upon with Operational Risk Management. The programme is managed by the Testing group who are responsible for the execution of the approved Test plan.

Compliance Data Analytics & Monitoring: A function-wide Data Analytics & Monitoring program has been designed to provide ongoing surveillance, review and analysis of key risk indicators to identify red flags and potential compliance violations. It will assist management through data driven risk insights, analytics and automation, in determining where it might need to focus efforts in order to enhance process and control effectiveness, and/or address emerging risks. In addition to this, AIG UK Compliance is responsible for a local Monitoring Plan that is designed to enable management to determine where it might need to focus resources in order to improve processes, develop remediation plans to address control deficiencies, address emerging risks and implement key initiatives in order to meet business objectives.

Compliance Training: Corporate Compliance is responsible for developing and implementing an annual global compliance training program addressing enterprise-wide Key Compliance Risks. The training program is designed to enhance employee knowledge and understanding of compliance policies and procedures, laws, regulations and standards of good business conduct. AIG UK Compliance is responsible for developing a local training program tailored to Key Compliance Risks specific to the AIG UK Business Units.

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

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

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

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

- Delivering a comprehensive, dynamic and globally-aligned audit programme;
- Evaluating the control framework with respect to the reliability, integrity and timeliness of financial information and statements, and key non-financial data;
- Evaluating the processes and controls established to ensure compliance with corporate ethical standards, policies, plans, procedures, and applicable laws and regulations;
- Monitoring and evaluating the effectiveness of the governance, internal control and risk management processes;
- Reporting periodically on Internal Audit's purpose, authority, responsibility and performance relative to its plan and organisational objectives;
- Coordinating with risk management and other control functions to facilitate the implementation of an effective and efficient system of internal control; and
- Supporting the assurance needs of the Board and the Audit Committee by developing tailored planning, reporting and advice to meet local corporate governance and regulatory requirements.

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

- The Head of Internal Audit reports directly to the Audit Committee, with no reporting line to local management. Internal Audit is a global function, where the global Chief Audit Executive has a direct reporting line to the AIG Inc. Audit Committee, and an administrative reporting line to the CEO; this establishes Internal Audit's position within the organisation and permits the Internal Audit Group to continue to render impartial and unbiased judgments.
- The Head of Internal Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel.

- The Head of Internal Audit is also authorised to designate members of the audit staff to have such full and complete access in discharging their responsibilities.
- The Head of Internal Audit will confirm the organisational independence of Internal Audit to the Audit Committee annually, as well as disclose to the Committee any interference and related implications.
- Internal Audit personnel may not have operational responsibility or authority over any of AIG UK's business activity or personnel outside of Internal Audit, and may not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.
- The Audit Committee is responsible for recommending the approval of the appointment or termination of the Head of Internal Audit.

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

There were no material changes during 2020 in AHEL's System of Governance.

B.1.C REMUNERATION COMMITTEE

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

Principles of the AIG Group's remuneration policy

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

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

Performance criteria

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

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

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

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

Human Resources

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

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

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

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

The HR team also plays a key role in ensuring that AIG UK remains compliant with relevant employment legislation and is largely managed by the enforcement of core policies including the Code of Conduct, Disciplinary and Grievance Procedures and the Equal Opportunities Policy.

Additionally, HR is responsible for ensuring that employees are paid appropriately within the local tax laws. They ensure that the relevant payments are made to the government authorities on time and also make appropriate contributions to pension funds.

Compensation

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

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

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

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

B.1.D MATERIAL TRANSACTIONS DURING THE PERIOD

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

B.2 FIT AND PROPER

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

Assessment of fit and proper of the UK regulated subsidiaries
Persons who are identified as Senior Management functions under the SMCR operating in the UK are usually the senior managers who are effectively running the UK regulated subsidiaries being AIG UK and AIG Life, or are key function holders. Senior Manager and Certification functions are required to meet the fit and proper requirements. AIG UK and AIG Life have established fit and proper policies and processes that comply with the SMCR Regime. The process requires AIG UK and AIG Life to check whether those taking up designated roles are fit and proper and to test those designated as Certification Functions on an annual basis. These processes are documented in various SMCR manuals and fit and proper policies approved by their Boards.

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

B.3 RISK MANAGEMENT SYSTEM

AHEL GROUP

Risk Management Overview, Strategy and Objectives
The Risk Management Framework builds on the strength and depth of the risk management processes undertaken in each of the insurance subsidiaries, overseen by the respective subsidiary Boards.

At the AHEL level, the focus is on assessing the major risk themes and risk concentrations, which exist across the insurance subsidiaries. The Group therefore leverages output from the key risk management deliverables from each of these firms, including their ORSAs, risk monitoring of key concentrations and the results of stress testing to support the identification of shared risk areas or accumulations of risk which could impact the group as a whole.

Each component of the insurance subsidiaries' risk management frameworks are delivered by both first and second line of defence teams, the outputs of these activities are critical feeds into the Group ORSA.

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

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

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

AHEL GROUP INTERNAL MODEL

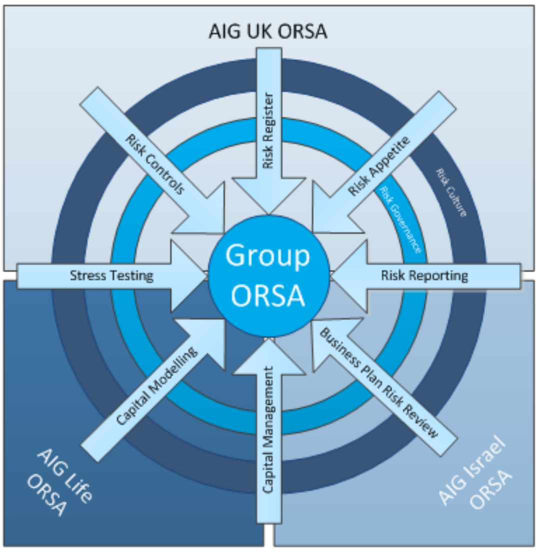
AHEL has developed an Economic Capital Model (ECM), which was approved in July 2017 by the PRA. The ECM captures all risks within AHEL excluding AIG Life and AIG Israel. The Standard Formula is used to calculate the capital requirement for AIG Life and AIG Israel. This means that, at a Group level, the ECM is a PIM which has to be integrated with the Standard Formula in order to calculate the Group SCR. Following the Directive and the Delegated Regulation providing several integration techniques, it was agreed to use Integration Technique 1 as defined in Annex XVIII of the Directive for AHEL.

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

- Capital requirement of the PIM primarily focused on AIG UK.
- Capital requirement of the Standard Formula primarily focused on AIG Life and AIG Israel combined.

There are no identified Solvency II categorised risks that are out of scope of the model. There are no intangible assets not included in the Economic Balance Sheet (EBS).

GROUP OWN RISK AND SOLVENCY ASSESSMENT



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

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

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

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

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

AMERICAN INTERNATIONAL GROUP LIMITED

Risk Management Overview, Strategy and Objectives

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

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

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

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

AIG UK will assume risks that:

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

AIG UK will avoid risks that:

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

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

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

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

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

Risk Culture

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

- Visible Leadership – senior management takes an active role in promoting the risk management framework. AIG UK defines a framework of risk committees, risk reporting and controls embedded throughout the business. The principal risk committees of the Board and management are designed to support AIG's efforts in embedding a strong risk culture through the integration of risk management with business activities.
- Communication – internal communication to all levels of management and staff to describe and inform (to an appropriate level of detail) the risk framework (strategy, governance), risk policies/procedures and the company risk profile. The risk governance framework strives to provide information on the impact of risk management operations and the current risk profile of AIG UK. Without effective communication of AIG UK's risk profile, key stakeholders within the business will not be able to make appropriate decisions required to manage the company as a risk-aware business.
- Involvement – appropriate contribution at all levels of management and staff to the processes of identifying, assessing, managing, monitoring and reporting risks. All of the Company's employees have a responsibility to manage risk.
- Compensation – alignment of incentives to risk management objectives and use of risk adjusted performance measures to evaluate performance.
- Professional Development – provision of information and appropriate levels of training to elevate individual competencies, and thereby organisational capabilities, in risk management across the AIG Group.

This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across AIG UK.

The current risk governance structure provides an oversight and decision-making framework within which material risks are continually identified, assessed, monitored and managed.

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

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

Risk Identification

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

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

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

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

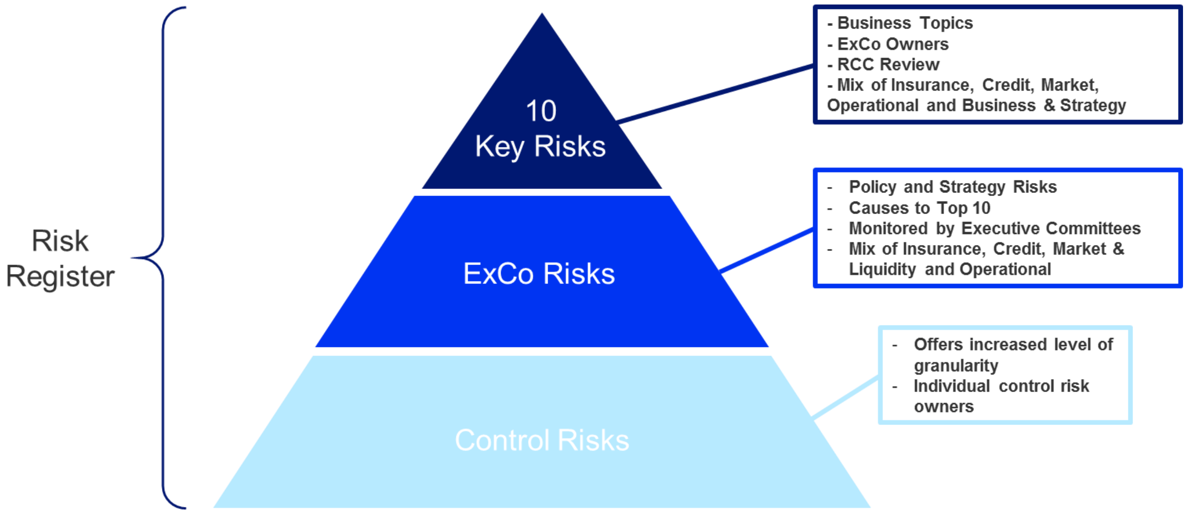
Risk Register

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

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

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

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



Tier 1: 10 Key Risks

The entity level Key Risks are designed to align to the five main risk categories of Insurance, Market, Operational, Credit and Business/Strategy Risk. This allows AIG UK to produce risk dashboards for the RCC, ExCo and BRC covering all of these key risks, as well as a more detailed report for each relevant Risk Committee.

Tier 2: The 'ExCo' Risks

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

Risk Management and Control

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

Risk reporting and risk indicators

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

Quarterly risk assessments

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

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

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

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

Risk Watch list

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

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

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

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

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

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

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

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

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

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

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

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

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

OWN RISK AND SOLVENCY ASSESSMENT
The Own Risk & Solvency Assessment (ORSA) is a set of processes undertaken to define, assess and manage the risk and solvency capital position. The ORSA Process draws together the results and analysis delivered through each of the above risk processes and provides a current and forward-looking assessment of the risk profile.

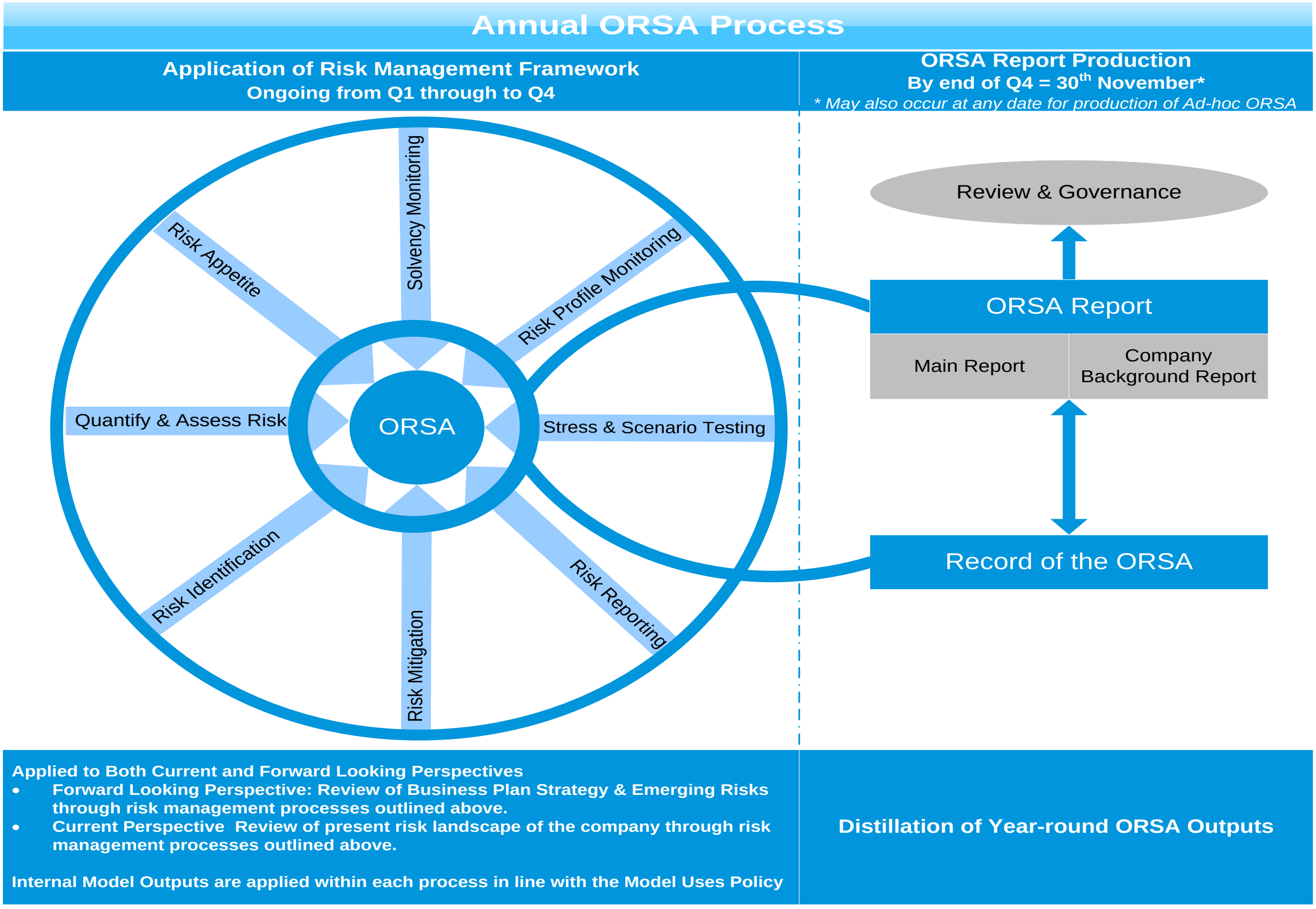
ORSA Governance
AIG UK applies a number of governance processes over the ORSA, in order to ensure that risk management processes and the risk and solvency position of the Company are appropriately defined, assessed and managed.

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

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

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

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



B.4 INTERNAL CONTROL SYSTEM

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

B.5 INTERNAL AUDIT FUNCTION

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

B.6 ACTUARIAL FUNCTION

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

B.7 OUTSOURCING ARRANGEMENTS

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

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

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

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

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

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

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

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

During the reporting period the following processes were outsourced to AIG shared services and will be transitioning to Accenture over the course of 2021 – 2022:

Outsourced Processes	Jurisdictions	Description
Accounts Payable and Finance Centre	India	Administration & fulfilment; Accounts payable, data entry, refunds and billing.
Claims Handling – Sofia Shared Service	Bulgaria	Claims handling and settlement.
Underwriting	India, Malaysia	Non-advised back offices Sales, Underwriting quotation and analytics.
Operations – Policy servicing, Multinational	Philippines	Administration & fulfilment; premium collection, data entry, refunds and billing.
HR Shared Services	Malaysia	Administration & Payroll

B.8 ANY OTHER MATERIAL INFORMATION

As at 30 November 2020, there is no other material information regarding the System of Governance of the Company.

Solvency & Financial Condition Report 2020

C. Risk Profile

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

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

- Risk Exposure;
- Measures Used to Assess the Risk;
- Risk Concentration;
- Risk Mitigation; and
- Risk Sensitivities.

RISK PROFILE

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

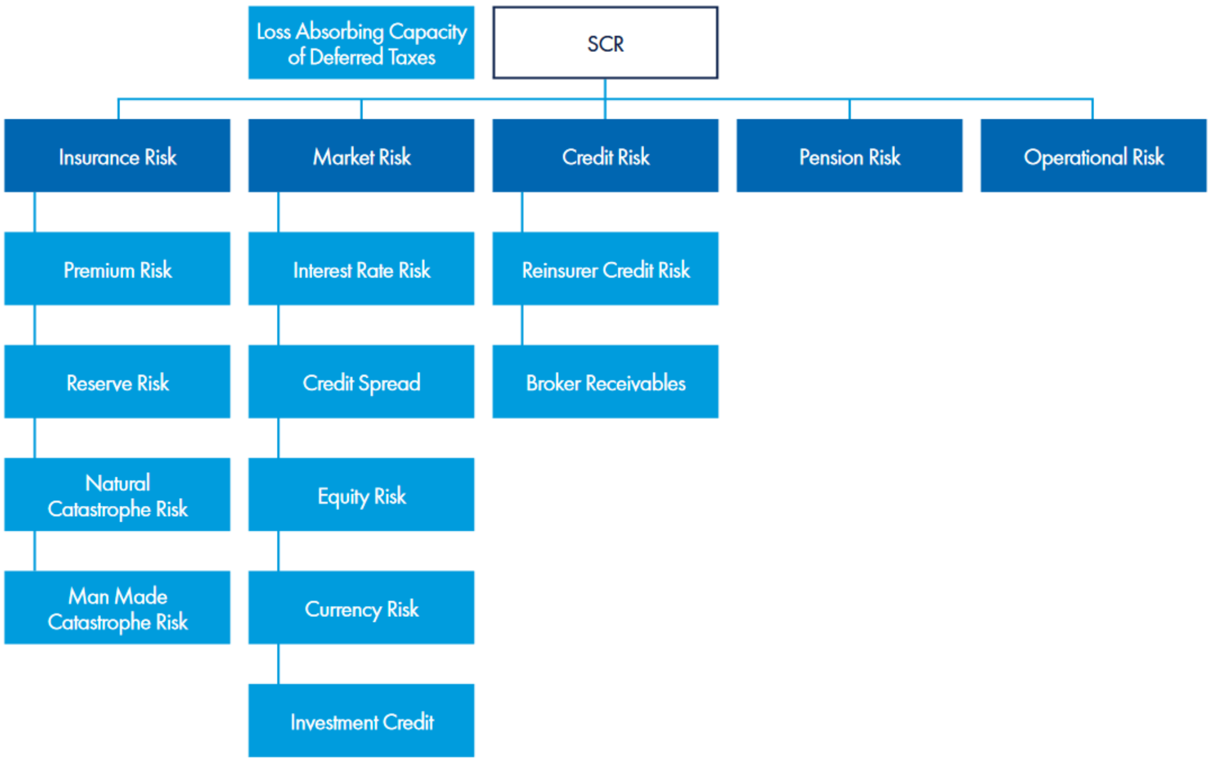
AHEL's capital requirement under Solvency II (which seeks to quantify and reflect its current risk profile) is calculated on a consolidated group basis through the PIM. AHEL currently has and is forecast to maintain a capital surplus above this binding capital constraint over the horizon of our business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

AHEL SCR (unaudited)	AHEL	AIG Life	AIG Israel	Standard Formula Consolidated**	Group SCR
£'m	Partial Internal Model * (inc AIG UK)				
	Latest approved model	Y/E 2020	Y/E 2020	Y/E 2020	Y/E 2020
Insurance risk	1,228.10	136.4	143.8	263.6	1,491.70
Market risk	251.4	26.2	48	105.7	357
Credit risk	131.3	38.2	12.3	46.6	178
Operational risk	193.8	19.9	9.4	27.8	221.6
Pension risk	51.2	0	0	0	51.2
Loss Absorbing capacity of deferred taxes	0	-1	-15.9	-16.5	-16.5
Diversification	-475.40	-63.8	-78.9	-158.5	-633.9
Planned UW Profit	0	0	0	0	0
Total SCR (unaudited)	1,380.40	155.9	118.7	268.7	1,649.10

* An accumulation of model changes triggered the need for a Major Model Change Application to the PRA. In preparation for this application the model underwent independent validation. This application was submitted on 30 April 2020 and was approved by the PRA on 23 December 2020. As the approval date of the Major Model Change was post 30 November 2020, AHEL and AIG UK are still bound to report against the reporting view of the SCR prior to the model change application and as such, the reported SCR does not reflect the model changes post year-end.

** Both the AIG Life and AIG Israel Standard Formula calculations are performed at 2020-Q3 for the AHEL Y/E 2020 capital calculation as both have 31st December 2020 year end reporting dates.

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



Risk Profile, Measurement and Assessment

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

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

The Risk Profile is a point in time measurement of the risks that AHEL is exposed to. The risk assessment draws on available Management Information (MI) and Key Risk Indicators (KRIs) to provide context to judgements and strategic decisions, which are split between a current and forward looking perspective on each of its major risks.

KRI results, particularly those that breach an agreed trigger level, are discussed within the appropriate risk committee within the risk management governance structure to identify the root cause and to approve remedial actions for the relevant risk owners to execute.

Where key risk hotspots are identified, being either those that have crystallised or may potentially emerge, the assessments will quantify their potential or actual impact and propose remediation actions for specific Risk Owners and management to take note of and, if agreed, execute.

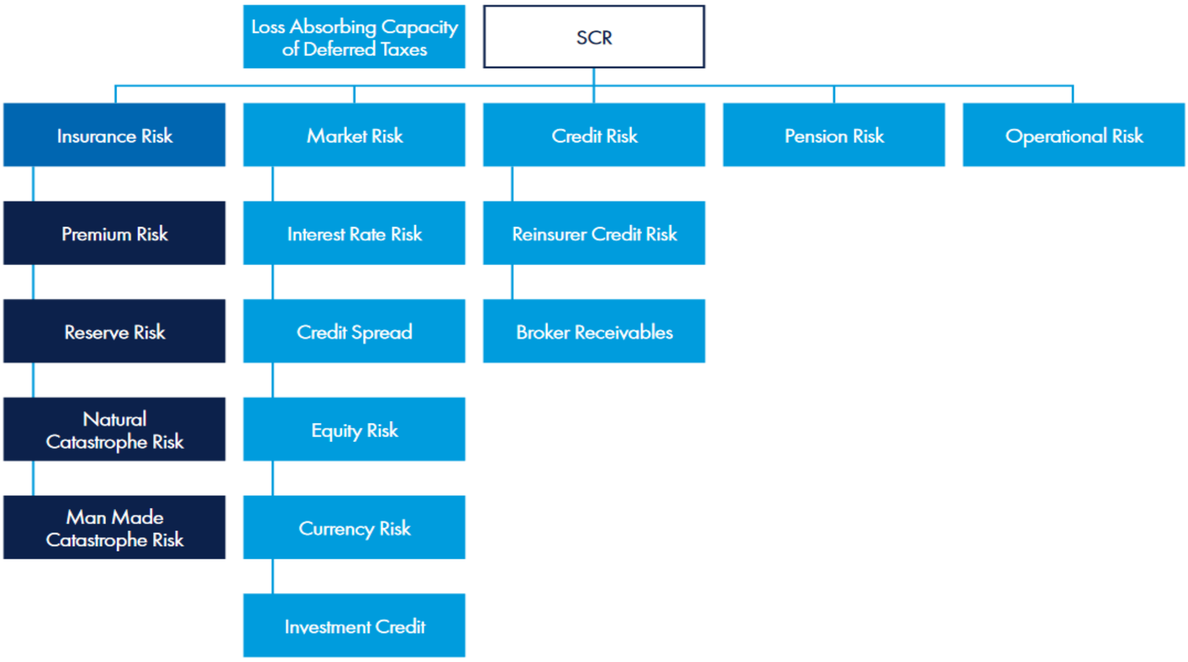
AHEL has identified a number of risks that may potentially impact on the successful execution of its business plan and ability to generate sustainable profits during 2020 and beyond.

Top Ten risks on the Company's Risk Watch List

Risk Area		Description
Insurance Risk	1	Failure of Pricing, Product or Strategy
	2	Aggregation / Accumulation Risk – Natural Catastrophe
	3	Aggregation / Accumulation Risk – Man Made Catastrophe
	4	Adverse Reserve Development
Market Risk	5	Unexpected Loss in Market Value
	6	Liquidity Risk
Credit Risk	7	Unexpected Credit Loss – Reinsurer Failure
	8	Unexpected Credit Loss – Other Counterparties
Operational Risk	9	Operational Risk - Loss due to insufficient capability of staff resources (include Health and Wellbeing - failure to provide safe environment to employees)
Business and Strategy Risk	10	Business and Strategy Risk - implementation of business plans and strategies

C.1 Insurance Risk (Underwriting Risk)

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



INSURANCE RISK EXPOSURES

Premium Risk

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

Reserve Risk

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

Natural Catastrophe Risk

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

Man-Made Catastrophe Risk

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

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

MEASURES USED TO ASSESS INSURANCE RISK

Premium Risk (Non Cat)

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

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

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

Premium Risk (Natural Catastrophes)

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

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

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

Premium Risk (Man-Made Catastrophes)

Scenarios are developed for each threat based on three return periods which are usually a 1 in 40, 1 in 100 and 1 in 250 year return period.

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

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

Reserve Risk

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

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

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

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

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

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

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

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

There are no material changes to the measures used to assess Premium Risk, Reserve Risk, Natural Catastrophe Risk and Man-Made Catastrophe Risk during the year 2020.

INSURANCE RISK CONCENTRATION

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

The largest concentrations of risk related to potential natural catastrophe losses with the highest risks monitored through KRI's on a net 1 in 200 Occurrence Exceedance Probability (OEP) basis. The top three are: a large flood event in the UK; a European windstorm event and a North American earthquake event.

INSURANCE RISK MITIGATION TECHNIQUES

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

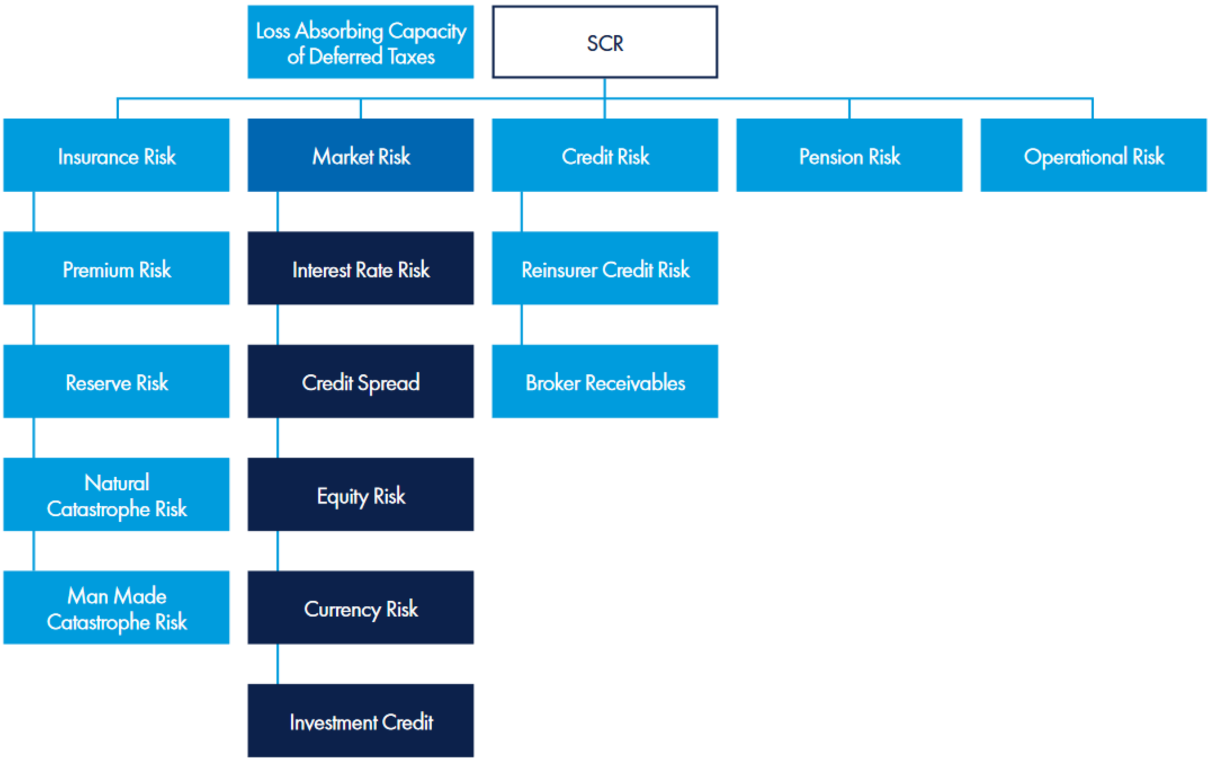
Type of risk / Risk Title	Risk mitigation techniques
Premium Risk - Failure of pricing	
Pricing guidelines	The Company seeks to manage pricing risk through the setting and review of pricing guidelines relevant to each business line and the application of a strict hierarchy of underwriting authorities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

PROCESS FOR MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES

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

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

C.2 MARKET RISK



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

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

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

MARKET RISK EXPOSURE

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

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

MEASURES USED TO ASSESS MARKET RISK

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

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

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

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

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

Market Risk Components	Key Risk Indicators (KRIs) / Early Warning Indicators (EWI)
Spread risk	EWI based on spread indexes. A rise of more than 40bps for an index of single A rated bonds over a quarter will trigger discussion about a change in SAA.
Currency risk	FX exposure is monitored on a quarterly basis and the MRC is informed of the exposure when thresholds (2% and 5% of capital) measured with a 1 year VaR (Value at Risk) are breached.
Interest rate risk	Three key metrics to monitor are: 1. 5Y swap rate movements - An intra-year move of over 75 basis points should trigger discussions about change in SAA at the MRC. 2. 1Y and 5Y Swaptions implied volatility to assess market sentiment in interest rates. 3. Overnight Index Swap (OIS) rate vs central bank base rates to assess market sentiment about base rate increase by the central bank.

There are no material changes to the measures used to assess market risk during the year 2020.

MARKET RISK CONCENTRATION

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

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

MARKET RISK CONCENTRATION – BY CREDIT RATING.

Bonds (government, corporate and securitised assets) comprise the largest portion of the Company's investment portfolio out of which 82% (Bonds only table) were either rated AAA, AA or A in 2020.

Total investments including cash and other asset holdings

Asset Ratings	Market Risk Concentration £m	Market Risk Concentration %
AAA	1,340	24%
AA	1,045	18%
A	1,624	29%
BBB	538	9%
BB	57	1%
B	118	2%
CCC	8	0%
Not Rated	940	17%
Total	**5,670**	**100%**

Source: QRT S.06.02.02
The not rated assets are mainly constituted of cash/term deposits, loans, Israeli bonds and a holding in an equity real estate fund

Bonds Only

Asset Ratings	Market Risk Concentration £m	Market Risk Concentration %
AAA	1,340	28%
AA	1,037	21%
A	1,609	33%
BBB	537	11%
BB	57	1%
B	47	1%
CCC	1	0%
Not Rated	232	5%
Total	**4,859**	**100%**

Source: QRT S.06.02.04

MARKET RISK CONCENTRATION – BY ISSUER

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

Issuer names	Market Risk Concentration £m	Market Risk Concentration %
United States Treasury	373	7%
UK Government	305	5%
Kreditanstalt fuer Wiederaufbau (German State Bank)	154	3%
European Investment Bank	121	2%
State of Israel	119	2%

Source: QRT S.06.02.04

Each of the issuers above is a national government and the European Investment Bank is part of the EU and therefore, the associated market risks are considered to be low.

MARKET RISK CONCENTRATION – BY CURRENCY

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

Currency	Market Risk Concentration £m	Market Risk Concentration %
USD	2,526	45%
GBP	2,487	44%
ILS	429	8%
Other	228	4%
Total	**5,670**	**100%**

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

MARKET RISK MITIGATION TECHNIQUES

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

The principal controls that support the management of Market Risk:

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

PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

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

Each of the Boards of the subsidiary companies either as a whole or through its committees oversees market risk and approves annually the Risk Appetite Framework which includes the risk appetite for market risk.

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

The AIG UK MRC, chaired by the AIG UK CFO, is a subcommittee of the RCC. The primary purpose of the MRC is to monitor and manage the Market Risk profile of AIG UK against the AIG UK Board approved Risk Appetite. The MRC regularly reviews the latest market risk developments and requests more precision when needed.

RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE

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

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

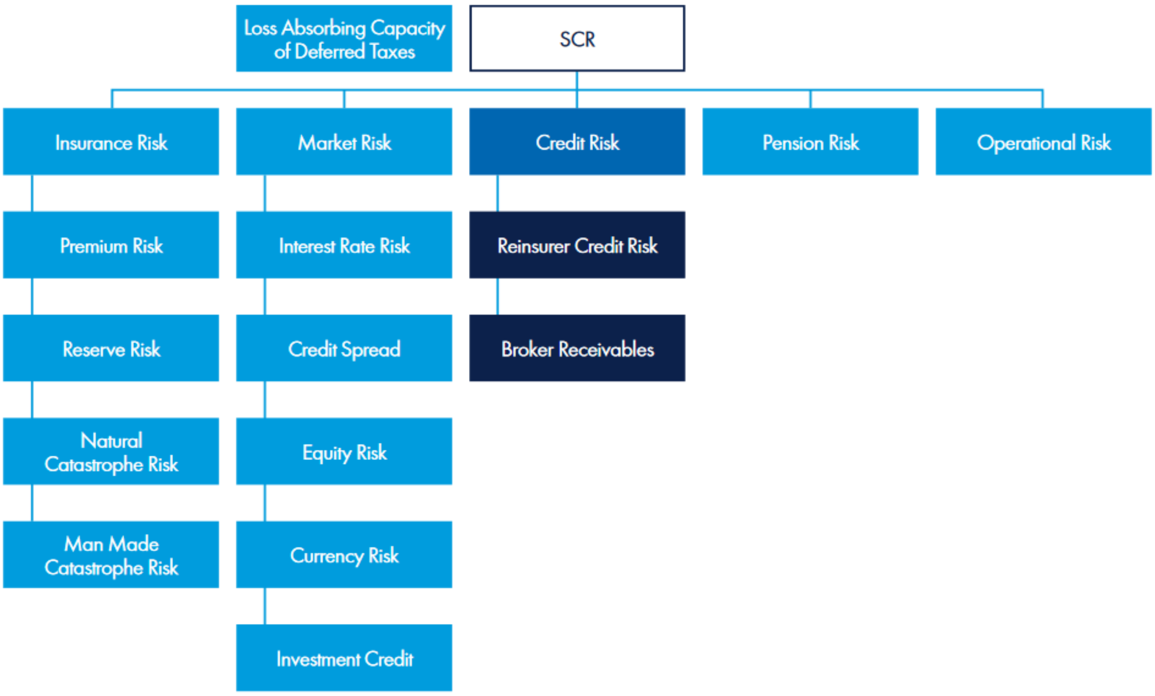
Asset categories that are included in the SAA are those that are suitable for the liabilities profile by nature, term and currency and for which AIG Asset Management (Europe) Limited (AAMEL) could assess, monitor and control risks. AIG UK does not invest in any asset categories that are not included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

Tactical deviations from the SAA to maximise investment returns are permitted but they are limited to changes in allocation of asset categories covered by the SAA only. AIG UK rebalances its portfolio on a quarterly basis so that the actual allocation of assets is not materially different from the SAA. The SAA implemented by IMA sets out the limits to avoid concentration of risks to a particular sector, issuer, currency, credit rating and country. AIG UK holds a well-diversified portfolio due to aforementioned limits and it uses derivatives and collaterals for risk management purposes only.

C.3 Credit Risk

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

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



CREDIT RISK EXPOSURE

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

MEASURES USED TO ASSESS CREDIT RISK

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

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

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

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

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

There are no material changes to the measures used to assess Credit Risk during the year 2020.

CREDIT RISK CONCENTRATION

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

AHEL's most material Credit Risk concentration relates to reinsurance arrangements. Details of the top five external reinsurer balances including those held with captive reinsurers are shown below with the largest reinsurance balance with Pacific Life Insurance Company.

Reinsurer Name	£m
Pacific Life Insurance Company	578
Linnyshaew Insurance Ltd	192
Scor SE	178
Swiss Reinsurance Company Ltd	144
ArcelorMittal Property and Casualty Reinsurance 2	113

Source: S.31.01 QRT

It should be noted that the combined exposure from reinsurers, which belong to American International Group, Inc., is £473m.

CREDIT RISK MITIGATION TECHNIQUES

AHEL has established an effective Credit Risk management framework that includes guidelines and processes to govern day-to-day credit risk-taking activities. The Chief Credit Officer (CCO) and credit executives are primarily responsible for implementing and maintaining a risk management framework consistent with the Credit Policy, and the Credit Procedures.

AHEL monitors and controls its subsidiary-wide Credit Risk concentrations and attempts to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimise the level of Credit Risk in some circumstances, AHEL may require third-party guarantees, reinsurance or collateral, such as letters of credit and trust collateral accounts. AHEL treats these as credit exposures and includes them in its risk concentration exposure data. AHEL also identifies its aggregate credit exposures to its underlying counterparty risks.

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

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

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

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

PROCESS FOR MONITORING THE EFFECTIVENESS OF CREDIT RISK MITIGATION TECHNIQUES

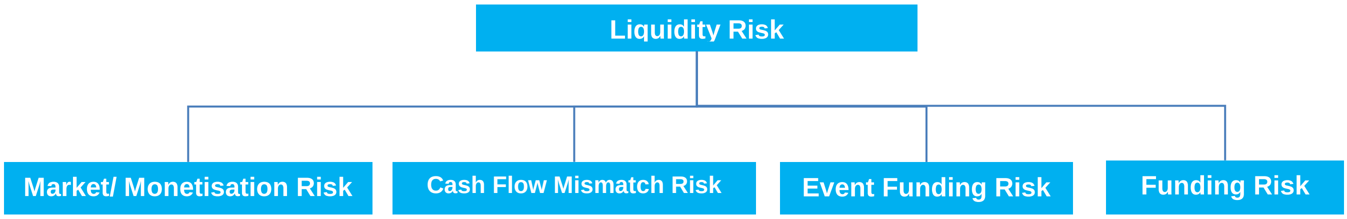
The creation and maintenance of a strong internal control framework is essential and is required to identify, evaluate, risk rate, measure, manage and govern credit risk across the enterprise and to ensure the consistency of those processes.

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

C.4 LIQUIDITY RISK

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

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



LIQUIDITY RISK EXPOSURE

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

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

MEASURES USED TO ASSESS LIQUIDITY RISK

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

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

There are no material changes to the measures used to assess liquidity during the year 2020.

LIQUIDITY RISK CONCENTRATIONS

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

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

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

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

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

LIQUIDITY RISK MITIGATION TECHNIQUES

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

PROCESS FOR MONITORING THE EFFECTIVENESS OF LIQUIDITY RISK MITIGATION TECHNIQUES

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

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

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

EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS (EPIFP)

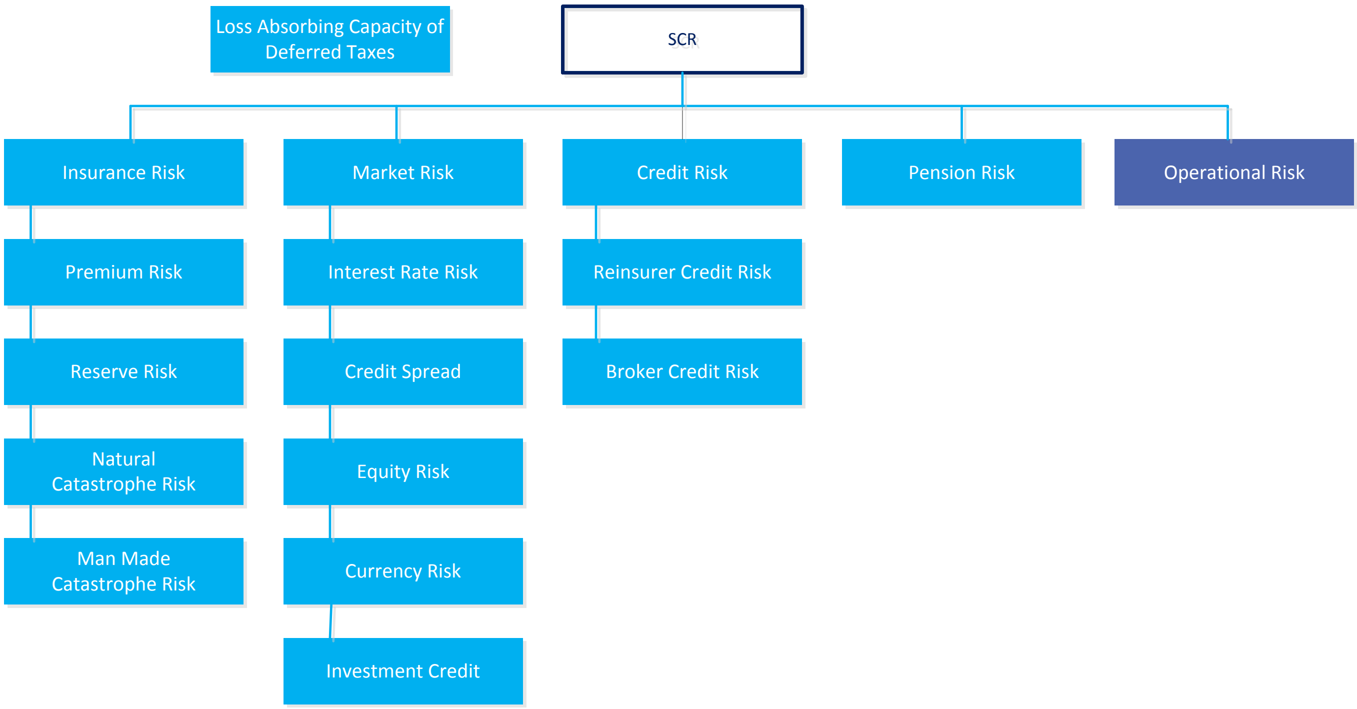
EPIFP is presented in QRT.23.01.22 'Own Funds'. EPIFP are profits arising from the inclusion in the technical provisions on existing business that will be received in the future but have not yet been received.

The total EPIFP for AHEL is £454.4m. This is made up of £319.1m for Life business and £135.3m for Non-Life business.

C.5 OPERATIONAL RISK

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

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



OPERATIONAL RISK EXPOSURES

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

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

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

MEASURES USED TO ASSESS OPERATIONAL RISK

Operational Risk is modelled through the development of a representative set of adverse scenarios, which are then used to model the Operational Risk Profile.

The scenarios are created and developed in subject matter expert workshops with representatives from both first line (Underwriting, Claims, Operations) and Second Line of Defence (ERM).

Three data points are defined for each scenario, setting out a frequency (return period) and expected impact. These data points are then used to create loss distributions for each scenario and in turn are used to calibrate the Internal Model Operational Risk Module.

The following metrics are used to assess Operational Risk:

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

There are no material changes to the measures used to assess Operational Risk during the year 2020.

OPERATIONAL RISK CONCENTRATION

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

OPERATIONAL RISK MITIGATION TECHNIQUES

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

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

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

PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES

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

Risk identification is further supported by the execution of Risk and Control Self-Assessments across the entities. These involved workshops facilitated by ORM and covered all processes within the target business unit. The process is continuously reviewed for further simplification and standardisation.

ORM conducts an independent validation of the operational risk component of the Internal Model and it leads to a comprehensive review and refresh of key scenarios and the library of key Operational Risks, aligning this to a global top-down risk assessment.

RISK SENSITIVITIES

Various tests to identify the implications of a wide range of risks within the Stress and Scenario Testing (SST) Framework are conducted.

This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented in advance or through timely remedial measures.

SST (including Reverse Stress Testing) is a key risk management tool used within the Company alongside the ECM. Reverse stress tests are conducted on an annual basis that examines the conditions that would render the business model unviable.

The details of various SSTs are as follows:

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

STRESS TESTS AND SENSITIVITIES

In order to monitor the impact of sensitivity of material risks and events on AIG UK's risk profile and SII Surplus, AIG UK has performed the following stress tests.

These tests were performed using business planning data from AIG UK's 2021 Business Plan and 2021 Capital Plan that were based on 2Q20 actual with 6 months forecast and hereon with defined as the Base Position 2020 for the purpose of this section.

The details of methods, assumptions and outcome of these tests are detailed below.

A. COVID-19 Extreme Scenario

Methods and assumptions used

The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk, Market Risk	Scenario Description: • Deployment of the COVID-19 vaccine is delayed, and a second outbreak of infections occurs. • 2021 GDP recovery is lower than expected. • UK economy does not recover to pre-lockdown level until mid-2023. Assumptions: • 2021 Production is lower than planned; 2021 Net Loss Ratios are different to plan. • 300bps increase in credit spreads. • 100bps decrease in interest rates. • 25% fall in equities.

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
COVID-19 Scenario SII Ratio (%)	-	109%	121%	132%

B. Large Losses and PYD

Methods and assumptions used

The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk	Scenario Description: • 4x $25m losses (net limits) are experienced across multiple lines. • £286m (1:7 reserve risk) of prior-year development are causing reserve increases across multiple LoBs. Assumptions: • Increase in reserves from large losses are run off within the three-year horizon. • Increase in reserves due to PYD are run off at the same rate as the pre-shock reserves.

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
Large Losses and PYD Scenario SII Ratio (%)	-	118%	127%	136%

C. Brexit

Methods and assumptions used

The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk, Market Risk	Scenario Description: • The economic impact of Brexit on the UK is worse than expected. • Inflation is 3% higher than expected: produces an increase to existing reserves; takes time for this higher-than-expected inflation to be reflected in future premiums -> the future-year loss ratio is higher for inflation-sensitive LoBs. • GDP is hit harder than expected -> 5% increase in LR for D&O and Trade Credit. Assumptions: • Inflation shock produces increase in existing reserves; this increase runs off at the same rate as the existing pre-shock reserves. • Premium rates are adjusted for the inflation shock but the impact of the rate adjustments does not emerge until midway through year 2. • Premium rates are adjusted for the GDP shock but the impact of the rate adjustments does not emerge until midway through year 2.

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
Brexit Scenario SII Ratio (%)	-	123%	131%	139%

D. Interest Rate, Credit Spread & Equity Shocks

Methods and assumptions used

The details of risks impacted by these scenarios, methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Market Risk	Scenario Description: • Interest Rate Increase Shock: assesses the impact of a 100 basis point increase in interest rates. • Interest Rate Decrease Shock: assesses the impact of a 100 basis point decrease in interest rates. • Credit Spread/Equity Shock: assesses the impact of a 180 basis point increase in credit spreads. As AIG UK is expected to hold c. £75m of real estate equity, we also assume a real estate shock of -25%. • Interest Rate Decrease; Credit Spread Shock: assesses the impact of a 100 basis point decrease in interest rates and 180 basis point increase in credit spreads Assumptions: • All the shocks are instantaneously applied in Q1 2021 and then the curves are assumed to recover from the stress for the remaining of the period.

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
Interest Rate Increase Scenario SII Ratio (%)	-	146%	155%	164%
Interest Rate Decrease Scenario SII Ratio (%)	-	138%	145%	152%
Credit Spread and Equity Shock SII Ratio (%)	-	130%	141%	153%
Interest Rate Decrease; Credit Spread Shock SII Ratio (%)	-	126%	136%	151%

E. Cyber Attack

Methods and assumptions used

The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk, Operational Risk	Scenario Description: • Insurance cost on Cyber LoB • Insurance cost due to secondary impact on non-cyber LoBs (e.g. business interruption) • Operational risk loss: impact on AIG's systems • Operational risk loss: fine for failing to implement effective security measures • Loss of business for data-sensitive LoBs due to reputational impact (Cyber, M&A, K&R, Consumer Property, Consumer Auto) Assumptions: • Gross Cyber loss estimated as the sum of the policy limits for the top 7 cyber accounts £112m. • The loss is netted down to allow for the 35% cyber treaty and Global cyber XoL treaty (90% LR). It is assumed that the event is global; therefore, the global treaty responds. • Secondary impact estimated from the ECM Cyber MMC scenario. • Estimated claims cost reflected in immediate increase in reserves and SCR; runs off over next three years. • Operational risk loss and loss of business due to reputational damage has minimal impact on SCR but impacts the own funds through impact on future P&L. • Operational Risk loss estimated as the 1-in-7 loss from the 2017 IT Systems Failure scenario calibration. • AIG UK is assumed to receive a £17m regulatory fine from the data breach. (In Oct-18 a Bank received a fine of £16.4m for a similar event.)

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
Cyber Scenario SII Ratio (%)	-	137%	148%	158%

F. UK Flood

Methods and assumptions used

The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk	Scenario Description: • Material UK Flood event during current accident year. Assumptions: • 1:100 UK Flood event (19Q1 Nat Cat data); £69m. • Produces increase in reserves which runs off over the following year.

Outcome

The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
UK Flood Scenario SII Ratio (%)	-	138%	146%	154%

G. Large Cross Lines Event

An event similar to Grenfell (UK, 2017) is considered

Methods and assumptions used
The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk	Scenario Description: The courts deem that responsibility for the loss lies with the following parties: • Cladding manufacturer • Whirlpool manufacturer • Local authority - failed to do proper testing; owns the Public Liability policy In addition, there is: • Property damage for the tower • D&O claims on behalf of the manufacturer of the defective cladding Assumptions: • $25m (net limit) public liability for injuries/deaths; may be multiple policies covering public liability (e.g. Local authority); assume AIG UK is one of the insurers • $25m (net limit) property loss: damage to the tower; may be multiple insurers for the tower; assume AIG is one of the insurers • $25m (net limit) D&O loss: failure on behalf of the manufacturer of the defective building product • $25m (net limit) Product liability loss: manufacturer of the defective building material • £12m (4 x £3m) Commercial PI loss: architects and engineers

Outcome
The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
Large Cross Lines Event Scenario SII Ratio (%)	-	135%	145%	153%

H. European Windstorm Event

Methods and assumptions used
The details of risks impacted by the scenario and methods and assumptions used to assess the impact of this scenario on relevant risks are as follows:

Risks in scope	Methods and Assumptions
Insurance Risk	Scenario Description: • A material European Windstorm event occurs during the current accident year. Assumptions: • 1:100 European Windstorm event (derived from 19Q1 Nat Cat data); £57m. • Produces increase in reserves which runs off over the following year.

Outcome
The results of this scenario are set out below. As it can be seen there was no capital breach over the three year business planning period.

	Base Position 2020	2021	2022	2023
Base Scenario SII Ratio (%)	130%	143%	151%	158%
EU Windstorm Scenario SII Ratio (%)	-	139%	147%	155%

C.6 OTHER MATERIAL RISKS

Pension Risk

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

Technology Risk

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

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

Business and Strategy Risk

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

Strategic Risk

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

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

Capital Adequacy Risk

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

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

Reputational Risk (Including Group Reputational Risk)

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

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

Solvency & Financial Condition Report 2020

D. Valuation for Solvency Purposes

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

KEY ELEMENTS IN THE SECTION ARE:

- D.1 Assets;
- D.2 Technical Provisions (TPs)
- D.3 Other Liabilities

VALUATION FOR SOLVENCY PURPOSES

AIG HOLDINGS EUROPE LIMITED

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

AHEL's subsidiaries consist of largely insurance undertakings and service providing entities. Whilst AHEL and the majority of its subsidiaries have a 30 November financial period end, the subsidiaries AIG Life and AIG Israel have non-coterminous period end at 31 December. At 30 November 2020, AHEL has consolidated AIG Israel's EBS as at year ended 30 September 2020 and AIG Life's EBS as at year ended 31 December 2020.

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

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

Solvency II Consolidated Balance Sheet as at 30 November 2020	Notes	Standalone AHEL UK GAAP £'m	Consolidated EBS YE 2020 £'m	Consolidated EBS YE 2019 £'m
Assets				
Deferred acquisition costs	9	-	-	-
Intangible assets	10	-	-	-
Deferred tax assets	8	-	106.6	74.3
Pension benefit surplus	11	-	29.0	25.6
Property, plant & equipment held for own use	7	-	110.1	114.3
Investments	D.1	2,700.6	4,993.0	4,994.7
Property (other than for own use)		-	-	-
Participations		2,700.6	77.3	77.1
Equities		-	-	-
Equities - listed		-	-	-
Equities - unlisted		-	-	
Bonds		-	4,858.8	4,793.8
Government Bonds		-	1,586.4	1,543.7
Corporate Bonds		-	3,239.4	3,214.6
Structured notes		-	-	-
Collateralised securities		-	32.8	35.5
Investment funds		-	19.7	6.5
Derivatives		-	11.3	7.3
Deposits other than cash equivalents		-	25.9	110.0
Other Investments		-	-	-
Loans & mortgages	2	23.4	328.1	333.8
Loans and mortgages to individuals		-	0.1	0.4
Other loans & mortgages		23.4	328.0	333.4
Loans on policies		-	-	-
Reinsurance recoverable from:	D.2	-	2,949.7	2,828.0
Non-life excluding health	12	-	1,641.0	1,944.2
Health similar to non-life	12	-	11.2	0.8
Health similar to Life	12	-	101.2	61.0
Life excluding Health and index-linked and unit-linked	12	-	1,196.2	822.1
Insurance & intermediaries receivables	4	-	0.5	34.8
Reinsurance receivables	5	-	139.9	206.5
Receivables (trade, not insurance)	3	7.3	97.5	185.2
Cash and cash equivalents	6	0.2	249.7	107.3
Total assets		**2,731.5**	**9,004.1**	**8,904.7**

Solvency II Consolidated Balance Sheet as at 30 November 2020	Notes	Standalone AHEL UK GAAP £'m	Consolidated EBS YE 2020 £'m	Consolidated EBS YE 2019 £'m
Liabilities				
Technical Provisions	D.2			
Technical provisions – non-life	12	-	(5,284.2)	(5,359.2)
Non-life excluding health	12	-	(5,220.8)	(5,287.3)
Health similar to non-life	12	-	(63.4)	(71.9)
Technical provisions – life	12	-	(1,211.7)	(844.3)
Liabilities other than Technical Provisions	D.3			
Provisions other than technical provisions	15	-	(0.0)	(17.9)
Pension benefit obligations		-	-	-
Deposits from reinsurers	18	-	(56.4)	(58.6)
Deferred tax liabilities	17	-	(15.9)	(26.6)
Derivatives		-	(3.7)	-
Debts owed to credit institutions		-	(0.3)	-
Insurance & intermediaries payables	19	-	(7.1)	(6.8)
Reinsurance payables	20	-	(208.4)	(100.5)
Payables (trade, not insurance)	14	(17.4)	(266.8)	(443.3)
Subordinated liabilities	16	(300.0)	(300.0)	(300.0)
Subordinated liabilities not in BOF		1.0	-	-
Subordinated liabilities in BOF		(300.0)	(300.0)	(300.0)
Total Liabilities		**(317.4)**	**(7,354.5)**	**(7,157.3)**
Excess of Assets over Liabilities		**2,414.0**	**1,649.6**	**1,747.4**

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

Solvency II Balance Sheet as at 30 November 2020	Notes	UK GAAP YE 2020 £'m	Solvency II Reclassification YE 2020 £'m	Solvency II Adjustment YE 2020 £'m	Solvency II EBS YE 2020 £'m	Solvency II EBS YE 2019 £'m
Assets						
Deferred acquisition costs	9	145.9	-	(145.9)	-	-
Intangible assets	10	9.8	-	(9.8)	-	-
Deferred tax assets	8	41.0	(44.9)	83.2	79.3	51.1
Pension benefit surplus	11	29.0	-	-	29.0	25.6
Property, plant & equipment held for own use	7	107.9	-	-	107.9	111.0
Investments	1	4,302.6	33.3	17.2	4,353.1	4,377.3
Property (other than for own use)		-	-	-	-	-
Participations		19.0	77.0	17.2	113.2	107.8
Equities						
Equities - listed		-	-	-	-	-
Equities - unlisted		-	-	-	-	-
Bonds		4,273.0	(43.7)	-	4,229.3	4,192.8
Government Bonds		4,273.0	(2,921.7)	-	1,351.3	1,311.5
Corporate Bonds		-	2,845.2	-	2,845.2	2,845.8
Structured notes		-	-	-	-	-
Collateralised securities		-	32.8	-	32.8	35.5
Investment funds		-	-	-	-	-
Deposits other than cash equivalents		10.6	-	-	10.6	76.7
Loans & mortgages	2	267.9	4.5	(1.9)	270.5	277.4
Other loans & mortgages		267.9	4.5	(1.9)	270.5	277.4
Reinsurance recoverable from:	D.2	1,972.6	-	(463.3)	1,509.3	1,806.0
Non-life excluding health	13	1,972.6	-	(483.3)	1,489.3	1,795.6
Health similar to non-life	13	-	-	11.2	11.2	0.8
Life excluding Health and index-linked and unit-linked	13	-	-	8.8	8.8	9.6
Insurance & intermediaries receivables	4	745.5	43.8	(789.3)	-	29.9
Reinsurance receivables	5	138.7	-	-	138.7	205.8
Receivables (trade, not insurance)	3	149.0	(34.0)	-	115.0	150.4
Cash and cash equivalents	6	187.4	-	-	187.4	75.9
Total assets		**8,097.3**	**2.7**	**(1,309.8)**	**6,790.2**	**7,110.4**

Solvency II Balance Sheet as at 30 November 2020	Notes	UK GAAP YE 2020 £'m	Solvency II Reclassification YE 2020 £'m	Solvency II Adjustment YE 2020 £'m	Solvency II EBS YE 2020 £'m	Solvency II EBS YE 2019 £'m
Liabilities						
Technical Provisions	D.2					
Technical provisions – non-life	13	(5,509.7)	-	615.3	(4, 894.4)	(5,044.3)
Non-life excluding health	13	(5,509.7)	-	615.3	(4,894.4)	(4,978.0)
Health similar to non-life	13	-	-	(61.8)	(61.8)	(66.3)
Technical provisions – life	13	-	-	(105.1)	(105.1)	(97.2)
Liabilities other than Technical Provisions	D.3					
Provisions other than technical provisions	15	(15.7)	15.7	-	-	(17.9)
Pension benefit obligations		-	-	-	-	-
Deposits from reinsurers	18	(3.7)	-	-	(3.7)	(3.9)
Deferred tax liabilities	17	(44.9)	44.9	-	-	-
Insurance & intermediaries payables	19	(79.2)	(52.1)	131.3	-	-
Reinsurance payables	20	(386.8)	(6.2)	393.0	-	-
Payables (trade, not insurance)	14	(229.3)	(5.0)	-	(234.3)	(356.8)
Subordinated liabilities	16					
Subordinated liabilities not in BOF		-	-	-	-	-
Subordinated liabilities in BOF		-	-	-	-	-
Total Liabilities		**(6,269.3)**	**(2.7)**	**972.7**	**(5,299.3)**	**(5,520.1)**
Excess of Assets over Liabilities		**1,828.0**	**-**	**(337.1)**	**1,490.9**	**1,590.3**

D.1 ASSETS

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

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

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

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

AHEL's investments comprise the following categories:

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

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

The consolidation adjustment of £1,973.5m serves to eliminate the net assets of AHEL's and AIG UK's subsidiaries which are fully consolidated on a line-by-line basis.

AHEL

	Bonds	Deposits other than cash equivalents	Investment Funds	Derivatives	Participations	Total
	£'m	£'m	£'m	£'m	£'m	£'m
AHEL Solo	-	-	-	-	1,937.3	1,937.3
AIG UK	4,229.3	10.6	-	-	113.3	4,353.2
Other Subsidiaries	629.5	15.2	19.7	11.3	0.3	676.1
Consolidation Adjustments	-	-	-	-	(1,973.5)	(1,973.5)
AHEL Consolidated	**4,858.8**	**25.9**	**19.7**	**11.3**	**77.3**	**4,993.0**

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Note 1: Investments (Other than assets held for index linked and unit linked contracts)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Participations	19.0	77.0	17.2	113.2	77.3
Derivatives	-	-	-	-	11.3
Bonds	4,273.0	(43.7)	-	4,229.3	4,858.8
Investment funds	-	-	-	-	19.7
Deposits other than cash equivalents	10.6	-	-	10.6	25.9
Balance as at 30 November 2020	**4,302.6**	**33.3**	**17.2**	**4,353.1**	**4,993.0**

(Note 2) LOANS AND MORTGAGES

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

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

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

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

AHEL

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

Loans and Mortgages	£'m
AHEL Solo	23.1
AIG UK	270.5
Other Subsidiaries	34.5
Consolidation Adjustment	-
AHEL Consolidated	**328.1**

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Note 2: Loans and Mortgages	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	267.9	4.5	(1.9)	270.5	328.1

(Note 3) RECEIVABLES (TRADE, NOT INSURANCE)

AHEL

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

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

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

Receivables (Trade, Not Insurance)	£'m
AHEL Solo	6.0
AIG UK	115.0
Other Subsidiaries	95.0
Consolidation Adjustment	(118.4)
AHEL Consolidated	**97.5**

AMERICAN INTERNATIONAL GROUP UK LIMITED

Note 3: Receivables (trade, not insurance)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	149.0	(34.0)	-	115.0	97.5

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

AHEL

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

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

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

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

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

Insurance and Intermediaries Receivables	£'m
AIG UK	-
Other Subsidiaries	0.5
Consolidation Adjustment	-
AHEL Consolidated	**0.5**

Reinsurance Receivables	£'m
AIG UK	138.7
Other Subsidiaries	1.2
AHEL Consolidated	**139.9**

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Note 4: Insurance and Intermediaries Receivables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	745.5	43.8	(789.3)	-	0.5

Note 5: Reinsurance Receivables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	138.7	-	-	138.7	139.9

(Note 6) CASH AND CASH EQUIVALENTS

AHEL

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible into known amounts of cash and that are not subject to a significant risk of change in value. Such investments are classified as cash equivalents where they have maturity dates of three months or less from the date of acquisition. Owing to their short term nature, their face value is taken to approximate fair value.

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

Cash and Cash Equivalents	£'m
AHEL Solo	0.2
AIG UK	187.4
Other Subsidiaries	62.1
AHEL Consolidated	**249.7**

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Note 6: Cash and Cash Equivalents	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	187.4	-	-	187.4	249.7

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

AHEL Group

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

Under the UK GAAP Revaluation model, property is held at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. AHEL's property portfolio is revalued on a regular basis at open market valuation by independent, professionally qualified valuers. These valuations are in accordance with the requirements of the International Accounting Standard (IAS) 38.

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

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

Property, Plant and Equipment Held for Own Use	£'m
AIG UK	107.9
Other Subsidiaries	2.2
AHEL Consolidated	**110.1**

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Note 7: Property, Plant & Equipment	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	107.9	-	-	107.9	110.1

(Note 8) DEFERRED TAX ASSET

AHEL

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

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

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

Deferred Tax Assets	£'m
AIG UK	79.3
Other Subsidiaries	27.3
AHEL Consolidated	**106.6**

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Note 8: Deferred Tax Asset	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	41.0	(44.9)	83.2	79.3	106.6

(Note 9) DEFERRED ACQUISITION COST

AHEL

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

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

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Note 9: Deferred Acquisition Costs	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	145.9	-	(145.9)	-	-

(Note 10) INTANGIBLE ASSETS

AHEL

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

Under Solvency II, intangible assets are valued at zero unless they can be sold separately and their values can be derived using quoted prices in active markets. At 30 November 2020, none of AHEL's intangible assets met this criterion therefore the whole amount was written off.

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Note 10: Intangible Assets	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	9.8	-	(9.8)	-	-

(Note 11) PENSION BENEFIT SURPLUS

AHEL

AHEL's subsidiaries operate a number of pension schemes; whose members receive benefits on either a defined benefit or defined contribution basis. Under UK GAAP, the defined benefit obligation and associated surplus or deficit are calculated by independent actuaries using the projected unit credit method in accordance with IAS 19.

The Solvency II measurement of pension assets and liabilities is consistent with IAS 19 measurement.

At 30 November 2020, the pension benefit surplus reported by AHEL related to AIG UK.

Pension Benefit Surplus	£'m
AIG UK	29.0
AHEL Consolidated	**29.0**

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Note 11: Pension Benefit Surplus	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	29.0	-	-	29.0	29.0

D.2 TECHNICAL PROVISIONS

(Note D2) Technical Provisions
The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. The cash flow projection used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime.
Technical provisions are grouped into the following key components:

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

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

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

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

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

VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

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

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

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

- The undertaking that cedes the risk will not recognize the amounts recoverable from the intra-group reinsurance contracts.
- There were no material intra-group reinsurance contracts at 30 November 2020.

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

Notes to Economic Balance Sheet

AHEL

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

- Non-life Excluding Health is the largest category of technical provisions and it relates to the following SII LoBs:
  - D. General Liability (AIG UK and AIG Israel)
  - E. Motor Vehicle Liability (AIG UK and AIG Israel)
  - F. Fire and Other Damage to Property (AIG UK and AIG Israel)
  - G. Other Motor Insurance (AIG UK and AIG Israel)
  - H. Marine, Aviation and Transport (AIG UK)
  - I. Credit and Suretyship (AIG UK)
  - J. Miscellaneous Financial Loss (AIG UK)

- Health Similar to Non-life Techniques (Health NSLT) is the second largest category of technical provisions of AHEL's and it relates to the following SII LoBs:
  - Medical Expense (AIG UK and AIG Israel)
  - Income Protection (AIG UK and AIG Israel)
  - Workers' Compensation (AIG UK and AIG Israel)

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

- Health Similar to Life Techniques (Health SLT) relates to critical illness and income protection products of AIG Life and AIG Israel.

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

(Note 12) Technical Provisions - AHEL

Note 12: Technical provisions	Non-life excluding Health £'m	Health Similar to Non-life Techniques (Health NSLT) £'m	Non-life Total £'m	Life excluding health, index-linked and unit-Linked £'m	Health Similar to Life Techniques (HSLT) £'m	Life Total £'m
Best Estimate	(4,864.1)	(55.8)	(4,919.8)	(1,075.4)	(20.1)	(1,095.5)
Risk Margin (unaudited)	(356.7)	(7.7)	(364.4)	(73.2)	(43.0)	(116.1)
Gross Technical Provision	**(5,220.8)**	**(63.4)**	**(5,284.2)**	**(1,148.6)**	**(63.1)**	**(1,211.7)**
Reinsurance Recoverable	1,641.0	11.2	1,652.3	1,196.2	101.2	1,297.4
Net Technical Provision	**(3,579.7)**	**(52.2)**	**(3,631.9)**	**47.6**	**38.1**	**85.7**

Source AHEL QRT S.02.01

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

Note 13: Technical provisions	Non-life excluding Health £'m	Health Similar to Life Techniques (HSLT) £'m	Total non-Life £'m	Life excluding health, index linked and unit Linked £'m
Best Estimate	(4,553.1)	(54.4)	(4,607.5)	(96.1)
Risk Margin (unaudited)	(341.3)	(7.4)	(348.7)	(9.0)
Gross Technical Provision	**(4,894.4)**	**(61.8)**	**(4,956.2)**	**(105.1)**
Reinsurance Recoverable	1,489.3	11.2	1,500.5	8.8
Net Technical Provision	**(3,405.1)**	**(50.6)**	**(3,455.7)**	**(96.3)**

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GROSS CLAIMS PROVISIONS

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

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

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

GROSS PREMIUM PROVISIONS

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

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

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

SOLVENCY II ADJUSTMENTS

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

1. CLAIMS CASH FLOWS OF UNEARNED BUSINESS

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

2. BBNI (BOUND BUT NOT INCEPTED)

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

3. EXPENSES

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

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

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

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

4. EVENTS NOT IN DATA (ENID)

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

5. DISCOUNTING CREDIT

Claims and premium provisions are converted to future cash flows by application of payment patterns to determine how much of the provisions will be paid out in each of the future calendar years.

Ceded claims cash flows are assumed to have the same payment pattern as the gross cash flows, which mirrors the UK GAAP best estimate reserving process.

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

6. FUTURE PREMIUM (PAYABLES AND RECEIVABLES)

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

Due to nature of the business, premium receivables and payables relate to first year of projected cash flows and therefore, are not discounted. Premium receivables are much higher than premium payables and therefore, result in reduction of premiums provision.

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

7. REINSURANCE RECOVERIES (LESS BAD DEBT)

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

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

PRINCIPLE OF CORRESPONDENCE

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

The reinsurance bad debt provision is an adjustment to take into account the potential losses due to the default of reinsurance counterparties.

The adjustment increases net technical provisions in both the claims and premium provisions. The ceded UK GAAP reserves and the credit rating for each reinsurer as at the valuation date are used to allocate the ceded recoveries due on claims and premiums provisions to each reinsurer. The other inputs required by the simplification method are the modified duration, probability of default and loss-given default for each reinsurer.

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

RISK MARGIN (Unaudited)

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

The future loss distributions are then aggregated and the future SCRs are calculated as the 99.5th percentile of the total loss distribution for each future time. These future SCRs are discounted with the appropriate GBP yield curve as prescribed by EIOPA. The sum of the discounted SCRs is multiplied by the Cost of Capital of 6% as prescribed by EIOPA to obtain an initial Risk Margin. The initial Risk Margin is then adjusted to account for any differences between the actual Technical Provisions on the Economic Balance Sheet and the modelled Technical Provisions in the Internal Model to obtain the final Risk Margin for the Company.

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

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

LEVEL OF UNCERTAINTY

UNCERTAINTY IN BEST ESTIMATE RESERVING

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

Financial Lines: This is a key area of uncertainty given the current macro environment and increased market and regulatory scrutiny of the banks. Examples of specific uncertainty include LIBOR fixing, credit crisis claims and Payment Protection Insurance ("PPI") mis-selling.

Casualty: Litigation changes such as the Ogden discount rate changes, Ministry of Justice reforms, Legal Aid, Sentencing and Punishment of Offenders Act (LASPO), abuse claims and industrial disease claims are areas of uncertainty.

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

Ogden Discount Rate: There is still uncertainty surrounding the Ogden rate due to the timing and value of any change in discount rate and the decision by the Scottish Parliament to maintain a discount rate of -0.75% which may lead to jurisdiction shopping.

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

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

UNCERTAINTY IN CASH FLOWS

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

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

UNCERTAINTY IN THE EXPENSES ESTIMATE

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

UNCERTAINTY IN THE BBNI ESTIMATE

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

VALUE OF TECHNICAL PROVISIONS FOR EACH MATERIAL LINE OF BUSINESS

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

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

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

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

D.3 OTHER LIABILITIES

(Note 14) PAYABLES (TRADE, NOT INSURANCE)

AHEL

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

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

Payables (Trade, Not Insurance)	£'m
AHEL Solo	(17.4)
AIG UK	(234.3)
Other Subsidiaries	(133.5)
Consolidation Adjustment	118.4
AHEL Consolidated	**(266.8)**

The consolidation adjustment of £118.4m represents the elimination of intragroup trade balances.

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Note 14: Payables (Trade, Not Insurance)	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(229.3)	(4.9)	-	(234.3)	(266.8)

(Note 15) PROVISIONS OTHER THAN TECHNICAL PROVISIONS

AHEL

Provisions are recognised when there exists a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Under UK GAAP, a provision is measured in accordance with IAS 37, which is at the best estimate of the amount the entity would pay to settle the obligation or transfer it to a third party.

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

At 30 November 2020, the amount reported by AHEL for other provisions related to AIG UK.

Provisions Other Than Technical Provisions	£'m
AIG UK	(0.0)
AHEL Consolidated	**(0.0)**

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Note 15: Provisions Other Than Technical Provisions	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(15.7)	15.7	-	-	(0.0)

PENSION BENEFIT OBLIGATIONS

AHEL

There is no pension benefit obligation at 30 November 2020.

(Note 16) SUBORDINATED LIABILITIES

AHEL

Under UK GAAP, subordinated liabilities are initially recognised at issue proceeds and subsequently measured at amortised cost. Under Solvency II, subordinated debt is valued on a fair value basis, with changes in own credit standing removed for subsequent measurement.

AHEL has the following subordinated debt notes in issue at 30 November 2020:

- £300m subordinated debt issued by AHEL to AIG International Holdings Gmbh (AIGIH)

Subordinated Liabilities	£'m
AHEL Solo	(300.0)
AHEL Consolidated	**(300.0)**

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Note 16: Subordinated Liabilities	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	-	-	-	-	(300.0)

(Note 17) DEFERRED TAX LIABILITIES

AHEL

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

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

Deferred Tax Liabilities	£'m
AIG UK	-
Other Subsidiaries	(15.9)
AHEL Consolidated	**(15.9)**

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Note 17: Deferred Tax Liabilities	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(44.9)	44.9	-	-	(15.9)

(Note 18) DEPOSIT FROM REINSURERS

AHEL

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

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

Deposits from Reinsurers	£'m
AIG UK	(3.7)
Other Subsidiaries	(52.7)
AHEL Consolidated	**(56.4)**

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Note 18: Deposit From Reinsurers	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(3.7)	-	-	(3.7)	(56.4)

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

AHEL

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

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

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

Insurance and Intermediaries Payables	£'m
AIG UK	-
Other Subsidiaries	(7.1)
AHEL Consolidated	**(7.1)**

Reinsurance Payable	£'m
AIG UK	-
Other Subsidiaries	(208.4)
AHEL Consolidated	**(208.4)**

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Note 19: Insurance and Intermediaries Payables	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(79.2)	(52.1)	131.3	-	(7.1)

Note 20: Reinsurance Payable	AIG UK UK GAAP £'m	AIG UK Reclassification £'m	AIG UK Solvency II Adjustments £'m	AIG UK SII Value £'m	AHEL Consolidated SII Value £'m
Balance as at 30 November 2020	(386.8)	(6.2)	393.0	-	(208.4)

D.4 ALTERNATIVE VALUATION METHODS

AHEL

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

Fixed Maturity Securities

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

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

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

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

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

Fixed Maturity Securities Issued by Government Entities

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

Fixed Maturity Securities Issued by Corporate Entities

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

RMBS/CMBS/CDOs and Other ABS

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

Equity Securities

Equity securities held by the Company relate to investments in real estate investment funds and are held at fair value. Where the Company acquires any unquoted equities where the Company does not have any significant influence these equity investments will not have a quoted market price in an active market and fair values cannot be reliably measured, therefore these are held at cost in accordance with IAS 39. Currently the Company holds investments in real estate investment funds only.

Short Term Investments

Short Term Investments are held at amortised cost in line with their classification as loans and receivables under IAS 39. Amortised cost is calculated using the effective interest method, which allocates interest income/expense over the relevant period by applying the effective interest rate to the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Loans Receivables

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

D.5 ANY OTHER MATERIAL INFORMATION

AHEL

As at 30 November 2020, there is no other material information regarding Valuation for Solvency Purposes.

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E. Capital Management

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

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

KEY ELEMENTS OF THE SECTION ARE:

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

E. CAPITAL MANAGEMENT

APPROACH TO CAPITAL MANAGEMENT AHEL

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

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Capital management focuses on two aspects:

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

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

CAPITAL MANAGEMENT PLAN – AHEL

AHEL's insurance subsidiaries are regulated and capitalised individually in order to meet their respective regulatory and other capital needs. Each insurance subsidiary produces an Individual Capital Plan at least annually, on which the AHEL Capital Plan is built.

The AHEL Capital Plan covers the following:

- Regulatory and target minimum capital levels;
- Capital structure;
- Capital projections under baseline and stressed scenarios;
- Stress and scenario analysis.

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

The Capital Plan covers a three-year planning horizon that takes into consideration:

- Multiple macroeconomic and financial market scenarios;
- Business and Strategic Plan, budget and goals;
- AHEL's overall capital level relative to its risk tolerance;
- Applicable regulations;
- Multiple future scenarios involving capital resources and requirements under the Solvency II Internal Model and Standard Formula views.

AHEL

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

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

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

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

- Ensuring adequate capital is maintained to meet regulatory and rating agency requirements and ensuring capital is available to support strategic plans;
- Enabling AIG UK to follow and meet its rating agency strategy and in particular to achieve its target ratings;
- Optimising AIG UK's sources and usage of capital;
- Ensuring that excess capital is returned to AIG Inc. on a timely basis without compromising the other objectives, as above;
- Cover the PRA's requested amount above Minimum Capital Level;
- Cover the risk appetite approved by the Board as part of the Risk Appetite Framework. This is currently set at a 1 in 7 year financial scenario;
- Meet the total level of capital necessary to achieve an 'A' rating from A.M. Best.

E.1 OWN FUNDS

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

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

COMPOSITION AND QUALITY OF OWN FUNDS

AHEL

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

The composition and total available own funds for AHEL as at 30 November 2020 is provided below:

Balance as at 30 November 2020	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	73.5	-	-	-	73.5
Share Premium Account related to Ordinary Share Capital	59.7	-	-	-	59.7
Reconciliation Reserve	1,367.4	-	-	-	1,367,4
Subordinated Liabilities	-	-	300.0	-	300.0
Letters of Credit (Ancillary Own Funds)	-	-	480.0	-	480.0
Net Deferred Tax Assets	-	-	-	106.6	106.6
Total Available Own Funds	**1,500.6**	**-**	**780.0**	**106.6**	**2,387.1**

Balance as at 30 November 2019	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	73.5	-	-	-	73.5
Share Premium Account related to Ordinary Share Capital	263.5	-	-	-	263.5
Reconciliation Reserve	1,314.8	-	-	-	1,314.8
Subordinated Liabilities	-	-	300.0	-	300.0
Letters of Credit (Ancillary Own Funds)	-	-	380.0	-	380.0
Net Deferred Tax Assets	-	-	-	74.3	74.3
Total Available Own Funds	**1,651.8**	**-**	**680.0**	**74.3**	**2,406.1**

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The composition and total available own funds for the Company as at 30 November 2020 is provided below:

Balance as at 30 November 2020	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	15.3	-	-	-	15.3
Share Premium Account related to Ordinary Share Capital	1,063.7	-	-	-	1,063.7
Reconciliation Reserve	332.6	-	-	-	332.6
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	400.0	-	400.0
Net Deferred Tax Assets	-	-	-	79.3	79.3
Total Available Own Funds	**1,411.6**	**-**	**400.0**	**79.3**	**1,890.9**

Balance as at 30 November 2019	Tier 1 Unrestricted £'m	Tier 1 Restricted £'m	Tier 2 £'m	Tier 3 £'m	Total £'m
Ordinary Share Capital	15.3	-	-	-	15.3
Share Premium Account related to Ordinary Share Capital	1,063.7	-	-	-	1,063.7
Reconciliation Reserve	460.2	-	-	-	460.2
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	300.0	-	300.0
Net Deferred Tax Assets	-	-	-	51.1	51.1
Total Available Own Funds	**1,539.2**	**-**	**300.0**	**51.1**	**1,890.3**

TIER 1 BASIC OWN FUNDS

AHEL

At 30 November 2020, AHEL's Tier 1 Basic Own Funds were made up of the following items:

- Ordinary share capital
- Solvency II reconciliation reserve
- Share Premium Account

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

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

Reconciliation Reserve	£'m
Excess of assets over liabilities	1,649.6
Less:	
Ordinary Share Capital	(73.5)
Share Premium Account	(59.7)
Net Deferred Tax Assets	(106.6)
Other non-available own funds	(42.5)
Reconciliation Reserve	**1,367.4**

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

Reconciliation Reserve	£'m
Excess of assets over liabilities	1,490.9
Less:	
Ordinary Share Capital	(15.3)
Share Premium Account	(1,063.7)
Net Deferred Tax Assets	(79.3)
Reconciliation Reserve	**332.6**

TIER 2 BASIC OWN FUNDS

AHEL

At 30 November 2020, AHEL's Tier 2 basic own funds were made up of the following subordinated debt:

Subordinated Debt	Maturity	£'m
£300.0m of subordinated debt issued by AHEL to AIGIH	2 June 2026	300.0
Tier 2 Basic Own Funds		**300.0**

There have been no issuances or redemptions of Tier 2 subordinated debt during 2020.

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At 30 November 2020, there was no subordinated debt in AIG UK.

TIER 2 ANCILLARY OWN FUNDS

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

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

AHEL

At 30 November 2020, AHEL had the following Letters of Credit (LOCs) in place:

Letters of Credit	PRA approval period	£'m
£35.0m of LOCs issued to AIG Life	1 January 2020 – 1 January 2023	35.0
£45.0m of LOCs issued to AIG Life	1 January 2020 – 1 January 2023	45.0
Total Letters of Credit		**80.0**

These LOC's were renewed on 1 January 2020 until 29 April 2024

All the LOCs are provided by external banks. The terms of the LOCs enable AIG UK and AIG Life to call in up to the agreed guarantee amounts on demand. The banks in turn recover funds from AIG, Inc. in its capacity as applicant and guarantor.

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At 30 November 2020, AIG UK had the following LOCs in place:

Letters of Credit	PRA approval period	£'m
£400m of LOCs issued to AIG UK (£100m each)	1 December 2018 - 29 April 2024	400.0
Total Letters of Credit		**400.0**

TIER 3 BASIC OWN FUNDS

AHEL

At 30 November 2020, AHEL had net deferred tax assets of £74.3m on its Economic Balance Sheet, all of which counted towards its Tier 3 basic own funds.

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At 30 November 2020, AIG UK had net deferred tax assets of £51.1m on its Economic Balance Sheet, all of which counted towards its Tier 3 basic own funds.

ELIGIBLE OWN FUNDS

AHEL

	Total £'m	Tier 1 (unrestricted) £'m	Tier 1 (restricted) £'m	Tier 2 £'m	Tier 3 £'m
Total eligible own funds to meet the SCR	2,325.1	1,500.6	-	780.0	44.5
Total available own funds to meet the SCR	2,387.1	1,500.6	-	780.0	106.6

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	Total £'m	Tier 1 (unrestricted) £'m	Tier 1 (restricted) £'m	Tier 2 £'m	Tier 3 £'m
Total eligible own funds to meet the SCR	1,890.9	1,411.6	-	400.0	79.3
Total available own funds to meet the SCR	1,890.9	1,411.6	-	400.0	79.3

FUNGIBILITY AND TRANSFERABILITY OF OWN FUNDS

AHEL

At 30 November 2020, AHEL recognised £42.5m of restriction in respect of the fungibility and transferability of the group own funds. This is in respect of the portion of AIG Israel's own funds which were effectively not available to cover the Group SCR due to local regulations.

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At 30 November 2020, AIG UK did not have any restrictions in respect of the fungibility and transferability of its own funds.

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

AHEL

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

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

Balance as at 30 November 2020	£'m
Equity as per UK GAAP	1,828.0
Solvency II valuation differences	(337.1)
Excess of assets over liabilities under Solvency II	**1,490.9**

E.2 GROUP SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

AHEL's SCR at 30 November 2020 was £1,649.1m. The table below shows a breakdown of AHEL's SCR by risk and diversification benefit. AHEL uses a Partial Internal Model which is made up from entities that use Internal Model and Standard Formula.

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

AHEL SCR (unaudited)	AHEL	AIG Life	AIG Israel	Standard Formula Consolidated**	Group SCR
£'m	Partial Internal Model * (inc AIG UK)				
	Latest approved model	**Y/E 2020**	**Y/E 2020**	**Y/E 2020**	**Y/E 2020**
Insurance risk	1,228.10	136.4	143.8	263.6	1,491.70
Market risk	251.4	26.2	48	105.7	357
Credit risk	131.3	38.2	12.3	46.6	178
Operational risk	193.8	19.9	9.4	27.8	221.6
Pension risk	51.2	0	0	0	51.2
Loss Absorbing capacity of deferred taxes	0	-1	-15.9	-16.5	-16.5
Diversification	-475.40	-63.8	-78.9	-158.5	-633.9
Planned UW Profit	0	0	0	0	0
Total SCR (unaudited)	1,380.40	155.9	118.7	268.7	1,649.10

* An accumulation of model changes triggered the need for a Major Model Change Application to the PRA. In preparation for this application the model underwent independent validation. This application was submitted on 30 April 2020 and was approved by the PRA on 23 December 2020. As the approval date of the Major Model Change was post 30 November 2020, AHEL and AIG UK are still bound to report against the reporting view of the SCR prior to the model change application and as such, the reported SCR does not reflect the model changes post year-end.

** Both the AIG Life and AIG Israel Standard Formula calculations are performed at 2020-Q3 for the AHEL Y/E 2020 capital calculation as both have 31st December 2020 year end reporting dates.

The method for calculating the consolidated SCR is Method 1.

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

AHEL's reported diversification benefit includes the diversification between risk components and the PIM diversification but does not include the diversification within each of the risk components. The reported diversification benefit for the AHEL is £633.7m on an undiversified SCR of £2.2bn which represents 29% of total undiversified capital. This is broadly similar to its constituent entities apart from AIG Israel which has a diversification benefit of £79m which represents 40% of undiversified capital.

MINIMUM CAPITAL REQUIREMENT (MCR)

AHEL

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

- It is calculated in accordance with the Standard Formula, which is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.
- The AHEL MCR for the reporting period is £697.7m. This is simply the sum of the respective Solo MCRs of AIG UK, AIG Life and AIG Israel.

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

MCR Components	£'m
AIG UK Solo MCR	468.9
AIG Life Solo MCR	69.6
AIG Israel Solo MCR	159.1
Group MCR	**697.7**

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The following table shows the MCR calculation:

Overall MCR calculation	£'m
Linear MCR	468.9
SCR (Unaudited)	1,366.4
MCR cap	614.9
MCR floor	341.6
Combined MCR	468.9
Absolute floor of the MCR	6.4
Minimum Capital Requirement	**468.9**

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

AHEL

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

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

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

AHEL

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

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AIG UK at 30 November 2020 used the Internal Model for the calculation of the Solvency Capital Requirement.

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

E4.1 Use of the Internal Model in the business

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

AHEL has categorised Model Uses into five sections:

1. Capital Management

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

2. Portfolio Management

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

3. Risk Management

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

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

4. Asset Management

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

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

5. Reinsurance Management

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

E4.2 Scope of the Internal Model

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

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

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

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

E4.3 Calculation of the Internal Model

E4.3.1 Methods Used

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

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

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

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

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

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

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

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

The individual currencies are converted to one reporting currency for the Income Statement and Balance Sheet reporting. This reporting currency varies depending on the country or legal entity selected.

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

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

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

As a core component of the model, the dependency structure extends to all risk factors to which AHEL is exposed to. These risks include non-catastrophe insurance risk, catastrophe risk, reinsurance counterparty risk, market risk, credit risk and operational risk.

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

E4.3.2 Data Used

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

No.	Data Segment	Data Subsets
1	Actuarial	Actuarial data is used as a direct input into the model (non-calibration data) and to feed the calibration (calibration data): • Non calibration data: historical earned premium, best estimate reserves, payment patterns, unallocated claims expense (ULAE), currency mix, Bound But Not Incepted written premium and risk margin; • Calibration data: historical incurred and paid loss triangles, large loss details, catastrophe claims, earned premium, best estimate reserves, premium rate changes, claims inflation rates (estimated increase in claim amounts based on reported inflation rates), budget loss ratios.
2	Assets	Details of AIG's investments; economic scenarios generated.
3	Credit Risk Reinsurer	Reinsurers' share of the OSLR, IBNR, UEPR, incurred and paid losses, bad debts, collaterals. Credit Ratings by Re-insurer.
4	Finance	Actual balance sheet, prior-year written premium, UEPR, commissions, receivables, payables.
5	Legal Entity Plan (Strategic Finance, FP&A)	AIG legal entities' five year plan (Income statement) including input data used in the process to produce the plan (e.g. premium and expense growth rate, RI ratios), unless covered in other data segments.
6	Man-Made Catastrophe	Man-Made Catastrophe scenarios' details including potential losses and their correlations.
7	Natural Catastrophe	Natural catastrophe exposure modelled based on policy details, adjustment factors to compensate for data quality, completeness and modelling appropriateness.

No.	Data Segment	Data Subsets
8	Operational Risk	Operational risk scenarios' details.
9	Reinsurance	XOL and QS reinsurance contracts' details including potential losses; ratios for prior-year reinsurance
10	Tax	Tax rates and prior-year paid tax admissible for deferred tax benefit. Future based on actual data so there is little uncertainty
11	Credit Risk Broker	Broker details, credit ratings and receivables split into under and over 90 days (clearing adjustments).
12	Dependencies	Values and parameters that support the parameterisation of the model change the characteristics of the Internal Model when it runs.
13	Pension Risk	Pensions Best Estimate reserves obtained from the external scheme administrator.

E4.3.3 Integration Technique for Partial Internal Model

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

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

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

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

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

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

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

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

- the capital requirement of the PIM
- the capital requirement of the Standard Formula

E4.5 Differences between the Standard Formula and Internal Model methodologies and underlying assumptions

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

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

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

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

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

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

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

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

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

Man-made Catastrophe – SF uses a Simplistic "scenario" based approach. The scenarios are prescribed by the regulation and are generally based on the largest exposures. The IM uses a Realistic Disaster Scenario (RDS) approach.

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

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

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

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

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

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

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

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

E.5 NON-COMPLIANCE WITH SCR AND MCR

AHEL

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

AMERICAN INTERNATIONAL GROUP UK LIMITED

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

E.6 ANY OTHER INFORMATION

As at 30 November 2020, there is no other material information regarding Capital Management of the Company.

Solvency & Financial Condition Report 2020

F. Appendices to the Solvency and Financial Condition Report

KEY ELEMENTS OF THE SECTION ARE:

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

F.1 GLOSSARY

A

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

B

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

C

CAT	Catastrophe
CBRA	Category Based Risk Assessment
CCAR	Comprehensive Capital Analysis and Review
CCO	Chief Credit Officer
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMBS	Commercial Mortgage Backed Security
CMRC	Compensation and Management Resources Committee
COO	Chief Operating Officer
CoR	Combined Operating Ratio
CP	Commercial Property
CRB	Criminal Records Bureau
CRO	Chief Risk Officer

D

D&O	Directors and Officers
DAC	Deferred Acquisition Costs
DGC	Data Governance Council
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability

E

EBS	Economic Balance Sheet
ECG	European Compliance Group
ECM	Economic Capital Model
ECR	Enhanced Capital Requirement
EDGC	European Data Governance Council
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EL	Employer's Liability
EMEA	Europe, Middle East and Africa
ENID	Events not in Data
ERM	Enterprise Risk Management
EPIFP	Expected Profit in Future Premiums
EU	European Union
EUT	End User Tools
ExCo	Executive Committee

F

FAC	Facultative Reinsurance
FCA	Financial Conduct Authority
FCG	Financial Crime Group
FCU	Financial Control Unit
FL	Financial Lines
FOE	Freedom of Establishment
FOS	Freedom of Services
FOS	Financial Ombudsman Service
FSMA	Financial Services and Markets Act 2000
FX	Foreign Exchange

G

GAAP	Generally Accepted Accounting Principles
GCG	Global Compliance Group
GDP	Gross Domestic Profit
GL	General Liability
GOE	Gross Operating Expenses
GPE	Gross Premiums Earned
GPW	Gross Premium Written

H

HR	Human Resources

I

IAG	Internal Audit Group
IBNR	Incurred but not Reported
ICAS	Individual Capital Adequacy Standards
ICG	Individual Capital Guidance
IFRS	International Financial Reporting Standards
ILS	Insurance Linked Securities
IM	Internal Model
IMA	Investment Management Agreement
IMAP	Internal Model Approval Process

K

KRI	Key Risk Indicator

L

LAC - DT	Loss Absorbing Capacity of Deferred Taxes
LCAR	Liquid Assets Coverage Ratio
LCO	Local Compliance Officer
LFL	Liability & Financial Lines
LoB	Lines of Business
LoC	Letters of Credit
LTP	Late Travelling Period
LUT	Large and Unusual Transactions

M

M&A	Mergers & Acquisitions
M&T	Monitoring and Testing Group
MCR	Minimum Capital Requirement
MGA	Managing General Agent
MI	Management Information
MMC	Man-made Catastrophe

N

NB	New Business
NII	Net Investment Income
NPE	Net Premiums Earned
NPW	Net Premiums Written

O

ORM	Operational Risk Management
ORR	Obligor Risk Rating
ORSA	Own Risk and Solvency Assessment
OSP	Outsourcing Service Provider

P

P&L	Profit and Loss
PI	Personal Insurance
PP	Personal Property
PPI	Payment Protection Insurance
PPO	Periodic Payment Order
PPP	Prudent Person Principle
PRA	Prudential Regulation Authority
PSR	Property & Special Risks
PwC	PricewaterhouseCoopers
PYD	Prior Year Development

Q

QRT	Quantitative Reporting Template

R

RCC	Risk and Capital Committee

RCSA	Risk and Control Self-Assessment
RDS	Realistic Disaster Scenario
RF	Risk Free
RI	Reinsurance
RM	Risk Management
RMF	Risk Management Framework
RMBS	Residential Mortgage Backed Security
ROE	Return on Equity
RT	Risk transfer

S

S&P	Standard and Poor's
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SF-SCR	Standard Formula - Solvency Capital Requirement
SII	Solvency II
SIMR	Senior Insurance Managers Regime
SLA	Service Level Agreement
SME	Small Medium Enterprise
SST	Stress and Scenario Testing

T

TDC	Total Direct Compensation
TOM	Target Operating Model

U

UEPR	Unearned Premium Reserve
UK	United Kingdom
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
UWP	Underwriting Profit

V

VAT	Value Added Tax

X

XoL	Excess of Loss

AIG HOLDINGS EUROPE LIMITED

Solvency and Financial Condition Report

Disclosures

30 November

2020

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	AIG Holdings Europe Limited
Group identification code	2138009EFBD5FYGFGB20
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	30 November 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Partial internal model
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business - non-life

S.05.01.02 - Premiums, claims and expenses by line of business - life

S.05.02.01 - Premiums, claims and expenses by country - non-life

S.05.02.01 - Premiums, claims and expenses by country - life

S.23.01.22 - Own Funds

S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial Internal Model - part 1

S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial Internal Model - part 2

S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	106,550
R0050	Pension benefit surplus	29,011
R0060	Property, plant & equipment held for own use	110,096
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,993,032
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	77,333
R0100	*Equities*	
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	4,858,820
R0140	*Government Bonds*	1,586,384
R0150	*Corporate Bonds*	3,239,633
R0160	*Structured notes*	
R0170	*Collateralised securities*	32,802
R0180	*Collective Investments Undertakings*	19,679
R0190	*Derivatives*	11,345
R0200	*Deposits other than cash equivalents*	25,856
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	328,097
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	101
R0260	*Other loans and mortgages*	327,996
R0270	Reinsurance recoverables from:	2,949,668
R0280	*Non-life and health similar to non-life*	1,652,286
R0290	*Non-life excluding health*	1,641,044
R0300	*Health similar to non-life*	11,243
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	1,297,382
R0320	*Health similar to life*	101,199
R0330	*Life excluding health and index-linked and unit-linked*	1,196,183
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	501
R0370	Reinsurance receivables	139,874
R0380	Receivables (trade, not insurance)	97,524
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	249,747
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	9,004,101

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,284,191
R0520	*Technical provisions - non-life (excluding health)*	5,220,751
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	4,864,064
R0550	*Risk margin*	356,687
R0560	*Technical provisions - health (similar to non-life)*	63,441
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	55,760
R0590	*Risk margin*	7,681
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,211,674
R0610	*Technical provisions - health (similar to life)*	63,092
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	20,121
R0640	*Risk margin*	42,971
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	1,148,581
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	1,075,414
R0680	*Risk margin*	73,167
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	56,438
R0780	Deferred tax liabilities	15,912
R0790	Derivatives	3,681
R0800	Debts owed to credit institutions	312
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	7,085
R0830	Reinsurance payables	208,407
R0840	Payables (trade, not insurance)	266,792
R0850	Subordinated liabilities	300,000
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	300,000
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	7,354,493
R1000	Excess of assets over liabilities	1,649,608

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
	Premiums written								
R0110	Gross - Direct Business	40,399	56,654	0	122,631	90,462	199,289	527,029	648,633
R0120	Gross - Proportional reinsurance accepted	905	891	0	7,356	0	142,605	370,702	36,607
R0130	Gross - Non-proportional reinsurance accepted								
R0140	Reinsurers' share	2,702	640	0	23,766	197	180,419	602,525	243,257
R0200	Net	38,602	56,905	0	106,221	90,265	161,475	295,206	441,984
	Premiums earned								
R0210	Gross - Direct Business	37,972	63,205	0	131,857	90,324	187,253	507,759	647,439
R0220	Gross - Proportional reinsurance accepted	790	932	0	7,382	0	154,235	356,126	35,264
R0230	Gross - Non-proportional reinsurance accepted								
R0240	Reinsurers' share	3,113	959	0	23,735	191	186,867	594,383	238,609
R0300	Net	35,649	63,179	0	115,505	90,133	154,621	269,503	444,093
	Claims incurred								
R0310	Gross - Direct Business	31,084	46,741	0	158,737	48,871	101,109	258,748	490,320
R0320	Gross - Proportional reinsurance accepted	165	0	0	7,439	0	68,751	121,158	18,912
R0330	Gross - Non-proportional reinsurance accepted								
R0340	Reinsurers' share	4,007	4,552	0	72,952	331	62,483	201,077	114,045
R0400	Net	27,242	42,189	0	93,223	48,540	107,377	178,829	395,187
	Changes in other technical provisions								
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted								
R0440	Reinsurers' share	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	17,101	23,808	0	37,407	24,802	44,381	92,414	138,996
R1200	**Other expenses**								
R1300	**Total expenses**								

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of business for: accepted non-proportional reinsurance				Total
		Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written									
R0110	Gross - Direct Business	40,837	0	11,312	36,513					1,773,759
R0120	Gross - Proportional reinsurance accepted	1,030	0	334	5,605					566,035
R0130	Gross - Non-proportional reinsurance accepted					0	44,758	9,473	45,983	100,215
R0140	Reinsurers' share	28,586	0	688	11,918	0	0	0	0	1,094,697
R0200	Net	13,281	0	10,958	30,200	0	44,758	9,473	45,983	1,345,311
	Premiums earned									
R0210	Gross - Direct Business	46,326	0	8,193	34,414					1,754,742
R0220	Gross - Proportional reinsurance accepted	427	0	287	5,243					560,687
R0230	Gross - Non-proportional reinsurance accepted					0	45,601	10,074	44,157	99,831
R0240	Reinsurers' share	28,117	0	682	11,515	0	0	0	0	1,088,170
R0300	Net	18,636	0	7,798	28,142	0	45,601	10,074	44,157	1,327,090
	Claims incurred									
R0310	Gross - Direct Business	31,460	0	24,290	31,181					1,222,541
R0320	Gross - Proportional reinsurance accepted	0	0	152	2,808					219,385
R0330	Gross - Non-proportional reinsurance accepted					0	26,596	4,420	20,044	51,060
R0340	Reinsurers' share	0	0	2,042	10,631	0	0	0	0	472,121
R0400	Net	31,460	0	22,400	23,358	0	26,596	4,420	20,044	1,020,864
	Changes in other technical provisions									
R0410	Gross - Direct Business	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted					0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	11,474	0	5,257	9,593	0	4,419	5,208	3,604	418,466
R1200	**Other expenses**									282
R1300	**Total expenses**									418,747

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	127,733			440,672	0				568,405
R1420	Reinsurers' share	42,771			187,557	0				230,328
R1500	Net	84,961			253,115	0				338,076
	Premiums earned									
R1510	Gross	127,733			440,698	0				568,431
R1520	Reinsurers' share	42,771			187,557	0				230,328
R1600	Net	84,961			253,141	0				338,102
	Claims incurred									
R1610	Gross	61,486			231,344	1,492				294,322
R1620	Reinsurers' share	28,004			132,771	352				161,128
R1700	Net	33,481			98,572	1,140				133,194
	Changes in other technical provisions									
R1710	Gross	0			0	0				0
R1720	Reinsurers' share	0			0	0				0
R1800	Net	0			0	0				0
R1900	**Expenses incurred**	49,540			170,938	6				220,484
R2500	**Other expenses**									0
R2600	**Total expenses**									220,484

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Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			IL					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,583,493	190,266					1,773,759
R0120	Gross - Proportional reinsurance accepted	566,035						566,035
R0130	Gross - Non-proportional reinsurance accepted	100,215						100,215
R0140	Reinsurers' share	1,062,550	32,147					1,094,697
R0200	Net	1,187,193	158,118					1,345,311
	Premiums earned							
R0210	Gross - Direct Business	1,560,106	194,636					1,754,742
R0220	Gross - Proportional reinsurance accepted	560,687						560,687
R0230	Gross - Non-proportional reinsurance accepted	99,831						99,831
R0240	Reinsurers' share	1,051,283	36,887					1,088,170
R0300	Net	1,169,342	157,748					1,327,090
	Claims incurred							
R0310	Gross - Direct Business	1,102,781	119,760					1,222,541
R0320	Gross - Proportional reinsurance accepted	219,385						219,385
R0330	Gross - Non-proportional reinsurance accepted	51,060						51,060
R0340	Reinsurers' share	443,347	28,774					472,121
R0400	Net	929,878	90,986					1,020,864
	Changes in other technical provisions							
R0410	Gross - Direct Business							
R0420	Gross - Proportional reinsurance accepted							
R0430	Gross - Non-proportional reinsurance accepted							
R0440	Reinsurers' share							
R0500	Net							
R0550	**Expenses incurred**	373,087	45,378					418,466
R1200	**Other expenses**							282
R1300	**Total expenses**							418,747

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Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			IM	JE	GI	IL	GG	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	495,756	760	2,350	492	67,460	1,587	568,405
R1420	Reinsurers' share	222,449	341	1,054	221	5,551	712	230,328
R1500	Net	273,307	419	1,295	271	61,909	875	338,076
	Premiums earned							
R1510	Gross	495,756	760	2,350	492	67,486	1,587	568,431
R1520	Reinsurers' share	222,449	341	1,054	221	5,552	712	230,328
R1600	Net	273,307	419	1,295	271	61,935	875	338,102
	Claims incurred							
R1610	Gross	268,577	691	777	86	23,587	604	294,322
R1620	Reinsurers' share	157,633	407	458	51	2,224	356	161,128
R1700	Net	110,944	284	319	35	21,362	248	133,194
	Changes in other technical provisions							
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net							
R1900	**Expenses incurred**	195,182	299	925	194	23,259	625	220,484
R2500	**Other expenses**							
R2600	**Total expenses**							220,484

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Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	73,524	73,524			
R0020	*Non-available called but not paid in ordinary share capital at group level*					
R0030	Share premium account related to ordinary share capital	59,697	59,697			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0060	*Non-available subordinated mutual member accounts at group level*					
R0070	Surplus funds					
R0080	*Non-available surplus funds at group level*					
R0090	Preference shares					
R0100	*Non-available preference shares at group level*					
R0110	Share premium account related to preference shares					
R0120	*Non-available share premium account related to preference shares at group level*					
R0130	Reconciliation reserve	1,367,369	1,367,369			
R0140	Subordinated liabilities	300,000			300,000	
R0150	*Non-available subordinated liabilities at group level*					
R0160	An amount equal to the value of net deferred tax assets	106,550				106,550
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*					
R0180	Other items approved by supervisory authority as basic own funds not specified above					
R0190	*Non available own funds related to other own funds items approved by supervisory authority*					
R0200	Minority interests (if not reported as part of a specific own fund item)					
R0210	*Non-available minority interests at group level*					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**					
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*					
R0250	Deductions for participations where there is non-availability of information (Article 229)					
R0260	Deduction for participations included by using D&A when a combination of methods is used					
R0270	**Total of non-available own fund items**					
R0280	**Total deductions**					
R0290	**Total basic own funds after deductions**	1,907,141	1,500,590	0	300,000	106,550
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	480,000			480,000	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0380	Non available ancillary own funds at group level					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**	480,000			480,000	
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies					
R0420	Institutions for occupational retirement provision					
R0430	Non regulated entities carrying out financial activities					
R0440	**Total own funds of other financial sectors**					

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Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method					
R0460	Own funds aggregated when using the D&A and combination of method net of IGT					
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	2,387,141	1,500,590	0	780,000	106,550
R0530	Total available own funds to meet the minimum consolidated group SCR	1,800,590	1,500,590	0	300,000	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	2,325,138	1,500,590	0	780,000	44,548
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	1,640,122	1,500,590	0	139,532	
R0610	**Minimum consolidated Group SCR**	697,658				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	235.09%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	2,325,138	1,500,590	0	780,000	44,548
R0680	**Group SCR**	1,649,095				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	140.99%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,649,608
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	239,772
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0750	Other non available own funds	42,468
R0760	**Reconciliation reserve**	1,367,369
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	319,079
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	135,297
R0790	**Total Expected profits included in future premiums (EPIFP)**	454,376

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Solvency Capital Requirement -
for groups using the standard formula and partial internal model

USP Key	USP Key	USP Key
For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None	For health underwriting risk: 1 - Increase in the amount of annuity benefits 2 - Standard deviation for NSLT health premium risk 3 - Standard deviation for NSLT health gross premium risk 4 - Adjustment factor for non-proportional reinsurance 5 - Standard deviation for NSLT health reserve risk 9 - None	For non-life underwriting risk: 4 - Adjustment factor for non-proportional reinsurance 6 - Standard deviation for non-life premium risk 7 - Standard deviation for non-life gross premium risk 8 - Standard deviation for non-life reserve risk 9 - None

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
1	1	Group SCR	1,649,095		9	17-None

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Solvency Capital Requirement - for groups using the standard formula and partial internal model

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,649,095
R0060	Diversification	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	1,649,095
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement for undertakings under consolidated method**	1,649,095
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	697,658
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
	Overall SCR	
R0560	SCR for undertakings included via D and A	
R0570	**Solvency capital requirement**	1,649,095

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
IL	213800YIPBN5ZRMBRV45	LEI	AIG Israel Insurance Company Ltd.	Composite undertaking	Company limited by shares	Non-mutual	Supervisor of Insurance (Israel)
GB	21380087VX2V5QO23G83	LEI	American International Group UK Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulation Authority
GB	213800UHTS5BFWPQVQ02	LEI	AIG Trade Finance Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A
GB	2138003XFNHGAP27EF26	LEI	Group Risk Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A
GB	2138009M8A3W8LNMRK07	LEI	AIG Receivables Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A
GB	XWPHK4S1M3QRJ1MIR48200049	Specific code	CI Group	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A
GB	213800QOW312BVT1VA98	LEI	AIG Life Limited	Life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulation Authority
GB	2138009EFBD5FYGFGB20	LEI	AIG Holdings Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	N/A
GB	213800NUVVGD1YYLI181	LEI	AIG Europe (Services) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A

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Undertakings in the scope of the group

			Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IL	213800YIPBN5ZRMBRV45	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380087VX2V5QO23G83	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800UHTS5BFWPQVQ02	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138003XFNHGAP27EF26	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138009M8A3W8LNMRK07	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	XWPHK4S1M3QRJ1MIR48200049	Specific code	20.00%	20.00%	20.00%	N/A	Significant	20.00%	Included in the scope		Method 1: Adjusted equity method
GB	213800QOW312BVT1VA98	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	2138009EFBD5FYGFGB20	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800NUVVGD1YYLI181	LEI	100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation

American International Group UK Limited

Solvency and Financial Condition Report

Disclosures

30 November

2020

(Monetary amounts in GBP thousands)

General information

Undertaking name	American International Group UK Limited
Undertaking identification code	21380087VX2V5QO23G83
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity - article 73 (2)
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 November 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Full Internal Model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business - non-life

S.05.01.02 - Premiums, claims and expenses by line of business - life

S.05.02.01 - Premiums, claims and expenses by country - non-life

S.05.02.01 - Premiums, claims and expenses by country - life

S.12.01.02 - Life and Health SLT Technical Provisions

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models - part 1

S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models - part 2

S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	79,261
R0050	Pension benefit surplus	29,011
R0060	Property, plant & equipment held for own use	107,904
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,353,164
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	113,251
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	4,229,282
R0140	*Government Bonds*	1,351,298
R0150	*Corporate Bonds*	2,845,183
R0160	*Structured notes*	0
R0170	*Collateralised securities*	32,802
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	10,631
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	270,523
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	270,523
R0270	Reinsurance recoverables from:	1,509,292
R0280	*Non-life and health similar to non-life*	1,500,458
R0290	*Non-life excluding health*	1,489,216
R0300	*Health similar to non-life*	11,243
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	8,834
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	8,834
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	138,661
R0380	Receivables (trade, not insurance)	114,930
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	187,413
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	6,790,159

	Liabilities	Solvency II value
		C0010
R0510	Technical provisions - non-life	4,956,187
R0520	*Technical provisions - non-life (excluding health)*	4,894,371
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	4,553,049
R0550	*Risk margin*	341,322
R0560	*Technical provisions - health (similar to non-life)*	61,816
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	54,438
R0590	*Risk margin*	7,378
R0600	Technical provisions - life (excluding index-linked and unit-linked)	105,110
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	105,110
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	96,054
R0680	*Risk margin*	9,056
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	3,719
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	234,257
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	5,299,274
R1000	**Excess of assets over liabilities**	1,490,885

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Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	37,304	56,614	0	80,220	6,737	199,289	490,946	623,722	40,837	0	11,312	36,513					1,583,493
R0120	Gross - Proportional reinsurance accepted	905	891	0	7,356	0	142,605	370,702	36,607	1,030	0	334	5,605					566,035
R0130	Gross - Non-proportional reinsurance accepted													0	44,758	9,473	45,983	100,215
R0140	Reinsurers' share	2,702	640	0	23,185	197	180,419	593,359	220,856	28,586	0	688	11,918	0	0	0	0	1,062,550
R0200	Net	35,508	56,865	0	64,390	6,540	161,475	268,289	439,473	13,281	0	10,958	30,200	0	44,758	9,473	45,983	1,187,193
	Premiums earned																	
R0210	Gross - Direct Business	34,118	63,164	0	90,570	6,371	187,253	468,314	621,383	46,326	0	8,193	34,414					1,560,106
R0220	Gross - Proportional reinsurance accepted	790	932	0	7,382	0	154,235	356,126	35,264	427	0	287	5,243					560,687
R0230	Gross - Non-proportional reinsurance accepted													0	45,601	10,074	44,157	99,831
R0240	Reinsurers' share	3,113	959	0	23,154	191	186,867	581,508	215,177	28,117	0	682	11,515	0	0	0	0	1,051,283
R0300	Net	31,795	63,138	0	74,798	6,180	154,621	242,932	441,470	18,636	0	7,798	28,142	0	45,601	10,074	44,157	1,169,342
	Claims incurred																	
R0310	Gross - Direct Business	31,126	47,181	0	121,818	4,657	101,109	237,769	472,190	31,460	0	24,290	31,181					1,102,781
R0320	Gross - Proportional reinsurance accepted	165	0	0	7,439	0	68,751	121,158	18,912	0	0	152	2,808					219,385
R0330	Gross - Non-proportional reinsurance accepted													0	26,596	4,420	20,044	51,060
R0340	Reinsurers' share	4,007	4,552	0	69,418	331	62,483	193,818	96,064	0	0	2,042	10,631	0	0	0	0	443,347
R0400	Net	27,283	42,629	0	59,838	4,326	107,377	165,109	395,038	31,460	0	22,400	23,358	0	26,596	4,420	20,044	929,878
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	
R0420	Gross - Proportional reinsurance accepted																	
R0430	Gross - Non-proportional reinsurance accepted																	
R0440	Reinsurers' share																	
R0500	Net																	
R0550	**Expenses incurred**	14,704	23,770	0	27,951	2,276	44,381	82,094	138,355	11,474	0	5,257	9,593	0	4,419	5,208	3,604	373,087
R1200	**Other expenses**																	
R1300	**Total expenses**																	373,087

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	0	0	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1500	Net									0
	Premiums earned									
R1510	Gross	0	0	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1600	Net									0
	Claims incurred									
R1610	Gross	0	0	0	0	1,492	0	0	0	1,492
R1620	Reinsurers' share	0	0	0	0	352	0	0	0	352
R1700	Net					1,140				1,140
	Changes in other technical provisions									
R1710	Gross	0	0	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1800	Net									0
R1900	**Expenses incurred**	0	0	0	0	6	0	0	0	6
R2500	**Other expenses**									
R2600	**Total expenses**									6

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,583,493						1,583,493
R0120	Gross - Proportional reinsurance accepted	566,035						566,035
R0130	Gross - Non-proportional reinsurance accepted	100,215						100,215
R0140	Reinsurers' share	1,062,550						1,062,550
R0200	Net	1,187,193						1,187,193
	Premiums earned							
R0210	Gross - Direct Business	1,560,106						1,560,106
R0220	Gross - Proportional reinsurance accepted	560,687						560,687
R0230	Gross - Non-proportional reinsurance accepted	99,831						99,831
R0240	Reinsurers' share	1,051,283						1,051,283
R0300	Net	1,169,342						1,169,342
	Claims incurred							
R0310	Gross - Direct Business	1,102,781						1,102,781
R0320	Gross - Proportional reinsurance accepted	219,385						219,385
R0330	Gross - Non-proportional reinsurance accepted	51,060						51,060
R0340	Reinsurers' share	443,347						443,347
R0400	Net	929,878						929,878
	Changes in other technical provisions							
R0410	Gross - Direct Business							
R0420	Gross - Proportional reinsurance accepted							
R0430	Gross - Non-proportional reinsurance accepted							
R0440	Reinsurers' share							
R0500	Net							
R0550	**Expenses incurred**	373,087						373,087
R1200	**Other expenses**							
R1300	**Total expenses**							373,087

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							
R1420	Reinsurers' share							
R1500	Net							
	Premiums earned							
R1510	Gross							
R1520	Reinsurers' share							
R1600	Net							
	Claims incurred							
R1610	Gross	1,492						1,492
R1620	Reinsurers' share	352						352
R1700	Net	1,140						1,140
	Changes in other technical provisions							
R1710	Gross							
R1720	Reinsurers' share							
R1800	Net							
R1900	**Expenses incurred**	6						6
R2500	**Other expenses**							
R2600	**Total expenses**							6

S.12.01.02

Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**								0		0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0		0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								96,054		96,054						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								8,834		8,834						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								87,220		87,220						
R0100	**Risk margin**								9,056		9,056						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole								0		0						
R0120	Best estimate								0		0						
R0130	Risk margin								0		0						
R0200	**Technical provisions - total**								105,110		105,110						0

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-11,725	-16,540	0	6,577	-353	-4,126	9,314	88,757	27,639		-1,354	20,843		6,288	-151	827	125,996
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-708	137	0	10,236	-57	-14,834	-92,202	23,687	13,245		-107	-1,888		0	0	0	-62,491
R0150	**Net Best Estimate of Premium Provisions**	-11,017	-16,677	0	-3,659	-296	10,707	101,516	65,070	14,394		-1,246	22,732		6,288	-151	827	188,487
	Claims provisions																	
R0160	Gross	28,882	53,821	0	198,249	7,849	541,871	695,215	2,713,166	100,822		6,632	70,311		24,576	10,537	29,561	4,481,492
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	4,846	6,968	0	100,882	1,329	239,163	402,187	732,779	60,429		2,648	11,719		0	0	0	1,562,950
R0250	**Net Best Estimate of Claims Provisions**	24,037	46,853	0	97,367	6,520	302,708	293,028	1,980,387	40,392		3,984	58,592		24,576	10,537	29,561	2,918,542
R0260	**Total best estimate - gross**	17,157	37,281	0	204,826	7,496	537,744	704,528	2,801,923	128,460		5,278	91,154		30,864	10,386	30,388	4,607,487
R0270	**Total best estimate - net**	13,020	30,176	0	93,708	6,224	313,415	394,543	2,045,458	54,786		2,737	81,324		30,864	10,386	30,388	3,107,029
R0280	**Risk margin**	2,445	4,933	0	10,502	855	34,834	44,464	225,875	5,840		631	9,461		3,297	1,368	4,194	348,700
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0		0	0		0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0		0	0		0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0		0	0		0	0	0	0
R0320	**Technical provisions - total**	19,602	42,214	0	215,329	8,352	572,578	748,992	3,027,798	134,301		5,910	100,615		34,161	11,754	34,582	4,956,187
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	4,138	7,105	0	111,118	1,272	224,329	309,985	756,466	73,674		2,541	9,831		0	0	0	1,500,458
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	15,465	35,109	0	104,210	7,080	348,249	439,007	2,271,333	60,626		3,369	90,785		34,161	11,754	34,582	3,455,729

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Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** | Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	**In Current year**	**Sum of years (cumulative)**
R0100	Prior											44,416	44,416	44,416
R0160	2011	342,786	508,330	179,238	141,840	59,572	57,391	41,382	20,072	13,996	1,397		1,397	1,366,004
R0170	2012	243,271	338,234	158,985	112,417	88,371	46,965	67,226	57,903	13,663			13,663	1,127,035
R0180	2013	234,289	283,295	158,171	85,719	66,316	47,025	48,611	9,623				9,623	933,049
R0190	2014	182,511	304,171	190,572	72,008	35,610	29,578	17,295					17,295	831,745
R0200	2015	223,487	311,535	186,108	89,898	80,726	97,335						97,335	989,089
R0210	2016	297,947	464,440	168,713	118,576	70,875							70,875	1,120,551
R0220	2017	202,711	312,745	143,650	159,941								159,941	819,047
R0230	2018	290,232	660,478	280,596									280,596	1,231,306
R0240	2019	321,807	215,047										215,047	536,854
R0250	2020	226,279											226,279	226,279
R0260												**Total**	1,136,467	9,225,375

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	**Year end (discounted data)**
R0100	Prior											357,517	350,517
R0160	2011	-	-	-	-	-	164,175	91,203	79,145	58,998	52,954		51,899
R0170	2012	-	-	-	-	264,450	165,861	96,378	72,974	59,533			58,403
R0180	2013	-	-	-	340,950	269,605	175,240	90,269	75,109				73,605
R0190	2014	-	-	469,024	350,077	282,153	163,655	91,379					89,775
R0200	2015	-	633,228	478,055	375,232	277,460	166,349						163,237
R0210	2016	1,019,104	654,468	497,682	354,398	275,692							270,840
R0220	2017	1,065,178	723,862	467,692	351,923								345,810
R0230	2018	1,232,419	727,898	479,362									470,767
R0240	2019	1,229,758	674,203										665,652
R0250	2020	1,099,094											1,087,410
R0260												**Total**	3,627,916

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	15,320	15,320		0	
R0030	Share premium account related to ordinary share capital	1,063,663	1,063,663			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	332,641	332,641			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	79,261				79,261
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	1,490,885	1,411,624	0	0	79,261
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	400,000			400,000	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**	400,000			400,000	
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	1,890,885	1,411,624	0	400,000	79,261
R0510	Total available own funds to meet the MCR	1,411,624	1,411,624	0	0	
R0540	Total eligible own funds to meet the SCR	1,890,885	1,411,624	0	400,000	79,261
R0550	Total eligible own funds to meet the MCR	1,411,624	1,411,624	0	0	
R0580	**SCR**	1,366,406				
R0600	**MCR**	468,932				
R0620	**Ratio of Eligible own funds to SCR**	138.38%				
R0640	**Ratio of Eligible own funds to MCR**	301.03%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,490,885
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,158,244
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	332,641
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	135,297
R0790	**Total Expected profits included in future premiums (EPIFP)**	135,297

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Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	29900I	Diversification within counterparty risk	-60,349
2	50301I	Non-Life Natural Catastrophe Premium Risk	452,103
3	20200I	Type 2 counterparty risk	69,419
4	59900I	Diversification within non-life underwriting risk	-809,820
5	50200I	Reserve Risk	849,800
6	10400I	Equity risk	77,048
7	10700I	Spread Risk	213,486
8	19900I	Diversification within market risk	-381,784
9	20100I	Type 1 counterparty risk	122,202
10	80400I	Other Adjustments	0
11	10600I	Property Risk	26,202
12	50100I	Non Cat Premium Risk	342,894
13	11000I	Investment Credit	86,134
14	10300I	Interest rate Risk	30,842
15	80100P	Pension Risk	51,178
16	50302I	Non-Life Man Made Catastrophe Premium Risk	378,266
17	10900I	Currency Risk	200,293
18	70100I	Operational Risk	193,786
19	80300I	Loss-absorbing capacity of deferred tax	0

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Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	1,841,700
R0060	Diversification	-475,294
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	1,366,406
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	1,366,406
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	Amount/estimate of LAC DT	0
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
R0670	Amount/estimate of AC DT justified by carry back, current year	
R0680	Amount/estimate of LAC DT justified by carry back, future years	
R0690	Amount/estimate of Maximum LAC DT	

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Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
R0010	Linear formula component for non-life insurance and reinsurance obligations	467,100	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	13,020	35,508		
R0030	Income protection insurance and proportional reinsurance	30,176	56,865		
R0040	Workers' compensation insurance and proportional reinsurance	0	0		
R0050	Motor vehicle liability insurance and proportional reinsurance	93,708	64,390		
R0060	Other motor insurance and proportional reinsurance	6,224	6,540		
R0070	Marine, aviation and transport insurance and proportional reinsurance	313,415	161,475		
R0080	Fire and other damage to property insurance and proportional reinsurance	394,543	268,289		
R0090	General liability insurance and proportional reinsurance	2,045,458	439,473		
R0100	Credit and suretyship insurance and proportional reinsurance	54,786	13,281		
R0110	Legal expenses insurance and proportional reinsurance	0	0		
R0120	Assistance and proportional reinsurance	2,737	10,958		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	81,324	30,200		
R0140	Non-proportional health reinsurance	0	0		
R0150	Non-proportional casualty reinsurance	30,864	44,758		
R0160	Non-proportional marine, aviation and transport reinsurance	10,386	9,473		
R0170	Non-proportional property reinsurance	30,388	45,983		

		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
R0200	Linear formula component for life insurance and reinsurance obligations	0	1,832

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations	0		87,220	
R0250	Total capital at risk for all life (re)insurance obligations				

	Overall MCR calculation	C0130
R0300	Linear MCR	468,932
R0310	SCR	1,366,406
R0320	MCR cap	614,883
R0330	MCR floor	341,602
R0340	Combined MCR	468,932
R0350	Absolute floor of the MCR	6,374
R0400	**Minimum Capital Requirement**	468,932

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	467,100	1,832
R0510	Notional SCR excluding add-on (annual or latest calculation)	1,361,069	5,337
R0520	Notional MCR cap	612,481	2,402
R0530	Notional MCR floor	340,267	1,334
R0540	Notional combined MCR	467,100	1,832
R0550	Absolute floor of the notional MCR	3,187	3,187
R0560	**Notional MCR**	467,100	3,187