



# Solvency and Financial Condition Report 2023



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# Summary

AIG Life Limited (the “Company” or “AIG Life”) is incorporated in the United Kingdom and registered in England and Wales. The Company is a wholly owned subsidiary of Corebridge Financial, Inc. and its ultimate parent company is American International Group, Inc. (“AIG, Inc.” or “AIG”), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

The Company is authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) in the UK.

AIG Life is a provider of term assurance, whole of life, critical illness and income protection insurance 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.

The purpose of the Solvency and Financial Condition Report (SFCR) as set out in Article 51 of the Solvency II Directive is to provide the reader with an understanding of the Company’s Business and Performance, System of Governance, Risk Profile, Valuation for Solvency purposes and Capital Management. It should be noted that references in the SFCR to “Solvency II” should be taken as references to the Solvency II regime as currently on-shored into the UK regulatory regime.

Section A to the SFCR provides information on the Company’s business, performance and significant events during the year.

AIG Life wrote £167.2m of new business premiums in 2023 (a 6% increase on 2022). The Company’s UK GAAP pre-tax losses were £35.4m, including £2.6m of investment income. AIG Life continues to apply industry-leading measures to enhance its capital deployment and finished the year with a capital ratio of 165%.

Section B provides information on the Company’s system of governance. This structure has four levels consisting of the Board, Board Committees, Executive Committees and Management Forums. The Company continues to align its management and governance structure to proactively respond to business and regulatory needs.

Section C provides information on the Company’s risk profile over its Insurance Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk. Mortality and morbidity risk are largely reinsured meaning the key risks faced are lapse risk, interest rate risk and expense risk.

This section further provides an overview for each of these five risks, outlining their risk components, measures used to assess risks, risk concentration, risk mitigation techniques and the process for monitoring these risk mitigation techniques.

The Company 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.

The Company’s adherence to its quantified risk parameters is supported by ongoing risk identification. The Company 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 the Company 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 the Company’s or peers’ financial resources and to minimise the exposure to legal, regulatory and accounting risk.

Section D provides information on the valuation of assets and liabilities on the Company’s Solvency II balance sheet and details of material differences from valuations in the financial statements. Key areas of valuation differences include technical provisions, deferred acquisitions costs, intangible assets and deferred tax.

Section E provides information on the composition and quality of the Company’s own funds and material changes in own funds composition during the year, as well as its capital management policy. The Company maintains robust and sufficient capital to ensure the safety and stability of the Company whilst meeting regulatory and other business needs.

In order for the Company's capital base to provide security against material shocks, the Company would normally expect to hold sufficient capital to maintain a significant economic surplus. Available capital comprises total equity, and eligible Tier 2 and Tier 3 capital under Solvency II.

The Solvency II surplus represents the excess of the Company's total eligible own funds over the Solvency Capital Requirement (SCR). The Solvency II coverage is calculated as the ratio of the Company's total eligible own funds to the SCR. Both metrics are defined by the regulations. During the year, the company ensured compliance with Solvency II requirements including maintaining capital resources above the SCR and the Minimum Capital Requirement (MCR). As at 31 December 2023, the Standard Formula SCR is £177.8m, covered by £293.3m of capital resources thus providing a 165% coverage ratio. The drop in coverage ratio from prior year is driven by a reduction in ancillary own funds as the letter of credit nominal was reduced from £80m to £20m to avoid holding an excessive amount of nominal. The MCR was £80.0m. The Company has permission to use a Transitional Measure on Technical Provisions which currently has no impact on the Solvency II results.

The Company has been fully compliant with the requirements of Solvency II since its commencement and it remains so.



*Phil*

**Philip Willcock**  
Chief Executive Officer

# A

# Business and performance

This section of the report sets out the details regarding the Company's business structure, key operations, market position and the financial performance for 2023.

Key elements of the section are:

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

## A.1 Business

The 'Business' sub-section of the report provides an overview of the Company, and its legal position within the AIG Group, major lines of business and strategy and objectives.

### A.1.1 Company information

AIG Life is incorporated in the United Kingdom and registered in England and Wales. The Company is a wholly owned subsidiary of Corebridge Financial, Inc. ("Corebridge Financial"). The Company's ultimate parent company is American International Group, Inc. ('AIG, Inc.'), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

AIG Life was established in 2008 as Fortis Life, an innovative provider of long-term life insurance, critical illness and income protection products sold through Independent Financial Advisers ("IFAs"), intermediaries and distribution partners. The Company was purchased by AIG Europe Holdings Limited ("AEHL", later AIG Holdings Europe Limited "AHEL"), part of American International Group ("AIG"), on 31 December

2014. On 26 October 2020, AIG announced plans to separate its Life and Retirement group from the rest of the company. On 1 May 2021, the Company moved from being owned by AHEL to being owned by SAFG within AIG's Life and Retirement group of companies. On 2 November 2021, AIG, Inc. sold 9.9% of SAFG Retirement Services, Inc. to Argon Holdings LLC, a wholly owned subsidiary of Blackstone Inc.

Corebridge Financial completed an initial public offering on 19th September 2022, reducing AIG's share of ownership to 77.7% as at 31 December 2022. In 2023, there were three subsequent secondary offerings in June, November and December respectively, to further divest AIG's stake in the business. As at 31st December 2023, the ultimate parent company remained AIG, Inc. which owns 52.2% of the common stock of Corebridge Financial. Section A.1.6 summarises the separation of the Life and Retirement group from AIG.

Products are sold to residents of the UK, Channel Islands, the Isle of Man and Gibraltar. The Company is PRA authorised and regulated by the PRA and the FCA.

#### Registered Office

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

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#### External Auditors

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PricewaterhouseCoopers LLP  
7 More London, Riverside  
London SE1 2RT  
+44 (0) 20 7583 5000

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#### Supervisory Authority (Prudential)

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Prudential Regulation Authority (PRA)  
20 Moorgate  
London EC2R 6DA  
+44 (0) 20 3461 4444

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### Supervisory Authority (Conduct)

Financial Conduct Authority (FCA)

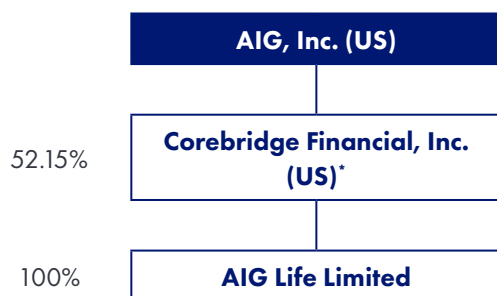
12 Endeavour Square

London E20 1JN

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## A.1.2 Position within the group legal structure

As stated above, AIG Life is a wholly-owned subsidiary of Corebridge Financial, which is domiciled in the U.S.A. and incorporated in the State of Delaware. Its ultimate parent company AIG, Inc. is headquartered in New York City. The following chart shows, in simplified form, the structure of the Company and its ultimate parent as at 31 December 2023.



\*Corebridge Financial is a publicly traded company on New York Stock Exchange ("NYSE"). A minority shareholding in Corebridge Financial of 9.96% is held by Argon Holdco LLC, a wholly-owned subsidiary of Blackstone Inc. following the transaction between AIG, Inc. and Blackstone Group, which completed on 2 November 2021. AIG owns 52.15% and public stockholders own 37.88% of Corebridge Financial.

## A.1.3 Material participating undertakings

The Company has undertakings in Group Risk Services Limited, including its wholly-owned subsidiary, Group Risk Technologies Limited. Apart from this, there are no other subsidiaries or material undertakings.

## A.1.4 Material lines of business by operating segment and solvency II

From an operating company perspective, AIG Life forms part of the Life business unit within Corebridge Financial (formerly the Life and Retirement division of AIG, Inc).

AIG Life's products fall under two of the Solvency II Lines of Business (LOB), which are Life (82%) and Health (18%), measured by gross premium income in 2023. AIG Life's term assurance and whole of life products are categorised under Life, with critical illness and income protection categorised under Health.

## A.1.5 Material geographical locations

AIG Life operates within the United Kingdom, Channel Islands, Isle of Man and Gibraltar.

## A.1.6 Significant events during the reporting period

### A.1.6.1 AIG restructuring and Corebridge IPO

On 26 October 2020, AIG announced plans to separate its Life and Retirement division from the rest of the company, leaving AIG Group to operate as a Property and Casualty business. As part of the Life and Retirement division, the Company was part of the separated Life and Retirement group. To prepare for the Life and Retirement separation, the Company was moved into SAFG, a holding company, along with other AIG Life and Retirement businesses that are based outside the US. This process was completed on 1 May 2021. On 2 November 2021 Blackstone purchased a 9.9% holding in SAFG. On 28 March 2022, it was announced that SAFG be renamed as Corebridge Financial. On 29 March 2022, Corebridge Financial filed its initial public offering on the NYSE.

On 19 September 2022, Corebridge Financial, Inc. completed an initial public offering (the "IPO") in which AIG sold 80,000,000 shares of Corebridge Financial, Inc. representing 12.4% of the total shares of Corebridge Financial, Inc., to the public on the New York Stock. As at 31 December 2022, AIG owns 77.7% of the common stock of Corebridge Financial, Inc.



In June 2023, AIG sold 74.75 million shares of Corebridge common stock in a secondary offering, representing approximately 10.0% of the total shares of Corebridge Financial, Inc., to the public on the New York Stock Exchange. In November 2023, AIG sold 50,000,000 shares of Corebridge common stock in a secondary offering, representing approximately 7.9% of the total shares of Corebridge Financial, Inc., to the public on the New York Stock Exchange. In December 2023, AIG sold 35,000,000 shares of Corebridge common stock in a secondary offering, representing approximately 5.5% of the total shares of Corebridge Financial, Inc., to the public on the New York Stock Exchange.

As at 31 December 2023, the ultimate parent company remained AIG, Inc and Corebridge Financial is majority owned by AIG (52.2%).

#### A.1.6.2 Acquisition by Aviva

On 25 September 2023, it was announced that Aviva will acquire AIG Life from Corebridge Financial for a total consideration of £460m. The sale has received regulatory approval and is expected to close on 8 April 2024.

The Directors do not know the intent of Aviva plc management regarding the future plans, strategy or financing for the Company post acquisition. The Directors consider that the impact of any change of ownership represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### A.1.7 Significant events after the reporting period

On 8 February 2024, the Competition and Markets Authority (CMA) announced the launch of its merger inquiry into Aviva's planned acquisition of AIG Life over concerns that the transaction could result in "a substantial lessening of competition" in the UK market. On 28 March 2024, the sale of the Company to Aviva received the relevant regulatory approvals and is expected to close on 8 April 2024. On this date, the ownership of the Company will transfer from Corebridge Financial, Inc. to Aviva plc.

## A.2 Underwriting performance

The 'Underwriting Performance' subsection of the report aims to provide quantitative and qualitative information of the Company's underwriting performance for the financial year 2023, and has been prepared on a UK GAAP basis which is the basis on which the company prepares its financial statements in the UK.

### A.2.1 Underwriting performance by material lines of business

The following table summarises the total premiums, claims and expenses for AIG Life during 2023 split by Solvency II Line of Business.

£'000	By line of business		Total
	Life	Health SLT	
<b>Premiums written</b>			
Gross	602,061	127,800	729,862
Reinsurers' share	284,985	60,494	345,480
Net	317,076	67,306	384,382
<b>Premiums earned</b>			
Gross	602,061	127,800	729,862
Reinsurers' share	284,985	60,494	345,480
Net	317,076	67,306	384,382
<b>Claims incurred</b>			
Gross	387,614	82,279	469,893
Reinsurers' share	205,472	43,616	249,088
Net	182,142	38,663	220,805
<b>Expenses incurred</b>	<b>235,822</b>	<b>50,058</b>	<b>285,881</b>

Net claims and expenses exceeded net premiums by £122.3m due to an adverse mortality experience in the group protection business. Once changes in Deferred Acquisition Costs, change in reserves, coinsurance commission and investment income are included there is a UK GAAP pre-tax loss of £35.4m for 2023 as shown below.

AIG Life uses reinsurance to limit its exposure to underwriting risk and to reduce the volatility of its claims and underwriting performance. This is typical within the UK Life insurance market.

Currently AIG Life has arrangements with over 40 different reinsurers in the UK market in addition to arrangements with AIG Group's internal reinsurer, American International Reinsurance Company (AIRCO). These arrangements are monitored on an ongoing basis with a full review and retender process at regular intervals.

Period ended 31 / 12 / 2023	£'000
Gross Premiums	729,862
Reinsurers' share of premiums	(345,480)
Gross Claims	(469,893)
Reinsurers' share of claims	249,088
Change in Reserves	-
Coinsurance Cashflows	48,231
Commission Expenses	210,301
Non-Commission Expenses	(75,579)
Change in Deferred Acquisition Cost	46,884
Income from Direct Holdings Investments	1,693
Interest earned from Cash and Time Deposits	904
<b>Operating Profit</b>	<b>(24,592)</b>
Interest expense	-
Acquisition Amortisation	(5,375)
Integration and restructuring	(5,400)
Realised gains/losses	(11)
<b>Pre-tax UK GAAP Profit</b>	<b>(35,379)</b>

The below table shows the underwriting performance from 2022. The increase in net claims since 2022 is largely driven by the group protection business due to an adverse mortality experience in 2023. This is partially offset by a steady increase in net premiums which reflects the continued growth of the business.

£'000	2022		Total
	By line of business		
	Life	Health SLT	
<b>Premiums written</b>			
Gross	539,718	119,362	659,080
Reinsurers' share	258,110	57,083	315,193
Net	281,608	62,279	343,887
<b>Premiums earned</b>			
Gross	539,718	119,362	659,080
Reinsurers' share	258,110	57,083	315,193
Net	281,608	62,279	343,887
<b>Claims incurred</b>			
Gross	293,345	61,731	355,076
Reinsurers' share	149,516	31,464	180,980
Net	143,829	30,267	174,096
<b>Expenses incurred</b>	<b>184,827</b>	<b>40,875</b>	<b>225,702</b>



## A.2.2 Underwriting performance by material geographical locations

The below split by geographic location reflects the fact that the majority of AIG Life business is conducted within the United Kingdom.

		Top countries (by amount of gross premiums written)					
£'000	Home Country	Jersey	Guernsey	Isle of Man	Gibraltar	Total	
<b>Premiums written</b>							
Gross	720,139	4,466	2,711	1,448	1,097	729,862	
Reinsurers' share	340,877	2,114	1,283	685	519	345,480	
Net	379,262	2,352	1,428	763	578	384,382	
<b>Premiums earned</b>							
Gross	720,139	4,466	2,711	1,448	1,097	729,862	
Reinsurers' share	340,877	2,114	1,283	685	519	345,480	
Net	379,262	2,352	1,428	763	578	384,382	
<b>Claims incurred</b>							
Gross	466,289	1,521	801	1,201	80	469,893	
Reinsurers' share	247,177	807	424	637	42	249,088	
Net	219,112	715	376	564	38	220,805	
<b>Expenses incurred</b>	<b>282,072</b>	<b>1,749</b>	<b>1,062</b>	<b>567</b>	<b>430</b>	<b>285,881</b>	

		Top countries (by amount of gross premiums written)					
Increase in 2023 vs. 2022	Home Country	Jersey	Guernsey	Isle of Man	Gibraltar	Total	
<b>Premiums written</b>							
Gross	11%	5%	0%	9%	8%	11%	
Reinsurers' share	10%	4%	-1%	8%	7%	10%	
Net	12%	6%	1%	10%	9%	12%	
<b>Premiums earned</b>							
Gross	11%	5%	0%	9%	8%	11%	
Reinsurers' share	10%	4%	-1%	8%	7%	10%	
Net	12%	6%	1%	10%	9%	12%	
<b>Claims incurred</b>							
Gross	32%	613%	1026%	21%	-44%	32%	
Reinsurers' share	37%	642%	1071%	25%	-41%	38%	
Net	26%	583%	979%	16%	-46%	27%	
<b>Expenses incurred</b>	<b>27%</b>	<b>20%</b>	<b>15%</b>	<b>25%</b>	<b>23%</b>	<b>27%</b>	

## A.3 Investment performance

The 'Investment Performance' subsection of the report provides qualitative and quantitative information of the Company's investment performance for the financial year 2023.

### A.3.1 Net investment income

Net investment income for AIG Life principally arises from high quality fixed income assets including corporate and government bonds.

Net investment return includes investment income, realised gains and losses and unrealised gains and losses on financial assets held at fair value through profit. This amount is net of interest payable, investment expenses and impairment losses on financial assets. Interest income is recognised as accrued.

#### Net investment income

	2023	2022
Interest income from debt securities, £k	4,931	4,916
Realised and Unrealised Gains/Losses, £k	4,577	(77,310)
<b>Net Investment Return, £k</b>	<b>9,508</b>	<b>(72,394)</b>

Net investment returns were higher in 2023 than 2022 due to higher realised and unrealised gains arising from the reduction in yields over 2023.

### A.3.2 Investment activities by asset class and changes during the reporting period

The asset portfolio remained largely unchanged over 2023.

#### A.3.2.1 Income and expenses arising from investments by asset class

The assets invested by the Company fall into the following asset classes:

##### 1. Direct Bond Holdings: £132,988k

The Company has invested in high-quality government and corporate bonds. Over 2023, £4,931k of income was earned and £4,577k of realised and unrealised gains were incurred.

2. Cash and cash equivalents: Bank deposits £9,171k  
No material interest was incurred in respect of these assets in the year ending 31 December 2023.

##### 3. Participations: £1,300k

The Company holds 100% of the ordinary share capital of Group Risk Services which is valued at £1.3m.

Note that, as at 31 December 2023, there are no Derivatives as interest rate environment remains favourable and Mid Market Loans were sold to streamline the investment portfolio.

## A.4 Performance from other activities

The 'Performance from other activities' subsection of the report aims to provide an overview of the qualitative and quantitative information regarding income from other activities, other expenses and lease arrangements. For AIG Life, there were no other material income or expenses.

## A.5 Any other material information

As at 31 December 2023, there is no other material information regarding Business and Performance of the company.

## B

# Systems 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 sections are:

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

## B.1 General information on the system of governance

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

### B.1.1 Management and governance structure

AIG Life adopts a robust approach to corporate governance; the governance framework is based upon the standards set out within the AIG Life Management Responsibilities Map. In addition, AIG Life, as a minimum, adopts corporate governance principles contained in the FCA Handbook and PRA Rulebooks, together with the UK Corporate Governance Code, where relevant.

The objective of the Management Responsibilities Map is to clarify and formalise governance responsibilities within AIG Life by establishing a clear and comprehensive governance framework with appropriate procedures, systems and controls. The document sets out the governance arrangements and standards that exist to ensure that AIG Life is being managed in accordance with the relevant legislative and regulatory requirements and the policies and standards of Corebridge Financial, and is reviewed on a quarterly basis. Compliance with these standards and requirements will ensure that AIG Life meets not only the expectations of shareholders but also other key stakeholders in the businesses such as customers, employees, business partners and regulators.

Included in the governance framework is the AIG Life Enterprise Risk Management ("ERM") framework which supports the Company's risk culture, and sets out the risk committees, risk reporting and risk controls. The ERM governance structure provides an oversight and decision-making framework within which material risks are regularly identified, assessed, monitored and managed together with utilising the outputs from the Solvency II Capital models where appropriate.

The AIG Life governance structure includes the following four levels:

1. The Board;
2. Board Committees;
3. Executive Committees; and
4. Management Forums.

It is designed to support the Company in embedding a strong risk culture through the integration of risk management with regulatory requirements and business activities such as strategy and planning. Each of the committees has a distinct role to play within the Company's governance framework.

#### B.1.1.1 Board of directors

The role of the AIG Life Board is to exercise effective control and oversight over the business, setting the tone from the top, to ensure the direction and performance of the business is aligned to the strategic objectives of the Company and its shareholders, and is managed in accordance with legislative and regulatory requirements.

The responsibilities of the AIG Life Board are contained within its Terms of Reference, including: guarding the interests of stakeholders; setting and maintaining a culture that has customers at the heart of how AIG Life business is conducted; formulating the strategy; approving business plans, policies and investment and divestment proposals; setting risk appetite; and reviewing business performance.

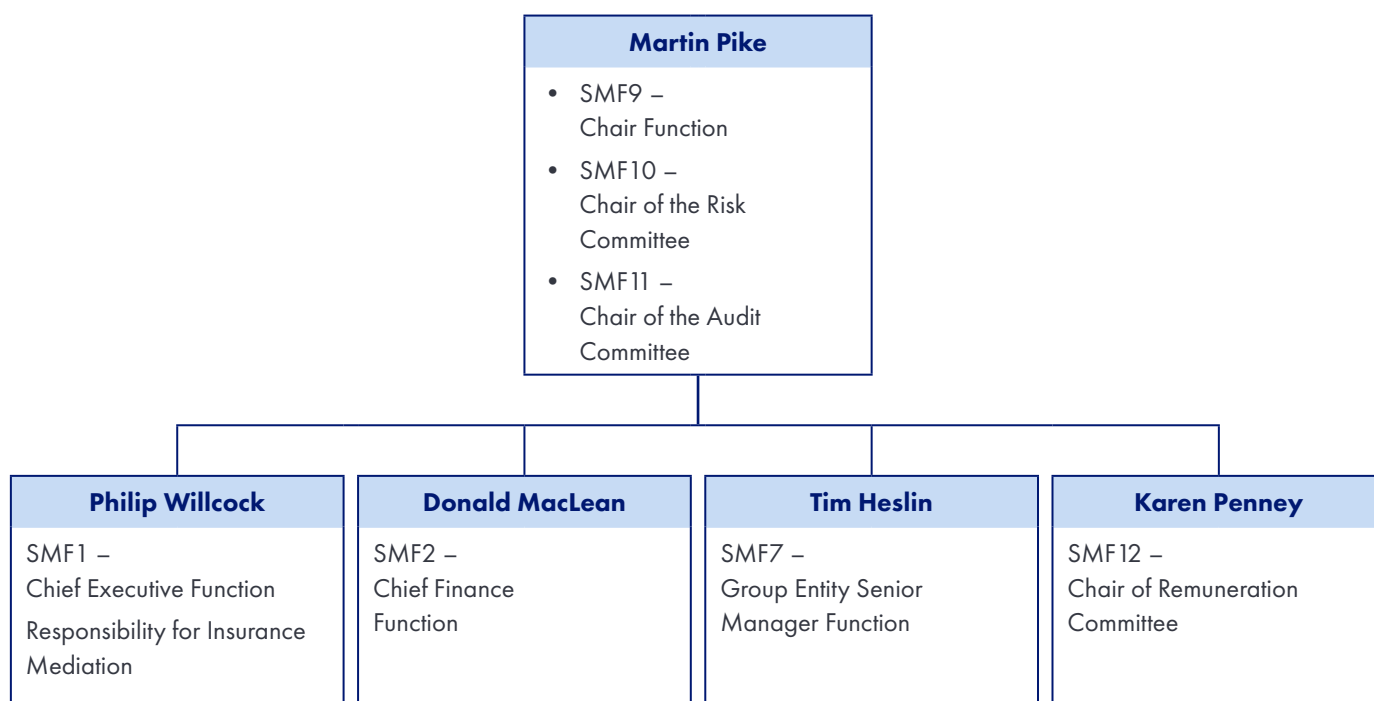
The AIG Life Board:

- Is regarded by all stakeholders as the champion of the Company's integrity, accountability, responsibility, ethics and behavioural values;
- Will meet regularly to exercise and discharge its obligations;
- Is responsible for controlling and directing the Company in line with the expectations and requirements of its parent company and shareholder (Corebridge Financial);
- Is responsible for ensuring the business is compliant with all applicable legislative and regulatory requirements, including but not limited to, the PRA Fundamental Rules and the FCA Principles for Businesses;
- Has the authority and the duty to use adequate, necessary and proportionate means in order to fulfil its responsibilities. The AIG Life Board as a whole is collectively accountable to the Company for adequately exercising its authority, powers and duties. The Company is duly represented by any Director or the Company Secretary for all matters within the limits set by the Board. The Board may sub-delegate authority where appropriate;

- Is responsible for establishing the desired culture, and setting the policies and standards within which the Company will operate, and directors are expected to demonstrate and to promote they remain appropriate; and
- Retains sufficient powers to enable the Directors to carry out their duties effectively and appropriately and to ensure the Company is not exposed to undue risk of regulatory censure. In deciding which powers to retain, the AIG Life Board has given due consideration to industry best practice and relevant legislation, and has chosen to retain control over items with significant impact upon the Company.

The Board is composed of a mix of executive directors and independent non-executive directors, 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 the Company's business activities must receive Board approval prior to implementation.

The diagram below shows the AIG Life Board members as at 31 December 2023:

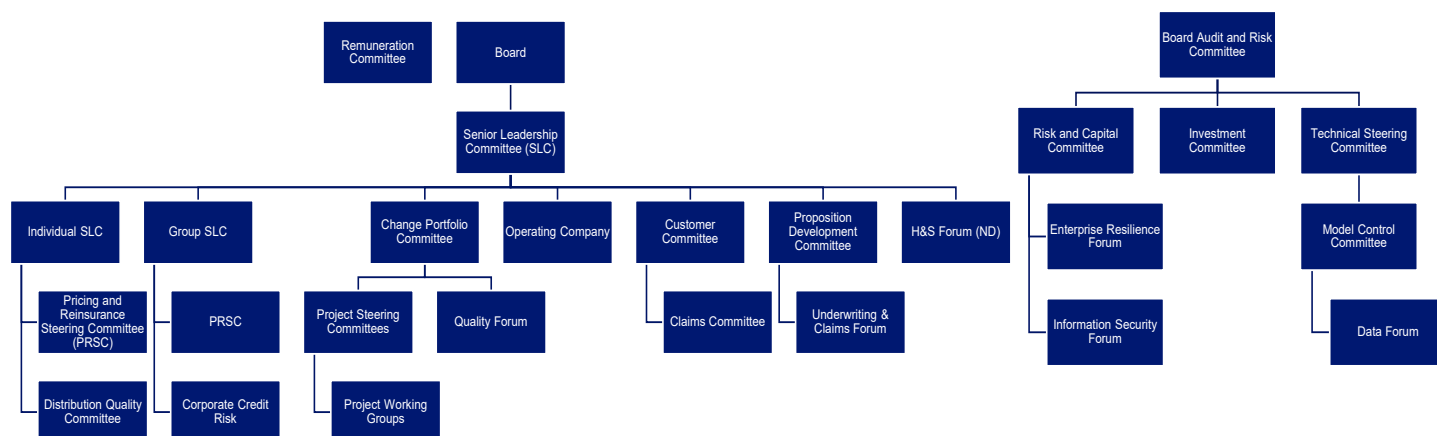


Laura McCracken, independent non-executive director, resigned from the Board on the 31 March 2023. Rob Sewell, independent non-executive director and Chair of the Risk Committee and Audit Committee, resigned from the Board on 20 July 2023. Karen Penney joined the Board as an Independent Non-Executive Director and Chair of the Remuneration Committee on the 13 July 2023. Todd Solash, Group Entity Senior Manager and Board Director resigned from the Board on the 17 August 2023. Tim Heslin, Board Director and Group Entity Senior Manager, was appointed to the Board effective from 27 March 2024.

### B.1.1.2 Board committees

There are a number of key governance committees within AIG Life which include the Board Audit and Risk Committee and Remuneration Committee. The structure is shown in the diagram below.

### Structure of Boards and Committees within AIG Life



The Board Audit and Risk Committee – assists the Board in fulfilling its responsibilities for oversight of the effectiveness of risk management systems and internal controls, both financial and non-financial within the company.

The role of the Board Audit and Risk Committee (BARC) includes:

- Assisting the Board in discharging its responsibilities for the integrity of the Company’s financial statements;
- Providing independent and objective assurance and oversight of the effectiveness of the systems of internal controls (financial, operational, compliance and risk management), including those systems and controls reviewed by Internal Audit;;
- Monitoring the Company’s compliance with legal and regulatory requirements;
- Providing oversight of the qualifications, independence and performance of External Audit;
- Reviewing the Company’s solvency position relative to the Board’s risk appetite;
- Overseeing risk management processes on behalf of the Board;
- Ensuring that risks are evaluated and plans for the management of such risks are effective; and
- Oversight of model development and changes, data quality and governance and the overall risk and control environment.

The BARC is part of the second and third lines of defence. The Committee is composed of the Independent Non-executive Directors, the Chief Executive Officer, and the Chief Financial Officer, with the Chief Actuary, the Chief Risk Officer, the Chief Compliance Officer (CCO), the Head of Internal Audit, and the lead partner of the external auditors as standing invitees.

The BARC is a sub-committee of the Board, reporting directly to the Board on material issues which the 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 BARC prior to being put before the Board.

The Remuneration Committee – with authority delegated from the Board, to oversee remuneration arrangements. The committee considers and advises the Board in relation to the remuneration of management specifically ensuring avoidance of incentive programmes that encourage employees to take unnecessary or excessive risk.

### B.1.1.3 Key functions, roles and responsibilities

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The system of governance includes the risk management function, compliance function, actuarial function and internal audit function. Solvency II sets out specific responsibilities for each of these key functions. The responsibilities and reporting lines for each of these functions are set out in turn below:

#### Actuarial Function

The Actuarial Function is led by the Chief Actuary. The Chief Actuary reports to the CFO and works closely with the Company's CRO. Under Solvency II, the Actuarial Function's responsibilities include the following tasks:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience.

The Actuarial Function is ultimately responsible for informing the Board of the reliability and adequacy of the calculation of technical provisions, the underwriting (pricing) policy of the company and the reinsurance policy of the company, which it does formally through the annual Actuarial Function Report.

#### Risk Function

AIG Life's ERM function oversees the delivery of the Risk Management Framework. The function is led by the Chief Risk Officer (CRO) delivering entity-wide risk management. The CRO reports to the CRO of Corebridge Financial, is a member of the AIG Life Senior Leadership Committee and has a functional reporting line to the AIG Life CEO.

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;
- Liquidity Risk;
- Credit Risk (including risks associated with utilisation of reinsurance and intermediary default risk);
- Operational Risk; and
- Business and Strategic Risk.

The ERM function implements the Company's Risk Management Framework through a suite of risk policies and processes. The results and findings from these processes are reviewed, challenged and escalated through the Company's governance framework. The risk function supports the business in the

identification, assessment, management, and monitoring of risks across the risk taxonomy and provides reporting to the Risk and Capital Committee (RCC), the Board Audit and Risk Committee and the Board itself.

#### Compliance Function

The Compliance function provides compliance support to the Company, including a framework for compliance risks to be identified, measured, managed, monitored and reported. The Compliance function works closely with the business to ensure that good customer outcomes and the right market behaviours are demonstrated. The Compliance function is led by the Chief Compliance Officer who is a member of the Senior Leadership Committee, reporting to the CEO and Chief Compliance Officer of Corebridge Financial, and is supported by a team of compliance personnel providing compliance expertise in areas including conduct risk regulation, governance and monitoring and testing. Areas that are supported by the work of the Compliance team include:

- Advice and guidance to the business: balancing regulatory requirements and best practice with business priorities and strategy;
- Compliance-related training: providing training to new starters as part of the induction process together with overseeing that relevant areas of the business complete a minimum of 15 hours Continual Professional Development per year in line with regulatory requirements;
- Monitoring and Testing: ensuring that the business meets the requirements of Company-wide policies and procedures with a focus on good outcomes for its customers, assisting the business to close any identified gaps. Furthermore, to provide independent assurance to the business that first line systems and controls across the intermediary distribution channel are operating effectively and in line with the FCA's requirements;
- Financial promotion and literature sign-off: maintaining ultimate responsibility for the financial promotions process, ensuring that all financial promotions and other marketing or communication materials meet the applicable rules laid down by the Regulator, and are clear, fair and not misleading (and ultimately are in a format that aids customer understanding);
- Regulatory developments: Ensuring that proposed and finalised applicable rules and policies published by regulatory bodies are examined, risk-assessed and distributed to the business;
- Anti-Money Laundering/Fraud/Financial Crime: responsibility for ensuring adherence to the Fraud, AML and Financial Crime policies across the business and identifying sanctioned individuals / entities together with Politically Exposed Persons (taking action as appropriate);
- Regulatory Reporting: co-ordinating and submitting applications to the PRA/FCA required under the Senior Management and Certification Regime, together with ensuring regular reporting requirements to the FCA are adhered to in a timely manner.



## Internal Audit Function

The Internal Audit function, is a third line of defence Group function which is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's activities, system of governance and risk management processes. The Internal Audit function is led by the Head of Internal Audit. The Head of Internal Audit reports on the audit programme, its status, and the condition of the control environment directly to the Board through the BARC.

### B.1.1.4 The "three lines of defence" model

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

#### Three Lines of Defence

First Line of Defence	Senior management (executive/business/operational), along with all staff in the organisation are responsible for implementing and maintaining the controls necessary for achievement of the Company's strategic and business objectives, the ownership and management of its inherent risks, its compliance with corporate standards and its legal and regulatory obligations.
Second Line of Defence	<p>The oversight functions (ERM and Compliance) are responsible for defining the risk framework and for monitoring the effectiveness of risk controls and for reporting their weaknesses or failures to the BARC. In this context, these functions are the "Second Line of Defence" against failure.</p> <p>Both functions also partner with the business in providing advice, guidance and challenge in managing their risks.</p>
Third Line of Defence	The Internal Audit function delivers the "Third Line of Defence" by providing independent assurance to the Board, through the BARC, regarding the effectiveness of the First and Second Lines of Defence.

## B.1.2 Material changes in the system of governance during the period

Laura McCracken resigned from the Board on the 31 March 2023 to be replaced by Karen Penney who joined the Board on the 13 July 2023 to perform the following functions: Independent Non-Executive Director and Chair of

the Remuneration Committee. Rob Sewell and Todd Solash resigned from the Board on 20 July 2023 and 17 August 2023 respectively, to be replaced by Tim Heslin who was appointed to the Board on 27 March 2024 to perform the function of Group Entity Senior Manager.

## B.1.3 Remuneration policy

The Corebridge compensation programme is structured so as to make enterprise-wide compensation decisions consistent with the Company's compensation philosophy. The implementation of the policy is overseen at AIG Life by the Remuneration Committee.

### B.1.3.1 Principles of the 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 (TDC consists of base salary plus annual incentive plus long-term incentive as appropriate);
- 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.

Fixed and variable pay should be appropriately balanced, with a sufficiently high proportion of fixed pay to avoid dependence on variable pay to meet day-to-day expenses. The proportion of variable pay generally increases with seniority in the organisation.

### B.1.3.2 Performance criteria

To ensure fair, compelling, competitive and consistent compensation opportunities throughout the firm, employees are assigned to job grades based on their job responsibilities and compensation is administered under a structure that is anchored on competitive market data. Each job grade has a salary range and ranges for target annual incentives and long-term incentives.

The Company values differentiated incentive compensation. Managers have discretion in determining short term incentives (STI), so long as they stay within STI 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.

### B.1.3.3 Compensation

The TDC consists of the following elements: fixed basic salary, variable annual incentives and in some circumstances long-term incentives. The Company does not offer supplementary pension or early retirement schemes.

### B.1.3.4 Compensation and risk

The Company 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 Company's compensation practices are integral parts of its approach to risk management, and the Board regularly monitors the Company's compensation programs to ensure they align with sound risk management principles. This is the responsibility of the Remuneration Committee.

## B.1.4 Material transactions during the period

At 31 December 2023 the authorised share capital comprised 316,885,000 ordinary shares of £1 each, all fully paid up. There were no issues of shares during 2023.

## B.2 Fit and proper

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

### B.2.1 'Fit and proper' assessment

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements.

The Senior Managers and Certification Regime (SM&CR) is operated by the FCA and aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. For all appointments of SM and CR positions, a training needs analysis is completed and skills, knowledge and expertise for the role is assessed. An appropriate training plan is put in place and monitored by the Co Sec or HR depending if the person is a SM or CR. The Company has established fit and proper policies and processes which comply with the SM&CR. The current process comprises of two stages:

#### B.2.1.1 Pre-appointment

- **References:** The Company takes reasonable steps to obtain appropriate references from the person's previous employer(s) In the case of Senior Managers and Certification Staff, the reference must cover six years.
- **DBS checks:** Following receipt of the person's consent the Company obtains a Disclosure and Barring Service check.
- **Identity validation (Right to Work) checks**
- **Global Sanction Screening checks:** These checks are against lists produced by both HMRC and OFAC (Office of Foreign Assets Control).
- **Credit checks:** As an additional means to the person's financial soundness, the Company carries out a credit records check through a recognised agency.
- **Other due diligence from publically available sources:** This includes such other due diligence as may be appropriate in order to form an assessment of the person's fitness and propriety, including from publicly available sources such as the Financial Services Register and Companies House (in relation to testing the accuracy of declarations around directorships) as well as an adverse media check.
- **Qualifications:** Request and review evidence of relevant qualifications and education as appropriate.
- **Application:** Require a formal application with CV (containing the candidate's full employment history accounting for any gaps, and the reasons for leaving each employer) and ensure that the person is interviewed at an appropriate level in order to assess his or her competence, knowledge, experience and training (including the person's training needs and requirements), taking into account the duties that will be expected of that person as set out in the role profile for the position.
- **Certified Reference Template:** This applies to director and senior manager roles only and is specified in the FCA Principles for Businesses.

#### B.2.1.2 Ongoing post-appointment

The Company gathers the information it has collected as part of the recruitment process on the person's skills gaps and where appropriate develops a learning and development plan and induction programme.

The assessment for the pre-appointment stage is carried out by the Human Resources department and the person's proposed manager in the Company. Where the appointment is to a Board, the proposed appointee is also interviewed by one or more independent non-executive directors. In this case, the assessment will take account of the qualifications, knowledge and experience already existing within these bodies in order to ensure an appropriate diversity of these attributes among management. The ongoing assessments of suitability are carried out through the annual review and appraisal process. Senior Managers and Certification Staff undergo annual screening which includes Credit Checks, DBS check, Directorships search and Global Sanctions Screening. In addition, Certification Staff will be annually assessed as Fit and Proper by the Company and issued with a certificate to that effect. Fit and Proper checks take account of personal conduct, objectives, screening checks, qualifications and other learning.

### **B.2.1.3 Training of the board members**

The Chair is responsible for taking the lead in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness as a team, and in identifying and meeting the development needs of individual directors. The directors undergo regular development and training programmes, including briefings on legislative and regulatory changes and on corporate governance issues. Under the direction of the Chair, the Company Secretary facilitates induction training and assisting with professional development as required. In addition individual Board members may identify further training needs.

## **B.3 Risk management system**

### **B.3.1 Risk management overview, strategy and objectives**

The Company believes that a strong, effective and embedded Risk Management Framework is important for maintaining business operations and delivering sustainable, long-term profitability within its risk appetite. The Company achieves this through a risk culture articulated by Enterprise Risk Management (ERM) senior leadership and embodied by management at all levels through the Company's governance structure and risk management processes.

AIG Life operates a Risk Management Framework. The framework outlines the risk management elements and associated risk management processes, including:

- The regular risk identification, assessment, management and monitoring which is undertaken by each functional Head supported by the Risk Management team, this provides input to the quarterly key risk report for the BARC and ultimately Board;
- Risk Policies; including Risk Appetite and limits and minimum standards;
- Capital and liquidity management, including model governance and stress testing;
- The annual Strategy and Business planning cycle which includes the forward looking assessments of risk and solvency capital requirements, stress and scenario testing and reverse stress testing with the production of the Own Risk Solvency Assessment Report;
- Data management, IT and Information security; and
- Monitoring of the control environment and key risk indicators.

The AIG Life Risk Management Framework is underpinned by the AIG Life risk policy framework which in turn is aligned to the various Parent company risk policies. A self-assessment and breach reporting process is in place to maintain adherence to policies.

AIG Life utilises the "Three Lines of Defence" model for risk management, as described in Section B.1.1 "Management and Governance Structure" above. Overseeing the Company'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 the Company.

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

The AIG Life Board has ultimate responsibility for development and oversight of the Risk Management Framework; the Board delegates the management of risks within its risk appetite and the risk governance framework to the AIG Life Board Audit and Risk Committee and Risk and Capital Committee. These Committees in turn escalate matters of importance to the Board as needed.

## B.3.2 Risk culture

AIG Life 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 elements which underpin the risk culture are:

### Visible leadership

Senior management takes an active role in promoting the Risk Management Framework. AIG Life defines a framework of risk committees, risk reporting, and controls embedded throughout the business. The principal risk committees of the AIG Life 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 (to an appropriate level of detail) the risk framework (strategy, governance), risk policies / procedures and the company risk profile. AIG Life's risk governance framework aims to provide information on the impact of risk management operations and the current risk profile of AIG Life. Without effective communication of AIG Life's risk profile, key stakeholders within the business will not be able to make appropriate decisions required to manage AIG Life as a risk-aware business.

### Involvement

All levels of management and staff contribute appropriately to the processes of identifying, assessing, managing, monitoring and reporting risks. All employees have a responsibility to raise risk concerns and manage risk via a 'raise your hand' risk culture. AIG Life utilises the "Three Lines of Defence" model for risk management:

- **First Line of Defence:** Composed of those profit centres and corporate functions that originate risks and have primary responsibility for managing risks, including identifying, assessing, controlling, monitoring, and reporting risk quantities;
- **Second Line of Defence:** Composed of ERM and other assurance functions, such as AIG Life Compliance, which perform independent risk assessments; ERM, as an independent function, undertakes a review and challenge covering the First Line of Defence;
- **Third Line of Defence:** Internal Audit comprises the independent assurance provided to the BARC. Internal Audit undertakes a program of risk-based audits covering aspects of the First and Second Lines of Defence.

### Governance and Incentives

AIG is committed to remunerating people to behave in a manner that aligns incentives with prudent risk-taking. The Company's incentive compensation framework is therefore

included in the Company's approach to risk management and is supported by Board oversight.

AIG Life believes that an effective risk culture must achieve an effective blend of both constraints and incentives. This structure allows for each function and individual to have a clear understanding of their risk management responsibilities and aids embedding an effective risk culture across the Company. 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 company level.

The governance structure has three distinct levels of committees: Board committees; Executive committees; and Management forums. It is designed to support AIG Life's 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 and forums has a distinct role to play within AIG Life's risk governance framework.

## B.3.3 AIG Life enterprise risk policy framework

As mentioned above, supporting these governance arrangements is an ERM Policy Framework which incorporates the key principles and standards in place. AIG Life has a suite of risk policies that align with its Parent's policy requirements as well as addressing local regulatory and business requirements.

The policies in place set out the high level principles and approach, supported by guidance documents and any other supporting materials as may be considered helpful to ensure consistent interpretation and application of each policy. Processes are specific to the Company reflecting the individual needs of the business but must respect the minimum standards set out within the relevant policies and guidance.

### Model and Risk Methodology Framework

Models are used to determine the Company's financial position through monitoring of various metrics, including Solvency II capital, as well as other internal information. The methodologies used to determine these items, and the models used to do so, are documented to ensure consistent application and use. AIG Life models are managed under the AIG Life model governance framework and changes to the models are reviewed and approved by the Model Control Committee, whilst also complying with the Corebridge Financial model governance requirements.

### Risk Reporting

The Company monitors risks through a combination of reports. This includes the Own Risk and Solvency Assessment and ERM reports and reviews. Risk Management also present a quarterly report to the BARC providing a risk opinion based on ERM's oversight of the Company's risk framework, risk profile and exposures.

## B.3.4 Risk management within AIG Life

The Risk Management function sits as an independent second line function alongside Compliance. The CRO is a standing attendee of the Board and BARC, a member of the Senior Leadership Committee and ERM is either a member or attendee at most Company governance meetings. As such the Company's strategy and day to day activities are subject to risk oversight and challenge. On an at least quarterly basis, Risk Management prepares and presents a risk report to the BARC providing a risk opinion and highlighting risks to the Company's strategy and operations.

## B.3.5 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is a set of processes undertaken throughout the year to define, assess and manage the risk and solvency capital position of the Company's strategy and business plans. The ORSA process draws together the results and analysis delivered through each of the risk processes and provides a current and forward-looking assessment of the Company's risk profile and assesses the level of solvency capital required over the period of the plan. The risk management processes that feed into the ORSA process include:

- Regular data quality and model assessments;
- The strategic and business planning cycle;
- Emerging risks assessment;
- Identification and assessment of key risks associated with the strategy;
- Capital management assessment and planning;
- Stress and scenario testing, and reverse stress testing, of the business model;
- Review of the risk management framework; and
- Review of the Actuarial Function report.

The ORSA report is co-ordinated and produced by Risk Management on behalf of the Board, with inputs from the Business and in particular quantitative results, model

assessments and capital assessments from the Actuarial Function. A review of the Company's ORSA is performed and compared to the regulatory solvency assessment and the Company's solvency capital risk appetite to assess whether additional capital may be required over the period of the plan. The Board provides inputs at various stages throughout the process including agreeing the strategy, business plan and stress tests to be applied.

## B.3.6 ORSA Governance

The ORSA process forms an element of the AIG Life Risk Management Plan, which sets out the areas where the Company is expected to use capital management information as part of their decision-making and risk management processes. This plan is reviewed and approved annually by the AIG Life BARC. There is also an AIG Life ORSA Policy which is owned by the CRO and approved by the Board.

The ORSA report is usually produced in the last quarter of each year alongside the development of the strategy, annual business plan, and multi-year budget. The report is reviewed by the BARC and submitted to the Board for review and approval. The ORSA is submitted to the PRA within two weeks of approval by the Board. An interim ORSA or ORSA update would be prepared in the event of any material changes in the business or to the company's risk profile that could impact the solvency capital requirement over the remaining period of the plan and prior to the next full assessment being due. The interim ORSA would be provided to the Board for review and approval prior to submission to the PRA.

## B.4 Internal control system

### B.4.1 Description of the internal control system

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



The company's internal control over Solvency II reporting includes procedures that:

- Pertain to data inputs being complete, accurate and of appropriate quality to use in the SCR. A strategic programme has been initiated to enhance the use of data by strengthening data governance which will improve data ownership, control, quality and accuracy;
- Provide reasonable assurance that the Solvency II reporting tools are producing expected results; and
- Provide reasonable assurance regarding prevention or timely detection of errors and omissions that could have a material effect on the Solvency II reporting.

The internal control framework is embedded within the overall enterprise Risk Management Framework and is outlined in the Internal Control Framework that is owned by the CRO and approved by the Board. It is made up of a number of continuous processes which are executed by Board members, Management, and members of staff to provide reasonable assurance of:

- The effectiveness and efficiency of the operations;
- Reliability of financial and non-financial information;
- An adequate control of risks; and
- Compliance with regulation, legislation and the internal policies and procedures of the business.

In relation to information security management, AIG Life Limited has been ISO27001 certified since 2012.

## B.5 Internal audit function

The Board, senior management, Internal Audit, second line functions other than Risk Management, business managers and all colleagues have a shared commitment to maintain and enhance the integrity of the Company's control environment. Within the context of the control framework, Internal Audit is an independent risk assessment and assurance function established within the organisation to evaluate, test, and report on the adequacy and effectiveness of management's systems of internal control, providing a third line of defence.

The purpose of these evaluations and tests is to:

- Assist the BARC in executing their oversight responsibilities and,
- Provide an independent assessment of the Company's system of internal control, through reviewing how effectively key risks are being managed, and assists management in the effective discharge of its responsibilities by carrying out independent appraisals and making recommendations for improvement.

The Internal Audit function is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's activities, system of governance and risk management processes. The Internal Audit function is led by the Head of Internal Audit.

There is a semi-annual Audit Plan that is developed in conjunction with the AIG Life BARC, CEO, CRO, CCO and other members of the Senior Leadership Team. Approval of the Plan is the responsibility of the BARC. Audit Plan progress updates and summaries of Audit Reports including issues identified are provided to the AIG Life BARC quarterly and as each Audit is completed. Additionally, Internal Audit report the status of audit issue remediation and action plan closure, which includes closure verification procedures.

The Head of Internal Audit is responsible for developing and maintaining an efficient and effective programme of internal auditing through:

- Delivering a comprehensive, dynamic and risk-based audit programme, which takes account of AIG Life's position in the wider AIG and Corebridge Financial Groups, where appropriate;
- 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 with applicable laws and regulations;
- Evaluating change activities such as significant projects and large scale business initiatives during the life or term of those projects and initiatives for the purpose of identifying possible unmitigated risks and highlighting other project management issues;
- Monitoring and evaluating the effectiveness of the Company's risk management processes;
- Reporting periodically on Internal Audit Group'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;



- Supporting the assurance needs of the Board and the BARC by developing tailored planning, reporting and advice to meet local corporate governance and regulatory requirements; and
- Managing the regulators requirements and taking on the approved person's role in respect of the Company.

## B.5.1 Independence

The Head of Internal Audit reports on the audit programme, its status, and the condition of the control environment directly to the Board through the BARC. This reporting relationship which includes audit plans and staffing considerations is designed to ensure the ongoing independence of the internal audit function in order to provide for the objectivity of its findings, recommendations and opinions.

The Head of Internal Audit is authorised by the BARC to have full and complete access to any of the organisation's records, properties and personnel. The Head of Internal Audit is also authorized to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities.

Consistent with generally accepted professional internal auditing standards relating to independence, objectivity and authority, internal auditors are not to engage in developing or installing procedures or preparing records, or in any other activity which would normally be the subject of audits. Internal auditors are not to have direct responsibility or any authority over any of the activities or operations that they review. Internal auditors will assist management in maintaining adequate and effective systems of controls through objective appraisals, recommendations and control consultations.

## B.6 Actuarial function

The Actuarial Function is led by the Chief Actuary. The Chief Actuary reports to the CFO and works closely with the Company's CRO.

Under Solvency II, the Actuarial Function's responsibilities include the following tasks:

- Coordinating the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience.

The Actuarial Function should also inform the Board of the reliability and adequacy of the calculation of technical provisions.

Technical provisions are calculated as part of quarterly Solvency II reporting.

In respect of the reliability and adequacy of the calculation of technical provisions, the Actuarial Function forms an opinion on whether the technical provisions are (in all material respects):

- Compliant with the requirements of the rules relating to technical provisions (Articles 76 to 84 of the Solvency II Directive) and the methodologies to calculate technical provisions (Articles 22 to 36 of the Solvency II Delegated Regulation);
- Sufficient on the best estimate assumptions to meet the liabilities;
- Reliably calculated in accordance with the methodology and assumptions.

In forming this opinion, consideration is given to the:

- Governance and control environment around the models;
- Appropriateness of assumptions and their relation to past experience;
- Expert judgments assumed in the models;
- Appropriateness of any management actions assumed in the models; and
- Quality of data used in the model.

The Actuarial Function contributes to the effective implementation of the undertaking's risk management system through a review of the calculation of capital requirements required by Solvency II, as reported quarterly in the case of the Solvency Capital Requirement, and by reviewing the investigations required as part of the forward looking assessment of own risks. This includes an assessment of the significance with which the risk profile deviates from the assumptions underlying the Solvency Capital Requirement.

## B.7 Outsourcing arrangements

AIG Life is committed to high standards of business conduct and has policies and guidelines in place, which define the way in which AIG Life does business and the standards of conduct required of third party service providers. Where AIG Life entrusts a third party, which undertakes core business activities on its behalf, AIG Life retains responsibility for such activities and requires that the activities are carried out in line with AIG Life's policies and standards.

AIG Life adheres to PRA Supervisory Statement SS2/21 Outsourcing and Third Party Risk Management and to the AIG Enterprise Third Party Risk Management policy which defines third party categories and on boarding due diligence risk assessment requirements. The Policy also prescribes the general principles to consider, the approach to due diligence and ongoing monitoring of the service provider's performance. AIG Life also adheres to the AIG Enterprise Third Party Risk Management Standard, which outlines the process for the necessary due diligence, and for the continuing oversight, of third-party relationships.

AIG Life remains responsible for any activities that are outsourced and requires that robust governance arrangements are in place in relation to the selection of third parties, and the management and oversight of all outsourced arrangements with those third parties.

AIG Life will only enter into an outsourcing arrangement where there is a sound business rationale for doing so and with a service provider that is competent and financially sound, and has good relevant knowledge and experience of the service it is required to supply.

### B.7.1 Material outsourced arrangements

There are a small number of material outsourcing arrangements with third parties that support the day-to-day business within AIG Life. All of the following arrangements are with firms operating within the UK jurisdiction. The key arrangements are listed below:

- **Investment management:** Carry out investment management activity including the purchase and sale of assets following instruction from the Investment Committee and in line with the AIG Life investment mandate and investment strategy as approved by the AIG Life Board and on an instruction basis from members of the Investment Committee. The activity is being managed within the AIG

Group, by BlackRock.

- **Finance, actuarial, and insurance operations:** carrying out these operations in line with mandate approved by Corebridge Financial in June 2022 and with AIG Life Limited as a service recipient company with Accenture, and on instruction by the AIG Life Board, AIG Life retains core processes and roles within the underwriting, claims and contact centre functions.
- **Call centre operations:** UK call centre activity carried out by Accenture in relation to bank assurance partner customer journeys.
- **Payroll services:** payroll activity carried out by third parties on behalf of group companies. AIG Life Limited has the benefit of the agreement by virtue of being an affiliate of the group.
- **Sanction/PEP screening:** The actual screening and two levels of checking are done within Corebridge Financial Group. Any final level referrals/checking is managed by AIG Life.
- **Data centre hosting (cloud-based computing) and IT support services:** in relation to data centre hosting, services were provided by Amazon Web Services (AWS) in relation to migration of on-premises storage cloud environment, provided by AWS. AIG Life business applications, data and general office applications migrated in 2021 to, and are currently hosted on, a UK-based AWS Cloud solution. In relation to IT support services, AIG Life Limited has the benefit of enterprise agreements related to professional IT services, contracted services provided under statements of work. Professional services are provided by two vendors.

Each arrangement has a relationship manager who is responsible for the day-to-day activities and relationship between AIG Life and the outsourced function although the overall responsibility remains with a member of the Senior Leadership Committee. Regular service review meetings are in place to review performance against agreed standards, complaints, risks, significant changes in processes or procedures, new developments that may impact on the services provided and particular concerns or changes in the outsourced operation. An annual review takes place looking at all elements of the arrangement.

## B.8 Adequacy and appropriateness of the system of governance

AIG Life has a governance structure in place. The Board and the various sub-committees have defined responsibilities and terms of reference approved by the delegating committee or Board.

The members and attendees provide experience and expertise, allowing them to contribute opinions and provide appropriate coverage across the various Company and SM&CR functions.

The risk governance structure is integrated into the strategy development and business planning process. The ERM function carries out a review of the business plan with the aim of supporting management to maintain a risk profile that is manageable and aligned to the scale and potential return of the Company's underwriting and operating activities. This also facilitates awareness of the risks that the Company faces, either inherently as part of its operations or as a result of its planned strategy, and allows management to take steps to ensure that those risks are maintained at an appropriate level that allows the Company to progress its strategy. The Business Plan and ORSA are reviewed and assessed by the BARC before being proposed for final approval by the Board.

There is a desire for AIG Life to continuously improve its risk, compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from ERM reviews, Internal Audit reviews, Compliance monitoring programmes, root cause analysis from complaints, breaches and risk events. Changes in regulation and legislation are monitored and actions taken to implement the new requirements. Finally, AIG Life uses internal audits and external audits to provide independent evaluation of the Company's system of governance. Recommendations from these audits are considered by the Senior Leadership Committee and implemented in a manner proportionate to the business's risks.

## B.9 Any other material information

The following Governance-related actions have been taken:

- On 2 August 2023 AIG Inc. announced during its Q2 Earnings Call, that, after review, AIG retained advisers to analyse strategic alternatives for the disposition of the UK Life business that is part of Corebridge. This resulted in the production of an Interim ORSA report that was approved by the UK Life Board in September 2023.
- An ORSA was also produced for Year End 2023, reflecting the multi-year budget and stress scenarios, and approved by the AIG Life UK Board in December 2023 as part of the business-as-usual ORSA process.
- A robust governance framework has been maintained, with regular updates shared with the Board of Directors on the firm's solvency position and the broader operating environment.
- Regular communications are in place with stakeholders, including our staff, policyholders, shareholder, Board of Directors, and regulators. These communications serve to update stakeholders on the Company's position and to help manage people, reputational, brand, and regulatory risks.

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

AIG Life writes long-term protection business providing individual and group life cover, critical illness and income protection products to its policyholders, targeting individual policies through the intermediary market and partnership distribution channels, and targeting group programmes following its purchase of the group protection business (Ellipse) on 31 December 2018 from Munich Re.

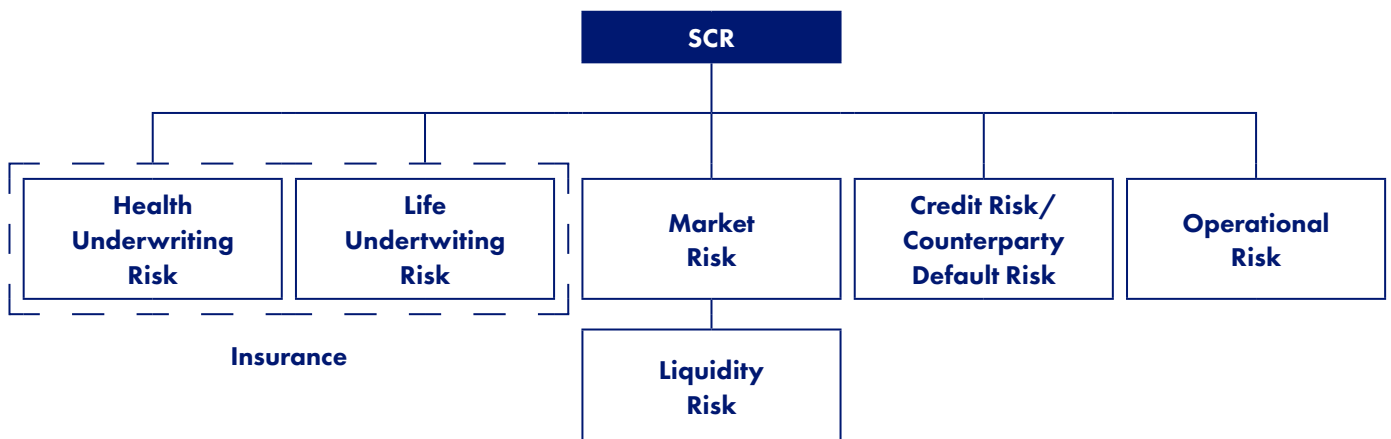
The Company believes that a strong, effective and embedded Risk Management Framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. The Company’s goal is to achieve this through a risk culture and embodied by management at all levels through the governance structure and risk management processes.

AIG Life calculates its SCR using the Standard Formula. On an annual basis an assessment is carried out to review the appropriateness of AIG Life using the Standard Formula and the outcome of this is presented in a report for the BARC review and summarised in the latest ORSA. The conclusion for 2023 was that the Standard Formula was considered to be appropriate and to reflect the risk profile of the Company.

### Risk profile, measurement and assessment

AIG Life’s Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the five major risk groupings the Company is exposed to, including:

- Insurance Risk (Underwriting Risk – Life and Health);
- Market Risk;
- Credit Risk (Counterparty Default);
- Liquidity Risk; and
- Operational Risk.

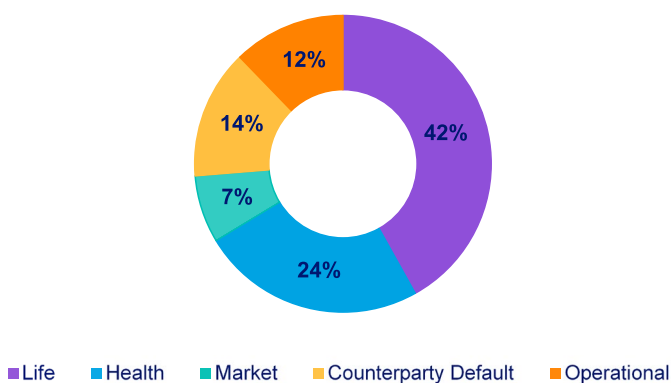


Liquidity risk is not a risk module in the Standard Formula but is considered under ORSA stress testing scenarios and assessments. For AIG Life, liquidity risk is monitored and managed by the Company's Finance function, overseen by the CFO, and reported to the Investment Committee where market risk is discussed.

#### AIG Life solvency capital requirement by module

The Solvency Capital Requirement for AIG Life as at 31 December 2023 was analysed into the key components shown in the chart below. As can be seen in the chart below which shows the SCR split by Risk Module, Life and Health (Insurance) risks are the dominant risks of the solvency capital requirement with Life Risk accounting for 42% of the SCR at 31 December 2023 with Health Risk accounting for 24%.

**2023 SCR by module**



#### Risk sensitivities

AIG Life carries out various types of Stress and Scenario Testing (SST) in order to inform the Board about any changes in its risk appetite, to assist management in the efficient use of the Company's capital resources and to make recommendations to the Board regarding dividend payments. Various tests are conducted to identify the implications of a wide range of risks within the SST Framework. 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. This is considered in relation to existing risk measures used, which is covered in more detail in Sections C.1.3 (Insurance Risk), C.2.4 (Market Risk) and C.3.5 (Credit Risk).

SST (including reverse stress testing) is a key risk management tool used within the Company. AIG Life's reverse stress tests are conducted on an annual basis and examine the conditions that would render the Company's business model unviable. The stress tests and specific parameters used are reviewed and approved by the Board prior to execution with the outcomes included in the ORSA report. The impact of the stress tests used during the 2023 ORSA process is provided under each risk type.

The details of various SSTs are as follows:

Types of SSTs	Risks covered	Timeline
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
	Reputational and Strategic RSTs	
Risk Specific SST	Interest rate risk	Performed quarterly
	Liquidity risk	Performed quarterly
	Spread risk	Performed quarterly
	Counterparty default risk	Performed quarterly
Regulatory SST	PRA Life Insurance Data Requests	Performed on an ad hoc basis as requested by the PRA
Strategic planning SSTs	Identified key risks	Performed annually
Emerging Risks SSTs	Identified key risks	Performed annually

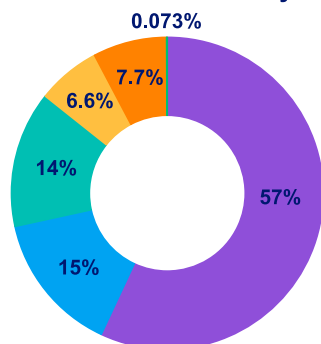
## C.1 Insurance risk (underwriting risk)

Insurance Risk combines Life and Health risks which the Company is exposed to arising from its insurance underwriting operations and is broadly split and assessed between the sub risk categories of mortality, morbidity, and lapse and expense risk. Lapse risk is the material risk for AIG Life.

## C.1.1 Insurance risk exposure for AIG Life

As can be seen from the chart below, the most material of the Life and Health sub-risks for AIG Life is lapse risk which accounts for 57% of the combined Life and Health SCR. Expense risk is 15% and morbidity/disability is 14%. Catastrophe risk is 7.7% and mortality is 6.6%. Longevity risk is 0.073%.

2023 Life and Health SCR by module



■ Lapse ■ Expenses ■ Disability ■ Catastrophe ■ Mortality ■ Longevity

### C.1.1.1 Lapse risk

AIG Life is exposed to lapse risk which relates to policies being in-force for either longer or shorter than expected. It is also exposed to the potential of mass lapse risk under which a significant proportion of AIG Life's customers choose to lapse their policies within a short period.

There is a risk of there being high numbers of lapses during the early years of a policy, before sufficient premiums have been paid to allow the Company to recoup the costs incurred in incepting the policy. Conversely, lower than expected levels of lapses in the later years of a policy result in more policies being in-force than expected at the time at which net claim outgo is typically higher than net premium income, resulting in a financially adverse outcome for the Company. A mass lapse scenario would result in fewer in-force policies and lower claims but also lower profits than expected for those policies.

### C.1.1.2 Expense risk

Expense risk is the risk that the Company's expenses could be higher than planned due to inflationary pressures, lower volumes of business than expected, expense overruns or a change in the mix of business.

### C.1.1.3 Morbidity/disability risk

Morbidity/disability risk relates to the number and value of claims from terminal illness and income protection policies. It is similar to mortality risk in that a proportion of the risk is transferred to the reinsurers to mitigate the risk.

### C.1.1.4 Catastrophe risk

Catastrophe risk relates to a single event, or series of events of major magnitude that lead to a significant, but temporary, deviation in actual claims from the total expected claims.

### C.1.1.5 Mortality risk

On a gross of reinsurance basis, AIG Life is exposed to the risk that the actual claims experience is worse than that included within its assumptions i.e. that there are a higher number or value of death claims than predicted. Higher mortality experience could be due to a number of factors e.g. mis-estimations, concentration risk (either geographical or occupational), underwriting philosophy issues, pandemic risks.

## C.1.2 Changes in insurance risk over the reporting period

The SCR for Insurance risk has increased over the year from £91,048k to £99,983k for Life risk and increased from £49,542k to £58,340k for Health risk. The movement in both Life and Health Risk SCR is driven largely by movement in the Lapse Risk SCR. The biting scenario is Mass Lapse for both the Life Risk SCR and Health Risk SCR.

## C.1.3 Measures used to mitigate insurance risks

There are a number of ways that insurance risk is mitigated by AIG Life including the following:

- Reinsurance is used as the key mitigant to reduce the exposure to mortality, morbidity and lapse risks
- Monitor and limit exposure to claims concentration risk within the Group insurance business
- Monitor and limit exposure to counterparty, including reinsurer, concentration risk
- Regular underwriting philosophy reviews to ensure that only appropriate mortality and morbidity risks are accepted by the business and are priced appropriately, as well as ensuring the philosophy and risk selection is broadly in line with competitors to prevent anti-selection
- Post-issue sampling to identify and reduce misrepresentation
- Robust onboarding of new distributors, monitoring customer retention and misrepresentation by distributor, and implementing initiatives to increase customer retention and reduce misrepresentation and anti-selection



- Performance monitoring to review actual versus expected results
- Auditing of underwriting decisions to ensure the underwriting philosophy is being maintained and produces decisions which are consistent
- Experience analysis conducted regularly for mortality, morbidity and lapse risk
- Expenses are reviewed regularly against budget
- Product development and pricing takes account of the various risk factors associated to ensure appropriate customer outcomes
- Regular product reviews analyse the performance of the product and identify areas of improvement

AIG Life manages insurance risks primarily by the use of reinsurance. In 2023, AIG Life had reinsurance arrangements to mitigate mortality, longevity, morbidity, lapse and catastrophe risks with over forty different reinsurers, thus reducing the concentration risk exposure to any single reinsurer. Mortality and morbidity reinsurance is typically based on a quota share with maximum retention limits per life and is spread across the different reinsurers depending upon the type of cover.

Regular monitoring of individual and scheme underwriting decisions is carried out through checking and audits internally and the reinsurers undertaking case audits at least on an annual basis. Results are reviewed and fed back to underwriters where appropriate. Various workshops are held with reinsurers to consider enhancements to products through improved underwriting rules, post-issue sampling and the pricing of the associated risks being taken.

<b>Risk Category</b>	<b>Type of risk</b>	<b>Risk mitigation techniques</b>
Premium Risk – Failure of pricing	Pricing guidelines	AIG Life seeks to manage pricing risk through the setting and review of pricing guidelines relevant to each product type and the application of a strict hierarchy of underwriting authorities to ensure that policies are underwritten with management oversight.
	Purchase of reinsurance	The Company mitigates exposure to pricing/basis risk through the purchase of reinsurance.
	Review of large transactions	Large transactions are referred to the Senior Underwriters and in some cases to the specific Reinsurer to confirm the risk is assessed appropriately, and as required to the Pricing and Research teams to ensure it is priced appropriately, before the Company becomes committed.
Premium Risk – Ineffective strategy/ Failure of product	Review of business plans and new products	The Company seeks to manage this risk through the use of processes and procedures over the production, review and analysis of annual business plans and the introduction of new products for each line of business, prior to approval and execution.
	Assessment of key projects and strategic investments	The Company also has processes in place for the identification, assessment and approval of key projects and strategic investments.
Assumption Risk – Adverse reserve development	Monitoring of mortality, morbidity, lapse and expenses experience	AIG Life seeks to manage this risk through monitoring of actual claims experience, lapse activity and expenses compared to the assumptions in place. Specific governance committees are in place to review findings, and where appropriate, take remedial actions.

## C.1.4 Monitoring the effectiveness of insurance risk mitigation techniques

There is regular monitoring of the effectiveness of the various risk mitigation actions provided above at the various governance committees. Underwriting performance is monitored via the underwriting audits carried out both internally and by the reinsurers. Reinsurance activity is monitored and managed via the Pricing and Reinsurance Steering Committee. The monthly Senior Leadership Committee meeting reviews business performance including underwriting activity and results, general business performance and project benefit realisation. The Risk and Capital Committee also actively monitors the continued effectiveness of the above risk mitigation techniques through processes and deliverables including the Risk Register, Risk Appetite Framework, Stress and Scenario Testing and Key Risk Indicator reporting. The outputs of these risk processes are fundamental to the delivery of the ORSA and any interim updates that are required if the risk profile materially changes.

## C.1.5 Stress sensitivities for insurance risk

A number of stress and scenario tests are undertaken covering the different sub risks under insurance risk. The impact of each test on the company's required capital resources is assessed as specified in the 2023 ORSA over the planning period.

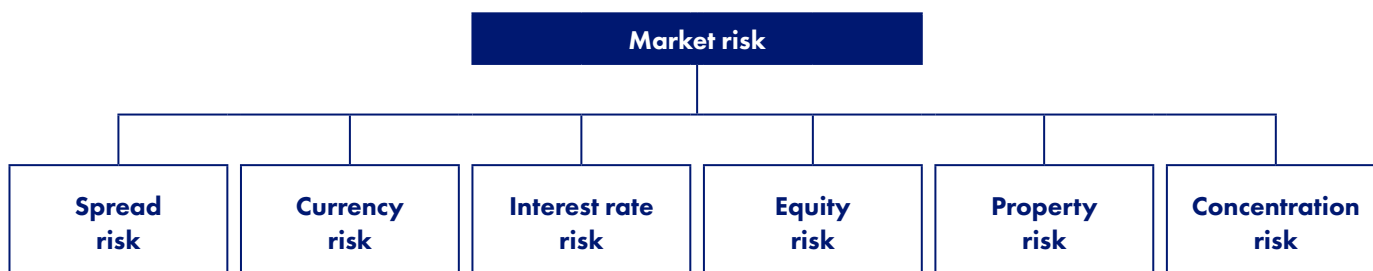
**Lapse risk:** This is the most material component of AIG Life's SCR calculated using the standard formula approach. A lapse rates down scenario where lapse rates are lower at all durations was performed as this is the lapse scenario that is most detrimental to capital resources. The impact is an SCR increase of £12m and a solvency ratio decrease of 21%.

**Mortality and morbidity risk:** AIG Life considered an increase in claims and the impact that would have on the capital resources required. Moderate and severe Covid-19 mortality scenarios were added in the 2020 ORSA and retained in 2021 to 2023. The company is well protected from this risk due to use of reinsurance. The impact is an SCR decrease of £10m and a solvency ratio decrease of 33%.

**Expense risk:** A 20% increase in the expense base was used as a stress for expense risk and whilst the SCR ratio decreased by 33% no capital injection would be required over the planning period. The SCR impact was an increase of £3m.

## C.2 Market risk

Market risk is the risk that the Company is adversely affected by movements in the fair value of its liabilities and financial assets arising from market movements, for example due to credit spreads, interest rates and foreign exchange rates or other price risks. AIG Life is exposed to Market Risk on both the asset and the liability sides of its balance sheet. Market risk accounted for 7% of the SCR for AIG Life as at 31 December 2023. The sub risks associated with Market risk are shown below:

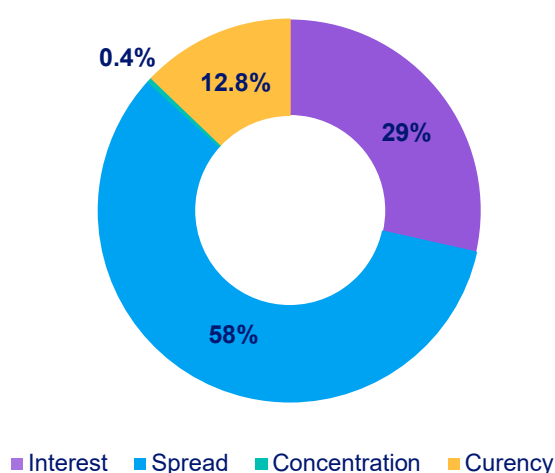


## C.2.1 Market risk exposure

AIG Life has no material exposure to currency risk, property or equities. As shown in the below chart, the most material element of Market Risk SCR for AIG Life is spread risk making up 58% of the total market risk. The remainder is largely interest rate risk at 29%.

Investment assets are held in low risk and highly-liquid bonds, principally UK government bonds and corporate bonds. For liquidity purposes a proportion of assets are also held in a short-term liquidity fund when appropriate.

### 2023 Market Risk SCR by module



## C.2.2 Market risk and changes over the reporting period

Market risk is driven by risks inherent within the Company's asset and liability portfolio. During the reporting period the Market Risk SCR has increased from £12,357k to £17,557k. The increase is largely driven by lower yields and the inclusion of Currency Risk SCR in Q4 2023.

## C.2.3 Market risk concentration

AIG Life has only a small exposure to market risk concentration due to the use of UK government bonds and limits within the investment mandate which strictly limits exposure to the type of assets held.

## C.2.4 Market risk mitigation techniques

AIG Life manages its market risk primarily through the Investment Committee which monitors and manages the impacts of external economic factors, AIG Life's investment portfolio and the company's liquidity position and forecasts. The investment portfolio is managed with respect to the market 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.

- AIG Life monitors market risk via reviewing the regular management information at the AIG Life Investment Committee which meets at least quarterly and oversees the investment activity within the Investment mandate and investment strategy as approved by the Board.
- The investment managers provide a quarterly overview of the economic markets and performance of the assets held.
- Where possible, assets of a similar duration to the liabilities are held to mitigate interest rate risk.
- Stress and scenario testing is carried out as part of the ORSA process.

## C.2.5 Risk mitigation and the prudent person principle

The Company's investment management policy ensures its continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC and PRA Supervisory Statement 1/20. Through execution of permissible asset classes and investment limits, the Company is able to ensure that it:

1. Only invests in those assets whose risks it can properly identify, measure, monitor, control and report.
2. Invests in assets in such a manner that ensures the security, quality, liquidity and profitability of the asset portfolio.
3. Invests assets held in a manner appropriate to the nature and duration of the insurance liabilities and in the best interest of policyholders and beneficiaries.
4. Uses derivatives for risk management and to facilitate efficient portfolio management.
5. Keeps to prudent levels the investment in assets which are not admitted to trading on a regulated market.
6. Properly diversifies its investments so that it can avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.
7. Does not expose itself to excessive risk concentration that arises from investments in assets issued by the same issuer or by issuers belonging to the same group.

As detailed in the Investment Performance section above, the Company's investment management framework sets out its processes and procedures to manage its investment portfolio. This includes the investment strategy which is approved by the Board and implemented via the investment mandate by AIG Life's investment managers.

Assets categories that are included in the investment mandate are those that are suitable for the nature, term and currency of the Company's liabilities profile and for which the investment manager could assess, monitor and control risks. The Company does not invest in any asset category that is not included in the Investment mandate.

Tactical deviations from the limits imposed by the mandate to maximise investment returns are only permitted on prior approval by the Directors and are limited to changes in allocation of asset categories covered by the mandate. The investment strategy implemented by the investment manager sets out limits in order to avoid concentration of risks in a particular sector, issuer, currency, credit rating or country.

## C.2.6 Process for monitoring the effectiveness of market risk mitigation techniques

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

The AIG Life Board, either as a whole or through its committees, oversees market risk, and

- Approves annually the Company's Risk Appetite Framework and the specific Market Risk limits and minimum standards which reflect the Board approved investment mandate;
- Receives reports on the investment performance and breakdown of assets; and
- Receives reports on the adherence to AIG Life's Market Risk policy.

The AIG Life Board discharges its responsibility for oversight of the Risk Policies and Procedures through the Risk and Capital Committee and BARC. The Risk and Capital Committee is chaired by the CRO and the BARC by one of the Independent Non-Executive Directors.

The Investment Committee is chaired by the Company's CFO; the primary purpose of the Investment Committee is to monitor and manage the Market Risk profile of the Company against the Board approved Investment Strategy and mandate. The Investment Committee regularly reviews the latest market risk developments and requests more detailed market information when needed.

## C.2.7 Risk sensitivities for market risk

During 2023, AIG Life performed regular stress testing of interest rates to assess the impact on the AIG Life solvency position. This ensured that the Company maintained sufficient solvency capital to withstand shocks within the market.

During the ORSA process, several market risk scenarios were considered including yield curve scenarios where the yield curve is changed by -0.50%, -1.00% and -2.00%. These stresses results in the SCR changing by -£0.3m, -£0.7m and +£4.3m respectively. The solvency ratio fell by 8%, 18% and 55% respectively. This is due to the long term nature of the Individual Protection business which makes the Company more susceptible to interest rate down risk. The reduction in yields produced an outcome showing a reduction in net assets that was mitigated by the increasing use of level premium reinsurance. However, the modelled scenario did not allow for the effects of any management actions in response to the stress – in particular, any further pricing activity in this low yield environment or derisking of the asset portfolio.

## C.3 Credit risk

Credit Risk (Counterparty Default 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. At 31st December 2023, credit risk or counterparty default risk was 14% of the SCR.

### C.3.1 Credit risk exposure for AIG Life

The scope of credit risk exposures for AIG Life currently includes the following business activities:

- **Unexpected Credit Loss as a result of Intermediary failures:** the provision of up-front commission as standard to intermediaries on an indemnity basis where the commission will be clawed back if the policy lapses within the first 2 or 4 years (known as the 'earning period'). This is a specific feature of the way the UK protection market developed and all providers offer this facility.

- **Reinsurance arrangements:** AIG Life makes significant use of reinsurance contracts. The credit risk relates to the risk of failure of the reinsurance companies and hence the inability to recover claims and associated expenses. AIG Life limits the levels of exposure to any one individual reinsurer in line with both AIG Group limits and local AIG Life limits as stated in the AIG Life Counterparty Default Risk Policy.
- **Suppliers:** where payment is made in advance of the receipt of the goods or services in the normal course of running the business. AIG Life usually pays suppliers after goods and services have been received and the risk of material default due to supplier failure is deemed very low.
- **Policyholder debtors:** Policyholder debtors: all policyholders are individual consumers and pay monthly premiums by direct debit; the risk of material default is therefore very low.

These risks are managed by three sub-committees within AIG Life. Reinsurer default falls within the remit of the Risk and Capital Committee (RCC) chaired by the CRO. Credit risk related to intermediaries is monitored and managed by the Individual Distribution Quality Committee (IDQC) and is chaired by the Head of Distribution Quality Management. Group Business Debt Recovery is monitored by the Group Credit Control Committee (GCCC) chaired by the Head of Finance.

### C.3.2 Credit risks and changes over the reporting period

Credit risk comprises circa 14% of the Company's SCR as at 2023. The SCR has increased from £30,366k at Q4 2022 to £33,572k at Q4 2023. The increase in reinsurance exposure is due to the fall in interest rates over 2023 and the impact of the underlying growth in reinsurance use.

### C.3.3 Measures used to assess credit risk

To assess the credit risk associated with the reinsurers, the firms are assessed both locally by AIG Life and at a global level by the parent company. AIG Life monitors the Solvency II Credit Quality Step (CQS) of each reinsurer; the scores can have values from 0 to 6, with 0 being the CQS given to the most creditworthy (AAA rated) entities. The CQS of a reinsurer is based on credit ratings from the credit rating agencies. All of the reinsurers that AIG Life works with have scores of 2 or less. The PRSC monitors any changes in reinsurers' credit ratings together with concentration exposure.

At Group level, the Reinsurance Credit Department conducts the following principal control activities to assess credit risk associated with them globally:

- Periodic detailed assessments of the financial strength and condition of current and potential reinsurers, both foreign and domestic.
- Monitoring the financial condition of reinsurers as well as the total reinsurance recoverable and set limits with regard to the amount and type or exposure the Company is willing to take with reinsurers.
- Reviews the nature of the risks ceded.

AIG Life is also exposed to credit risk from the commission paid to intermediaries in advance of the earnings period. As a result there are a number of factors that are assessed prior to and once an agency is agreed with a firm:

- Due diligence on the intermediary firm being undertaken prior to an agency being given to sell AIG Life products.
- Monitoring of any debts associated with the agency and escalation if debts are not settled in a timely manner using standard industry process i.e. the use of the Elixir system.
- Regular reviews of firms and the associated key risk indicators leading to direct actions agreed with firms to reduce potential debt.

### C.3.4 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 Company's core operations. It may arise either in the form of single name concentration or industry concentration.

AIG Life's most material Credit Risk concentration relates to exposure caused by reinsurance arrangements (reinsurance recoverables and receivables). There is relatively low concentration risk in relation to intermediary credit risk.

### C.3.5 Credit risk mitigation techniques

AIG Life has established an effective Credit Risk management framework that includes guidelines and processes to govern day-to-day credit risk-taking activities. The CFO and the Senior Leadership Committee are primarily responsible for implementing and maintaining a Risk Management Framework consistent with the AIG Life Counterparty Default Risk Policy.

The Company monitors and controls its Credit Risk through the PRSC, IDQC and GCCC. To minimize the level of Credit Risk in some circumstances, the Company may require personal or third-party guarantees, or specific arrangements through

the individual reinsurance treaties. AIG Life also identifies its aggregate credit exposures to its underlying counterparty risks.

Credit risks are managed and controlled through techniques listed below:

- Aggregating the Company's credit exposure data by counterparty, regularly reporting and reviewing risk concentrations against risk appetite limits at the IDQC;
- Reviewing the outcome of reinsurance tenders and approving the concentration risk associated with the outcome;
- Overseeing the submission of individual transactions which result in high value commission payments and credit exposures to the Company;
- A global counterparty credit risk review is performed by Group Credit Risk for all reinsurance awards;
- Overseeing the Watch List process within the Company portfolios;
- Monitoring reinsurers' credit ratings against risk appetite limits; and
- Imposing claim restrictions for Group business policies where premiums are owed

### C.3.6 Process for monitoring the effectiveness of credit risk mitigation techniques

The PRSC, IDQC and GCCC monitor, manage and report the credit risks within the Company. The PRSC meets quarterly (with a minimum of three meetings a year) and on a monthly basis during reinsurance tenders. The IDQC and GCCC meets at least monthly. The committees adhere to their terms of reference with respect to their membership, chair, the frequency of meetings, and record keeping. Reviews of the terms of reference take place on at least an annual basis.

For reinsurance exposure, AIG Life monitors the Solvency II CQS of each reinsurer and compares the exposure, expressed as a percentage of total exposure, to internal limits in order to control the concentration risk. In addition, the Risk Appetite includes an assessment of the impact of the default of AIG Life's largest reinsurance counterparty and this is monitored quarterly by the BARC.

Intermediary default credit risk is monitored at the IDQC where various key risk indicators are monitored and reported, together with an update on specific actions being taken with the respective firms that are of concern. Updates are also provided regarding those firms that have had agencies cancelled due to credit risk concerns or where debts have occurred and credit control activity is being progressed.

### C.3.7 Stress test sensitivities for credit risk

**Reinsurer default:** AIG Life uses reinsurance arrangements to mitigate mortality, morbidity, lapse and catastrophe risk. The risk of a reinsurer defaulting on their arrangement is considered to be extremely low. However, a scenario involving the hardening of the reinsurance market was analysed. AIG Life spreads the risk over more than 40 different reinsurers and in Solvency II terms each has a CQS of two or less.

**Intermediary default:** The risk of intermediaries suffering business failure and being unable to repay commission due from lapsed or cancelled policies.

## C.4 Liquidity risk

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

Liquidity risk is defined as the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet its short-term cash or other financial obligations. The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm.

For AIG Life the risk is that it will have insufficient liquid funds to support new business via the payment of commission to intermediaries and other business expenses. This risk will reduce over time as the company matures and grows as the proportion of existing business becomes larger compared to new business levels.

As mentioned at the start of the Risk Profile section, liquidity risk is not assessed within the Standard Formula. Therefore, no equivalent liquidity risk sub-module under Standard Formula is disclosed.



## C.4.1 Measures used to assess liquidity risk

Liquidity is assessed and monitored on a monthly basis by the Finance function and the Senior Leadership Committee and is reviewed in detail at the Investment Committee each month. The liquidity risk framework involves monitoring long-term cash flow forecasts under normal, stressed and scenario specific conditions against a system of risk appetite metrics. These measures include minimum acceptable liquidity amounts, ratio of liquidity sources against cash outflows and assessment of the viability of contingent funds.

## C.4.2 Liquidity risk mitigation techniques and the processes for monitoring the effectiveness of these techniques

AIG Life has a Liquidity Risk Policy which outlines the principles and guidelines for the company to adhere to. The purpose of the framework is to establish minimum liquidity requirements that protect the Company's long-term viability and ability to fund its ongoing business and meet short-term financial obligations in a timely manner in both normal and stressed conditions.

Liquidity risk is managed by Finance with monthly reporting to the Investment Committee. Liquidity risk is mitigated through investment in predominantly liquid financial assets and constant monitoring of expected asset and liability maturities.

The AIG Liquidity Management Policy prescribes procedures to maintain sufficient liquidity to meet the obligations as they become due and the Company complies with this policy. The AIG Life risk appetite is set to maintain defined target liquid asset levels under both baseline and stressed conditions.

## C.4.3 Stress sensitivities for liquidity risk

AIG Life undertakes liquidity stress testing on a forward looking basis over the planning period, in order to identify any future liquidity needs. This includes sensitivities to the level of claims, new business sales and interest rates. The ORSA process also includes additional testing to assess the viability of alternative liquidity sources in certain stress scenarios.

## C.4.4 Expected profit in future premiums (EPIFP)

The Solvency II Delegated Regulation (Article 260 numbers 2-4) define EPIFP as:

1. The expected profit included in future premiums shall be calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.
2. The calculation of the expected profit included in future premiums shall be carried out separately for the homogeneous risk groups used in the calculation of the technical provisions, provided that the insurance and reinsurance obligations are also homogeneous in relation to the expected profit included in future premiums.
3. Loss-making policies may only be offset against profit-making policies within a homogeneous risk group.

As a mono-line protection provider, the majority of AIG Life's policies currently do not carry a surrender value, so the technical provisions in the case of the cessation of all future premiums would be negligible and the EPIFP is equal to the technical provisions without a risk margin offset by the commission we expect to claw back.

The EPIFP as calculated in accordance with Article 260(2) for 2023 is £328.3m.

## C.5 Operational risk

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

## C.5.1 Operational risk exposure for AIG Life

AIG Life identifies the major sources of operational risk described below:

Operational Risk Components	Description
Execution, Delivery and Process Management	<p>Losses from failed transaction processing or process management. It includes the inability to deliver and execute according to budget and/or strategic plan due to shortage of staff or supplies and risk of losses related to inadequately designed or implemented governance bodies, policies, guidance, processes and decision-rights.</p> <p><b>Model Process and Governance</b> The risk that model governance (as defined in the Model Governance Policy) is not complied with and/or that models are badly implemented or their information misunderstood or misused. This includes data quality issues as well as data errors.</p>
Clients, Products and Business Practices	<p>This risk refers to losses arising from an intentional, unintentional or negligent failure to meet an obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.</p> <p><b>Legal risk</b> Legal risk refers to the possibility that lawsuits, contracts that turn out to be unenforceable or breaches to contracts disrupt or adversely affect the operation or condition of AIG Life.</p>
Compliance Risk	<p>Compliance risks are defined by the cause and the consequences of their occurrence.</p> <p>Cause is the failure to fully comply with laws, regulations, internal rules and standards applicable to AIG Life.</p> <p>Consequences can be of a financial nature (administrative sanctions; damages), of a commercial nature (withdrawal of licence; limitation thereto) or of a reputational nature. They can also be of a criminal nature, in which case directors and/or officers can be prosecuted together with their company.</p>
Fraud	<p>Fraud risk arises from misconduct or abuse, using deception as principal modus operandi, for enrichment or benefit of the perpetrator, or AIG Life, or of a third party.</p> <p><b>Internal Fraud</b> Losses (direct or indirect) due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, which involves at least one internal party.</p> <p><b>External Fraud</b> Losses (direct or indirect) due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party without the assistance of an internal party.</p>
Employment Practices and Workplace Safety	<p>Losses arising from acts inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims, or from diversity/discrimination events.</p>
Business Disruption and Systems Failure	<p>This risk refers to losses arising from disruptions of infrastructure or system failures or unavailability of human capital due to the inexistence of business continuity plans or the inappropriate implementation of such plans. Note that losses due to not having suitable IT strategy should be covered under strategic risks.</p> <p><b>IT Security</b> Losses due to the intentional misuse of IT applications, e.g. through misappropriation of system access.</p>

**Operational Risk Components Description**

Damage to Physical Assets	Losses arising from loss or damage to assets (physical or people) from natural disaster or other events such as malicious damage (i.e. acts of malice, spite, terrorism or the like, with no profit intention).
Model Adequacy	Model Adequacy Risk refers to the risk of losses resulting from inadequately designed models or models that are not fit for purpose.
Outsourcing Risk	Risk of loss due to the reliance on controls of the outsourcer over major processes, key operations, functions and knowledge that are critical to the business undertaking. Moreover it includes the risk of needing to bring back in-house the key operations and not having the capacity.
Intangible Asset Risks	Intangible asset risk is the risk of loss, or of adverse change in the value of intangible assets (such as rights to service properties or software platforms) to a change in expected future benefits to be gained from the intangible assets.

**C.5.2 Operational risk and changes over the reporting period**

The Company calculates its SCR using the Standard Formula. The Operational Risk SCR of the Company is driven by the level of earned premiums. Operational Risk comprises 12% of the Company’s SCR. As the company grows in size, the Operational Risk SCR will also increase (as has been the case over the last year).

**C.5.3 Measures used to assess operational risk**

The Company monitors various components of its operational risks using the following measures:

Operational Risk Component	Description	Metrics
Execution, Delivery and Process Management	Risk of process errors as a result of migration and other transformation projects.	<ul style="list-style-type: none"> <li>• Credible MI on SLA management</li> <li>• Risk Events</li> <li>• Complaints</li> </ul>
Clients, Products and Business Practices	Risk of inadequate management of Conduct Risk - Conduct risk Management Information (including complaints, ombudsman actions, claims and new business SLA measurement, product development, post-implementation reviews). Program execution risk, as a result of change fatigue.	<ul style="list-style-type: none"> <li>• Risk Events</li> <li>• Operational MI</li> </ul>
	The risk of inadequate management of operational risk of services provided by third parties including broker facility management.	<ul style="list-style-type: none"> <li>• Risk rating of third parties</li> <li>• Audit findings</li> </ul>
Internal Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy which involves at least one internal party.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>
External Fraud	Cyber-attack risk, either through information theft or denial of service (“DoS”)	<ul style="list-style-type: none"> <li>• Risk Events</li> <li>• Results of Vulnerability Testing</li> </ul>

Operational Risk Component	Description	Metrics
Employment Practices and Workplace Safety	Risk of not attracting, retaining and developing key staff to achieve business plan.	<ul style="list-style-type: none"> <li>• Staff turnover</li> <li>• Staff surveys</li> <li>• Exit interviews</li> <li>• Risk Events</li> </ul>
Business Disruption and Systems Failure	Business Continuity risk.	<ul style="list-style-type: none"> <li>• Business continuity plan status and testing results</li> <li>• System incident reviews</li> </ul>
Damage to Physical Assets	The damage or unavailability of physical assets (e.g. offices, laptops, archives, key staff members) as a result of a natural disaster or other traumatic event can affect company's operation.	<ul style="list-style-type: none"> <li>• Risk Events</li> </ul>

### C.5.4 Operational risk mitigation techniques

AIG Life's Risk Management Framework facilitates the identification, assessment, monitoring, and measurement of operational risk and promotes a culture where each employee has responsibility for managing operational risk. There is a robust internal controls system in place across all functions and sample audits are undertaken. IT system controls are in place and the Company is certified under ISO27001. Operational controls are reviewed regularly with reporting to the RCC and BARC. Internal Audit undertakes reviews to assess the internal control framework and whether it is operating effectively.

### C.5.5 Process for monitoring the effectiveness of operational risk mitigation techniques

AIG Life has a Risk Management Framework. Quarterly risk register reviews are carried out between the functional areas and Enterprise Risk Management to review risks and identify and assess new and emerging risks. Controls are reviewed regularly and improvements implemented as appropriate.

The Risk Event reporting process for the Company is established and ERM supports the business in the logging and the rectification processes. A quarterly report is presented at the AIG Life Risk and Capital Committee meeting. Quarterly Control self-assessments are completed by each functional area with a summary reported to the quarterly Risk and Capital Committee.

### C.5.6 Stress sensitivities for operational risk

Stress testing for operational risk is undertaken for the ORSA, and as part of the Company's approach to Operational Resilience to assess its Important Business Services, using a range of management derived scenarios. Qualitative scenarios include intra-connectivity risk, climate risk, and various operational resilience scenarios including system outages. The impact is dependent on the nature of the stress and is assessed with consideration of potential management actions.

## C.6 Strategic risk

Strategic risks cover external and internal factors that can affect AIG Life's ability to meet its current business plan and to position itself for achieving growth and value creation. This includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision-making and management or due to loss of reputation and franchise value.

## C.7 Climate change risk

AIG Life recognises the scientific consensus that climate change is a reality of increasing concern, indicated by higher concentrations of greenhouse gases, a warming atmosphere and ocean, diminished snow and ice, and sea level rise. The

Company understands that climate change potentially poses a serious financial threat to society as a whole, with implications for the insurance industry in areas such as catastrophe risk perception, pricing and modelling assumptions. Because there is significant variability and expert judgment associated with the impacts of climate change, it is not possible to predict with any accuracy how physical, legal, regulatory and social responses may affect the business.

Risk	Description
Transition risk (market risk)	Certain policyholder obligations can stretch decades into the future, which AIG Life seeks to match with equally long-dated assets. In matching assets to these long-duration liabilities, AIG Life seeks out investments that offer sustainable and predictable returns over the long-term. Assets identified as posing an increased credit and / or market risk over the long-term would therefore receive additional scrutiny, or possibly may be excluded from consideration in the portfolio. AIG Life is also exposed to transition risk also on the liability side, for example, in case of a disorderly transition, some economic sectors might be disrupted and we might for example lose group protection sales volumes from schemes belonging to those sectors; also there could be reputational risk caused by a radical shift of sentiment towards climate change risk and how AIG Life, Corebridge Financial or the insurance sector in general responds to climate change.
Physical risk (natural catastrophe risk that gives rise to mortality risk)	AIG Life is exposed to climate-related mortality and morbidity risks and potential higher than expected losses from actual mortality and morbidity. Higher mortality and morbidity could arise as a result of atmospheric pollutants and or in the event of an increase in the frequency and intensity of natural catastrophes (e.g., floods, droughts, heatwaves, etc.) associated with climate change. Nevertheless, climate-related insurance risks are placed relatively low on the spectrum of risks. AIG Life could also be exposed to physical risk on the asset side, for example sovereign bonds and currencies of climate change impacted countries, and direct damage to the value of financial assets or collateral such a household and commercial property (e.g. as property investments in the SAA).
Litigation risk (liability risk)	AIG Life is exposed to strategic (visionary approach, intended to influence public and private climate accountability) and routine (dealing with e.g. planning applications or allocation of emissions allowances; these cases tend to impact on the behaviour and decisions of governments and or private parties) cases of climate change litigation. Routine planning and regulatory cases are increasingly including climate change arguments, exposing courts to climate science and climate-related arguments even where incidental to the main claim. This is an evolving area, but it is likely that AIG Life would be exposed more on the asset side, that is, investing in assets of firms that are involved in litigations or found responsible for pollution. (AIG Life does not offer third party liability protection, professional indemnity insurance etc.).

## C.8 Any other information

The Board has identified no other risks that are material to the Company for the year ending 31 December 2023.

# D Valuation for Solvency Purposes

The 'Valuation for Solvency Purposes' section of the report describes the valuation of assets, technical provisions and other liabilities from a UK GAAP basis to a Solvency basis. The section also outlines the approach and methodology underlying the valuation.

Key elements of the section include:

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

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities are fair valued based on principles of an arm's length transaction between knowledgeable willing parties.

## D.1 Assets

The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the Solvency II regime, including information on the basis, methods and assumptions utilised.

AIG Life holds a mixture of UK gilts, supranational bonds and corporate bonds. These asset classes are traded in deep and liquid markets.

The assets table below shows the Solvency II Balance Sheet line items, their corresponding UK GAAP values, and the Solvency II adjustments and reclassifications applied.

Assets – Solvency II Balance Sheet	Notes	UK GAAP, £k	Solvency II Adjustment, £k	Solvency II Valuation, £k
Goodwill	7	16,937	(16,937)	-
Deferred acquisition costs	6	288,833	(288,833)	-
Intangible assets	11	18,603	(18,603)	-
Deferred tax assets	5	12,718	29,122	41,840
Pension benefit surplus		-	-	-
Property, plant and equipment held for own use	4	581	(581)	-
Investments (other than assets held for index-linked and unit-linked contracts)	1	134,288	-	134,288
Loans and mortgages	13	-	-	-
Reinsurance recoverables	8	643,955	208,519	852,473
Insurance and intermediaries receivables	9	68,101	(68,101)	-
Reinsurance receivables	12	-	-	-



<b>Assets – Solvency II Balance Sheet</b>	<b>Notes</b>	<b>UK GAAP, £k</b>	<b>Solvency II Adjustment, £k</b>	<b>Solvency II Valuation, £k</b>
Receivables (trade, not insurance)	2	30,257	(13,719)	16,538
Cash and cash equivalents	3	9,171	-	9,171
Any other assets, not elsewhere shown	10	589	-	589
<b>Total Assets</b>		<b>1,224,033</b>	<b>(169,134)</b>	<b>1,054,899</b>

### 1. Investments (other than assets held for index-linked and unit-linked contracts)

Investments are measured and carried at fair value.

### 2. Receivables (trade, not insurance)

The receivables (trade, not insurance balances) relate to prepayments and other receivables which are due within one year, hence the carrying values are taken to approximate fair values under Solvency II. Under UK GAAP this line holds coinsurance commission receivables but under Solvency II these are reclassified to reinsurance recoverables.

Trade receivables solely comprise of amounts due within 12 months. The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value.

### 3. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value under UK GAAP.

### 4. Property, plant and equipment held for own use

Under UK GAAP, plant and equipment are stated at cost less accumulated depreciation. For Solvency II (Market Consistent Balance Sheet) purposes property, plant and equipment is valued at nil because the UK GAAP valuation of cost less depreciation is not permissible under Solvency II rules.

### 5. Deferred tax assets

The Solvency II measurement principles for deferred taxes are consistent with the financial statements (IAS 12). Deferred tax assets or liabilities are therefore calculated based on the temporary difference between Solvency II values and the tax values.

Deferred tax comprises the amounts of income taxes recoverable in future periods (AIG Life uses a planning period of 5 years in this context) in respect of:

- Deductible temporary differences.
- The carry forward of unused tax losses.
- The carry forward of unused tax credits.

Deferred taxes in respect of deductible temporary differences are valued on the basis of the difference between:

- The values ascribed to assets and liabilities recognised and valued in accordance with Solvency II.
- The values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred tax assets or liabilities are calculated by jurisdiction such that applicable national tax rates are used for these calculations. The deferred tax assets and liabilities are only 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 of the company. There is no expiry date on the deferred tax asset held.

### 6. Deferred acquisition costs

Deferred acquisition costs are defined as acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to the unexpired periods of risks.

These are permitted assets under UK GAAP subject to impairment testing and are deferred when it is probable that they will be recovered.

In accordance with Article 12 of the Solvency II Delegated Regulation, deferred acquisition costs are valued at nil for Solvency II purposes since these cannot be sold separately and no quoted active market exists for the same or similar assets.

## 7. Goodwill

Goodwill is defined as the difference between the purchase price of an acquired company, and the fair value of all identifiable tangible and intangible assets purchased in the acquisition and the liabilities assumed in the process. These are permitted assets under UK GAAP.

In accordance with Article 12 of the Solvency II Delegated Regulation, Goodwill is valued at nil for Solvency II purposes since these cannot be sold separately and no quoted active market exists for the same or similar assets.

## 8. Reinsurance recoverables

Reinsurance recoverables are calculated as the expected present value of future reinsurance cashflows, comprising reinsurance premium outflows and the inflow for the reinsurer's share of future claim payments. As for the gross Best Estimate Liability (BEL) calculation, assumptions in respect of mortality rates, morbidity rates, yields and lapse rates are made. The Ceded BEL element of reinsurance recoverables is higher under Solvency II than UK GAAP due to the lower yield curve used in Solvency II. The Solvency II reinsurance recoverables line also includes:

- Ceded BEL on in-payment Death In Service Pensions (which are held as a separate claims reserve under UK GAAP),
- Present values of expected future fees for catastrophe and lapse reinsurance (not included in the UK GAAP balance sheet as they relates to periods post-contract expiry)
- Coinsurance commission receivables (classified as Trade Receivables under UK GAAP)

## 9. Insurance and intermediary receivables

Under UK GAAP, this represents debtor balances which are past due. Insurance and intermediary balances that are not past due are future cash flows and hence are reclassified to Solvency II Technical Provisions.

The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value.

## 10. Any other assets, not shown elsewhere

Under UK GAAP the only material component is a current tax asset which is reclassified to Trade Receivables under Solvency II.

## 11. Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. The UK GAAP balance sheet shows intangible assets related to IT software, customer relationships and distribution channels acquired in the purchase of Ellipse.

These are permitted assets under UK GAAP as long as it is probable that the expected future economic benefits will flow to the entity and the cost or value of the asset can be measured reliably.

In accordance with Article 12 of the Solvency II Delegated Regulation, intangible assets are valued at nil for Solvency II purposes since these cannot be sold separately and no quoted active market exists for the same or similar assets.

## 12. Reinsurance receivables

Under UK GAAP, this represents balances (if any exist) in relation to reinsurance arrangements which are past due, specifically coinsurance commission. Reinsurer balances that are not past due are future cash flows and hence are reclassified to Solvency II Technical Provisions.

## D.2 Technical provisions

The below technical provisions table has been extracted from the Company's Solvency II balance sheet and summarises the calculation of Technical Provisions using aggregated UK GAAP reserves as the starting point. The below table should be viewed in conjunction with the explanatory notes below.

<b>Technical Provisions – Solvency II Balance Sheet</b>	<b>UK GAAP, £k</b>	<b>Solvency II Adjustment, £k</b>	<b>Solvency II Valuation, £k</b>
Technical provisions – health (similar to life)	53,240	6,626	59,886
Technical provisions – life	578,515	(82,736)	495,779
<b>Total Technical Provisions</b>	<b>631,755</b>	<b>(76,110)</b>	<b>555,646</b>

## D.2.1 Valuation basis, methods and main assumptions

The best estimate liabilities are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money. 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. Policy cashflows are modelled at a granular level (per policy basis in monthly increments) for both individual and group protection. Uncertainty in the net cashflows to the Company is mitigated via the extensive use of reinsurance.

The key changes related to Technical Provisions in moving from the financial statements balance sheet to the Solvency II balance sheet are:

- Updating the yield curve to the Solvency II risk free rate (a £152.0m increase in technical provisions).
- Replacing the UK GAAP Risk Adjustment with the Solvency II Risk Margin (a £165.6m decrease in technical provisions).
- Reclassifying Policyholder Premiums Due (an £62.4m decrease in technical provisions).
- A Transitional Measure on Technical Provisions (TMTP) has been used and has a value of £0 at 31 December 2023. The TMTP has not been subject to audit.

Technical provisions are grouped into the following key components:

- Best Estimate
  - Best Estimate Liability (BEL)
  - Other Best Estimate components
- Risk Margin: Additional provision to bring the Best Estimate to the level required to transfer the obligations to a third party undertaking.

### Assumption Changes since 2022

For both individual and group protection, the mortality, morbidity, lapse and expense bases have been reviewed and adjustments made where necessary to align our expectations to actual experience with expert judgement overlaid where required.

## D.2.2 Best estimate liability

In line with Article 77(2), the BEL is determined as a present value of the expected future cash flows using the relevant risk-free interest rate term structure. Neither the Matching Adjustment nor the Volatility Adjustment is currently used in the discounting of liabilities. Furthermore, no use is made of transitional measures on risk-free rates.

AIG Life does not perform a stochastic calculation using simulation techniques; the BEL is assessed deterministically. This involves determining a fixed set of assumptions (i.e. best estimate assumptions) which are used to project cash flows and calculate the BEL.

This approach is considered appropriate because the nature of the liabilities is simple in that there are no embedded options and guarantees (so no complicated policyholder behaviours to model) and associated management actions. There are no participating products where simulation techniques are more appropriate to use to ensure all likely scenarios are captured. With regard to contract boundaries:

- All fixed term individual protection products are projected to the end of their term
- Individual whole of life contracts are projected until age 120 (assumed death)
- All group protection products are projected to their scheme renewal date

The projected cash flows are associated with existing contracts and obligations with uncertainty incorporated through an expected lapse rate. For individual protection business, lapse rates are set at a policy level whereas for group protection business lapse rates are set at a scheme level. Lapse rates vary principally by duration of policy, type of contract, distribution channel and commission clawback structure, to reflect the anticipated experience of the business. The assumptions have been set based on a combination of the Company's own and partners' experience and other related industry experience. Lapse rates for group business have been set using past scheme lapse experience.

Expected cashflows are also influenced by mortality, morbidity and expense assumptions. These are updated each year and reviewed and approved by the AIG Life Board. For both individual and group protection, mortality and morbidity assumptions are set for each product based on the anticipated future experience of the business. The rates are based on published industry tables adjusted to take account of the AIG Life specific product features, distribution channels and socio-economic profile. The Company's principal mortality rates on individual business are based on TM00/F00 mortality tables and the morbidity rates are based on AC08 for critical illness and CMIR12 for income protection. These tables are published by the Continuous Mortality Investigation, which is

a division of the Institute and Faculty of Actuaries. Mortality improvements are allowed for based on standard industry (Continuous Mortality Investigation) models and other related expertise from the industry with an increase to improvements in the long-term and an increase in the shorter-term also to reflect higher improvements for insured lives vs the general population. Group life mortality tables are mainly based on previous claims experience. The contracts are valued using our long term expense assumptions which reflect the projected expense cost of the Company. Both scheme specific and member specific expenses are allowed for within the group business. The expenses are then applied at member level and subject to contract boundaries.

Assumptions are considered to be best estimate when they represent the “mean” or probability weighted average of possible outcomes to an uncertain event, i.e. actual experience could be equally likely to be better or worse than the assumption.

Article 77(2) also states that the best estimate liability shall be calculated gross, without deduction of the amounts recoverable from reinsurance contracts. The cash flows are therefore calculated gross of reinsurance recoveries expected from the reinsurance arrangement.

## D.2.3 Other best estimate components

The Best Estimate line of the Solvency II Balance Sheet also contains some other liabilities. The details are as follows:

### A. IBNS (Incurred but not settled)

IBNS is a combination of IBNR (Incurred but not reported) and RBNS (reported but not settled).

- IBNR is a liability for unreported claims which AIG Life expects to pay but are not aware yet that the claim incident has occurred. Its value determined using assumptions on the time to report claims, average claims and decrement rates. The same methodology is applied to both individual and group protection business.
- Once a claim is reported, investigations are generally carried out to collect all the required documents or in a small number of cases to probe further into the causes that led to the insured event. An allowance is made for claims that have been reported but not settled at the Solvency II balance sheet reporting date. This comprises of the face value of the claims payable with adjustments made to reflect the likelihood the claim will be paid and, where relevant, the expected duration of the claim.

### B. Policyholder Premiums Due

Premiums which have not yet been paid to the Company also need to be taken into account. Typically policyholders pay their premiums on a monthly basis and this balance sheet line reflects premiums due in the last month of the reporting period which have not been paid in the period.

## D.2.4 Risk margin

AIG Life’s approach to calculating the Risk Margin is in line with Method 1 in the Solvency II hierarchy of simplifications for the Risk Margin. In June 2023, HM Treasury published changes to the Risk Margin, which specifies a modified Risk Margin formula with a cost of capital rate of 4%, down from the current 6%, and the introduction of a risk tapering factor ( $\lambda$ ) of 0.9 (with a floor of 0.25). As at 31 December 2023, the new rules have come into force as part of statutory instrument ‘The Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023’.

The AIG Life Risk Margin is produced as follows:

- determine the SCR relating to current obligations at the balance sheet reporting date (time zero)
- project it for each future time period until the existing business runs-off or, in the case of group protection, reaches a contract boundary.
- calculate the cost of holding this capital to support the business for each future year
- discount it using the risk-free curve to determine Risk Margin.

The Standard Formula SCR for Underwriting Risk, Counterparty Default Risk, Operational Risk and Catastrophe Risks are taken into account in Risk Margin calculation. Market Risk SCR is considered hedgeable and therefore not required to be included in the Risk Margin calculation. This methodology breaks down the SCR by risk component and by line of business in order to run them off individually. It allows consideration of duration for each line of business.

The future SCRs for each risk are then aggregated using the correlation matrix in the Standard Formula and the future SCR is applied with a risk tapering factor ( $\lambda$ ) of 0.9 (with a floor of 0.25), and thereafter discounted with the appropriate GBP yield curve as prescribed by the PRA (consistent with the yield curve applied for discounting the Technical Provisions). It is then multiplied by the Cost of Capital to obtain the final Company Risk Margin. The Cost of Capital used is 4% as required by the PRA.

An allocation of the Risk Margin by Solvency II lines of business is also produced using the allocation of the non-hedgeable SCR by lines as a proxy.

The risk drivers used to run off the SCR (for both individual and group protection) for each risk are shown below. For group schemes, number of inforce policies means number of members inforce.

Risk Type	Sub-Risk Type	Risk Driver
Default	n/a	PV of Reinsurance Claims
Life	Mortality	Sum Assured
	Longevity	PV of Future Outgo
	Disability	Sum Assured
	Lapse	Number of in-force policies
	Expenses	PV of expenses
	Revision	n/a
	CAT	Sum Assured
Health	Mortality	Sum Assured
	Longevity	PV of Future Outgo
	Disability	Sum Assured
	Lapse	Number of in-force policies
	Expenses	PV of expenses
	Health CAT	Sum Assured
Operational	n/a	Number of in-force policies

## D.2.5 Value of technical provisions for each material line of business

Line of Business Technical Provisions	Best Estimate, £k		Risk Margin, £k		Reinsurance Recoverable, £k		Net Technical Provisions, £k	
	2023	2022	2023	2022	2023	2022	2023	2022
Life	475,144	322,321	20,635	47,185	755,938	655,135	(260,159)	(285,630)
Health	49,229	(8,399)	10,638	20,734	96,535	61,346	(36,669)	(49,011)
<b>Total</b>	<b>524,373</b>	<b>313,922</b>	<b>31,273</b>	<b>67,919</b>	<b>852,473</b>	<b>716,481</b>	<b>(296,828)</b>	<b>(334,641)</b>

After Solvency II adjustments, the gross best estimate for the period is £524m. The Gross Technical Provisions after inclusion of Risk Margin of £31m are £556m. The Net (of reinsurance) Technical Provisions have increased from -£335m to -£297m over 2023.

## D.3 Other liabilities

The below liabilities table details the derivation of Solvency II values from UK GAAP values. The below table should be viewed in conjunction with the explanatory notes.

Liabilities (excluding technical provisions) – Solvency II Balance Sheet	Notes	UK GAAP, £k	Solvency II Adjustment, £k	Solvency II Valuation, £k
Provisions other than technical provisions	1	-	-	-
Deferred tax liabilities	2	( )	-	-
Insurance and Intermediaries payable	3	5,659	(5,659)	-
Reinsurance payables	4	147,393	-	147,393
Payables (trade, not insurance)	5	60,105	-	60,105
Any other liabilities, not elsewhere shown	6	3,253	( )	3,253
<b>Total Technical Provisions</b>		<b>631,755</b>	<b>(76,110)</b>	<b>555,646</b>
<b>Total Liabilities (including technical provisions)</b>		<b>848,165</b>	<b>(81,768)</b>	<b>766,397</b>

### D.3.1 Valuation basis, methods and main assumptions

In Solvency II, the valuation of liabilities other than technical provisions is recognised in accordance with market consistent valuation methods as set out in the Solvency II Directive and the Technical Specifications for Solvency II. There have been no changes to the recognition and valuation bases used or estimations during the period. The applicable areas where differences were identified for the Company are set out as below:

#### 1. Provisions other than technical provisions

These comprise liabilities of uncertain timing or amount. The provisions are recognised as liabilities (assuming that a reliable estimate can be made) when they represent obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Provisions and accruals are valued using discounted best estimate liabilities that are probability weighted in accordance with IAS 37.

#### 2. Deferred tax liabilities

The methodology here is covered in Section D1.5 Deferred Tax Assets).

#### 3. Insurance and intermediaries payable

On the UK GAAP balance sheet, Insurance and Intermediaries payables represents commission due to intermediaries that has fallen due by the balance sheet date but has not yet been settled. This is reclassified to best estimate liabilities on the Solvency II balance sheet.

#### 4. Reinsurance payables

Under both UK GAAP and Solvency II, Reinsurance Payables represents “creditors arising out of reinsurance operations”.



## 5. Payables (trade, not insurance)

Under UK GAAP, Trade Payables are carried at amortised cost using the effective interest method. Trade Payables solely comprise amounts which fall due within 12 months and are considered to be held approximately at fair value under UK GAAP. It typically includes amounts due to employees, suppliers, public entities, etc. which are not insurance-related. In the Solvency II balance sheet, all these items remain in this line.

## 6. Any other liabilities, not elsewhere shown

On the UK GAAP balance sheet, this consists of accrued charges and provisions for tax.

In September 2023, Aviva plc entered into an agreement with AIG and Corebridge Financial, Inc. to acquire AIG Life Limited. The acquisition has received the relevant regulatory approvals and is expected to close on 8th April 2024. The Directors do not know the intent of Aviva plc management regarding the future plans, strategy or financing for the Company post acquisition. The Directors consider that the impact of any change of ownership represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Solvency II valuation does not include the adjustments that would result if the Company were unable to continue as a going concern.

## D.4 Alternative methods for valuation

AIG Life does not use any alternative methods of valuation.

## D.5 Any other material information

The Solvency II valuation have been prepared on a going concern basis. The Directors have considered all available information, both quantitative and qualitative, which includes, but not limited to, a review of the Company's current and projected future: performance, solvency position, liquidity, potential risks and uncertainties. Severe but plausible downside scenarios have been considered including, but not limited to, any potential impact from current economic uncertainty and cost of living pressures on customers. The Company has used forecasts based on its strategy to consider these downside scenarios, with stress testing being performed on factors such as performance, solvency position, liquidity and capital. Retrospective analysis has also been conducted to assess the historical accuracy of past budgets.

As a consequence, the Directors consider that the Company is well placed to manage its business risks and has adequate financial resources to meet its liabilities and to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. As a result, the Company continues to prepare its financial statements on a going concern basis.

## E

# Capital Management

The 'Capital Management' section of the report describes the internal operational structures/procedures underlying capital management within the Company as well as the projections of capital position over a three year planning horizon. The Capital Plan is updated at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

Key elements include:

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

## E.1 Own funds

The Company's Own Funds are comprised of items on the balance sheet which are referred to as basic Own Funds and off balance sheet items that may be called up to absorb losses referred to as ancillary Own Funds. This sub-section of the report aims to provide a view of capital management activities in the Company over the period, its capital management methods and the structure, amount and quality of Own Funds.

### E.1.1 Approach to capital management

The Company's CFO is responsible for its capital management. Capital planning is considered pivotal in decision making and for the production of the Board approved annual business and capital plan.

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.
- Optimisation of the quality of available Own Funds, in respect of the capital position of the wider organisation.

The Actuarial Function provides the Board and BARC with information on the Company's capital position and monitors the surplus over internal and regulatory capital requirements. The Chief Actuary leads the internal and regulatory stress and scenario testing.

The AIG Life Target Solvency Ratio documents internal minimum capital levels. It is designed to ensure the Company can meet its regulatory capital requirements in a 1 in 10 year stress. The internal capital planning model shows capital projections for the upcoming three years under a baseline scenario which allows for future strategic initiatives. These projections are also produced under stressed demographic, macroeconomic and financial market scenarios via the Own Risk and Solvency Assessment (ORSA). The ORSA describes the capital implications and actions required in the event that a stress scenario occurs. These actions are documented in the Capital Management Action Plan, approved by the AIG Life Board. The Company also engages with the PRA by ensuring it has action plans in place for potential adverse future scenarios.

### E.1.2 Capital management process and policy

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

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

The Capital Management Policy has regard to the level and structure of capital. It aims to ensure the Company's capital resources:

- Cover the PRA's requested amount above 100% of the SCR, where relevant.
- Ensure the risk appetite approved by the Board as part of the Risk Appetite Framework is not breached.

The Company has an active capital management process to ensure it meets regulatory capital requirements.

### E.1.3 Composition and quality of own funds

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds and Ancillary Own Funds. Capital under Solvency II is the excess of assets over liabilities and is known as Basic Own Funds. This is classified into tiers of Own Funds. Restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements.

#### E.1.3.1 Basic own funds Tier 1

The Basic Own Funds Tier 1 criteria are met by:

- Ordinary share capital.
- Share premium account related to ordinary share capital.
- Solvency II Reconciliation reserve (UK GAAP to Solvency II adjustments).

The Basic Own Funds have been classified and tiered in accordance with the Company Own Funds Policy. The Company's ordinary share capital and the related share premium amount are classified as Tier 1 capital since the Company's Articles of Association permit the cancellation of dividends after they have been declared.

The reconciliation reserve comprises the remainder of the excess of assets over liabilities, after deductions for any net deferred tax assets classified under Tier 3 and any foreseeable dividends.

#### E.1.3.2 Basic own funds Tier 2

The maximum eligible Tier 2 own funds, as at 31/12/2023, is £20.0m. The Tier 2 basic own funds have been classified and tiered in accordance with the Company Own Funds Policy document.

#### E.1.3.3 Ancillary own funds Subordination

Tier 2 and 3 Ancillary Own Funds rank after all other claims in the event of winding-up proceedings regarding the company. Ancillary Own Funds must satisfy the following conditions i.e. they:

- Do not include any features which may cause or accelerate the insolvency of the Company.
- Are immediately available to absorb losses.
- Are undated and non-redeemable.

- Allow the cancellation of dividends (since the Articles of Association do not prohibit such cancellation).
- Allow the Company full flexibility over the payment of dividends.
- Are free of encumbrances and are not connected with any other transaction which when considered with the shares (and related share premium) could result in the shares not satisfying the other Tier 1 requirements.

#### Ancillary Own Funds

The Ancillary Own Funds held by the Company amount to a total £20m consisting of one Letter of Credit. It is classified as Tier 2 Capital under Solvency II. As at 31/12/2023, £20.0m qualified as eligible own funds.

#### E.1.3.4 Reconciliation reserve

The reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations. It is calculated as per the table below. Movements in the reconciliation reserve will be largely driven by movements in the excess of assets over liabilities. This excess has sensitivity to the level of interest rates; however this is monitored and mitigated by asset-liability management.

Reconciliation Reserve	£k
Excess of assets over liabilities	288,502
<b>Less</b>	
Ordinary share capital	316,885
Share premium	86,725
Net deferred tax assets (Tier 3)	41,840
Foreseeable dividend	-
<b>Reconciliation Reserve</b>	<b>(156,948)</b>

#### E.1.3.5 Subordinated liabilities

There are no subordinated liabilities on the Solvency II balance sheet.

#### E.1.3.6 Net deferred tax assets

This comprises the deferred tax assets on the Solvency II balance sheet related to future taxable profits. This is classified as Tier 3 capital in accordance with the Solvency II regulations.

### E.1.3.7 Eligible own funds

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the regulatory capital requirements i.e. the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). For example, the MCR must be covered by Tier 1 and Tier 2 capital and may not therefore be covered by Tier 3 capital. The extent to which the tiers are eligible to cover the capital requirements is set out in the implementing measures (also known as Delegated Regulation).

The tables below present the amount of total Own Funds eligible to cover the SCR and MCR, split by relevant tiers as at 31 December 2023 and 31 December 2022:

<b>2023 YE Available funds</b>	<b>Total, £k</b>	<b>Tier 1 – Unrestricted, £k</b>	<b>Tier 1 – Restricted, £k</b>	<b>Tier 2, £k</b>	<b>Tier 3, £k</b>
Ordinary Share Capital	316,885	316,885			
Share Premium	86,725	86,725			
Net Deferred Tax Assets	41,840				41,840
Reconciliation Reserve	(156,948)	(156,948)			
Subordinated Liabilities	-			-	
Ancillary Own Funds (LOC)	20,000			20,000	
<b>Total Available Own Funds</b>	<b>308,502</b>	<b>246,662</b>	<b>-</b>	<b>20,000</b>	<b>41,840</b>
Total Eligible Own Funds to meet the <b>SCR</b>	293,337	246,662	-	20,000	26,675
Total Eligible Own Funds to meet the <b>MCR</b>	246,662	246,662	-	-	-

<b>2022 YE Available funds</b>	<b>Total, £k</b>	<b>Tier 1 – Unrestricted, £k</b>	<b>Tier 1 – Restricted, £k</b>	<b>Tier 2, £k</b>	<b>Tier 3, £k</b>
Ordinary Share Capital	316,885	316,885	-	-	-
Share Premium	86,725	86,725	-	-	-
Net Deferred Tax Assets	40,745	-	-	-	40,745
Reconciliation Reserve	(142,010)	(142,010)	-	-	-
Subordinated Liabilities	-	-	-	-	-
Ancillary Own Funds (LOC)	80,000	-	-	80,000	-
<b>Total Available Own Funds</b>	<b>382,345</b>	<b>261,600</b>	<b>-</b>	<b>80,000</b>	<b>40,745</b>
Total Eligible Own Funds to meet the <b>SCR</b>	340,361	261,600	-	78,761	-
Total Eligible Own Funds to meet the <b>MCR</b>	261,600	261,600	-	-	-

### Movements over the Reporting Period

The AIG Life ordinary share capital and share premium account remained at £316,885,000 and £86,725,000 respectively over the reporting period. The movement in available and eligible own funds is largely driven by the reduction in ancillary own funds as the letter of credit nominal was reduced from £80m to £20m to avoid holding an excessive amount of nominal.

#### E.1.3.8 Eligible own funds to cover capital requirements

The Solvency Capital Requirement (SCR) reflects a level of eligible own funds that enables the Company to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due.

The Minimum Capital Requirement (MCR) is a minimum level below which the amount of resources should not fall. It is necessary that it is calculated in accordance with the standard formula, which is subject to a defined floor and cap based on the risk-based SCR.

The table below presents the ratio of eligible own funds that the Company holds to cover the SCR and MCR:

#### Eligible own funds to meet capital requirements

SCR, £k	177,835
MCR, £k	80,026
Ratio of Eligible Own Funds to SCR	165%
Ratio of Eligible Own Funds to MCR	308%

#### E.1.3.9 Structure, amount and quality of ancillary own funds

Own Funds that do not fall within the definition of Basic Own Funds are known as Ancillary Own Funds. The Company currently has a letter of credit which is classified as Ancillary Own Funds, i.e. Tier 2 Capital which contribute towards the Eligible Own Funds under Solvency II as permitted by the PRA.

With effect from 1st January 2023, AIG Life has a flexible letter of credit agreement with Santander for a nominal amount of £80m. This flexibility allows the company to vary the letter of credit nominal each quarter, subject to a predetermined ceiling nominal amount of £80m. This replaces the two letter of credit facilities that were previously provided by Barclays and has approval to be classified as Ancillary Own Funds for 3 years.

### E.1.4 Transitional arrangements (unaudited)

AIG Life received approval to use a Transitional Measure on Technical Provisions during 2017. This had a £0 value as at 31 December 2023. No other transitional measures are in place.

### E.1.5 Material differences between equity in the financial statements and the excess of assets over liabilities

Capital resources are calculated differently under Solvency II and UK GAAP resulting from differences in the classification and valuation of certain items under Solvency II definitions compared to UK GAAP:

- Deferred acquisition costs are not recognised under Solvency II.
- Intangibles are disallowed unless they can be readily sold.
- Technical provisions are recalculated under Solvency II on a discounted best estimate basis.
- Deferred tax value changes due to all of the above.
- Letter of credit qualify as being recognised as a Tier 2 instrument.

The Company's Own Funds position is different from the equity stated in its financial statements for a number of reasons.

The following table reconciles the equity in the financial statements to the excess of assets over liabilities under Solvency II. Further details regarding reconciling items are set out in the respective notes identified below:

Excess of Assets over Liabilities – Attribution of Valuation Difference	£k
Equity in Financial Statements	375,868
Difference in the valuation of assets	(169,134)
Difference in the valuation of technical provisions	76,110
Difference in the valuation of other liabilities	5,659
<b>Excess of assets over liabilities</b>	<b>288,502</b>
Add: Subordinated liabilities	-
Less: Foreseeable dividends	-
<b>SII Basic Own Funds</b>	<b>288,502</b>

Valuation differences are representative of items of assets and liabilities which have been valued on a different basis for Solvency II reporting purposes compared with UK GAAP.

Ancillary Own Funds represent a difference as these are off-balance sheet items for UK GAAP reporting, but have been approved for use as Own Funds for Solvency II.

Deductions made to Own Funds are those explicitly required under Solvency II for solo insurers, both in respect of available Own Funds and also as a result of applying tiering to Own Funds to reflect the relative quality of items of Own Funds eligible to cover the SCR.

### E.1.6 Capital instruments and ring fenced funds

During the period, no capital instruments were issued or redeemed. In addition, there were no restricted own funds due to ring fencing.

### E.1.7 Any material changes to the solvency capital requirement and to the minimum capital requirement over the reporting period

The SCR increased over 2023. Compared to 31 December 2022, the SCR has increased from £157,522k to £177,835k at 31 December 2023. This is driven by a healthy growth of new business volumes over the year. Consequently, the MCR has also increased from £70,885k to £80,026k at 31 December 2023.

## E.2 Solvency capital requirement and minimum capital requirement

The SCR and MCR requirement section of the report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with the regulatory requirements.

### E.2.1 Solvency Capital Requirement (SCR)

The SCR is the amount of funds that the Company is required to hold in line with the Solvency II Directive issued by the European Union (EU) in 2009, as on-shored into UK law. The SCR is a formula-based figure calibrated to ensure that all quantifiable risks are taken into account, including life and health underwriting, market, credit, operational, and counterparty risk.

The Company uses the Standard Formula to calculate its SCR. The amount of the SCR at 31 December 2023 is £177.8m.

The assessment of the SCR using the Standard Formula is based on a modular approach consisting of a core of life; market; health and counterparty default risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. The operational risk component and adjustments for the loss absorbing capacity of deferred taxes are then allowed for, to give the overall SCR.

Hence, the SCR is calculated as follows:

$$\text{SCR} = \text{BSCR} + \text{SCR}_{\text{Op}} - \text{Adj}$$

Where

SCR = The Overall Standard Formula Capital Requirement.

BSCR = Basic Solvency Capital Requirement.

Adj = Adjustment for Loss-Absorbing Capacity of Deferred Taxes.

SCR<sub>Op</sub> = The Capital Charge for Operational Risk.

The "Change in Basic Own Funds" ( $\Delta\text{BoF}$ ) approach is used for capturing the impact of the underlying risk module. Note that the expression  $\Delta\text{BoF}$  has a sign convention whereby positive values signify a loss.

In order to calculate  $\Delta\text{BoF}$ , the base scenario as well as the stressed assets and liabilities will need to be calculated. The cashflows for each of these scenarios are then discounted to determine the corresponding present value of assets and liabilities. The difference between the base and the stressed assets and liabilities is the  $\Delta\text{BoF}$ .

The  $\Delta\text{BoF}$  is based on a Solvency II balance sheet that excludes the risk margin component of the technical provisions (i.e. uses only the best estimate liability component of the technical provisions). Furthermore when calculating  $\Delta\text{BoF}$  the following need to be allowed for:

- Where risk mitigation techniques are used in the calculation of the SCR, the scenarios required for the calculation of the life, health, market and default risk modules incorporate their effects;



- The impact of hedging instruments where a financial risk mitigation instrument has been utilised; and
- The revaluation of technical provisions allowing for any relevant adverse changes in the option take-up behaviour of policyholders in the scenario.

AIG Life uses reinsurance to mitigate insurance risk.

AIG Life does not use any undertaking specific parameters and there are no simplifications used in the calculation of SCR. The use of the TMTP has no impact on the SCR.

The stress scenarios for underwriting risks in life insurance and SLT health insurance are instantaneous, and do not allow for future new business.

The table below highlights the capital requirements for each risk module. Diversification is calculated using the standard formula correlation matrices and largely arises from diversification between modules (£60,811k) and diversification within the Life and Health modules between Lapse and Disability Risks (£50,438k in total for the Life and Health modules):

Capital Requirement for each risk module	Solvency Capital Requirement, £k
Total Capital Requirement for market risk	17,557
Total capital requirement for counterparty default risk	33,572
Total capital requirement for life underwriting risk	99,983
Total capital requirement for health underwriting risk	58,340
Total capital requirement for non-life underwriting risk	-
Diversification	(60,811)
Intangible asset risk	-
<b>Basic Solvency Capital Requirement</b>	<b>148,640</b>
Capital requirement for operational risk	29,194
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-
Diversification within ring fenced funds and between ring fenced funds and remaining part	
<b>Solvency Capital Requirement calculated using standard formula</b>	<b>177,835</b>

The operational risk capital requirement is calculated based on factors applied to the technical provisions and premiums for each line of business underwritten. This is subject to regulatory minimum capital holdings.

## E.2.2 Minimum capital requirement (MCR)

The amount of the MCR for the reporting period is £80.0m. The Linear MCR is calculated as a function of capital at risk and the best estimate liability. The following table shows the MCR calculation:

MCR Calculation	£k
Linear MCR	133,546
SCR	177,835
MCR Cap	80,026
MCR Floor	44,459
Absolute Floor of the MCR	3,495
<b>Minimum Capital Requirement</b>	<b>80,026</b>

### Information on the Inputs used to calculate the MCR

The MCR calculation uses inputs as required by the standard formula. In particular, the SCR, Capital At Risk, BEL and Sum Assured are required. This data is provided at the same granularity and accuracy as for the SCR calculation itself. The use of the Transitional Measure on Technical Provisions (TMTP) has no impact on the MCR.

## E.3 Use of duration-based equity risk sub-module in the calculation of the solvency capital requirement

The Company 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

The Company uses the Standard Formula to calculate the SCR and therefore no differences exist.

## **E.5 Non-compliance with the MCR and non-compliance with the SCR**

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

## **E.6 Any other information**

There is no other material information.

## Statement of directors' responsibilities in respect of the solvency and financial condition report (SFCR)

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

The SFCR has been prepared on a going concern basis. At the date of signing the SFCR, the acquisition by Aviva has received regulatory approval and is expected to close on 8 April 2024. The Directors do not know the intent of Aviva plc management regarding the future plans, strategy, or financing for the Company post acquisition. The Directors consider that the impact of any change of ownership represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The SFCR do not include the adjustments that would result if the Company were unable to continue as a going concern.

The SFCR was approved by the Board of Directors on 2 April 2024 and was signed on its behalf by:



**Donald MacLean**

Chief Financial Officer and Director

The AIG Building

58 Fenchurch Street

London

EC3M 4AB

5 April 2024

# Report of the external independent auditors to the directors of AIG Life 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 Solvency and Financial Condition Report Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2023, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit**').

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

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02 and S.05.02.01;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the 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 Solvency and Financial Condition Report of the Company as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, 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 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 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.

### Material uncertainty related to going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosure made in Note D.5 to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report concerning the Company's ability to continue as a going concern. The matter giving rise to the material uncertainty is the agreement that American International Group, Inc. and Corebridge Financial, Inc. have entered with Aviva plc in September 2023 to sell the Company to Aviva plc. The acquisition has received the relevant regulatory approvals and is expected to close on 8 April 2024. The Directors do not know the intent of Aviva plc management regarding the future plans, strategy or financing for the Company post acquisition. These conditions, as further explained in Note D.5 to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Solvency and Financial Condition Report do not include the adjustments that would result if the Company were unable to continue as a going concern.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and challenged the rationale for assumptions underpinning management's forecasts used to support the going concern assessment. We used our knowledge of the Company's business performance and corroborated to external market evidence where available. Our assessment included reviewing management's stress testing and scenario analyses;
- Tested the mathematical integrity of management's forecasts underpinning their going concern assessment;
- Considered the Directors assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from the Company's Own Risk and Solvency Assessment;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the Directors assessment of going concern;
- Enquired and understood the actions taken by the Directors to mitigate the risks arising from the impacts of economic uncertainty, including review of Board and Audit Committee minutes and attendance at Audit Committee meetings;
- Evaluated the historical accuracy of the budgeting process to assess the reliability of the data; and
- Reviewed and assessed the appropriateness of the going concern disclosures made in Note D.5 to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report.

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

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

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

### Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The 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 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 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 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 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 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 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 Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been supplemented by the approvals made by the PRA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Approval to use the transitional measure on technical provisions
- Approval of items of ancillary own funds

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a 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 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 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 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 Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency



and Financial Condition Report such as the Financial Services and Markets Act 2000. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgemental areas particularly in relation to the technical provisions. Audit procedures performed included:

- Discussing with the Audit Committee, management, internal audit, senior management involved in the Risk and Compliance function and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing correspondences and minutes of the meetings with the PRA and FCA.
- Reviewing minutes of the board and audit committee meetings.
- Reviewing complaints reports, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Identifying and testing journal entries based on risk criteria.
- Testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the technical provisions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### Use of this 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.

#### 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  
5 April 2024

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

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

- The following elements of template S.12.01.02
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

## F

# Appendices to the solvency and financial condition report

## F.1 Glossary

### A

**AIG**

American Insurance Group

**AIRCO**

American International Reinsurance Company Ltd.

**AHEL**

AIG Holdings Europe Limited

## B

**BARC**

Board Audit and Risk Committee

**BCM**

Business Continuity Management

**BoE**

Bank of England

## C

**CAT**

Catastrophe

**CCO**

Chief Compliance Officer

**CEO**

Chief Executive Officer

**CFO**

Chief Financial Officer

**CRO**

Chief Risk Officer

## D

**DAC**

Deferred Acquisition Costs

**DTA**

Deferred Tax Asset

## E

**ERM**

Enterprise Risk Management

**EU**

European Union

## F

### FCA

Financial Conduct Authority

## G

### GAAP

Generally Accepted Accounting Principles

### GCCC

Group Credit Control Committee

## H

### HMRC

His Majesty's Revenue and Customs

### HMT

His Majesty's Treasury

## I

### IDQC

Individual Distribution Quality Committee

## L

### LAC-DT

Loss Absorbing Capacity of Deferred Taxes

### LoC

Letters of Credit

## M

### MCR

Minimum Capital Requirement

## N

### NB

New Business

## O

### OFAC

Office of Foreign Assets Control

### ORSA

Own Risk Solvency Assessment

## P

### P&L

Profit and Loss

### PEP

Politically Exposed Person

### PRA

Prudential Regulatory Authority

### PRSC

Pricing and Reinsurance Steering Committee

### PWC

PricewaterhouseCoopers

## R

### RCC

Risk and Capital Committee

### RI

Reinsurance

### RM

Risk Management

## **S**

### **SAA**

Strategic Asset Allocation

### **SAFG**

SAFG Retirement Services, Inc.

### **SCR**

Solvency Capital Requirement

### **SII**

Solvency II

### **SM&CR**

Senior Managers and Certification Regime

### **STI**

Short Term Incentive

## **T**

### **TDC**

Total Direct Compensation

### **TMTP**

Transitional Measures on Technical Provisions



## F.2 Public QRTs

# AIG LIFE LIMITED

## Solvency and Financial Condition Report

### Disclosures

31 December

**2023**

(Monetary amounts in GBP thousands)



## General information

Undertaking name	AIG LIFE LIMITED
Undertaking identification code	213800QOW312BVT1VA98
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
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	Use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations
- S.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.22.01.21 - Impact of long term guarantees measures and transitionals
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

### Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	41,840
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	134,288
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	1,300
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	132,988
R0140	<i>Government Bonds</i>	33,880
R0150	<i>Corporate Bonds</i>	99,107
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	852,473
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	852,473
R0320	<i>Health similar to life</i>	96,535
R0330	<i>Life excluding health and index-linked and unit-linked</i>	755,938
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	16,538
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	9,171
R0420	Any other assets, not elsewhere shown	589
R0500	<b>Total assets</b>	<b>1,054,899</b>

## S.02.01.02

### Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	
R0550	<i>Risk margin</i>	
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	555,646
R0610	<i>Technical provisions - health (similar to life)</i>	59,866
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	49,229
R0640	<i>Risk margin</i>	10,638
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	495,779
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	475,144
R0680	<i>Risk margin</i>	20,635
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	147,393
R0840	Payables (trade, not insurance)	60,105
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	3,253
R0900	<b>Total liabilities</b>	766,397
R1000	<b>Excess of assets over liabilities</b>	288,502

## S.05.01.02

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

	Line of Business for: life insurance obligations					Life reinsurance obligations		Total	
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance		Life reinsurance
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>									
R1410 Gross	127,800			602,061					729,862
R1420 Reinsurers' share	60,494			284,985					345,480
R1500 Net	67,306			317,076					384,382
<b>Premiums earned</b>									
R1510 Gross	127,800			602,061					729,862
R1520 Reinsurers' share	60,494			284,985					345,480
R1600 Net	67,306			317,076					384,382
<b>Claims incurred</b>									
R1610 Gross	82,279			387,614					469,893
R1620 Reinsurers' share	43,616			205,472					249,088
R1700 Net	38,663			182,142					220,805
<b>Changes in other technical provisions</b>									
R1710 Gross	0			0					0
R1720 Reinsurers' share	0			0					0
R1800 Net	0			0					0
R1900 Expenses incurred	50,058			235,822					285,881
R2500 Other expenses									
R2600 Total expenses									285,881

## S.05.02.01

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

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	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
Home Country	JE	GG	IM	GI			
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>							
R1410 Gross	720,139	4,466	2,711	1,448	1,097		729,862
R1420 Reinsurers' share	340,877	2,114	1,283	685	519		345,480
R1500 Net	379,262	2,352	1,428	763	578		384,382
<b>Premiums earned</b>							
R1510 Gross	720,139	4,466	2,711	1,448	1,097		729,862
R1520 Reinsurers' share	340,877	2,114	1,283	685	519		345,480
R1600 Net	379,262	2,352	1,428	763	578		384,382
<b>Claims incurred</b>							
R1610 Gross	466,289	1,521	801	1,201	80		469,893
R1620 Reinsurers' share	247,177	807	424	637	42		249,088
R1700 Net	219,112	715	376	564	38		220,805
<b>Changes in other technical provisions</b>							
R1710 Gross							0
R1720 Reinsurers' share							0
R1800 Net	0	0	0	0	0		0
R1900 Expenses incurred	282,072	1,749	1,062	567	430		285,881
R2500 Other expenses							
R2600 Total expenses							285,881

S.12.01.02  
Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees					
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
<b>R0010 Technical provisions calculated as a whole</b>											0					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole											0					0
<b>R0020</b>																0
<b>Technical provisions calculated as a sum of BE and RM</b>																
<b>Best estimate</b>																
<b>R0030 Gross Best Estimate</b>						475,144				475,144		49,229				49,229
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						755,938				755,938		96,535				96,535
<b>R0080</b>																
Best estimate minus recoverables from reinsurance/SPV and Finite Re						-280,794	0			-280,794		-47,307	0			-47,307
<b>R0090</b>																
<b>R0100 Risk margin</b>					20,635					20,635	10,638					10,638
<b>Amount of the transitional on Technical Provisions</b>																
<b>R0110</b> Technical Provisions calculated as a whole										0						0
<b>R0120</b> Best estimate										0						0
<b>R0130</b> Risk margin										0						0
<b>R0200 Technical provisions - total</b>					495,779					495,779	59,866					59,866

S.22.01.21

Impact of long term guarantees measures and transitionals

R0010 Technical provisions  
 R0020 Basic own funds  
 R0050 Eligible own funds to meet Solvency Capital Requirement  
 R0090 Solvency Capital Requirement  
 R0100 Eligible own funds to meet Minimum Capital Requirement  
 R0110 Minimum Capital Requirement

Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
C0010	C0030	C0050	C0070	C0090
555,646	0	0	0	0
288,502	0	0	0	0
293,337	0	0	0	0
177,835	0	0	0	0
246,662	0	0	0	0
80,026	0	0	0	0



5.23.01.01  
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)	316,885	316,885		0	
R0030 Share premium account related to ordinary share capital	86,725	86,725		0	
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050 Subordinated mutual member accounts	0		0	0	0
R0070 Surplus funds	0	0			
R0090 Preference shares	0		0	0	0
R0110 Share premium account related to preference shares	0		0	0	0
R0130 Reconciliation reserve	-156,948	-156,948			
R0140 Subordinated liabilities	0		0	0	0
R0160 An amount equal to the value of net deferred tax assets	41,840				41,840
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
<b>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</b>	0				
<b>R0230 Deductions for participations in financial and credit institutions</b>	0				
<b>R0290 Total basic own funds after deductions</b>	288,502	246,662	0	0	41,840
<b>Ancillary own funds</b>					
R0300 Unpaid and uncalled ordinary share capital callable on demand	0				
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320 Unpaid and uncalled preference shares callable on demand	0				
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	20,000			20,000	
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390 Other ancillary own funds	0				
<b>R0400 Total ancillary own funds</b>	20,000			20,000	0
<b>Available and eligible own funds</b>					
R0500 Total available own funds to meet the SCR	308,502	246,662	0	20,000	41,840
R0510 Total available own funds to meet the MCR	246,662	246,662	0	0	
R0540 Total eligible own funds to meet the SCR	293,337	246,662	0	20,000	26,675
R0550 Total eligible own funds to meet the MCR	246,662	246,662	0	0	
R0580 SCR	177,835				
R0600 MCR	80,026				
R0620 Ratio of Eligible own funds to SCR	164.95%				
R0640 Ratio of Eligible own funds to MCR	308.23%				
<b>Reconciliation reserve</b>					
R0700 Excess of assets over liabilities	288,502				
R0710 Own shares (held directly and indirectly)	0				
R0720 Foreseeable dividends, distributions and charges					
R0730 Other basic own fund items	445,450				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
<b>R0760 Reconciliation reserve</b>	-156,948				
<b>Expected profits</b>					
R0770 Expected profits included in future premiums (EPIFP) - Life business	328,223				
R0780 Expected profits included in future premiums (EPIFP) - Non- life business					
<b>R0790 Total Expected profits included in future premiums (EPIFP)</b>	328,223				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk  
 R0020 Counterparty default risk  
 R0030 Life underwriting risk  
 R0040 Health underwriting risk  
 R0050 Non-life underwriting risk  
 R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

R0130 Operational risk  
 R0140 Loss-absorbing capacity of technical provisions  
 R0150 Loss-absorbing capacity of deferred taxes  
 R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC  
 R0200 **Solvency Capital Requirement excluding capital add-on**  
 R0210 Capital add-ons already set  
 R0220 **Solvency capital requirement**

**Other information on SCR**

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 Requirements for ring fenced funds  
 R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios  
 R0440 Diversification effects due to RFF nSCR aggregation for article 304

**Approach to tax rate**

R0590 Approach based on average tax rate

**Calculation of loss absorbing capacity of deferred taxes**

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
17,557		
33,572		
99,983		
58,340		
0		
-60,811		
0		
148,640		
<b>C0100</b>		
29,194		
0		
0		
0		
177,835		
0		
177,835		
<b>C0109</b>		
Yes		
<b>LAC DT</b>		
<b>C0130</b>		
0		
0		
0		
0		
0		
0		

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

C0010

0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020 Medical expense insurance and proportional reinsurance  
 R0030 Income protection insurance and proportional reinsurance  
 R0040 Workers' compensation insurance and proportional reinsurance  
 R0050 Motor vehicle liability insurance and proportional reinsurance  
 R0060 Other motor insurance and proportional reinsurance  
 R0070 Marine, aviation and transport insurance and proportional reinsurance  
 R0080 Fire and other damage to property insurance and proportional reinsurance  
 R0090 General liability insurance and proportional reinsurance  
 R0100 Credit and suretyship insurance and proportional reinsurance  
 R0110 Legal expenses insurance and proportional reinsurance  
 R0120 Assistance and proportional reinsurance  
 R0130 Miscellaneous financial loss insurance and proportional reinsurance  
 R0140 Non-proportional health reinsurance  
 R0150 Non-proportional casualty reinsurance  
 R0160 Non-proportional marine, aviation and transport reinsurance  
 R0170 Non-proportional property reinsurance


Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

133,546
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
---	--

C0050

C0060

R0210 Obligations with profit participation - guaranteed benefits  
 R0220 Obligations with profit participation - future discretionary benefits  
 R0230 Index-linked and unit-linked insurance obligations  
 R0240 Other life (re)insurance and health (re)insurance obligations  
 R0250 Total capital at risk for all life (re)insurance obligations

	190,780,595

Overall MCR calculation

R0300 Linear MCR  
 R0310 SCR  
 R0320 MCR cap  
 R0330 MCR floor  
 R0340 Combined MCR  
 R0350 Absolute floor of the MCR  
 R0400 Minimum Capital Requirement

C0070

133,546
177,835
80,026
44,459
80,026
3,495
80,026



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