NFU Mutual

NFU Mutual Solvency and Financial Condition Report 2023

Solvency and Financial Condition Report

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INTRODUCTION

This is a single SFCR that incorporates consolidated information at the level of the Group ("Group"), solo information for National Farmers Union Mutual Insurance Society Limited ("NFU Mutual") and the subsidiary insurance undertaking: Avon Insurance Plc ("Avon"). The Group covers regulated, ancillary and other insurance and reinsurance companies. These are detailed in Section A.1.e.

This report is prepared as a single Group SFCR in compliance with a waiver granted by the Prudential Regulation Authority (PRA).

Relevant information about the business of the Group is provided in the Group's Annual Report and Accounts for the year ended 31 December 2023 (the 'Report & Accounts'), a copy of which can be found at nfumutual.co.uk.

NFU Mutual Insurance Society is both an authorised composite insurer and the legal entity at the head of the NFU Mutual Group. Therefore where 'NFU Mutual' is used within this document it refers to both the insurer and the Group unless otherwise stated.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Approval by the Board of Directors of the single Group Solvency and Financial Condition Report Financial period ended 31 December 2023.

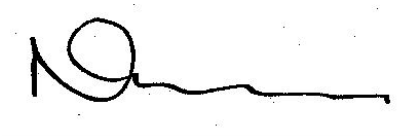
We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and;
2. we are satisfied that:

(a) throughout the financial year in question, NFU Mutual has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable at the level of the Group and the insurers that form part of the Group and;

(b) it is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the Group has continued to comply, and will continue so to comply in future.

Signed on behalf of the Board of Directors



Jim McLaren
Chairman

Nick Turner
Group Chief Executive

4th April 2024

Report of the external independent auditor to the Directors of The National Farmers Union Mutual Insurance Society ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report ('SFCR')

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 Group SFCR as at 31 December 2023, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S32.01.22 ('the Group Templates subject to audit') and
- Solo Templates S.02.01.02, S.12.01.02, S.17.01.02, S22.01.21, S.23.01.01, and S.28.02.01 in respect of Solo entity, The National Farmers Union Mutual Insurance Society Limited ('the Solo Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates and Solo Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

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

- information contained within the relevant elements of the Group SFCR set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S05.01.02, S.05.02.01, and S.25.02.22;
- Solo templates S.05.01.02 and S.05.02.01 for The National Farmers Union Mutual Insurance Society Limited and Avon Insurance plc;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measures on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with a UK law other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR 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 Group SFCR 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 modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and/or 'Capital Management' and/or other relevant disclosures sections of the Group SFCR, which describe the basis of accounting. The Group SFCR 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 Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the financial statements and SFCR, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

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

- Challenging management's key assumptions underpinning the going concern basis of accounting, by assessing the reasonableness of underlying assumptions applied in forecasting cash flows and considering their consistency with our understanding of the group's businesses and other available information including our expectation of future economic outlook;
- Assessing the company's Own Risk and Solvency Assessment Report (ORSA) to support our understanding of the key risks faced by the Group, its ability to continue as a going concern, and the longer-term viability of the Group;
- Assessing management's stress and scenario testing by challenging the appropriateness of the selected variables and the severity of the stress scenarios;
- Evaluating the historical accuracy of forecasts made by management by comparing them to actual results; and
- Evaluating the appropriateness of disclosures in the SFCR relating to going concern and the principal risks the company faces with particular focus on climate change and inflation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the SFCR are authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

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 Group SFCR, or our knowledge obtained in the course of 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 Group SFCR themselves. 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 Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the Group SFCR.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK, pension, and tax legislation; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law, the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) regulations.

We discussed among the audit engagement team including relevant internal specialists such as actuarial, fraud, tax, analytics, financial instruments, pensions, regulatory, property valuations, ESG and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements and SFCR.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below: Appropriateness of base mortality and mortality improvements assumptions used to value the life insurance liabilities.

- We obtained an understanding of the relevant controls around life reserving annuitant mortality methodology and assumptions in place to mitigate the risk of inappropriate assumptions being used in valuing the long-term business provision;
- We evaluated the in-year experience study relating to base annuitant mortality experience across the material annuity products;
- We challenged key judgements made around adopted annuitant mortality improvement assumptions by referring to the latest available CMI 2022 mortality improvements model and considered the appropriates of fit to the underlying book;
- We assessed whether any adjustments made to the latest available industry table CMI 2022 models are appropriately supported by evidence; and
- Where appropriate, we compared the assumptions selected by management to those used by peer annuity companies.

Appropriateness of the assumptions and methodology used for the valuations of the general business claims outstanding latent reserves.

- We tested the design and implementation of the controls addressing the risks associated with latent reserving, specifically controls identified in relation to the assumption setting process;
- We inspected and challenged the continued appropriateness of management's model methodology and derivation of material assumptions;
- We inspected the application of management's new latent claims review framework which sets out the process of reviewing and updating the assumptions and triggers which would prompt a more detailed review of a peril; and
- We considered external developments connected with the key latent assumptions as part of our challenge of the assumptions adopted by management; and
- We assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.

Appropriateness of the assumptions and methodology reserves used for the valuation of the general business claims outstanding non-latent reserves.

- We tested design and implementation testing on controls around the non-latent reserve valuation process, specifically controls identified in relation to the assumption setting process;

- We inspected and challenged management's selected methodology and assumptions including market benchmarking (where appropriate market benchmarking exists) focusing on material classes of business in relation to TPBI for claims above £1m;
- We assessed the incurred and paid claims development against management's selected ultimate costs using our in-house reserving software to identify and quantify potential outliers including challenging management where appropriate; and
- We assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the SFCR;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit, in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing correspondence with the PRA, HMRC, FCA and reviewing internal audit reports.

Other Matter

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

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and UK law relating to that undertaking from information provided by members of the group and the relevant insurance group undertakings.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter 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 National Farmers Union Mutual Insurance Society Limited and Avon Insurance plc 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 relation to this matter.

Use of our Report

This report is made solely to the Directors of The National Farmers Union Mutual Insurance Society Limited preparing the Report in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

S. Cumberbatch

Stewart Cumberbatch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, England
5 April 2024

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

Group internal model

The relevant elements of the Group SFCR that are not subject to audit comprise:

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

- The following elements of Group template S.22.01.22:
  - Column C0030 – Impact of transitional measure on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
  -
- The following elements of Group template S.23.01.22:
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0610 – Minimum consolidated Group SCR
  - Row R0650 – Ratio of Eligible own funds to Minimum consolidated Group SCR
  - Row R0680: Group SCR
  - Row R0690: Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included in D&A
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds
  - Row R0750: Other non-available own funds

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

SUMMARY

Business and Performance

The results for the year for the Group, NFU Mutual and Avon Insurance plc have been:

	Group £m		NFU MUTUAL £m		Avon £m	
	2023	2022	2023	2022	2023	2022
(Loss) / Profit after tax	164	(1,049)	176	(1,031)	6.0	1.2

The Group made a profit after tax of £164m (2022: loss of £1,049m) and a profit of £176m (2022: loss of £1,031m) for NFU Mutual on a UK GAAP basis.

Following the challenges of the previous year for investment markets, 2023 saw a much-improved year for global returns, which resulted in a 5.3% growth (2022: 13.5% decline) of funds under management to £20.2bn (2022: £19.2bn).

The General Insurance business has reported strong sales performance; however, profitability has been affected by rising claims costs due to continued inflation, severe storms towards the end of the year and an increase in the volume and severity of very large claims. This contributed to an underwriting loss of £156m (2022: £167m loss) as we continued to support members and pay their claims.

In respect of Avon Insurance plc, an insurance company within the group, the profit for the year after tax but before dividends of £6.0m (2022: £1.2m).

System of Governance

The Board of Directors of the Group has ultimate accountability for ensuring that all risks to which the Group is exposed are effectively managed. The Board delegates accountability for risk management down through the Group's organisation structure, to individuals and teams with appropriate expertise and capability.

The Board also oversees the effectiveness of risk management via its Risk Governance Framework, which consists of committees from Board level to business unit and divisional level and ensures effective Group wide risk oversight. The committees oversee the effectiveness of risk management for their delegated accountabilities and act as an escalation point for issues. This framework of business focussed oversight and flow of information throughout the Governance Framework ensures the Board is appropriately informed and can be comfortable that all risks are being managed effectively or are escalated appropriately.

There have been no material changes to these frameworks over the reporting period.

The Group system of governance includes the risks within NFU Mutual and Avon Insurance plc.

The Group Risk Profile

The Company writes a range of lines of general insurance and life insurance products. In the General Insurance business, the products include car insurance, home insurance and commercial insurance. In the Life business the products include investment and pension products. The Company also has a significant investment portfolio which includes a variety of asset classes. The main risks the Company is exposed to are underwriting risk, market risk, counterparty default risk, and operational risk.

The exposures to these risks are assessed and regularly monitored in accordance with the Risk Management Framework. Where there is a significant concentration of risk, appropriate mitigation is put in place to protect against adverse movements.

One approach used to quantify risks is by using NFU Mutual's Solvency II capital model – the Internal Model. This model calculates how much capital is required to be held such that NFU Mutual can still pay all our liabilities following an adverse 1-in-200-year event (that is, an event that would be expected to happen only once in every 200 years). This capital amount is known as the Solvency Capital Requirement (SCR).

There has been no material change to the risk profile over the reporting period. Market risk continues to be the risk category requiring the most capital.

There has been no significant change to Avon Insurance plc's risk profile over the period. The major risks are underwriting risk and market risk.

Valuation for Solvency Purposes

Group and NFU Mutual Own Funds have increased over the reporting period to a value of £6,394m (2022: £6,087m) and £6,394m (2022: £6,104m) at the reporting date. This has been driven by investment performance.

Avon Insurance plc Own Funds have increased to £27.9m, driven by investment performance (2022: £25.5m).

Capital Management

The Group and NFU Mutual Solvency II coverage ratio has remained consistent at 218% (2022: 218%) over the reporting period. The Solvency II coverage ratio is calculated as eligible Own Funds as a percentage of the SCR. Over the reporting period Own Funds for the Group comfortably exceeded the SCR at all times.

For Avon Insurance plc, the Solvency II coverage ratio has increased over the reporting period to a value of 672% (2022: 459%) at the reporting date. This is driven by both an increase in Own Funds and a reduction in the SCR. Own Funds for Avon Insurance plc remained well above the SCR at all times.

A. BUSINESS AND PERFORMANCE

A.1. Business Overview

A.1.a. Name and Legal Form

The National Farmers Union Mutual Insurance Society Limited, the firm, was founded as a Mutual Society in 1910, and was incorporated in 1910 as a Limited Company, Limited by Guarantee.

Avon Insurance plc is a public limited company incorporated in the United Kingdom.

A.1.b. Supervisory Authority Details

The National Farmers Union Mutual Insurance Society Limited (No. 111982) is a member of the Association of British Insurers, Avon Insurance plc (No. 00209606) is an insurance company within the Group.
The firms are authorised and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

A.1.c. External Auditor

Deloitte LLP
4 Brindleyplace
Birmingham
B1 2HZ

A.1.d. Shareholdings

The National Farmers Union Mutual Insurance Society Limited is a Mutual Company limited by Guarantee, and as such does not have any share capital. No corporate entity has a qualifying holding, a proportion of ownership interest or voting power in the Company.

Avon Insurance plc has authorised share capital at 31st December 2023 of £100m (2022: £100m) divided into shares of £1 each, of which £20m (2022: £20m) were issued and fully paid. The company is a wholly owned subsidiary of NFU Mutual Management Company Ltd, with the ultimate parent company being The National Farmers Union Mutual Insurance Society Limited.

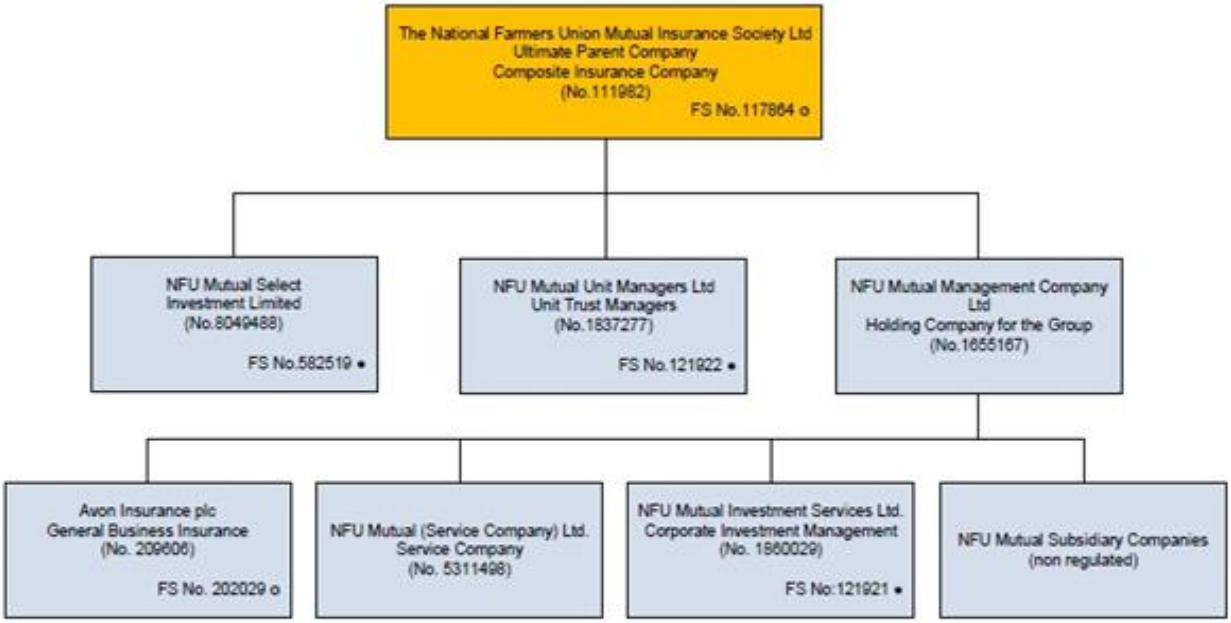
A.1.e. Legal Structure of the Group

In accordance with Solvency II Reporting Requirements the Group consolidates only the regulated companies within the Group and companies providing ancillary services, whereas the

Group reports its Financial Statements under UK GAAP (FRS102/103) which includes all its investment in Group undertakings.

A simplified Group structure is illustrated below and a list of subsidiaries and other investments in Group undertakings.

The registered office of The National Farmers Union Mutual Insurance Society Limited and Avon Insurance plc is Tiddington Road, Stratford upon Avon, Warwickshire, CV37 7BJ.



Key
FS No: = Financial Services Registered Number
• = Authorised and regulated by the Financial Conduct Authority
o = Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Directly Held Subsidiaries

NFU Mutual Management Company Limited (No. 1655167)	Holding Company
NFU Mutual Unit Managers Limited (No. 1837277)	Authorised Corporate Director of The NFU Mutual OEIC and the NFU Mutual Portfolio Funds OEIC
NFU Mutual Select Investments Limited (No. 8049488)	Platform Operator
NFU Mutual Pension Fund Trust Company Limited (No. 710041)	Holds assets for the pension fund
Salmon Harvester Properties Limited (50% owned) (No. 2921283)	Property Development
Hathaway Opportunity Fund General Partner Limited (No. 6278378)	General Partner of Limited Partnership

Subsidiaries Held Through NFU Mutual Management Company Limited

Avon Insurance plc (No. 209606)	General Insurance
NFU Mutual Investment Services Limited (No. 1860029)	Corporate Investment Management
NFU Mutual Risk Management Services Limited (No. 3350057)	Risk Reduction Services
NFU Mutual (Service Company) Limited (No. 5311498)	Service Company
Harvester Properties Limited (No. 2111204)	Property Development

Subsidiaries Held Through NFU Mutual Select Investments Limited

* Tiddington Nominees Limited (No. 1959973)	Custodian
* NFU Mutual Trustee Limited (No. 10353034)	Pension Bare Trustee

Companies Held Through Harvester Properties Limited

Aver Property General Partner Limited (No. 11660872)	General Partner of Limited Partnership
Aver Property Nominee Limited (No. 11662963)	Property Holding Company

Subsidiaries Held Through Hathaway Opportunity Fund General Partner Limited

Globe Kingston Limited (no. 13054515)	Property Holding Company

Companies Incorporated in Other Jurisdictions

Guernsey

Lancaster Court Limited1 (No. 7059)	Holding Company
The Islands' Insurance Brokers Limited [1] (No. 6841)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited (No. 20438) 1	Insurance Broker

Jersey

Islands' Insurance (Holdings) Limited [2] (No. 138932)	Holding Company
M. J. Touzel (Insurance Brokers) Limited [2] (No. 2589)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited (No. 4722) 3	Insurance Broker

Subsidiaries Held Through Salmon Harvester Properties Limited

* FSH Airport (Edinburgh) Services Limited (50% owned by Salmon Harvester Properties Limited) [3] (No. 4001890)	Joint Venture Property Company
* FSH Nominees Limited (100% owned by FSH Airport (Edinburgh) Services Limited) [3] (No. 4046945)	Joint Venture Property Company

Other investment in Group undertakings

Hathaway Opportunity Fund Limited Partnership [4] (No. LP012268)	Limited Partner Act 1907
Aver Property Limited Partnership (LP019862)	Limited Partner Act 1907

* Denotes a company that is dormant and exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 and exempt from audit by virtue of s479A of the Companies Act 2006 All subsidiary companies other than those companies identified as dormant have been included within the consolidated financial statements. Except where indicated, each of these companies is incorporated and registered in England and Wales, has an issued capital of ordinary shares only, is wholly owned by the parent company and has its registered office at Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.

The exceptions for Registered Offices are:
1 Lancaster Court, Forest Lane, St Peter Port, Guernsey, GY1 1WJ
2 Kingsgate House, 55 The Esplanade, St Helier, Jersey, JE1 4HQ
3 PO Box 732, 6/7 Mulcaster Street, St. Helier, JE4 0QJ
4 11-15 Wigmore Street, London, W1A 2JZ
5 21a Kingly Street, London, W1B 5QA

A.1.f. Material Lines of Business and Geographic Areas

For over 20 years the Society has been offering its products and services to both the farming and non-farming communities, a marketplace within which the firm intends to continue to operate.

General Insurance

The firm is ideally placed to serve its local communities, with its unique local distribution network of over 280 offices in rural and provincial locations. General insurance premiums come predominantly from the wider rural community and farm diversification, as well as directly from within the agriculture sector itself.

In part, it is this diversification built on 'core' agriculture into the wider rural community that has positioned the firm in its current, strong trading position.

Analysis of the NFU Mutual General Insurance Business is normally carried out at three levels, by product type, by market sector, and by distribution channel.

Product Types

Are split into three main categories:

Business

- Business Property
- Livestock Mortality & Disease
- Liability, Public and Employers
- Accident & Health
- Pecuniary / Loss of Business
- Combined Packages

Motor

- Fleet Motor
- Commercial Motor
- Personal Motor both Comprehensive and Third Party

Personal

- Home Buildings & Contents
- Equine
- Jewellery
- Caravans

Distribution Channels

Tied Agents

The firm's network of agents, who are also the local NFU representatives in each area.

Direct Operations.

The firm's call centre operations, based in Glasgow.

LCI

Large Corporate Insurance, an entity that deals with the large 'special' accounts handled by the firm, often sourced through independent brokers.

All General Business and Life (Pensions and Investments) business is written in the British Isles. All insurance premiums are direct insurance. There are no reinsurance inwards at Group level.

Life business

We offer products on an advised and non-advised basis.

Product Types

- Investment Bonds
- With-profits Products
- Protection Products
- Pension Products

- Annuities
- Investments Saving Accounts (ISAs)
- OEICs

Avon Insurance plc

Avon Insurance plc's principal activity is the transaction of Personal Accident insurance business.

A.1.g. Significant Events over the Reporting Period

Investments
The Group made a profit after tax of £164m (2022: loss of £1.049m) and a profit of £176m (2022: loss of £1,031m) for NFU Mutual on a UK GAAP basis.

Better than expected declines in inflation and growing hopes for lower interest rates led to a strong fourth quarter for equity and bond markets, resulting in healthy 2023 investment returns on our main portfolios, and growth on our overall funds under management.

Following the challenges of the previous year for investment markets, 2023 saw a much-improved year for global returns and a strong finish to the year for equity and fixed income assets resulted in healthy returns across our investment funds.

Underwriting
The underwriting loss of £156m reflects another year affected by claims cost inflation and weather events and very large claims volatility. We continue to support our customers and pay out on claims in a challenging economic environment.

Claims costs in 2023 were adversely impacted by the continued high inflationary environment, with motor damage costs and wage inflation continuing to increase at record levels. Prior year reserves have been strengthened as a result. This was coupled with some significant storm and flooding events towards the end of the year.

Cost control remains an ongoing focus, with solid management of business-as-usual expenditure enabling us to continue to invest in our change programmes and systems, to modernise our business and provide the best offering to our members.

Mutual Bonus
In 2023, we returned £244m (2022: £247m) in Mutual Bonus to our members. Our Mutual Bonus scheme enables us to reward the loyalty of our General Insurance customers with a saving on the renewal premium of their GI policies. The continued strength of our financial position means we are again able to provide a significant Mutual Bonus going forward for all our renewing members.

A.2. Performance of Underwriting Activities

A.2.a. Underwriting Performance

The underwriting performance of the Group and that of the solo entity NFU Mutual, being the parent company of the Group, over the period has been;

General Insurance
Our underlying General Insurance result for the year is a loss before Mutual Bonus of £156m (2022: £167m loss) in the U.K.

The underwriting loss of £156m reflects rising claim costs due to continued inflation, and an increase in the volume and severity of large claims, as well as severe storms in the latter part of the year.

The combination of higher average premiums due to inflation and the continued resilience of persistency has helped to support underlying profitability in the face of ongoing inflationary pressures, with a resulting COR of 108.0% (2022: 109.3%). Weather continues to be priced for over the long term and whilst recent years have seen higher levels of weather claims, leading to an impact on the COR result, the long-term average claims experience remains within expected levels. Across a 10-year rolling period we remain within the 98% target, with this result continuing to reflect our strategy to write profitable and sustainable business whilst offering outstanding levels of customer service and our ability to adapt to a continually changing environment. All of this underpins our commitment to provide savings in renewal premiums to our loyal customers through the form of Mutual Bonus.

Further information can be found in the Business Review section of the Report and Accounts 2023.

Life and Pensions
The underlying Life and Pensions result (as represented by the NFU Mutual's transfer to or from the Funds for Future Appropriations (FFA) for the year) was a transfer to the FFA of £17m (2022: transfer from FFA of £241m) in the UK.

Against a volatile political and economic backdrop, APE at £66.9m was down 4% in 2023 (2022: £69.8m), as strong results for our pension business were eroded by inflationary pressures and the cost-of-living crisis, with subdued investor sentiment due to the continuing economic uncertainty. The development of our self-service channel grew further as we opened more products to our customers, giving an enhanced offering for those who did not require advice and wanted to transact online.

Policy persistency levels were also impacted by inflationary pressures however remained high as customers continue to demonstrate strong loyalty.

The NFU Mutual offers products on both an advised and non-advised basis. Advised propositions include a select number of third-party products as well as our own. For almost all new product sales we charge explicitly for advice. For increments to products that were started before 2013 advice charges remain implicit. As a result, we look at overall Life product sales and the provision of advice by the adviser part of the business.

Further information can be found in the Business Review section of the Report and Accounts 2023.

Avon Insurance plc

Avon Insurance plc is a wholly owned subsidiary which specialises in personal accident and accidental death insurance products. Avon Insurance plc closed to new business in 2013 but continues to service the existing book of more than 420,000 policies. In addition, Avon Insurance plc underwrites insurance cover for the Group, writing Motor Fleet, Property, Employers Liability and Public Liability insurance policies. Avon's Gross Written Premium in 2023 was £16.8m (2022: £18.6m), with profit before tax and dividends of £7.8m (2022: £1.3m). Avon returned dividends to the Group of £3.5m (2022: £6m).

Further information can be found in the company's statutory Accounts 2023.

A.3. Performance of Investment Activities

A.3.a. Investment Income and Expenses

The income and expenses for the NFU Mutual and Avon Insurance plc on a solo and group basis are shown below. There is no significant difference between the Group and NFU Mutual figures.

Investment Income and Expenses	2023			2022		
	Group £m	NFU MUTUAL £m	Avon £m	Group £m	NFU MUTUAL £m	Avon £m
Income:						
Bonds and non-equity investments	227.6	227.0	0.6	195.5	195.0	0.5
Equity and Unitised Investments	192.5	196.0	-	150.6	152.9	-
Derivatives	-	-	-	0.7	0.7	-
Cash and Deposits	31.8	29.8	0.8	7.3	7.0	0.1
Properties	105.7	78.3	-	91.8	47.2	-
Total Income	**557.6**	**531.1**	**1.4**	**445.9**	**402.8**	**0.6**
Expenses:						
Investment Expenses	**4.1**	**2.0**	**-**	**4.0**	**1.8**	**-**

NFU Mutual and Avon Insurance plc receive dividend and coupon income from stock market investments net of any applicable domestic and withholding tax. The companies pay withholding tax at a rate stipulated within the double taxation treaty between the United Kingdom and the relevant overseas country where the company is domiciled. Dividend income is recognised when the related investment goes 'ex-dividend'.

Property investment income is received by way of rent from tenants, who lease the property directly. Rents are typically reviewed 5 yearly on the basis of either upward only market rent reviews, fixed growth or upward only RPI/CPI indexation. Further property investment income is receivable in the form of distributions from indirect property funds. Rent collection levels have remained relatively stable in 2023, however, due to fragile market conditions, there is a risk of volatility in 2024.

The companies pay capital and revenue expenditure to maintain and manage properties where liabilities sit with the landlord or where there is a vacancy. The companies will incur consultancy fees in respect of ongoing asset management i.e., leasing and letting, as well as the payment of market incentives to secure third party lettings.

A.3.b. Gains and Losses Recognised Directly in Equity

The gains and losses on investments for the NFU Mutual and Avon Insurance plc on a solo and group basis are shown below. There is no significant difference between the Group and NFU Mutual figures.

Gains and losses on Investments	2023					
	Group £m		NFU Mutual £m		Avon £m	
	Realised	Unrealised	Realised	Unrealised	Realised	Unrealised
Bonds and non-equity investments	5.8	156.3	5.6	155.5	0.2	0.8
Equity and Unitised Investments	92.4	570.2	92.4	601.4	-	-
Derivatives	(3.2)	2.1	(3.2)	2.1	-	-
Cash and Deposits	27.4	-	27.4	-	-	-
Properties	21.8	(74.2)	0.4	(53.6)	-	-
Total Gains	**144.3**	**654.4**	**122.6**	**705.4**	**0.2**	**0.8**

Gains and losses on Investments	2022					
	Group £m		NFU Mutual £m		Avon £m	
	Realised	Unrealised	Realised	Unrealised	Realised	Unrealised
Bonds and non-equity investments	(71.7)	(1,572.8)	(72.1)	(1,567.3)	(0.1)	(5.5)
Equity and Unitised Investments	(44.0)	(607.9)	(44.0)	(737.4)	-	-
Derivatives	(68.4)	(45.8)	(68.4)	(45.8)	-	-
Cash and Deposits	-	-	0.5	-	-	-
Properties	(74.5)	(308.6)	1.5	(188.4)	-	-
Total Gains	**(258.6)**	**(2,535.1)**	**(182.5)**	**(2,538.9)**	**(0.1)**	**(5.5)**

Realised gains and losses on investments carried at fair value are calculated as the difference between the book cost (purchase price plus any capital expenditure incurred) and the net sales proceeds (sale price less costs).

Properties are valued on a quarterly basis by an independent external valuer, who report the fair value of our assets in line with RICS standards. The difference between book cost and fair value is recalculated quarterly and the movement reflected through unrealised gains or losses.

A.3.c. Investment in Securitisations

There is currently only 1 ABS / MBS (Asset Backed Securities / Mortgage-Backed Securities) in the NFU Mutual portfolio 2023: £1m (2022: 1 ABS / MBS of £1m).

Asset and Mortgage-Backed Securities represent specific packaged bonds supported by a charge over an aggregation of underlying debt and mortgage instruments. Their value and repayments are governed by the repayments made under those debt arrangements, and by the tenants of the mortgaged properties.

Avon Insurance plc held no investments in securitisations during 2023.

A.4. Performance of Other Activities

A.4.a. Other Income and Expenses

The NFU Mutual Group made support payments to the farming unions in 2023: £8m (2022: £8m), and Other Expenses in the form of Government levy fees, directors emoluments, and audit fees as disclosed in the Group's Annual Report and Accounts. The Group had no material finance or operating lease arrangements during the period.

A.5. Any Other Disclosure

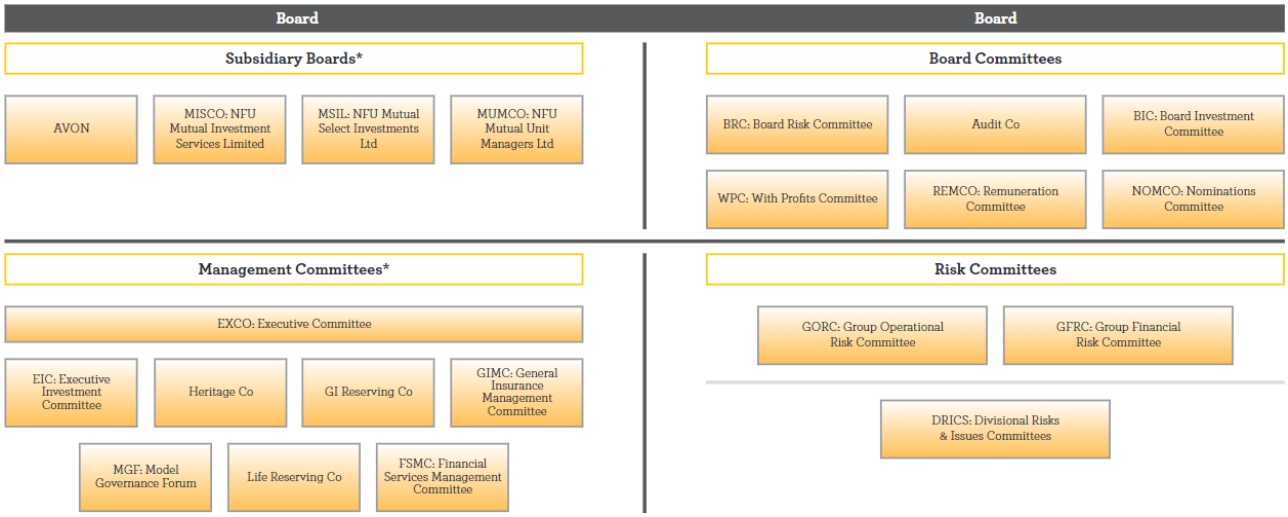
A.5.a. Any Other Disclosure

No further disclosures.

B. SYSTEM OF GOVERNANCE

B.1.a. Governance Structure

The following diagram illustrates the Risk Governance Framework that was in place at NFU Mutual and covered Avon Insurance plc during 2023. The framework operates to ensure that the Board has effective oversight of all Group activities.



*Not exhaustive

Group Committee Structures

- The Board sets the strategy for NFU Mutual and manages the Group to ensure achievement of objectives.

- The Board Risk Committee (BRC) oversees Risk Governance, Risk Management, and the Internal Model on behalf of the Board. Executive risk committees (GORC and GFRC) exist in order to provide focus on financial and operational risk and these report upwards to each BRC meeting.

- Executive Committee (ExCo) - considers the development and implementation of strategy, operational plans, policies and budgets, the monitoring of operating and financial performance, and the prioritisation and allocation of resources in each area of operation. ExCo is also responsible for maintaining oversight of strategic risk.

- Group Operational Risk Committee (GORC) - has responsibility to provide oversight and challenge of the operational risks arising from the Group's business strategies, decisions, activities, outcomes, and external environment. It also provides assurance to the BRC that these risks are being appropriately managed.

- Group Financial Risk Committee (GFRC) - has responsibility to provide oversight and challenge of the financial risks and capital impacts arising from business strategies, decisions, activities, and outcomes across the Group. It also provides assurance to the BRC that these risks are being appropriately managed.

- Board Investment Committee (BIC) - has responsibility to provide oversight and challenge to ensure that the investment business strategies, decisions, activities, and

outcomes across the Group are efficient, appropriate, and consistent with agreed constraints and risk appetites.

Governance

The 3 Lines of Defence Model is in place to ensure that all components within the internal control system operate effectively and is illustrated below:

Responsibilities		
Line 1 Business units adhere to the Risk Management Framework components to ensure that risks are identified, assessed, managed, monitored and recorded on the tools provided by the Risk Division.	• Identify and own risks • Assess and monitor risks as required by Risk Division • Design and execute internal controls in consultation with the Risk Division • Regularly test and assess the effectiveness of internal controls • Set Key Risk Indicators in consultation with the Risk Division • Develop remediation plans (in conjunction with Risk Division) where risk appetite may be exceeded • Escalate risk appetite breaches to the Risk Division • Complete control and Policy attestations as required by Risk Division • Participate in the adoption of the required risk culture.	**Key words:** • Checking • Monitoring • Authorising.
Line 2 The second line of defence is provided by the Risk Division who act as the Centre of Excellence for Risk Management across the Group. Risk Division set policy, drive strategy and act as the primary source of risk management advice and guidance for the business. Risk Division define key components of the risk and control environment and provide assurance that risks are being effectively managed across the organisation.	• Design and oversee the implementation of the Group Risk Management Framework across the business • Provide the business with appropriate training and education on managing risk within the Group Risk Management Framework • Provide guidance, support and advice on effective internal controls • Set risk appetites and limits • Set risk assessment criteria • Oversee, challenge and provide assurance over Line 1 activities • Provide risk reporting to ExCo, Board and Risk Committees.	**Key words:** • Advice • Compliance • Training, Education and Awareness • Oversight • Assurance.
Line 3 The third line of defence is provided by an internal audit function (GIAD) that sits outside the risk management processes of the first two lines of defence.	• Ensure that Line 1 and Line 2 are operating effectively and advise how they could be approved • Provide a level of independent assurance that the risk management and internal control framework is working as designed • Provide an evaluation, through a risk-based approach, on the effectiveness of governance, risk management and internal controls to the senior management and Audit Committee as appropriate • Give assurance to sector regulators and external auditors that appropriate controls and processes are in place and are operating effectively.	**Key words:** • Audit • Independent to Line 1 and Line 2.

The Board determines the Group's strategies and policies, sets guidelines within which the business is managed and reviews business performance. It is also responsible for ensuring that financial controls and risk management systems are robust.

The role of Chairman is to lead the Board in determining its strategy and achieving its objectives and to ensure that it keeps a close eye on governance. The Executive Team, led by the Group CEO, is charged with developing the strategy and successfully executing the operational plans agreed in pursuit of our long-term objectives, in line with the Board's risk appetite and whilst complying with regulatory and legal requirements.

Managing risks effectively creates additional value for the business and in turn provides distinct competitive advantage. It is important that the Board has a majority of independent Non-Executive Directors as this independence and external experience enables them to bring challenge to the Board proceedings and hold management to account. With farming and the rural community so important to everything that the Group does, Board members' backgrounds include a mix of both farming and financial services experience.

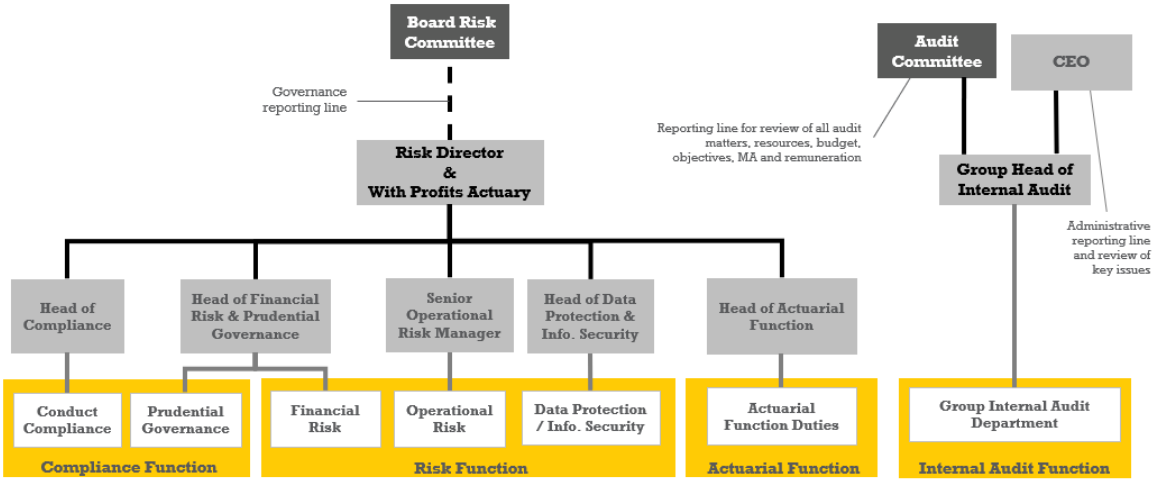
The approach to governance focusses on business integrity, high ethical values, and professionalism in all its activities. As an essential part of this, the Board supports high standards in corporate governance and believes that best practice in corporate governance should be embedded throughout the Group. The Board has a clear view of the leadership and activities of the Group including business results, key risks, and developments. Directors are required to consider the long-term consequences of any decision on the Group's relationships with customers, suppliers, employees, regulators, the environment, and the community. Directors also focus on the Group's high standards of business conduct and the need to act fairly towards

members. The Board and its committees work together to review strategy, business performance and to manage the business risks. The Board is proud of NFU Mutual's local governance framework which allows our farming members to communicate directly with the business.

Centralised Group control functions have been put in place for Compliance, Risk, and Actuarial Functions, which are all part of the Risk Division.

The Internal Audit control function has a primary reporting line to the Chair of the Audit Committee who is accountable for the Group Head of Internal Audit's independence, objectives, appraisal, and remuneration, and a secondary reporting line to the Chief Executive to ensure a clear understanding at Executive level of audit findings, recommendations, and themes and that these are addressed appropriately and in timely fashion.

The diagram below illustrates the reporting structure.



Risk Division Control Function Accountabilities

	Risk Management Function	Compliance Function	Actuarial Function
Solvency II Accountabilities	**Responsible for:** • Risk Management Framework • Risk Governance Framework • Internal Model	**Responsible for:** • Compliance Policy • Compliance Plan	**Responsible for:** • Co-ordinating calculation of Technical Provisions
	Duties: • Ensure the on-going appropriateness of the above. • Report to the Board and senior management on the above, including performance and areas of strengths and weakness. • Support and advise the Board on risk management matters, including monitoring the risk profile of the Group and identifying and assessing material and emerging risks • Design, implement, test, validate and document the Internal Model • Report to the Board and relevant Committees on the performance of the Internal Model	**Duties:** • Advise Board and senior management on compliance with relevant laws and regulation. • Assess impact that changes to relevant laws and regulation could have on the Group's Compliance risk profile. • Assess the adequacy of the Group's response to relevant laws and regulation. • Establish, implement and maintain a compliance plan and compliance policy. These responsibilities predominantly relate to Solvency II regulation however at NFU Mutual we also apply them to other Financial Services laws and regulation relevant to UK insurers (NFU Mutual & Avon) and Investment Firms (MSIL,MUMCO, MISCO).	**Duties:** • Ensure appropriateness of methodologies, models and assumptions • Assess sufficiency and quality of data used • Assess appropriateness of IT systems used • Compare best estimates against experience • Report to the Board at least annually, in writing, on the adequacy of TP calculations • Express an opinion on underwriting policy and adequacy of reinsurance arrangements • Contribute to the effective implementation of the Risk Management Framework, specifically in relation to calculation of capital requirements.

Additional Responsibilities	• Define, implement and facilitate the Group's ORSA process.
	• Facilitate the operation of the Risk Governance Framework.
	• Maintain the Group's Control Environment Document.
	• Provide risk management education, training and support to 1st line.
	• Carry out independent 2nd Line assurance reviews on all aspects of the risk management framework.
		• Manage the Group's relationship with our Financial Services Regulators (PRA and FCA), including:
		  • Facilitate regulatory requests and visits
		  • Identify and communicate regulatory changes
		  • Notification of breaches
		• Provide compliance education, training and support to 1st line
		• Define, implement and facilitate the Group's Financial Crime Framework.
			• Provide timely, accurate input into regulatory reporting
			• Advise and provide technical support to the With Profits Committee

The Group has in place group level Risk Management, Compliance and Actuarial Functions which form part of the Group's Risk Division. The Risk Division sets the strategy and policies for risk management across the Group.

The Risk Division collectively produce a risk based 18-month rolling plan of assurance reviews informed by a number of drivers e.g., gross risks, net risks, relevant emerging topics. This plan is approved by Board Risk Committee.

Internal Audit Structure:

Purpose

The Group Internal Audit Department's (GIAD) primary purpose and overarching goal is to help the Board and Executive Management to protect the assets, reputation, and sustainability of the Group. It does this by assessing whether all significant risks are identified and appropriately reported to the Board and Executive Management; assessing whether the risks are adequately controlled; and by recommending improvements in the effectiveness of governance, risk management and internal controls.

Authority

GIAD derives its authority from the Board of Directors, via the Audit Committee. GIAD is authorised to examine the internal controls, risk management and governance arrangements in all areas of NFU Mutual. GIAD, with accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the Group records, physical properties, and personnel pertinent to carrying out any engagement, including oversight arrangements undertaken by management for outsourced operations, within a reasonable period of making the request.

Scope and Priorities

The scope of work undertaken each year by GIAD is determined by the internal audit plan, which is approved by the Audit Committee. The plan is developed using a risk-based approach of all auditable entities to prioritise work towards providing assurance that the key risks facing the Group are controlled and identifying weaknesses where they are not. Additionally, GIAD may perform consulting services as appropriate, and conduct investigations and evaluate specific operations at the request of the Board or Executive Management, as appropriate. The nature of the proposed consulting activity is assessed by the Group Head of Internal Audit (GHIA) to ensure it will not compromise GIAD's objectivity.

In accordance with the plan, GIAD includes within its scope, but is not limited to, an assessment of the:

- design and operating effectiveness of the internal governance structures, policies, controls, and processes of NFU Mutual.
- information presented to the Board and Executive Management for strategic and operational decision making.
- setting of, and adherence to, risk appetite.
- risk and control culture of NFU Mutual.
- treatment of customers in line with conduct regulation.
- management of NFU Mutual's financial and non-financial risks.
- framework within which programmes and projects operate.

As part of this assurance, GIAD makes recommendations to management to manage risks and control weaknesses, which are tracked by GIAD until implementation.

Organisational Independence

The primary reporting line for the GHIA is to the Chairman of the Audit Committee who is accountable for their independence, objectives, appraisal, and remuneration, with a secondary reporting line to the Group Chief Executive. This is to ensure a clear understanding at Executive level of audit findings, recommendations, and themes and that these are addressed appropriately and in timely fashion. The GHIA also has direct access to the Chairman of the Board, and an 'open invitation' to attend the Board Risk Committee and any meetings of the 2nd line Risk Oversight Committees and 1st line Operational Committees.

The Audit Committee is ultimately responsible for approving the activity of GIAD in accordance with its Terms of Reference. The GHIA is present at, and issues reports to the Audit Committee, which includes but is not limited to, quarterly reports on GIAD's performance relative to its annual internal audit plan, and its charter; GIAD's assessment of management's responsiveness to the findings and recommendations presented in internal audit reports; and an annual assessment of the governance, risk, and control framework of NFU Mutual.

B.1.b. Changes in the Governance Structure

There have been no material changes to the governance structure in 2023.

B.1.c. Remuneration Policy and Practices

Reward consists of base pay, pension and benefits, and variable pay, which consists of an Annual bonus (STIP, Group Bonus Scheme) a Long-Term Incentive Plan (LTIP) and other incentives.

All NFU Mutual variable pay plans are based on financial and non-financial performance measures. Individual criteria of acceptable performance and adherence to risk appetite are also applied. Payments can be scaled back or cancelled if NFU Mutual's risk and compliance controls have been breached or exceeded, or regulatory requirements have not been met. Withholding (malus) and recovery provisions (clawback) are in place.

Pay-outs under the variable pay scheme are made by reference to a maximum percentage of salary in the majority of schemes which ensures that fixed remuneration remains a high proportion of total remuneration.

The Group Bonus Scheme allows flexibility for NFU Mutual to decide an appropriate payment should the business not meet its targets for exceptional reasons.

Senior employees (Levels 7 and 8) participate in the LTIP which vests after three years, based on the achievement of targets linked to the three long-term objectives.

The packages for Executive Directors and their variable pay opportunities and pay-outs and any salary increases will be subject to approval from the Remuneration Committee. The remuneration for Identified Staff, as defined by PRA / FCA and other Insurance regulations, will be subject to oversight from the Remuneration Committee on an annual basis

B.1.c.i. Remuneration Policy Principles

Reward at NFU Mutual is a combination of base pay, variable pay and a market competitive benefits package. Reward supports our values and business culture by balancing the need to recognise and reward high performance with the requirement to support our collegial culture and to support good customer outcomes.

Individual and Collective Performance Criteria

All NFU Mutual corporate bonus schemes are based on a balanced score card and a wide range of financial, customer and employee engagement measures are included.

The annual bonus scheme (Group Bonus Scheme) applies to the vast majority of individuals and includes five separate financial measures (65% bonus weighting) and one customer measure (35% bonus weighting). No bonus is payable in the event of unsatisfactory individual performance.

The Short-Term Incentive Plan (STIP) applies to management grade employees and includes five separate financial measures (55% bonus weighting), one customer measure (25% bonus weighting) and an employee engagement measure (20% bonus weighting). The employee engagement measure is directly related to either the Company-wide results or division in which the employee operates and both financial and customer measures are adjusted to ensure that they are also relevant to the manager's role.

The STIP for the Risk Director, and the STIP for eligible employees within the Risk Division, has 15% of the bonus allocated to divisional Risk targets with respect to business capital solvency

and internal risk management frameworks. The financial measures, which account for 55% of the incentive, are adjusted proportionally to accommodate these risk measures.

The Long-Term Incentive Plan (LTIP) applies to the most senior level of employees only. This scheme is based on targets relating to a three-year performance period and includes five separate financial measures (55% bonus weighting), one customer measure (22.5% bonus weighting), a Carbon Emissions reduction measure (2.5% bonus weighting) and an employee engagement measure (20% bonus weighting). As with the STIP, there are threshold levels of acceptable performance applicable to LTIP awards, below which vesting is not permitted. No LTIP payment is payable in the event of unsatisfactory individual performance.

One third of the CEO and Executive Directors STIP award (including the Group Bonus Scheme award) is deferred for three years post award – deferral of STIP awards (including the Group Bonus Scheme Award) is only applied for other Identified Staff when the LTIP (if applicable) provides insufficient deferral or where deferral is required under the proportionality guidelines.

The LTIP for the Risk Director, and the LTIP for eligible employees within the Risk Division, has 15% of the bonus allocated to divisional Risk targets with respect to business capital solvency and internal risk management frameworks. The incentive financial measures, which account for 55% of the incentive, are adjusted proportionality to accommodate these risk measures.

All bonus scheme rules include the potential for the Remuneration Committee to adjust the bonus payment made to the company / division / department or individual including downwards to zero to take into account exceptional events or circumstances. Prior to any payment under the incentive schemes a report from the Risk Director is given to the Remuneration Committee which details whether the company has remained within risk appetite over the past year.

B.1.c.iii. Supplementary or Early Retirement Schemes

The NFU Mutual pension scheme has a Defined Benefit section which is closed to future accrual, along with a Defined Contribution section. Employees can apply to take early retirement from age 55 and if the employee is a member of the Defined Benefit section of the pension scheme an actuarial reduction would apply. A small number of employees receive a cash pension supplement with the agreement of the company due to statutory limits on pension benefits.

B.2. Fit and Proper Requirements

B.2.a. Skills, Knowledge and Expertise

The Group has a responsibility to ensure that all individuals working in regulated and certified positions have the appropriate level of skill, knowledge, and experience to demonstrate the standards expected by the Financial Services Regulators. This is referred to by the Regulators as "Fitness and Propriety," and the Group is required to assess this both at appointment stage and on an ongoing basis.

At Executive level, role holders must demonstrate that they have significant leadership experience within the Financial Services industry, and that they have previously operated at

Board level developing strategies for the company's future, including significant levels of change. They are also expected to be able to demonstrate a high level of understanding of both the General and Life Insurance markets, along with knowledge of the regulation and industry standards that apply. This is assessed in a variety of different ways and can be evidenced through methods such as pre-employment screening checks (including criminality check, FCA Register check, Directorship, International Sanction List check and Financial Probity checks), performance management processes, Continuous Professional Development, membership of professional bodies, and through the recruitment and selection evidence supporting appointment into role, which includes an independent assessment of fitness and propriety.

B.2.b. Assessing Fitness and Propriety

A framework is in place across the Group to ensure we meet Fit and Proper requirements on an ongoing basis. Fitness and Propriety covers all employees (to differing extents depending on roles) and is managed through strong governance and people management processes in the following ways:

Board Governance:

- The Board is accountable for ensuring they are Fit and Proper on an ongoing basis.
- Key aspects of governance that contribute to Fit and Proper:
  - Board Effectiveness Review – annual review incorporating independent external review (three yearly) and sub-committee effectiveness reviews.
  - Nomination Committee – board sub-committee with accountability to recruit Board members, ensure appropriate membership of the Board in accordance with the Board Diversity Policy, and review the three-yearly reappointment of Board members.

Risk Governance:

- Risk committee structure in place aligned to organisational structure and risk profile.
- Provides oversight and challenge to ensure all employees are Fit and Proper.
- Ongoing reviews of the framework including annual committee effectiveness reviews.
- Defined and managed by the Risk Management function, on behalf of the Board. The Risk Management function is responsible for ensuring the ongoing appropriateness of risk governance and recommending and implementing improvements.

People Management:

- Policies and processes are in place across the Group that support the ongoing Fitness and Propriety framework.
- Group HR is responsible for ensuring the ongoing appropriateness of Fit and Proper processes, and for recommending and implementing improvements.
- The appropriate business manager, typically the Senior Manager for the firm, is accountable for ensuring that individuals within their business area are Fit and Proper on an ongoing basis.

- Processes are undertaken by Group HR and the appropriate business manager, typically the line manager of the individual.
- Processes can be grouped into five categories:
    - Regulatory notification – processes are in place to notify the regulators (FCA and PRA) of regulated role changes and to gain regulatory approval for individuals in Senior Manager Functions. These processes are triggered by organisational structure changes, promotions, recruitment, and leavers.
    - Screening – processes are in place to check the financial, criminal, and regulatory status of employees before they join the Group, gain promotions into higher screening tiers, and on an ongoing basis for those in Senior Manager Functions and certified roles e.g., Directors and Financial Advisers.
    - Ongoing performance management – BAU processes and policies that ensure the ongoing fitness of employees including recruitment and selection and performance management.
    - Conduct Rules – implemented mandatory e-learning and individual attestation on an annual basis for all employees, regardless of regulated status.
    - Certification – processes are in place to complete the annual certification, evidencing the Fitness and Propriety of those individuals in the Certification Regime.

B.3. Risk Management System

B.3.a. Risk Management Strategies, Processes and Reporting Procedures

NFU Mutual's Control Environment consists of a number of components that work together to facilitate a culture where individuals at all levels demonstrate appropriate risk aware behaviour.

Each component is clearly defined and aligned to the business model and strategic objectives of NFU Mutual.

Key components of the Risk Management Framework include:

- Risk Management Strategy
- Risk universe
- Risk appetites
- Risk policies
- Risk management processes for identifying, assessing, managing, monitoring, and reporting risk
- Risk management system

The responsibility for implementing and maintaining the Risk Management Framework across the Group sits with the Risk Management Function and is overseen by the Board Risk Committee on behalf of the Board.

In order for the Group to optimise its performance it is important that risk and return are considered together. The Group believes this is best done by managers being accountable for the management of risk within their teams alongside being responsible for meeting their business objectives and goals, as decisions on risk should not be isolated from the rest of business decision making.

Business units and subsidiaries make decisions on risk but need to operate within risk appetite and the Group's policy framework. They must do so in a way which is consistent with realising the Group's strategy and meets agreed business performance targets. This requires regular and close liaison between the wider business and the Risk Management Function.

All managers within the Group are accountable for managing their risks in line with the Risk Management Framework to ensure that the individual and aggregated risks to which the Group is exposed are monitored and reported on an ongoing basis. The core principles that underpin this approach to risk management are:

- Risk Division has primary responsibility for designing, implementing, embedding, and maintaining an effective Risk Management Framework.
- Managers are accountable for the management of risk, including implementing effective controls, in their area of business. They are responsible for documenting their risks, controls, loss events and near misses using the tools provided by the Risk Division.
- Decisions taken by management are consistent with the NFU Mutual's strategic objectives and risk appetite, which are approved by the Board. Financial models will be used to inform this decision making.
- The interests of members and other stakeholders are protected by ensuring that excessive powers are not delegated to individuals.
- A common Risk Management Framework is used throughout the organisation to manage risk, supported by appropriate policy and control standards.
- The Group uses clearly defined definitions of risk for both financial and operational risks.
- Key roles, responsibilities and authorities relating to risk are clearly identified and documented.
- Risk management arrangements and risk exposures are subject to independent oversight (i.e., oversight from individuals and groups not directly accountable for the management of the risk).
- All employees across each of the Three Lines of Defence have appropriate access to, and understanding of, the Group's Risk Management Framework and processes to enable them to operate effectively.
- Employees are individually responsible for understanding and managing the risk they take on behalf of the Group and for ensuring that they act within delegated authorities.

Risk is an essential part of the Group's business operations and successful risk taking is required to achieve the Group's business objectives. To ensure that all risks are managed effectively the Group is committed to:

- Embedding a common risk culture across the business, and thus:
    - Aligning risk strategy with business strategy.
    - Providing challenge to the business to inform decision making.
    - Ensuring that the business operates within the risk appetites set by the Board.
    - Re-enforcing the importance of risk management as part of the everyday work of the Group employees.
    - Ensuring that financial models are used as a part of business decision making.
    - Ensuring that the risks arising from subsidiaries and joint ventures are properly identified and managed.

- Implementing effective systems and processes of risk management to:
    - Maintain a strong system of internal controls to safeguard policyholders' and employees' interests.
    - Support the realisation of NFU Mutual's business objectives and build value for the Group by continuously identifying, evaluating, prioritising and pro-actively managing the risks to the achievement of those objectives.
    - Provide a consistent approach to prioritising risks and then determining effective methods of controlling and responding to them.
    - Ensure clear roles, responsibilities and reporting lines are in place for managing risk.
    - Facilitate the provision of risk management information across the business.
    - Participate with other bodies including regulatory supervisors in the development and sharing of risk management best practice.
    - Provide financial models that, where appropriate, can quantify NFU Mutual's exposure to risk.
    - Ensure that financial models are of an appropriate design for NFU Mutual, have minimal risk of material misstatement, and are well controlled and governed.
    - Support the Group in its objective of building and maintaining an efficient capital structure by ensuring that all risks are assessed and managed and assisting the business in maximising return on capital.

- Retaining, developing, and attracting the appropriate resource in the Risk Management Function to:
    - Maintain a Risk Management Function that has the appropriate skills to effectively discharge its duties.
    - Ensure risk resources are utilised appropriately.

- Ensuring the Group meets its regulatory requirements.

These objectives are achieved through the Risk Management Framework and governance arrangements, together with corresponding roles and responsibilities.

To achieve these objectives the Risk Management Function:

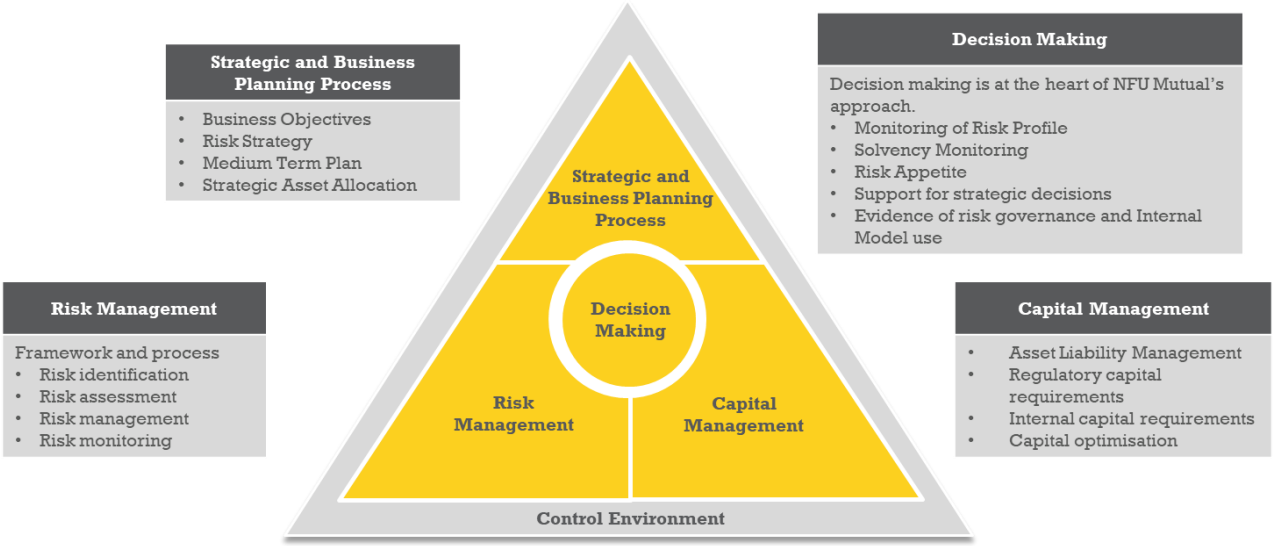
- Is the centre of excellence for risk management activities across the Group, including establishing the vision and overall direction for risk management, embracing changes in best practice and regulation.
- Acts as a leading advocate for the development of a risk-based culture to manage the business of the Group, working with the Group to develop its Three Lines of Defence model, to make sure it is working effectively.
- Ensures that, throughout the Group (including outsourced providers), there is an appropriate understanding and awareness of the risks surrounding the Group's business and that senior management understand their responsibilities in managing those risks.
- Ensures that Risk Owners have appropriate training and resources to execute their risk management responsibilities.
- Maintains an appropriate Group-wide Risk Management Framework.
- Develops and continuously improves an Internal Model that can be transparently validated.

- Supports the Group as it continuously identifies, prioritises, and evaluates the risks to the business, identifying clear lines of responsibility and accountability for the management of risks.
- Provides ongoing advisory and assurance services in the subject matter of risk management, in particular:
    - Provides oversight, challenge, and validation of risk management activities though a governance framework.
    - Provides advice on prospective industry changes / developments; and
    - Develops relevant subject matter expertise.
- Manages the Group's relationship with the PRA, FCA and other regulators to ensure an open and co-operative relationship; and
- Operates in accordance with the PRA and FCA's principle-based regulations.

There have been no significant changes to the governance of the Internal Model.

B.3.b. Integration into the Organisational Structure and Decision-Making Processes

The Risk Management function is integrated into the organisational structure and the decision-making processes as illustrated below:



The Risk Management Function is part of the Risk Division, reporting to the Risk Director. The Risk Director has unfettered access to Board, including via private sessions of the Board Risk Committee.

The outputs of the Risk Management Framework underpin the calculations to assess the levels of capital held to cover the risks the Group is exposed to.

To calculate the Solvency Capital Requirement figure, firms have the choice of using a prescribed 'Standard Formula', developing their own Internal Model (subject to supervisory approval), or using a combination of both (known as a Partial Internal Model).

NFU Mutual has obtained approval from the Prudential Regulation Authority (PRA) to use a Partial Internal Model; where Insurance Risk, Market Risk, Credit Risk and Liquidity Risk are calculated using an Internal Model for the Group excluding Avon Insurance plc (which uses the Standard Formula to calculate the financial risk SCR given the low materiality of its capital requirement in comparison to the Group as a whole). This forms a key component of the own Risk Solvency Assessment (ORSA) where we consider strategic business planning, risk, and capital management as an integrated process.

Operational risk capital for the Group is based on the standard formula.

Responsibility to design, implement, test, and validate the Internal Model sits within the Risk Division. Oversight responsibilities for the Internal Model are documented in the relevant Internal Model policies.

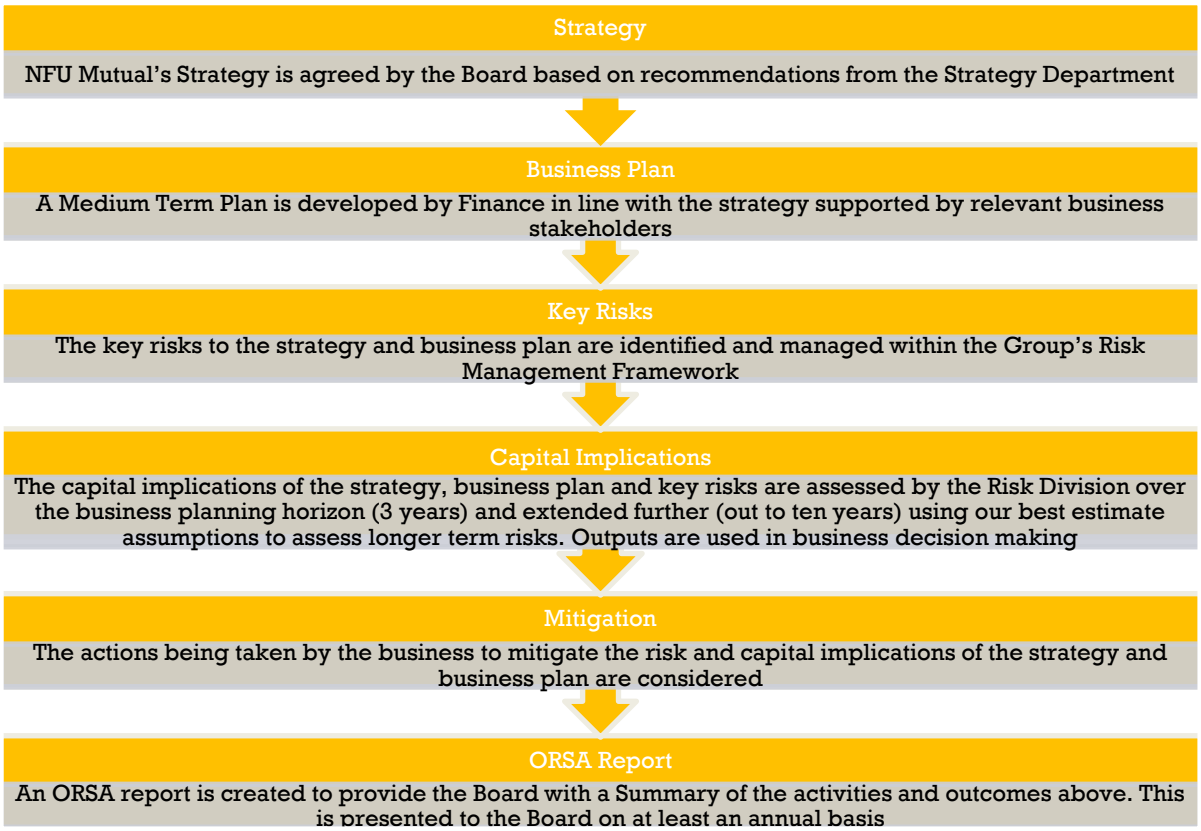
The validation tools and processes used within the Internal Model include stress and sensitivity testing, back testing, simulation sensitivity and robustness, and comparison against the Solvency II Standard Formula.

B.4 Own Risk and Solvency Assessment (ORSA)

B.4.a. ORSA Process and Integration

The ORSA is an important part of NFU Mutual's Control Environment. This includes an integrated approach to strategic planning, risk management and capital management over our planning time horizons.

The diagram below includes the components of the NFU Mutual ORSA:



Our approach to the ORSA includes processes that are designed to ensure:

- The Internal Model is used in the business, underpinned by a Solvency II valuation basis, Group risk management practices, and plays an important role in decision making.
- Risk and capital management are linked to strategy and business planning, including product design and development.
- A governance structure is in place to review and challenge the underlying assumptions of the ORSA.
- A controlled, documented and auditable process is available and capable of independent review.
- The continual monitoring of our regulatory capital and technical provisions.

B.4.b. ORSA Review and Approval Frequency

An ORSA report is produced and presented annually to the Board. This report covers both NFU Mutual and Avon Insurance plc.

The report complies with regulatory ORSA guidance and incorporates the following:

- A forward-looking assessment of the regulatory and internal capital needs for our strategic business plan, including longer term projections which assess the affordability of the Group's distribution strategy (via mutual bonus in the GI Fund and distribution of profits to with-profits customers in the Life Fund) and use of Excess Working Capital.
- An assessment of the risks faced by the Group both now and over the long-term. Including how the risk profile has changed over time and how it is expected to change in future.
- A range of stress and scenario tests designed to quantify the impact of key risks to the Group's risk appetites, both before and after management actions, assess the adequacy of the risk management and capital management processes and highlight any learnings.

In addition:

- Regulatory capital and Technical Provision requirements are monitored on a regular basis.
- Risk dashboards are presented at each Board Risk Committee meeting with minutes taken of the key discussions, decisions and actions taken.

Should there be a material change in the risk profile of the Group an ad-hoc ORSA will be produced and presented to the Board.

B.4.c. Solvency Requirements and the Interaction of Risk Management and Capital Management

The Solvency II capital requirements are a key input into NFU Mutual's risk and capital management. NFU Mutual has a risk appetite statement which is based on the Solvency II SCR. This sets out the amount of capital that NFU Mutual wishes to hold over and above the regulatory SCR to protect against potential adverse events. The risk appetite is set to ensure an appropriate level of protection is afforded to our customers. This means that we hold sufficient capital but not excessive capital. The current risk appetite position is a key measure of the level of risk the business is currently taking.

As part of the ORSA processes, the projected risk appetite position and the risk profile of the Company is assessed over the strategic planning time horizon. This includes considering the impact on the capital position based on a range of sensitivity tests and alternative scenarios.

At NFU Mutual, the capital management policy is aligned to the risk management strategy and principles and ensures the effective use of capital within NFU Mutual. In addition, there is a financial risk response plan which documents the process of managing financial risk stress events and a management actions catalogue which details the mitigations that are available to ensure the capital position remains within the capital risk appetite and regulatory requirements in adverse scenarios.

B.5. Internal Control Function

B.5.a. Internal Control System

The Group has a robust Group-wide control framework consisting of a set of processes, policies and frameworks that ensure risks are managed effectively, that regulatory and customer obligations are met, and business objectives are achieved. The internal control system is summarised in a Digital Control Environment which sets out all of the key components and is available to all employees through the Group's intranet site.

An effective Three Lines of Defence Model is in place to ensure that all components within the internal control system operate effectively; a high-level summary is illustrated in Section B.1.b.

Oversight of the internal control system is delegated from the Board, which retains ultimate accountability, to a number of Risk Governance Committees and Boards as shown in Section B.1.b.

B.5.b. Compliance Function

The Compliance function within the Group has a number of key roles including:

- Understanding, interpreting, and communicating the regulatory agenda of the PRA and FCA to key internal stakeholders.
- Supporting managers in understanding and meeting their regulatory responsibilities.
- Providing Second Line assurance on compliance with regulatory requirements.
- Managing the day-to-day relationships with the Group's regulatory supervisors.

The departments that comprise the Compliance Function are independent functions within the Group structure; representatives attend and actively contribute to senior management and risk committees, including the Board Risk Committee. This ensures that the Compliance function is integrated into the organisation's structure and decision-making processes; it also ensures that items can be raised at an appropriate level of seniority.

The Group follows a devolved conduct compliance model where the responsibility for complying with regulatory or legislative requirements sits with the managers of the business function as part of their overall responsibility for managing all risks relating to their areas.

The Head of Conduct Compliance and the Head of Financial Risk and Prudential Governance are responsible for ensuring the Compliance function has sufficient resources to undertake its responsibilities. They also ensure that individuals working within the function have appropriate skills, knowledge and experience to conduct the roles assigned to them.

B.6. Internal Audit Function

B.6.a. Internal Audit Function

The primary role of Group Internal Audit Department (GIAD) is to help the Board and Executive protect the assets, reputation and sustainability of NFU Mutual. This role has been established by the NFU Mutual Board, with authority for oversight of the audit function delegated to the Audit Committee, as set out in its terms of reference. The authority, role and mandate of GIAD is set out in the Audit Charter, which is made available through NFU Mutual's website, and is reviewed annually by the Committee.

GIAD reports to the Chair of the Audit Committee with a secondary reporting line to the Group Chief Executive.

The Audit Committee is responsible for reviewing and approving the GIAD programme of work, its budget and resource. It discharges this duty by receiving quarterly and annual reports from the Group Head of Internal Audit on each of these aspects.

GIAD comprises of a team with a range of skills from the following disciplines: Chartered Auditors (CIIA), Accountants (ACA, ACCA,CIMA,CIPFA), Insurers (CII), Information Security Auditors (CISA) and Project Management (Prince2).

The last External Quality Assessment (EQA, performed 5-yearly) was undertaken in 2019 and concluded that "GIAD performs well and its work is high quality".

B.6.b. Independence and Objectivity

The Committee Chairman meets with the Group Head of Internal Audit (GHIA) on a monthly basis. The whole Committee meets with the GHIA, without management, on a quarterly basis. The GHIA also has direct access to the Chairman of the Board.

The GHIA also meets monthly with the Group Chief Executive to discuss audit findings and activity, further reinforcing its standing with Executive Committee members.

The Chairman of the Audit Committee is responsible for the appraisal, objective setting and remuneration of the GHIA. The Audit Committee is responsible for approving the appointment and replacement of the GHIA.

GIAD is independent of the day-to-day business of NFU Mutual. GIAD staff assume no operational responsibilities and will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted.

Any advisory work to assist management to develop an effective control framework will be a limited proportion of GIAD's work. Any such work proposed is assessed by the GHIA to ensure it will not compromise GIAD's independence and objectivity. GIAD will not however 'sign off' new or changed processes, systems or controls; it is management's responsibility to satisfy itself on the appropriateness of such activities given NFU Mutual's risk appetite.

The Group's Whistleblower Champion is the Chair of the Audit Committee, a role appointed by the Board. The Group also has a Speak Up process which sets out the procedure for raising concerns in NFU Mutual. Our independent reporting line is operated by an external company, Safecall, and investigations are facilitated by the GHIA.

The EQA mentioned in B.6.a. concluded that *"we have no concerns about the independence of the Group Head of Internal Audit".*

B.7. Actuarial Function

B.7.a. Actuarial Function

The Actuarial Function has access to the Society Board, Board Risk Committee, Audit Committee and Board Investment Committee which enables it to directly report to and advise the ultimate decision makers of the business and consists of experienced, qualified or part-qualified professional staff who have the relevant knowledge, experience, expertise and operational independence to carry out their duties.

The Actuarial Function also covers the Avon Insurance plc subsidiary.

B.8. Outsourcing

B.8.a. Outsourcing Policy and Outsourcing of Critical Operational Functions

All aspects of operational risk, including Supplier and Outsourcing, are incorporated into the Group Operational Risk Policy. This provides guidance to individuals on their roles and responsibilities for effectively managing operational risk.

The Supplier and Outsourcing framework reflects the PRA Supervisory Statement SS2/21 on Outsourcing and third party risk management and consists of the Operational Risk Policy; the Supplier, Outsourcing and Third-Party Policy; the Material & Outsourcing Manual (providing guidance on the issues to consider when Outsourcing or selecting a Material supplier); Supplier Risk Assessment Framework (enabling consistent and effective risk assessment) and the wider Procurement and Contract processes and procedures, including approval governance and the Supplier Management Framework.

An overview of the Critical or Important (Material) Outsourcing arrangements are included in the table below:

Provider	Description of Services	Jurisdiction
External	Outsourcing of IT infrastructure and related services	UK
External	Managed services for networks	UK
External	General Insurance print services (customer documentation) and secure email solution	UK
External	Fund accounting and transfer agency services for OEIC funds operated by NFU Mutual Unit Managers Limited	UK
External	Provision of WRAP Platform	UK
External	Reinsurance of Legal Expenses	UK
External	Provision out of hours first notification of loss service	UK
External	Loss adjusting services, including assistance in potential fraud cases/complaint handling/motor liability disputes	UK
External	Loss adjusting services, including assistance in potential fraud cases/complaint handling/motor liability disputes and provision of domestic emergency helpline.	UK
External	Data networks and provision and distribution of IT including applications	UK
External	Cloud agreement	Ireland
External	Provision of telephony services	UK

B.9. Adequacy of the Governance Structure

B.9.a. Adequacy of the Governance Structure

The Group undertakes an annual effectiveness review for each risk committee within its governance framework to ensure that the overall framework and each individual committee is operating effectively and continues to meet the needs of the Group on an ongoing basis. This has assessed that the governance committees are effective given the nature, scale, and complexity of NFU Mutual's business.

B.10. Other Disclosures

B.10.a. Other Disclosures

The conclusion of the Risk Director in his 2023 CRO report states that the "changes to some of the components of the Risk Management Framework during 2023 and the implementation and embedding of these in 2024 will continue to strengthen and improve our approach to risk management in line with industry best practice and an ever-changing business environment. In addition, we continue to focus on ensuring we have the right balance of resource and effort across first- and second-line risk activity.

Risk Division continue to embed a strong risk culture across the Group by provision of guidance, expertise and oversight of risk related activities."

C RISK PROFILE

C.1. Underwriting Risk

NFU Mutual defines underwriting risk as:

"The risk of reductions in earnings and / or value through financial or reputational loss due to fluctuations in the timing, frequency and severity of underwritten insurance events and / or the fluctuations in the timing and amount of claims settlements. This includes fluctuations in profits due to customer behaviour."

C.1.a. Underwriting Risk Exposure

C.1.a.i. Nature of Underwriting Risk

Group and NFU Mutual write a range of lines of general insurance and life insurance products. In the General Insurance business these include car insurance, home insurance and commercial insurance. In the Life business the policies include investment and pension products. All of these products give rise to underwriting risk.

In the General Insurance business, we subdivide underwriting risk into the following categories:

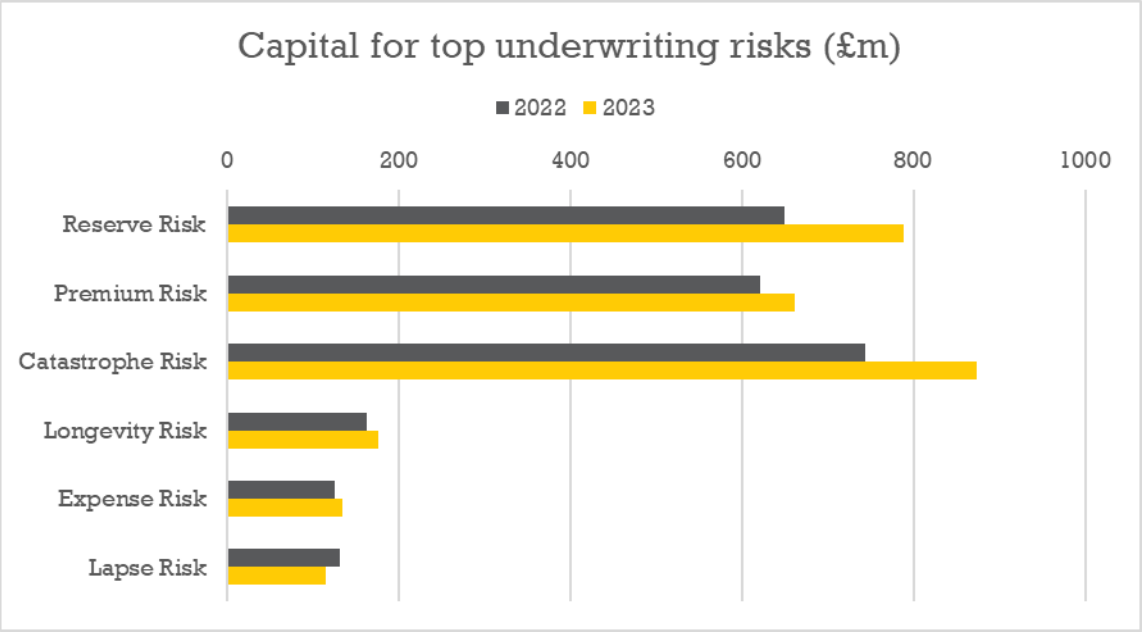
Risk	Description
Reserve Risk	The risk that the reserves we hold for past underwriting years are inadequate.
Premium Risk	The risk that claims and/or expenses related to future premiums are higher than expected.
Catastrophe Risk	The risk of adverse claims experience arising from extreme or exceptional events. The most material risks are windstorms and flooding events.

In the Life business the main categories of underwriting risk are:

Risk	Description
Longevity Risk	The risk that policyholders' life expectancy deviates from expectations resulting in higher claim payments.
Expense Risk	The risk of reductions in earnings and/or value due to the value or timing of expenses deviating from those expected or assumed.
Retirement Optionality Risk	The risk that policyholder retirement dates differ adversely from what we have assumed; and the risk that the number of policyholders exercising pension options differ adversely from what we have assumed.

The exposure to underwriting risk is measured by assessing the amount of capital that is required to be held should an adverse 1-in-200-year extreme event occur during the next twelve months. This calculation is consistent with the amount of capital the Solvency II regulatory regime requires insurance firms to hold.

The chart below shows this capital amount for NFU Mutual's underwriting risks:



The main changes to the underwriting risk exposure for the Group and NFU Mutual in 2023 are an increase in Catastrophe Risk and Reserve Risk. There were small increases to Premium Risk, Longevity and Expense Risk, and a small reduction in Lapse Risk.

Avon Insurance plc

The underwriting risk exposure of Avon Insurance plc is small in comparison to the Group and NFU Mutual. The only new business Avon writes relates to Personal Accident policies and some NFU Mutual Group insurances. There is some historical general liability business in Avon, but this has been in run-off for many years. This risk is protected via an internal reinsurance arrangement with the Group.

There is no life business in Avon Insurance plc.

The main underwriting risks are therefore:

Risk	Description
Reserve Risk	The risk that the reserves we hold for past underwriting years are inadequate.
Premium Risk	The risk that claims and/or expenses related to future premiums are higher than expected.

Catastrophe Risk	The risk of adverse claims experience arising from extreme or exceptional events. The most material risks are likely to be a mass accident.

Further quantitative information on the underwriting risk exposure is shown in the QRT templates (S.25.2.21) attached to this document.

C.1.a. ii. Assessment and Management of Underwriting Risk

Underwriting risks are quantified using the Internal Model for the Group and NFU Mutual and using the Solvency II Standard Formula for Avon Insurance plc. The Underwriting function have exposure management processes in place to provide information and to manage accumulation risk and underwriting risk concentrations.

C.1.b. Underwriting Risk Concentrations

C.1.b.i. Underwriting Risk Concentrations

General Insurance Business:

The General Insurance book is solely UK based. This includes a large proportion of Personal Lines policies (mainly car and household) and small to medium commercial insurances. These covers are geographically diverse with typically low exposures. The farming risks pose different more bespoke concentration risks.

The following table summarises identified key risk concentrations:

Risk concentration	Description
Property and Business Interruption – Catastrophe Risk	The most material aggregation risk relates to weather losses from storm, flood and freeze perils. The Internal Model is used to model exposure to catastrophic weather events. This is then used to help inform an appropriate catastrophe reinsurance programme.
Property and Business Interruption – Single Risk	Aggregations can also arise where the property & business interruption risks on multiple policies are connected either physically or via a supply chain. For example, this can arise through the insurance of a number of businesses in a single supply chain.
Animal Disease	A limited range of animal disease covers are written, the principle aggregation risk arises from foot and mouth disease where there is potential for significant spread of disease nationwide impacting many customers.
Motor	Motor presents a series of individual risks although aggregations / concentrations can arise from multiple insured vehicles being involved in a single incident.

Liability – Disease / Accident risk	The most material concentration risks relate to the farming sector. Specific exposures are identified and where appropriate reinsurance is purchased to protect against these aggregation risks.

Life Business:

Mortality risk concentrations are possible; however, mortality risk is not a material underwriting risk for the Group. The Life business no longer writes protection new business and so over time the exposure to mortality risk concentrations will reduce.

Lapse risk concentration is possible, say where a single event prompts large numbers of customers to cash in their policies. This is allowed for in the Internal Model via a mass lapse stress, which ensures that sufficient capital is held to cover this risk.

C.1.c. Underwriting Risk Mitigation Techniques

C.1.c.i. Underwriting Risk Mitigation Techniques

The principle mitigation used against underwriting risk is the placement of reinsurance. All loss limits, retentions and programme structures are reviewed annually. The most significant General Insurance reinsurance treaties are listed below:

- Property Catastrophe Excess of loss
- Flood Re whereby the Flood peril, in respect of relevant high-risk homes, is ceded 100% to Flood Re
- Property Risk Excess of Loss
- Motor Excess of Loss
- Liability Excess of Loss

Within the underwriting function, risk appetite is defined at a granular level, with appropriate detailed guidance given to underwriting teams. Underwriting capability is reviewed regularly and outputs from this are used to determine any new required learning interventions. Controls are in place to regularly review underwriting decision making, with any risks on the fringe of risk appetite requiring referral to senior technical underwriters.

In the Life business, underwriting risk exposure is less significant with lower volumes of annuity business now sold and protection business no longer underwritten.

C.1.d. Underwriting Risk Sensitivity

C.1.d.i. Stress Testing and Sensitivity Analysis for Underwriting Risks

Stress Testing and Sensitivity Analysis are discussed in section C.8.

C.2. Market Risk

NFU Mutual defines market risk as:

"The risk of reductions in earnings and / or value through financial or reputational loss due to unfavourable market moves – typically arising from equity, property and bond exposures and the impact of interest rates and currency values."

C.2.a. Market Risk Exposure

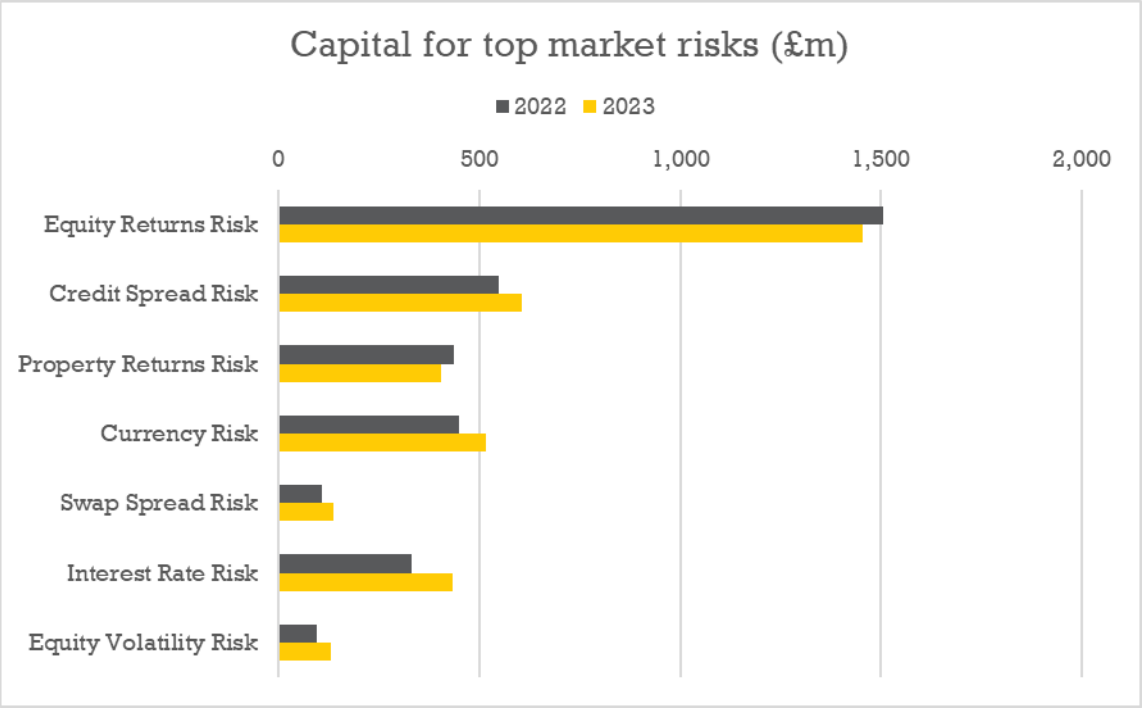
C.2.a.i. Nature of Market Risk

The most significant market risks to which NFU Mutual is exposed are shown in the table below:

Risk	Description
Equity Returns Risk	The risk of reductions in value due to deviations in the market price of equities.
Property Return Risk	The risk of reductions in value due to deviations in property prices.
Currency Risk	The risk of reductions in value due to the deviations in currency exchange rates.
Credit Spread Risk	The risk of reductions in value due to deviations in credit spreads. Credit spread is defined as the difference between the return required on corporate bonds compared to near risk-free assets such as UK government bonds.
Swap Spread Risk	Swap spread risk arises because Solvency II requires liabilities to be discounted at yields based on interest rate swaps. Discounting at swap rates introduces a mismatch between gilt assets and the discount rate used to value the liabilities (based on swap rates). The risk is that the yields for the bonds held (for example UK gilts) rise relative to swap rates. This means that higher gilt yields cause the value of our assets to fall but we receive no mitigating offset in the value of our liabilities.
Equity Volatility Risk	The risk of reductions in value due to the impact on assets and liabilities from a change in volatility of equity market prices. This risk affects long term guaranteed liabilities in the Life fund.
Interest Rate Risk	The risk of reductions in value due to the deviations in interest rates.

The exposure to market risk is measured by assessing the amount of capital that is required to be held should an adverse 1-in-200-year extreme event occur during the next twelve months. This calculation is consistent with the amount of capital the Solvency II regulatory regime requires insurance firms to hold

The chart below shows this capital amount for NFU Mutual's market risks:



There have been some small changes in market risk exposures largely driven by changes in the asset mix of our investment portfolios, away from equities and properties and towards fixed interest assets. The increase in Equity Volatility Risk is largely driven by the strengthening of our stress assumptions.

The main sources of market risk for Avon Insurance plc are interest rate risk and credit spread risk, relating to the holdings of fixed interest assets.

Further quantitative information on the market risk exposure is shown in the reports in the QRT templates (S.25.2.21) attached to this document.

C.2.a. ii. Assessment and Management of Market Risk

Market risks are quantified using the Internal Model for the Group and NFU Mutual and using the Solvency II Standard Formula for Avon Insurance plc.

C.2.b. Market Risk Concentrations

C.2.b.i. Market Risk Concentrations

Market Risk concentrations can arise from a number of sources:

- High exposure to a specific sector or geography.
- Too great an exposure to a specific counterparty.
- Insufficient stocks in a particular fund leading to a lack of diversification.

Regular management information is reviewed to ensure that portfolios are sufficiently diverse to avoid inappropriate concentration risks. In addition, investment Limits of Authority and Fund Mandates are in place to control concentration exposures.

C.2.c. Market Risk Mitigation Techniques

C.2.c.i. Market Risk Mitigation Techniques

Market risk is managed for portfolios by considering a range of risk statistics. For example, when a portfolio is managed to a benchmark (or appropriate index) then 'tracking error' or 'active risk' measures to expected return are considered, to better understand portfolio risks. For multi-asset or multi-geography funds, market risk is diversified by testing the funds against a range of different scenarios impacting different asset classes.

Risk appetites set out how much risk the business is prepared to take, while constraints place limits on the authority of committees and business managers to make decisions without the need to refer decisions up through the risk governance structure. Risk appetites and constraints are set by the NFU Mutual Board and Board sub-committees and are an important control and mitigation against market risk exposure.

To ensure risk appetites are not breached between committee meetings, early warning indicators (EWIs) track key financial indices such as the FTSE-All Share index. Regular monitoring of these EWIs allows the business to identify market conditions where the capital position may breach risk appetite.

If the lower boundary of the risk appetite is approached and there is a risk of having insufficient capital to meet the risk appetite, actions will be taken to reduce the risk exposure of the fund to stay within risk appetite.

A lever used to keep within risk appetite is trading assets. Trades of assets (e.g., the sale of comparatively higher risk assets such as equities and the purchase of lower risk assets such as government bonds) will reduce the market risk capital requirement and hence improve our risk capital position.

C.2.d. Market Risk Sensitivity

C.2.d.i. Stress Testing and Sensitivity Analysis for Market Risks

Stress Testing and Sensitivity Analysis are discussed in section C.8.

C.3. Counterparty Default Risk

NFU Mutual defines counterparty default risk as:

"The risk of reductions in earnings and/or value through financial or reputational loss due to the failure of any counterparty with whom we have contracted to meet their obligations as they fall due (both on and off balance sheet)"

C.3.a. Counterparty Default Risk Exposure

C.3.a.i. Nature of Material Counterparty Default Risk

The exposure to counterparty default risk can come from a range of counterparties including reinsurers, banks and policyholders. The exposure of NFU Mutual and Avon Insurance plc to counterparty default risk is much lower than the exposure to market risk and underwriting risk. As at 31 December 2023, the estimated counterparty default exposure in a 1-in-200-year adverse scenario was assessed as £76m (£87m at 31 December 2022).

C.3.a. ii. Assessment and Management of Counterparty Default Risk

Counterparty default risks are quantified using the Internal Model for the Group and NFU Mutual and using the Solvency II Standard Formula for Avon Insurance plc.

C.3.b. Counterparty Default Risk Concentrations

C.3.b.i. Description of Material Counterparty Default Risk Concentrations

As explained in section C.3.a.i. our overall exposure to counterparty default risk is low compared to market risk and underwriting risk. Hence, exposure to counterparty default risk concentrations is less material. One of the main potential risk concentrations is the exposure to individual reinsurers.

C.3.c. Counterparty Default Risk Mitigation Techniques

C.3.c.i. Description of Risk Mitigation Techniques for Counterparty Default Risk and Monitoring of Effectiveness

As explained in Section C.3.b.i. one of the main sources of counterparty default risk concentrations is the exposure to reinsurers. To mitigate this risk, the reinsurance programmes are placed with a wide range of different well capitalised reinsurers. A second significant source of counterparty default risk relates to monies owed by suppliers. These risks are identified, assessed and managed through the due diligence processes with appropriate monitoring put in place where required.

A further source of counterparty default risk relates to cash on deposit with banks. The Investment Limits of Authority and Fund Mandates are a key mitigation against this risk.

C.3.d. Counterparty Default Risk Sensitivity

C.3.d.i. Methods, Assumptions and Outcome of Stress Testing and Sensitivity Analysis for Material Counterparty Default Risks

Stress Testing and Sensitivity Analysis are discussed in section C.8.

C.4. Liquidity Risk

C.4.a. Liquidity Risk Exposure

NFU Mutual defines liquidity risk as:

"The risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due or can only secure them at excessive cost and suffers short term cash flow difficulties."

C.4.a.i. Nature of Material Liquidity Risk

NFU Mutual and Avon Insurance plc have potential exposure to liquidity risk through the requirement to pay claims on life protection and general insurance products as well as the need to meet customer requests for encashment of investment products.

The mix of assets in the investment portfolios retain a strong level of liquidity. Cash levels are managed to meet short-term liquidity requirements with appropriate amounts kept on short notice periods. Government bonds have a high degree of liquidity, and a significant proportion of the equity holdings are in companies with good levels of liquidity that could be realised within a few days. Within fixed interest assets the largest exposure is to corporate bonds, but whilst these have a lower level of liquidity, even in stressed conditions these would still retain a degree of liquidity with these assets being predominantly investment grade and diversified across a number of geographies.

Whilst short term liquidity is limited in commercial property investments, the weightings in this asset class are kept at manageable levels.

C.4.a. ii. Assessment and Management of Liquidity Risk

Due to the mitigations described in Section C.4.c.i. no capital is held for liquidity risk in the SCR calculation.

Stress and scenario testing and cashflow modelling is used to assess the required amount of liquidity in adverse scenarios. This liquidity requirement is managed through a liquidity risk framework.

C.4.b. Liquidity Risk Concentrations

C.4.b.i. Description of Material Liquidity Risk Concentrations

Stress and scenario testing is used to analyse events that we consider could cause the most strain on liquidity. An example event would be if we have higher outgoing payments in a short period of time, e.g., a surge in claims or a mass lapse event. The results of these analyses are used to inform mitigation strategies, to set constraints and to define our liquidity risk appetite.

C.4.c. Liquidity Risk Mitigation Techniques

C.4.c.i. Description of Risk Mitigation Techniques for Liquidity Risk and Monitoring of Effectiveness

The Liquidity Risk Framework is a key mitigation against liquidity risk. This defines regular monitoring of liquidity levels and the trigger levels at which action is required.

C.4.d. Liquidity Risk Sensitivity

C.4.d.i. Methods, Assumptions and Outcome of Stress Testing and Sensitivity Analysis for Material Liquidity Risks

Stress Testing and Sensitivity Analysis are discussed in section C.8.

C.4.e. Expected Profit Included in Future Premiums

C.4.e.i. Expected Profit Included in Future Premiums

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) at 31 December 2023 is £141m (£93m at 31 December 2022).

C.5. Operational Risk

C.5.a. Risk Exposure

C.5.a.i. Nature of Material Operational Risk

Operational Risk covers a wide variety of different risks; the Group and NFU Mutual have categorised these risks into the following groups which are derived from the Basel II categories for operational risks.

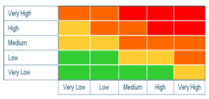
Level 2 Operational Risk Category	Level 2 Operational Risk Definition
Business Continuity	Risks relating to the ability of the Group to maintain its reputation, service to customers, safety of staff and minimise the financial impact by identifying, planning, and responding to disruptive events, unexpected surges in demand, and internal and external changes.
Customer and Conduct	The risk that we do not deliver good outcomes for our customers and / or do not provide the desired customer experience. This also relates to risks associated with our propositions in terms of our product design, terms and conditions, sales and servicing processes, sales distribution and complaint and breach handling.
Financial Crime	The risks of any kind of criminal conduct relating to money, financial services, or markets – including any offence involving, but not limited to, fraud or dishonesty; misconduct in or misuse of information relating to a financial market (market abuse); handling the proceeds of crime; and false accounting.
Information Management, Usage and Analysis	The risks relating to the effective management and control and understanding of our data, and the validity and accuracy of data driven outputs produced, where outputs include the MI and calculation, and the modelling to aid decision making where there are uncertain outcomes.
Information Security	Risks arising from the accidental or malicious unauthorised access, use, disclosure, disruption, modification, or destruction of information, including cyber risk which relates to criminal activity involving the unauthorised access to digital data and information assets.
Information Technology	Risks (excluding Information Security risks) relating to the provision and use of IT systems (hardware, software and/or the networks) and IT services to undertake activities in pursuit of the long-term business objectives.
Legal and Regulatory	Risks relating to the compliance of the Group with regulation, laws or recognised industry standards that are relevant to the activities we undertake.

People Risk	People risk relates to how people behave and contribute to the running of the business and also people's safety and well-being needs. Risks can arise through a failure to appropriately recruit, retain, train, reward and incentivise suitably skilled staff to achieve business objectives as well as through failure to comply with regulation and legislation
Supplier, Outsourcing and Third Party	All operational risks relating to the selection, management, and exit, of the supply chain and its ability to deliver goods or services to the appropriate quality, cost, delivery, and sustainability.
Transaction Processing and Execution	Risks that arise from our staff, agents, partners, or suppliers incorrectly (not maliciously or fraudulently) performing a process or service. These include processing and execution failures relating to internal operations and execution of change.
Business Continuity	Risks relating to the ability of the Group to maintain its reputation, service to customers, safety of staff and minimise the financial impact by identifying, planning, and responding to disruptive events, unexpected surges in demand, and internal and external changes.

During 2023 the operational risk categories have been reviewed and updated to align with current industry practice and to introduce sub-categories to further enhance visibility of risk exposures. This change will be implemented in 2024.
The previous Data and MI and Modelling and Calculation risk categories have been replaced with Information Management, Usage and Analysis to reflect the current risk exposures relating to data quality, usage and analysis including evolving use of artificial intelligence and machine learning.

Operational risk exposure is reported to governance committees via the Operational Risk Dashboard. From a regulatory capital perspective, Operational Risk is outside of the scope of the Group and NFU Mutual's Internal Model; rather it is calculated via the Standard Formula.

The material operational risks at the Group and NFU Mutual are identified through the risk management process illustrated below and also through stress and scenario testing, including work undertaken to assess the appropriateness of the Group's Operational Risk Solvency Capital Requirement (SCR).

	Descriptions	Examples of How	Accountable
Identify	Risks are identified following consideration of a range of internal and external factors. Each risk identified will be owned by an accountable individual	**Internal** – business planning; risk assurance reviews; emerging risk forums; lessons learnt & root cause analysis of loss events and near misses; trend analysis; expert view **External** – regulatory monitoring; industry events & networking; horizon scanning; external issues; industry commentary & news sites	• All employees • Risk Management Function
Assess	Potential likelihood and impact on risk appetites are assessed. The risk may be modelled by the internal model and may also be considered in both BAU and stressed conditions.	• Impact / likelihood assessment • Stress and scenario testing • Capital modelling • Sensitivity analysis 	• Department Manager • Change Sponsor • Risk Owner • Business Relationship Manager • Risk Management Function
Manage	Based on the impact assessment and consideration of the cost of controls, appropriate action is taken	**Transfer** e.g. reinsurance **Eliminate** e.g. exit a line of business **Accept at the appropriate risk authority level** i.e. not line management authority **Mitigate** e.g. introduce preventative, detective or corrective controls	• Department Manager • Change Sponsor • Risk Owner • Business Relationship Manager • Risk Management Function
Monitor	Ongoing monitoring of risks to ensure they remain within risk appetite and proactively identify potential issues. Ongoing monitoring of controls ensure they remain appropriate in managing risk in a cost effective and pragmatic way.	• Risk dashboards • Early warning indicators (EWI's) • Key risk indicators (KRI's) and Key Control Indicators (KCIs) • Other risk MI e.g. regulatory breaches	• All employees • Department Manager • Change Sponsor • Risk Owner • Business Relationship Manager • Risk Management Function • Risk Governance Committees

C.5.a. ii. Assessment and Management of Operational Risk

Operational Risk is managed within the Group's Risk Management Framework with all operational risks captured on the Group's risk recording tools and reported into the governance structure in line with risk appetites.

Risks are assessed in terms of gross and net likelihoods and impacts using the Risk Assessment Matrix that is applied across the Group. The level of the net risk assessment (i.e., the level of risk after considering the effectiveness of the controls used to mitigate the risk) determines where in the organisational and governance structure the risk is escalated for approval.

C.5.b. Risk Concentrations

C.5.b.i. Description of Material Operational Risk Concentrations

None.

C.5.c. Risk Mitigation Techniques

C.5.c.i. Description of Risk Mitigation Techniques for Operational Risk and Monitoring of Effectiveness

The Group and NFU Mutual employ a number of different mitigation techniques to reduce the impact of operational risk, including:

- Business Continuity and Contingency plans - these enable the Group to respond effectively to issues and reduce the capital impacts, such as plans for a pandemic event and loss of access to buildings.
- Controls – a range of controls are applied to mitigate operational risk.
- Insurances – the current Group Insurance Programme is comprehensive and provides substantial cover against the operational risks faced as a Group.

Effectiveness of controls is incorporated within the Risk Management Framework whereby:

- Controls are captured within the risk reporting tool.
- Group policies are in place which state the policy requirements – these have clear owners and are reviewed regularly. Compliance with Group policies is also tracked via an annual control attestation for those in relevant Head of Service roles.

During 2023 Group Control libraries have been developed to provide additional consistency and visibility of the use of controls determined by business and Risk Division subject matter experts as the minimum standards for managing specific operational risks. This will be embedded during 2024.

C.5.d. Risk Sensitivity

C.5.d.i. Methods, Assumptions and Outcome of Stress Testing and Sensitivity Analysis for Material Operational Risks

Stress and scenario testing enables the Group and NFU Mutual to understand the future events that could prevent achievement of long-term objectives.

Active consideration of plausible future business scenarios ensures risks are identified that would result in material financial, operational, or reputational damage and have proportionate monitoring, management, and contingency plans in place.

A range of sources are considered to provide a broad and comprehensive base for scenario identification, including past experience, external issues, current and planned change, emerging risks, and technical expertise.

Potential scenarios are identified and assessed by business areas across the Group and are collated and validated by Risk Division in conjunction with business experts.

A number of scenarios are considered and those with the most material impact or the highest plausibility are developed into detailed scenarios. Scenarios are documented to an appropriate level of detail including assessments, rationale, and mitigations.

Completed scenarios can be used for a number of different purposes including validation of regulatory capital calculations and understanding of vulnerabilities and where mitigations are required.

Formal reports detailing the results of stress testing are presented to governance committees as required.

C.6. Other Material Risk

C.6.a. Risk Exposure

C.6.a.i. Nature of Material Other Material Risk

Strategic Risks
Strategic Risks are defined as the risks to achieving our long-term objectives caused by poor decision making in the creation of the business strategy, unforeseen disruption to the strategy or the delivery of it. Strategic risks can be operational or financial and form part of the principal risks and uncertainties currently faced by the Group, NFU Mutual and Avon Insurance plc due to the nature of our business and the market in which we operate. The assessments and mitigating actions for these risks have been reviewed and discussed at Executive Committee during 2023.

Climate Change
Climate change is recognised as a material external challenge that has potential to impact NFU Mutual's strategy, business model and capital strength across the short, medium, and long term.

Tackling climate change is a shared global responsibility and we all have our part to play. As a UK based insurer with rural communities at our heart, NFU Mutual is both responding to the insurance needs of our members and actively reducing our own environmental impact to help drive the transition to a low carbon economy

NFU Mutual has a Board approved climate change strategy that aims to ensure the Group remains resilient to the risks from climate change and takes advantage of opportunities that arise in core markets, and also ensures that we take necessary action to achieve net zero[1] by 2050. The strategy ensures a consistent and aligned response to climate change across the whole business. NFU Mutual recognises that climate change will have a significant impact on our business and our customers. Embedding consideration of climate change within existing frameworks, processes and decision making enables the Group to respond proportionately to challenges as they arise, both now and in the future. Risks from climate change are therefore considered, alongside all other risks faced by the Group, within existing risk governance and risk management frameworks.

C.6.a. ii. Assessment and Management of Other Material Risk

See above.

C.6.b. Risk Concentrations

C.6.b.i. Description of Other Material Risk Concentrations

None.

[1] As defined in the NFU Mutual Annual Report and Accounts (P52).

C.6.c. Risk Mitigation Techniques

C.6.c.i. Description of Risk Mitigation Techniques for Material Other Risk and Monitoring of Effectiveness

See above.

C.6.d. Risk Sensitivity

C.6.d.i. Methods, Assumptions and Outcome of Stress Testing and Sensitivity Analysis for Other Material Risks

The Strategy Team monitor strategic risks and a range of drivers which would influence the risk being realised or the severity of its impact. The most significant drivers are reviewed and reported to Board alongside the key monitoring and mitigating activities.

C.7. Prudent Person Principle

C.7.a. Prudent Person Principle

The investment function produce an Investment Beliefs document that set the beliefs that form the core of the investment philosophy of NFU Mutual. These are reviewed annually and are presented to the Board Investment Committee (BIC).

Knowledge of the client's investment aims, objectives and requirements informs the choice of financial instruments best suited to their needs both in terms of size and nature. Whilst each client will have their own unique investment profile, the underlying investment approach that the investment function adopts best reflects the current underlying investment needs of the client and is one of building and maintaining diversified, quality investment portfolios of financial instruments and property for the longer term. Policies are in place to manage and mitigate any potential conflicts and risks of material damage to ensure fair treatment of all clients.

Financial instruments are invested in a prudent and diversified manner to avoid excessive exposure to any one particular asset class, issuer, group of companies, industry or geographic area. The list of approved asset classes is owned by the BIC and any proposed new asset classes go through a rigorous process and sign-off by the appropriate governance committees before they can be considered for investment. Further diversification was agreed as part of the 2023 strategic asset allocation (SAA) process, with overseas property receiving an allocation, although market conditions have delayed their introduction until nearer the year end. The appropriate asset mix for each fund is determined by the SAA process which is designed to maximise best estimate expected returns over a 5-year time horizon within each individual multi-asset portfolios' risk budget whilst building some robustness in tail risk by factoring in the impact of plausible downside events for the portfolio construction.

The Investment Office work with Financial Risk to help produce a proposed portfolio that has the best combined characteristics of satisfying the volatility / risk appetite coverage / return / stress and scenario outcome and this becomes the SAA for the General Business Fund that is proposed to the BIC for approval. The With-Profits and multi-asset retail funds follow a similar process.

Dynamic asset allocation (DAA) and operational mandate limits (OML) setting tolerances around the SAA asset weights are also owned by the BIC.

The SAA process is run for each portfolio annually using the latest investment assumptions and is reviewed more often if significant events or solvency considerations require a re-setting of the asset mix. For example, the market volatility caused by the Covid-19 pandemic led to an additional SAA process being run for the General Business Fund in mid 2020.

Portfolios will include, in various proportions as appropriate, UK and international equities, government and corporate bonds, short term instruments (including cash) and where appropriate, property and derivative instruments. Each asset class has a stock selection philosophy which is articulated to the Investment Committee. The prudent person principle is followed within each asset class and detailed strategy presentations and performance analysis is provided quarterly for the Executive Investment Committee (EIC).

The underlying need to maintain sound portfolios for clients over the longer term is the overriding and fundamental objective. The Investment Managers' approach of dealing for professional clients through normal broking channels and on regulated markets implies minimal settlement risk while keeping transaction costs within normal limits. These 'execution factors' are therefore secondary to the size of transaction and the speed and likelihood of execution. Price, however, represents the major consideration in all transactions.

In addition to the quarterly EIC Performance meetings there are regular Investment Executive and BIC meetings which help oversee investment risk management and compliance with agreed investment mandates. Internal controls and processes are in place to mitigate, measure and monitor the risk of financial assets across the entire portifolio on an on-going basis. The BIC oversee the effectiveness of the investment process and are responsible for providing assurance that NFU Mutual investment activity is compliant with the Prudent Person Principle.

C.8. Any Other Disclosures

Stress Testing and Sensitivity Analysis for Material Risks

Sensitivity Testing

For all material risks, sensitivity tests are carried out to understand the impact on our business if an adverse movement occurred. In these tests, it is assumed that each change happens individually, with no change in any other risk, so that we can test the sensitivity of each risk in isolation. These tests can give valuable information about the risks NFU Mutual need to manage in the business.

The capital requirements shown above for each of the main underwriting, market and credit risks are examples of sensitivity tests and show that our assets are more than sufficient to withstand events that could be expected to occur once in every 200 years.

The impact of market movements on the solvency coverage now and over the strategic plan time horizon are assessed regularly. These assessments provide comfort that the business is resilient to market movements both now and in the foreseeable future.

In the modelling of the sensitivity tests, bonus rates paid out to policyholders are assumed to vary in response to the adverse movements. Further examples of the business's sensitivity to key risks can be found in the Report and Accounts 2023.

Stress and Scenario Testing

Stress and scenario testing ('SST') is an important element of NFU Mutual's risk management framework. A regular programme of stress and scenario testing considers what combination of events could occur that would adversely impact the business.

The Solvency Capital Requirement (discussed in section E) is an example of an adverse scenario, where the main risks occur in combination. This shows that even in extreme scenarios, NFU Mutual remains resilient and continues to protect our policyholders.

As part of the NFU Mutual SST work, each year a number of potential scenarios are identified and their impacts on the business assessed. As well as providing assurance about the resilience of the business, this exercise helps identify potential management actions that could be taken in extreme circumstances. A key outcome is that there is a broad suite of actions available and documented should this be required.

The results of this work are presented to Board Risk Committee each year. This is in line with our ORSA process, as discussed in section B.4.

D. VALUATION FOR SOLVENCY PURPOSES

D.1. Assets

D.1.a. Asset Valuation Bases, Methods, Assumptions and Values by Asset Class

D.1.a.i. Deferred Acquisition Costs; Property Plant and Equipment held for Own Use; Investment Property; Investments in Related Undertakings; Financial Investments; Assets held to Cover Linked Liabilities; Loans and Mortgages; Cash and Cash Equivalents

The following represents the assets within the Group, NFU Mutual and Avon Insurance plc:

Summary Assets Valuations	Group £m	NFU Mutual £m	Avon £m
Property Plant and Equipment Held for Own Use	97.1	97.1	-
Investment Property (other than for own use)	1,671.9	1,142.3	-
Investment Holdings in Related Undertakings, including participations	7.5	499.5	-
Investments in Equities, Bonds, Collective Investments, Derivatives and Deposits	12,147.3	12,096.2	33.9
Assets Held for Index-Linked and Unit-Linked Contracts	3,758.6	3,758.6	-
Loans and Mortgages	-	-	-
Cash and Cash Equivalents	272.9	177.4	2.9
Total Invested Assets	**17,955.3**	**17,771.1**	**36.8**
Reinsurance Recoverables and Insurance Receivables	207.3	204.6	17.8
Other Assets and Trade Receivables	193.3	171.6	0.1
Total Assets	**18,355.9**	**18,147.3**	**54.7**

Under Solvency II investment assets are valued at fair value, or the value at which they could be exchanged in an arm's length transaction, which is consistent with asset values in the Group, NFU Mutual and Avon Insurance plc financial statements under UK GAAP. Present Value of Future Profits (PVFP) are treated under Solvency II as a future cashflow within the Technical Provisions. Deferred Acquisition Costs have a nil value under Solvency II. Further information on the fair value of assets can be found in the NFU Mutual Report and Accounts Note 5 and Avon Insurance plc statutory accounts Note 14.

Property Plant and Equipment Held for Own Use

Property, plant, and equipment is valued consistently with the value in the financial statements under UK GAAP, original cost less depreciation which approximates to economic value. An additional element of Property, plant, and equipment on the SII balance sheet is made up of leases (£9.2m) which are treated as operating leases within the financial statements under UK GAAP. The valuation basis for leases is shown in D.3.a.

Investment Properties
The valuation basis and assumptions for investment properties is shown in D.4.a.

Investment in Related Undertakings
Investments in related undertakings which include participations, have been valued using the adjusted equity method based upon on a look through basis at their net assets value being valued on a Solvency II basis.

Financial Instruments
Financial Instruments are valued at fair value. Information on the recognition and valuation methods of financial assets is shown within the NFU Mutual Report and Accounts Notes 1(k) & 5 and Avon statutory accounts Notes 2(f) & 14.

Assets Held to Cover Linked Liabilities
Assets held to cover linked liabilities are valued at fair value. Information on the recognition and valuation methods of financial assets are shown within the NFU Mutual Report and Accounts Note 1(k). Assets held to cover linked liabilities excludes structured settlement assets of £62.3m which are classified as Financial Instruments for Solvency II. Structured settlement assets are included within assets to cover linked liabilities for UK GAAP as shown in the NFU Mutual Report & Accounts.

Cash and Cash Equivalents
The valuation of Cash and Cash Equivalents is based upon the value of cash held at the bank.

Insurance Receivables
The valuation basis for insurance recoverable is shown in D.2.a.i.8 (1).

Other Assets
Other assets are valued at fair value. These assets consist of non-insurance receivables and amounts recoverable for tax. Other assets are valued consistently with the value in the financial statements under UK GAAP.

Pension Benefit Surplus
The Group has recognised on a UK GAAP basis, the NFU Mutual's Defined Benefit (DB) Scheme's surplus of £360.8m (£270.6m net of deferred tax) as at 31 December 2023 as an asset. For the NFU Mutual, the scheme surplus has not been recognised within the NFU Mutual Service Company Limited subsidiary which is then not reflected in NFU Mutual balance sheet under 'Holdings in related undertakings, including participations.

The Solvency II recognition of a scheme surplus differs to the recognition under UK GAAP. Under Solvency II, a firm can only recognise a surplus on a pension scheme if it has the right, unconditionally, to realise that surplus as an asset through a refund, as a result of any one of a given set of circumstances. NFU Mutual does not have such an unconditional right as any such refund would always be at the discretion of the scheme's trustees.

The closure of the DB element of the scheme to future accruals at the end of 2016 and ring-fencing of the DB assets also removed the ability of NFUM to obtain a refund to offset its contribution

toward the employee DC schemes. Further information can be found in the NFU Mutual Report and Accounts, Note 29.

Deferred Acquisition Costs

Deferred Acquisition Costs are valued at nil as required under Solvency II and as such are not reported separately on the balance sheets of the Group, NFU Mutual or Avon Insurance plc.

D.1.a. ii. Recognition of deferred tax assets

NFU Mutual's general business recorded a deferred tax asset of £81.2m as at 31 December 2023. The deferred tax asset relates to tax losses carried forward on unrealised investment losses (no expiry limit) for General Business that has been recognised using arising profits from the Group's three-year medium term business plan. There were no deferred tax assets recognised in Avon Insurance plc as at 31 December 2023.

D.1.b. Comparison, by Asset Class, of Asset Valuation Methods, Bases, Assumptions and Values for Solvency Purposes

There are no other significant differences between the valuation methods, basis and assumptions used for Solvency II purposes and those used for the statutory accounts for NFU Mutual or Avon Insurance plc.

D.2. Technical Provisions

D.2.a. Technical Provisions Valuation Methods, Bases, Assumptions and Values by Material Line of Business

The technical provisions as at 31 December 2023 were:

	NFU MUTUAL		NFU MUTUAL £m	Avon £m	Intra-Group Reinsurance £m	Group £m
	GI £m	Life £m				
Gross	2,390	8,277	10,667	21	(16)	10,672
Reinsurance	(126)	(21)	(147)	(18)	16	(149)
Net	**2,264**	**8,256**	**10,520**	**3**	**-**	**10,523**
Analysis (net):						
Best Estimate Liabilities	2,049	8,299	10,348	3	-	10,351
Risk Margin (unaudited)	215	64	279	-	-	279
	2,264	**8,363**	**10,627**	**3**	**-**	**10,630**
Transitional Measure (unaudited)	-	(107)	(107)	-	-	(107)
Technical Provision	**2,264**	**8,256**	**10,520**	**3**	**-**	**10,523**

Intra-group reinsurance represents the agreement between NFU Mutual and Avon Insurance plc.

D.2.a.i.(*1*) Valuation Methods – General Insurance (NFU Mutual, Avon Insurance plc)

There have been no material changes made to valuation methods over the year. Our assumptions have been updated to reflect the ongoing impacts of the high inflation environment and various weather events on claims development patterns and frequency and severity trends. We have also adapted our assumptions to suit changes in the approach our claims handling team take to setting estimates for injury claims >£25k. The approach has moved from a conservative basis to one that better reflects the likely cost of settling claims.

D.2.a.i.1.(*1*) Technical Provisions Calculated as a Whole

NFU Mutual and Avon Insurance plc

We calculate the technical provisions as the sum of the best estimate liability and a risk margin. There are no contracts for which the technical provisions are calculated as a whole.

D.2.a.i.2.(*1*) Contract Boundaries

Technical provisions are calculated for both new business quotes and any issued renewals. Collectively these are referred to as Written but not Incepted ("WBNI") business. When calculating the appropriate provisions for these items, we allow for the expected level of strike rate on new business quotes and persistency on renewals.

D.2.a.i.3.(*1*) Unbundling

NFU Mutual

The best estimate liabilities are calculated separately by our internal business groupings, in line with UK GAAP. Most of our material internal business groupings are more granular than Solvency II classes.

For the purpose of Solvency II reporting, these classes of business are mapped onto Solvency II classes – whether directly on a one-to-one basis, or where a more granular Solvency II breakdown is required, using splits derived from a separate analysis of claims by type within each class to determine an appropriate proportion of the reserve class results to assign to each Solvency II class. The use of the same groupings for Solvency II calculations as the main UK GAAP Reserving analysis brings benefits in terms of ease of integration and appropriateness of results for business use.

In addition to the classes noted above, Periodical Payment Order (PPO) cases already settled and in payment are valued using individual cashflow projections based on expected life expectancy and payment indexation. In aggregate these PPO cases (net of reinsurance) amount to less than £50m for NFU Mutual and nil for Avon Insurance plc on the balance sheet at the valuation date.

Avon Insurance plc

For Avon Insurance plc the majority of the business is in run off so broader groupings are used, split by the historic groupings of business.

D.2. a.i.4. (*1*) General Valuation Principles

NFU Mutual and Avon Insurance plc

The technical provisions are calculated as a best estimate plus a risk margin.

Our actuarial best estimates are calculated as a probability weighted average of future cashflows, which are discounted using the PRA defined risk-free interest rates.

Our provisions include expected premium cashflows associated with bound and written but not incepted business. We also include expense cashflow associated with managing the claims and premium cashflow activity. This includes, where relevant, investment management expenses, claims handling expenses and general administrative expenses.

Technical provisions can be grouped into the following key components:

- Claims Provisions: best estimate of provisions that relate to the earned exposure
- Premium Provisions: best estimate of provisions that relate to unearned exposure
- Risk margin

D.2. a.i.5. (*1*) Risk Margin

NFU Mutual (Unaudited)

We calculate the Risk Margin using the 'Cost of Capital' approach in line with regulatory requirements. This requires a projection in each future year of the Internal Model SCR for the reference undertaking to whom we must assume the insurance business is transferred. This projection assumes no application of the Volatility Adjustment, Matching Adjustment or Transitional Deductions.

Our risk margin calculation includes:

- historic reserve risk (including 'Events Not in Data' (ENID));
- premium and catastrophe risk for existing liabilities;
- an allowance for credit risk;
- operational risk.

To calculate the Risk Margin the Financial Risk team have carried out the following steps:

- Calculated an opening SCR to transfer liabilities to a third party based on our approved Internal Model. This is the capital required by a third party to take on the Technical Provisions and allows for all 'non-hedgeable' risk types.
- Forecast the SCR requirement into the future to run off of liabilities.
- Discounting: The future years SCRs are discounted using the same method as the technical provision best estimates.
- Cost of Capital: The regulations prescribe a 4% cost of capital charge. This approximates the additional return a third party would require for holding this SCR and so represents the additional premium that would need to be paid by NFU Mutual in the event of transferring the liabilities.

Avon Insurance plc (Audited)

For Avon Insurance plc the calculation of the risk margin follows the same approach as the NFU Mutual approach described above, but uses the Standard Formula SCR.

D.2. a.i.6. (*1*) Gross Claims

NFU Mutual and Avon Insurance plc

For claims provisions, we calculate the value of best estimate liabilities using standard actuarial reserving techniques where data volumes are sufficient – primarily chain ladder and loss ratio approaches. Where data volumes or development patterns are not suited to statistical methods, we use other actuarial models to estimate claims numbers and costs. We calculate the value of all modelled liabilities on grouped claims data. For 2023 year end we have paid particular attention to expected changes in claims inflation and adjusted standard methods where appropriate, as well as managed the impacts of the change in case reserving for injury claims over £25k. We also ensure an appropriate allowance is made for 'ENID'.

For premium liabilities, we have applied expected loss ratios set using expert judgement based on our internally approved Business Plan.

D.2. a.i.7. (*1*) Future Premiums Receivable

NFU Mutual and Avon Insurance plc

For annual premium policies where the whole premium had already been collected before the valuation date, there is no further positive premium cashflow. For the NFU Mutual members who choose to pay monthly through our Flexible Payment Plan, we expect to receive further premiums over the remaining exposure period. We assume that the levels of policy lapses during this period are consistent with recent experience. For Avon Insurance plc, almost all PA Plans renewing business is on a monthly basis. The other part of the premium provision is the cashflow related to the expected claims and expenses on the unearned portion of those policies.

D.2. a.i.8. (*1*) Reinsurance & Bad Debt

NFU Mutual

For NFU Mutual the most material treaties are: Motor & Liability Excess of Loss; Property Excess of Loss; and (if we had a weather catastrophe outstanding at the valuation date) our Property Catastrophe Cover.

For our Claims Provision, the reinsurance recoveries are calculated in the same way as the actuarial analysis of best estimate reserves underpinning the current statutory reporting booked figures.

Future reinsurance premiums from the Business Plans provide the initial reinsurance premiums. For a full probability weighted approach, we need to allow for the expected cost of reinstatements on our treaties (specifically weather catastrophe for NFU Mutual) as well as the upfront premiums.

Avon Insurance plc

For Avon Insurance plc the most material treaties are: PA Plans Quota Share, and the reinsurance of the runoff book and ongoing Group Insurances to NFU Mutual.

For Avon Insurance plc the future reinsurance recoveries on unearned exposure are also based on our business plan forecasts.

For Avon Insurance plc we have applied deterministic rating default probabilities to external organisations and treated NFU Mutual as an 'AA' credit rating, given our strong solvency coverage.

D.2. a.i.9. (*l*) Expenses

NFU Mutual and Avon Insurance plc

- Claims provisions: we have allowed for the standard claims handling expense reserve from UK GAAP, with the addition of an amount for investment management expenses taken from our business plans. The claims handling reserve already covers the full period of time from valuation date to run off.
- Premium provisions: we have included allowances for expected expenses pertaining to both the unearned portion of our written business, and the 'Written But Not Incepted' business. This includes, where relevant, acquisition costs including commission, and the administration or management expenses of running our business. Our starting point is the business plan expense forecasts, which includes all planned expenses. This is then adjusted as described in the section on Assumptions.

D.2. a.i.10. (*l*) Cashflow patterns and discounting

All of our reserves for NFU Mutual and Avon Insurance plc have been discounted using relevant risk-free interest rates. The cashflow patterns used are based on expected runoff patterns based on historical experience.

D.2.a.i.(2) Valuation Methods – Life (NFU Mutual)

Over the course of the year, we have made one material change to valuation methods, to better align our modelling of projected reversionary bonus rates with their setting in practice.

D.2. a.i.1. (*2*) Technical Provisions Calculated as a Whole

We calculate the technical provisions as the sum of the best estimate liability and a risk margin. There are no contracts for which the technical provisions are calculated as a whole. However, as previously requested by the PRA, we have reported unit liabilities as 'technical provisions calculated as a whole' on specific reporting schedules at the end of 2023.

D.2. a.i.2. (*2*) Contract Boundaries

We only calculate technical provisions for policies that are in-force at the valuation date. Future new business is excluded.

The valuation includes future contractual premiums for all policies except unit-linked contracts. Future premiums on unit-linked contracts, such as stakeholder pensions, are not contractual. In addition, there is no significant insurance risk on these contracts hence future premiums should be excluded under the Solvency II regulations.

We have a small amount of protection business on which the premiums payable is reviewable. As there is no compulsion for policyholders to continue paying premiums under these contracts, we exclude future premiums on this business within our valuation were doing so generates a prudent impact on technical provisions.

Some policyholders with personal pension and stakeholder contracts elected to automatically increase their premiums as part of the terms of their contracts. We exclude those automatic premium increases from the valuation of technical provisions on the grounds of materiality.

Some retirement and savings contracts provide the policyholders with the option to pay discretionary additional premiums in future (top-ups) which we exclude from the calculation of technical provisions since they are not contractual.

D.2. a.i.3. (*2*) Unbundling

Some of our unitised policies allow policyholders to invest in both the with-profit and unit-linked funds. We unbundle these contracts into the respective with-profit and unit-linked components and calculate the technical provisions separately. Some traditional with-profit contracts also provide non-profit benefits. We value the with-profit and non-profit benefits separately when calculating the value of technical provisions.

D.2. a.i.4. (*2*) General Valuation Principles

We calculate the risk margin for the entire life insurance portfolio and then allocate it to lines of business. In contrast, we calculate the best estimate liabilities at product level.

We calculate the value of best estimate liabilities accurately via projection models for all contracts, with the exception of a few minor contracts for which we estimate the value of the

liabilities using methods that are appropriate and proportionate to the nature and size of the liabilities.

We calculate the value of all modelled liabilities other than stochastic liabilities on a policy-by-policy basis. We calculate the value of stochastic liabilities using grouped policy data.

The best estimate liabilities are not subject to a minimum value of zero or a surrender value floor.

D.2. a.i.5. (*2*) Risk Margin (unaudited)

We calculate the risk margin using the 'Cost of Capital' approach in line with the requirements of the current Solvency II regulations. This requires a projection in each future year of the SCR. This projection assumes no application of the volatility adjustment, matching adjustment or transitional measures.

We project the SCR by projecting its components in line with the run-off of net of reinsurance best estimate liabilities. The projected components are then aggregated using the same method and factors that are used to aggregate the components of our SCR at the valuation date.

We calculate the Cost of Capital in each year as a percentage (currently 4%; 2022 6%) of the projected SCR. The risk margin is the sum of the discounted values of the Cost of Capital in each future year. From the 2023 year-end, reducing factors have been introduced by the PRA that are applied to the projected SCR in each future year. For discounting, we use the risk-free interest rate term structure applicable to the UK currency and no adjustment is made for the volatility adjustment or the matching adjustment.

We calculate the SCR for each product by allocating components of the SCR at the valuation date to each product in proportion to net of reinsurance best estimate liabilities where applicable e.g., the longevity component of the SCR is allocated only to annuity type products in proportion to their best estimate liabilities. The components for each product are then aggregated using the same method and factors that are used to calculate our overall SCR at the valuation date. The SCR for each line of business is then the sum of the SCRs for all products in that line of business.

D.2. a.i.6. (*2*) Insurance contracts with profit participation

We calculate the value of the best estimate liabilities as the sum of asset shares and stochastic liabilities less the present value of future profits. The present value of future profit for with-profit business is the discounted value of future annual management charges less mortality costs (any excess of benefits payable on death over the value of units) and expense outgo, allowing for tax on life insurance business.

We calculate asset shares on either a prospective or retrospective basis. The asset share on a retrospective basis is the historic accumulation of premiums plus investment income less charges and benefit outgo. This applies to all contracts except paid up contracts, for which we calculate asset shares on a prospective basis. The prospective asset share is the discounted value of future benefit and expense outgo less premium income on a best estimate basis allowing for all future bonuses.

We calculate the value of stochastic liabilities (cost of options and guarantees and the cost of smoothing) using simulation on a market consistent basis. Simulation involves the calculation of the liabilities under a large number of scenarios (typically 1,000) and taking the average value

as the best estimate liability. We group policies into homogeneous groups to reduce the time required to complete the calculations. We check that the difference between liabilities calculated using grouped and ungrouped policy data is of low materiality and hold a reserve to cover this cost.

There are a few minor contracts for which we do not calculate the stochastic liabilities using simulation. For these contracts we estimate the stochastic liabilities by assuming that the stochastic liabilities on similar contracts vary linearly in proportion to the size of asset shares.

Our models use gross discount rates to calculate the value of stochastic liabilities. We make an out–of-model adjustment to allow for tax on life insurance business.

D.2. a.i.7. (*2*) Unit-linked and index-linked contracts

We calculate the best estimate liabilities for these contracts as the bid value of units, plus the cost of guarantees, less the present value of future profits. The benefit payable under unit-linked and index-linked contracts is usually the value of units, however some contracts have options and guarantees which also impact the benefits payable.

The present value of future profit for unit-linked business is calculated in the same way as that for with-profit business, except that under contract boundary rules we must assume that all unit-linked policies become paid-up at the valuation date.

We calculate the cost of options and guarantees using stochastic simulation, based on the same approach as described for with-profits contracts. The only contract with material guarantees is the unit-linked Classic Bond.

D.2. a.i.8. (*2*) Other life insurance

We calculate the best estimate liabilities for Other life insurance contracts as the present value of future cashflows.

The cashflow consists of premium income less benefit and expense outgo allowing for tax on life insurance business. The premium income for paid-up policies is zero.

Some Other life insurance liabilities are reinsured with third parties, and for these contracts we increase the net of reinsurance best estimate liabilities to allow for the risk of reinsurer default. This increase in liabilities is the present value of expected future losses due to reinsurer default, allowing for the amounts which we expect to recover from the reinsurer in the event of default.

Some of our term assurance and endowment assurance contracts provide policyholders with guaranteed insurability options which, for example, allow them to increase the level of cover or extend the period of cover without evidence of good health. We use an approximate valuation method for these options on the grounds of proportionality, the cost of which is approximately £0.5m.

D.2. a.i.9. (*2*) Health insurance

We calculate the best estimate liabilities for Health insurance as the present value of future cashflows.

The cashflow consists of premium income less benefit and expense outgo allowing for tax on life insurance business.

Some Health insurance liabilities are reinsured with third parties, and for these contracts we increase the net of reinsurance best estimate liabilities to allow for the risk of reinsurer default. This increase in liabilities is the present value of expected future losses due to reinsurer default, allowing for the amounts which we expect to recover from the reinsurer in the event of default.

D.2. a.i.10. (*2*) Health and Life reinsurance

We calculate the Health and Life reinsurance liabilities using the same methods as those used to calculate corresponding gross best estimate liabilities. The only exception is in respect of liabilities for income protection contracts which are wholly reinsured, and for which we take the liability values calculated by the reinsurer to be the gross and reinsured best estimate liabilities.

We reduce the value of reinsured liabilities to allow for the risk of reinsurer default when calculating the value of net of reinsurance best estimate liabilities. We calculate the reduction as the present value of expected future losses due to reinsurer default allowing for the amounts recoverable from the reinsurer in the event of default.

D.2.a. ii. (*1*) Material Assumptions – General Insurance (NFU Mutual, Avon Insurance plc)

The following table summarises the most material assumptions (or groups of assumptions) in calculating GI technical provisions:

NFU Mutual

Category	Assumption
Gross Claims Provisions	That the gross best estimate reserves under UK GAAP are appropriate. Further information can be found within the NFU Mutual Report and Accounts Notes 1(g) and 2(c).
Claims Provision – Expenses	That the choice of model for calculating the claims handling reserve (which is consistent with UK GAAP) is appropriate.
Premium Provisions - Reinsurance & Bad Debt	That similar reinsurance treaties to those in place for 2024 will be purchased for 2025 (as per Business Plan)
Premium Provision – Future Claims	That the choices of future loss ratio assumptions for both weather and non-weather claims, in line with the company business plan, are appropriate.

Premium Provision – Expenses	That it is appropriate to allow for all GI expenses in the business plan, with the exception of marketing costs and those project expenses which relate to future written business. Expenses are reduced to reflect the unearned proportion.
Risk Margin	That the assumptions for how capital will run-off over time, for each risk are appropriate.

There have been no material changes made to valuation methods over the year. Our assumptions have been updated to reflect the ongoing impacts of the high inflation environment and various weather events on claims development patterns and frequency and severity trends. We have also adapted our assumptions to suit changes in the approach our claims handling team take to setting estimates for injury claims >£25k. The approach has moved from a conservative basis to one that better reflects the likely cost of settling claims.

Avon Insurance plc

Category	Assumption
Gross Claims Provisions	That the gross best estimate reserves under UK GAAP are appropriate. Further information can be found within the Avon Insurance plc statutory accounts Note 3.
Claims Provisions – Reinsurance & Bad Debt	That the gross to net ratios from the UK GAAP technical reserves are appropriate for the calculation of the prior year reinsurance recoveries. Further information can be found within the Avon Insurance plc statutory accounts Note 3.
Risk Margin	That the assumptions for how capital will run-off over time, for each risk are appropriate.
Reinsurance premiums	That the PA Plans quota share reinsurance premiums have already been settled prior to the valuation date, so no further reinsurance premiums are due.
Contract Boundaries	That it is appropriate to treat the PA Plans renewing business as having a monthly term.

There have been no material changes to assumptions during the period for Avon.

D.2.a.ii.1. (*1*) Gross Claims Provisions

NFU Mutual and Avon Insurance plc

There are many expert judgements underlying the calculation of the best estimate claims provision under UK GAAP which, as a result of this choice of methodology, also feed into the Solvency II Technical Provisions. The most material of which are the aggregate expert judgements when setting development factors within statistical reserving techniques, and specific expert judgements related to the potential number and cost of latent claims. This year following the changes to the injury claims case reserving, the approach we take to assess injury claims reserves is also considered a material expert judgement.

The aggregate materiality of the judgements underlying our best estimate claims figure is not unexpected given the overall size of the reserve and the uncertainties inherent in any

assessment of the appropriate level of reserves. The latent risk component is the area of greatest uncertainty in relative terms.

For Avon Insurance plc, given that non-PA Plans business is fully reinsured by NFU Mutual, on a net basis, the materiality of the judgements underlying our best estimate claims figure relates to PA Plans business only.

D.2.a.ii.2. (*1*) Claims Provisions – Reinsurance and Bad Debt

The Group has reinsurance arrangements in place that include risk excess which limits the financial impact from any one claim and catastrophe coverage. The greatest likelihood of significant losses arises from storm or flood damage, or crystallisation of latent risks. The Group has reinsurance cover to limit its exposure to loss at a level approved by the Board. Similar to gross claims provisions, the expert judgements underlying the calculation of the best estimate provision under UK GAAP also feed into the Solvency II Technical Provisions.

For Avon Insurance plc, the Reinsurance Claims Provisions under Solvency II are calculated using the same ratio of gross to net provisions as the UK GAAP booked reserves.

D.2.a.ii.3. (*1*) Claims Provisions – Expenses

The Group allows for the standard claims handling expense reserve from UK GAAP, with the addition of an amount for investment management expenses taken from our Business Plan and projected forward over the runoff period. There are a number of assumptions underlying the claims handling expense reserve, including the choice of model, expected claims numbers and handling expenses per claim.

D.2.a.ii.4. (*1*) Premium Provision – Reinsurance

Group and NFU Mutual

Under Solvency II future reinsurance premiums cash flows in relation to business outstanding at the valuation date need to be allowed for. For a full probability-weighted approach, we need to allow for the expected cost of reinstatements on our treaties (specifically weather catastrophe) as well as the upfront premiums. To do this we have taken reinsurance premium information from our Internal Model. Future reinsurance recoveries on unearned exposure and WBNI have also been based on our Internal Model forecasts. As an adjustment to the full expected recoveries, it is necessary to make a reduction for the potential credit risk of the counterparties involved (i.e., the possibility of 'bad debt').

The annual reinsurance premiums are provided by the reinsurance department, as well as the contractual terms including minimum contractually obliged premiums and payment terms. We also make use of the modelled cost of reinstatements from the Internal Model. Additional reinsurance premiums that are not included within reinsurance treaties, such as facultative premium, are taken from the business plan.

The Technical Provisions include allowance for business which is written but not incepted and may incept after the valuation date. These contracts will not expire until 2025, by which time the

2024 reinsurance programme will have ended. When we calculate quarterly Technical Provisions during 2024, the reinsurance arrangements assumed for 2025 will become increasingly material. Our approach is to assume that equivalent reinsurance cover will be purchased at rates which are proportionately reduced for the remaining unearned exposure. This is considered appropriate as Technical Provisions are calculated on a going concern basis.

Avon Insurance plc

For Avon Insurance plc, based on our assumption that these policies have a monthly term, the reinsurance premium for the unexpired PA Plans exposure has already been settled at the valuation date, so no further reinsurance premium provision is required.

D.2.a.ii.5. (*1*) Premium Provision

Future Claims

NFU Mutual select expected loss ratios using our internally approved company business plan and Internal Model. We do this separately for weather-related and non-weather-related claims, as weather-related claims require a longer-term view to remove the volatility associated with the most recent experience. We also allow for seasonality and the timing of rate revisions when setting these loss ratios.

Non-weather loss ratios in the business plan are validated based on our latest view of historical loss ratios (excluding weather claims) for each class of business.

Weather loss ratios are assessed based on Internal Model outputs for the expected cost of weather events in 2024 (split by catastrophe and non-catastrophe events)

For catastrophe claims, we have relatively little data on which to base a probability weighted average cost which includes the most extreme events. The Internal Model is designed for assessing extreme events and makes use of sophisticated external catastrophe models which account for the locations and vulnerability of our exposure. Solvency II requires a probability weighted estimate, so we select assumptions which are consistent with the Internal Model.

Future Expenses

The expenses incurred in running off the premium cashflows include relevant acquisition costs, commission and ongoing administration or management expenses of running our business.

Our starting point is the business plan expense forecasts, which includes all planned expenses. Marketing costs as well as any large projects relating to future underwriting activity are removed as they are not relevant to existing exposure. The business plan figure represents the full year, including costs associated with business we have not yet written (whether future new business or renewals). Our approach is therefore to derive suitable proportions of the relevant total company expenses to incorporate as expense cashflows within our premium provision. Our primary measure of the proportion is the total unearned and WBNI premium compared to the total Earned Premium for the full year from our business plan.

The Defined Benefit part of the Pension Scheme is valued on an FRS102 (accounting) basis, consistent with the UK GAAP accounts. Allowance for future pension scheme contributions is made in line with expenses included in the business plan.

We also allow for future claims handling and investment management costs for the claims which arise on the unearned and WBNI business, based on appropriate proportions of the Business Plan expense forecasts.

D.2.a.ii.6. (*1*) Risk Margin

Group (unaudited), NFU Mutual (unaudited) and Avon Insurance plc

The calculation approach used to assess the risk margin generally follows a set process using prescribed data, such as the PRA defined yield curve, the Cost of Capital and output from the Internal Model. However, the process also includes a number of expert judgements, which we believe are reasonable in taking a proportionate approach to the modelling complexity. The most material expert judgement for the Group, NFU Mutual and Avon is the choice of SCR run off pattern. The run off patterns have been set by risk category and taking into account industry practice and expert judgement on the nature of the capital requirements for each risk over the run off period. A key benchmark is the expected run-off pattern of Technical Provisions.

D.2.a.ii.7. (*1*) Contract Boundaries

Avon Insurance plc

For Avon Insurance plc we have treated the PA Plans policies as monthly renewable, and therefore the premium provision allows for half a month of unexpired risk. This is in line with our understanding of the appropriate approach for such contracts based on the relevant guidance and Solvency II directives.

D.2.a. ii. (*2*) Material Assumptions – Life (NFU Mutual)

All material changes to valuation assumptions made over the year are disclosed in the following sections:

D.2.a.ii.1. (*2*) New business and Basis margins

We calculate the value of technical provisions assuming we will remain open to new business, although future new business is excluded from the valuation.

We use best estimate assumptions which are based on the latest available relevant information. Economic assumptions are derived from and are consistent with market data at the valuation date. Non-economic assumptions are based on an analysis of relevant appropriate data, taking into account trends, expected future developments and allowance for events not present in the data.

D.2.a.ii.2. (*2*) Management Actions

When calculating stochastic liabilities, we assume that the with-profit asset mix assumed at the valuation date, will apply in future. We also assume that regular and final bonus rates in the

stochastic projections are changed annually to target 100% of asset share, whilst allowing for a smoothing of benefits in line with our Principles and Practices of Financial Management.

D.2.a.ii.3. (*2*) Economic Assumptions

We use the risk-free rates and volatility adjustments derived and published by the PRA to calculate deterministic liabilities. As all our liabilities are denominated in UK pound sterling, we use the curves derived for the UK currency. We apply the volatility adjustment to discount liabilities for all contracts other than i) level and fixed escalation pension annuities in payment (for which a matching adjustment is used) and ii) when calculating a present value of future profits on unitised business. We calculate the matching adjustment based on fundamental spread information published by the PRA. At December 2023 this was 93bps (2022: 102bps).

The discount rate which was used in calculating prospective asset shares at 31 December 2023 was the yield on a 15-year swap provided by the PRA. At December 2023: Gross 3.70%, Net 2.96% (2022: Gross 3.89%, Net 3.11%), netted down for tax at the basic rate of tax (20%) for life insurance business.

For calculating stochastic liabilities, we use investment returns, inflation and discount rates that are generated using our Economic Scenario Generator (ESG) – this is described in the next section.

D.2.a.ii.4. (*2*) Economic Scenario Generator

We use a Moody's Economic Scenario Generator (ESG) to produce the investment returns, inflation and discount rates which we use to calculate the value of stochastic liabilities.

We calibrate the ESG to produce market values that are consistent with the market values of assets at the valuation date. The risk-free interest rate term structure (including the volatility adjustment) is an input in the ESG calibration and will provide the start values of the projected interest rates for each simulation.

Our ESG uses a Stochastic Volatility Jump Diffusion model for equity returns, and we make separate volatility assumptions for UK equity returns at December 2023: 18.5% (2022; 19.7%), and overseas equity returns at December 2023: 23.2% (2022: 24.4%). For property returns our ESG uses a constant volatility model with assumed property return volatility at December 2023: 20.5% (2022: 15.0%). We derive the equity assumptions based primarily on market data, with an element of judgement. For property the assumption is based on an analysis of historical data, again with an element of judgement.

The assets backing asset shares are invested in UK shares, overseas shares, property, fixed interest securities, index linked securities and cash. We derive the correlations between the returns on these assets based on judgement and analysis of historical data. We have assumed positive correlation between UK equities and property at December 2023: 50% (2022: 55%), positive correlation between UK and overseas equities at December 2023: 90% (2022: 85%), and negative correlation between UK equities and bonds at December 2023: -15% (2022: -25%).

D.2.a.ii.5. (*2*) Guaranteed Annuity Option

We assume that a proportion of pure endowment pension policyholders, that varies by age, give up their GAO to take other benefits, including cash. These proportions are as follows:

Product	Duration	Lapse Rate %	
		31 December 2022	31 December 2023
Pure Endowment Pensions	Age 60	23.4	32.5
	Age 61	39.8	41.4
	Age 62	33.3	37.9
	Age 63	29.3	32.0
	Age 64	46.1	39.6
	Age 65	22.3	20.5
	Age 66	16.0	22.4
	Age 67	17.5	18.8
	Age 68	19.8	17.2
	Age 69	24.1	21.6
	Age 70	17.3	22.6
	Age 71	10.5	18.1
	Age 72	10.4	18.7
	Age 73	10.4	13.9
	Age 74	33.5	28.1
	Age 75	39.2	42.9

Setting these assumptions includes a significant amount of expert judgement, as other plausible levels for these assumptions could materially impact the liability values they are used to calculate.

These assumptions reflect our experience since pension freedoms legislation was introduced in 2015.

For those remaining policyholders who choose to annuitise their pure endowment pension with us, we assume that they will all exercise the option to buy annuities from us on guaranteed rates if it is beneficial to them to do so.

D.2.a.ii.6. (*2*) Expenses and Charges

We set the per policy expenses with regards to budgeted per-policy expenses for the year following the valuation date.

Allocating these budgeted expenses down to this life product maintenance expense level includes a significant element of expert judgement. This is because other plausible levels for these assumptions could materially impact the liability values they are used to calculate.

The level of per-policy maintenance expenses has increased since last year, to reflect an increase in the overall maintenance expenses budget. The expenses are inflated in future in liability projections at the assumed future expense inflation rates. We set the expense inflation assumption on 31 December 2023 as the price inflation assumption plus an initial margin of 2.25% (2022: 1.75%), which subsequently trends linearly down to 0.75% between calendar years 2025 and 2045 (2022: 2025 and 2040). Setting this margin assumption includes a significant element of expert judgement, as there are other levels for this assumption which could be equally valid and could materially impact the liability values they are used to calculate. The margin includes an allowance for the expected reduction in policy count in the short to medium term, as older closed products run off.

The assumed price inflation for calculating prospective asset shares is set as the long-term inflation rate based on data from the Bank of England.

The price inflation rates for calculating stochastic liabilities are derived from the ESG, and we assume that the above margin for expense inflation over price inflation applies across the duration of the projection.

We assume future annual management and guarantee charges remain at the level of these charges applied to the relevant contracts at the valuation date.

D.2.a.ii.7. (*2*) Demographic Assumptions

These are the rates of mortality, morbidity, policy lapse, policy surrender, rates of conversion from premium paying to paid-up status, rates of premium reduction and retirement rates. They are all derived from an analysis of recent historical experience, taking into account trends and likely future developments.

- Retirement Ages

We assume that all policyholders will retire in the age range 55 to 75 and that all remaining policyholders at age 75 will retire at that age.

The setting of retirement age assumptions includes a significant element of expert judgement, as there are other levels for this assumption which could be equally valid and could materially impact the liability values they are used to calculate.

- Mortality and Morbidity

We express our mortality assumptions as a percentage of standard tables, showing them separately for males and females. We use standard tables that are appropriate to the type of contracts being valued. The assumptions for annuitant mortality include an assumption for expected long-term mortality improvements. Similarly, morbidity assumptions for valuing critical illness contracts are expressed as percentages of standard tables, with appropriate allowance for deterioration of experience over time.

Our main annuitant mortality assumptions as at 31 December 2023 are summarised in the table below. The assumptions used as at 31 December 2022 are given in brackets where they have changed.

	Male	Female
Base table	PMA16	PFA16
% Adjustment	100% (102%)	87% (88%)
Improvement basis	CMI – 2022 (2020)	CMI – 2022 (2020)
	Long term rates of mortality improvement varying by age, but broadly equivalent to 1.3% (1.5%) p.a. overall	Long term rates of mortality improvement varying by age, but broadly equivalent to 1.3% (1.5%) p.a. overall

As shown in the table above, we have chosen to adopt the latest version of the CMI model for mortality improvements, as we believe that the 2022 model is a more appropriate model for our use this year.

Setting both the percentage adjustment and long-term rate assumptions above includes a significant element of expert judgement, as other plausible levels for these assumptions could materially impact the liability values they are used to calculate.

- PUP Rates, Lapse Rates, Premium Reductions and Withdrawals

All unit-linked policies are assumed to be paid-up at the valuation date in line with the contract boundary rules. The rates of conversion to paid-up status for the remaining contracts are based on an analysis of recent past experience and vary by product type and duration in force.

The rates at which we assume policyholders surrender their policies vary by product type and duration in force.

The most significant lapse rate assumptions for the main products as at 31 December 2023 are summarised in the table below:

Category	Product	Duration	Lapse Rate %	
			31 December 2022	31 December 2023
With-Profits	Pure Endowment and Deferred Annuity Pensions	All before age 55 in 2022/2	0.36	0.36
	Individual Personal Pension	All before age 55 in 2022/2	0.98	0.98
	Endowment	All	1.17	1.17
Unit-Linked	Personal Pension – Individual	All before age 55 in 2022/2	0.98	0.98
	Stakeholder – Individual	All before age 55 in 2022/2	1.12	1.12
	Capital Investment Bond	All	2.47	2.47
	Flexibond	1-3	0.96, 2.49, 2.44	0.96, 2.49, 2.44
		4, 5+	2.65, 2.62	2.65, 2.62

Policyholders with investments in the Capital Investment Bond and the Flexibond can make annual regular withdrawals of up to 10% of the fund without the application of a market value reduction factor. The assumed rates of regular withdrawals vary by product type and duration in force. We also make similar assumptions for Classic Bonds, Vintage Bonds, Capital Access Bonds and Shrewd Saving Plan ISA contracts.

We assume that 5% (2022: 5%) of Classic and Vintage Bond policyholders switch out of the guarantee fund in the year following each fifth-year anniversary, and that there are no Personal Pension Plan switches out of the Unitised With-Profits fund.

D.2.a.ii.8. (*2*) Reinsurer Default

We derive the probability of reinsurer default assumption by considering the reinsurer's current credit rating and the expected changes to that credit rating in future. The probability of default therefore varies by the reinsurer's credit rating. We assume the probability of default derived at the valuation date applies for all future years.

We derive the recovery rate by analysing relevant historical data. Due to limited data availability for this analysis, we currently assume the same recovery rate for all reinsurers.

D.2.a.iii. Value of Technical Provisions

The value of the Technical Provisions for the Group, NFU Mutual and Avon Insurance plc are shown below:

Technical Provisions – 31 December 2023

	NFU MUTUAL		NFU MUTUAL £m	Avon £m	Intra-Group Reinsurance £m	Group £m
	GI £m	Life £m				
Gross	2,390	8,384	10,693	21	(16)	10,698
Reinsurance	(126)	(21)	(147)	(18)	16	(149)
Net	**2,264**	**8,363**	**10,627**	**3**	**-**	**10,630**

Internal reinsurance representing the agreement between NFU Mutual and Avon Insurance plc.

D.2.a.iii. (*1*) Value of Technical Provisions – General Insurance (NFU Mutual, Avon Insurance plc)

Technical Provisions – 31 December 2023

NFU Mutual:

SII Class of Business	Gross	Reinsurance	Net		
	Best Estimate Liabilities £m	Best Estimate Liabilities £m	Best Estimate Liabilities £m	Risk Margin £m (unaudited)	Total Technical Provisions £m
Income Protection Insurance	9	(1)	10	0	10
Motor Vehicle Liability Insurance	621	29	592	48	640
Other Motor Insurance	59	(1)	60	2	62
Marine, Aviation & Transport Insurance	1	-	1	-	1
Fire and Other Damage to Property Insurance	619	(4)	623	27	650
General Liability Insurance and Proportional Reinsurance	716	37	679	132	811
Legal Expenses Insurance	(8)	(4)	(4)	-	(4)
Assistance	-	-	-	-	-
Miscellaneous Financial Loss	72	3	69	3	72
Annuities from Non-Life relating to other than Health Insurance	86	67	19	3	22

Total General Insurance Business	**2,175**	**126**	**2,049**	**215**	**2,264**

Avon Insurance plc:

SII Class of Business	Gross	Reinsurance	Net		
	Best Estimate Liabilities £m	Best Estimate Liabilities £m	Best Estimate Liabilities £m	Risk Margin £m	Total Technical Provisions £m
Income Protection Insurance	4	1	3	-	3
Motor Vehicle Liability Insurance	-	-	-	-	-
Other Motor Insurance	-	-	-	-	-
General Liability Insurance	17	17	-	-	-
Total	**21**	**18**	**3**	**-**	**3**

D.2.a.iii. (*2*) Value of Technical Provisions – Life (NFU Mutual)

The Technical Provisions, split by line of business, are summarised in the table below. The technical provisions shown do not include the transitional measure of £107m (unaudited).

NFU Mutual:

	Best Estimate Liabilities £m	Risk Margin £m (unaudited).	Technical Provisions £m
Health insurance	9	1	10
Insurance with profit participation	3,882	31	3,913
Index-linked and unit-linked insurance	3,597	14	3,611
Other life insurance	832	18	850
Gross of Reinsurance Total	**8,320**	**64**	**8,384**
Health reinsurance	(3)	-	(3)
Life reinsurance	(18)	-	(18)
Net of Reinsurance Total	**8,299**	**64**	**8,363**
Transitional measure (unaudited).	-	-	(107)
Net Technical Provision	**-**	**-**	**8,256**

The Insurance with-profit participation best estimate liabilities include stochastic liabilities which are summarised in the table below:

	Liabilities £m
Cost of Options	123
Cost of Guarantees	125
Cost of Smoothing	23
Total	**271**

All liability amounts quoted in the flowing D.2.a.iii sections relate to elements of the best estimate liabilities.

D.2.a.iii.1. (2) Health Insurance

The Health Insurance liabilities are all non-linked and include Critical Illness contracts which were classified as PHI business.

D.2.a.iii.2. (2) Insurance with profit participation

The with-profits liabilities include both traditional and unitised with-profit contracts, with around a quarter of the asset shares and around £10m of the smoothing costs relating to traditional business. All option costs are in respect of traditional with-profit contracts which account for approximately half of the cost of guarantees.

D.2.a.iii.2.i.(2) Cost of Options

The cost of options is in respect of guaranteed annuity rates on Post 1982 Section 226 pensions which were sold as pure endowment contracts, along with a less significant number of life endowment policies. The policyholders have the option to buy annuities from us on contractually guaranteed terms, or in the open market if more beneficial.

The products where the GAO is available are now closed to new business, hence the liability values will fall over time as policies mature. The pension policyholders are on average expected to reach the highest vesting ages of 75 years in around 11 years' time but can claim their GAO benefits at any age above 59 years. We estimated the future rates of retirement for these policyholders by considering relevant past experience, with an allowance for average retirement ages increasing into the future.

D.2.a.iii.2. ii. (2) Cost of Guarantees

The cost of guarantees is in respect of guaranteed benefits on death, surrender or maturity. The guaranteed benefit on maturity for unitised with-profit contracts is the value of the unit fund without application of a Market Value Reduction (MVR), and for traditional with-profit contracts it is the sum assured plus declared regular bonuses.

The guaranteed benefit on death varies by contract but is usually similar to the maturity benefit or may be a return of premium with interest. Some endowment contracts were taken out to pay off the mortgage on death or maturity, and for these contracts the guaranteed death benefit would be the amount required to pay off the outstanding loan.

The guaranteed benefit on surrender also varies by contract type. For traditional with-profit contracts it is typically the return of premium (with or without interest) or the discounted value of maturity benefits if higher. An MVR may apply on most forms of surrender for unitised with-profits contracts.

- Personal Pensions and Deferred Annuities

Most of the guarantee costs (approximately £71m) are in respect of guaranteed benefits on personal pension type contracts (both traditional and unitised) and deferred annuity pensions. These contracts provide a guaranteed lump sum or annuity at retirement.

The sum assured and regular bonuses declared to the date of retirement or death are guaranteed between the ages of 60 and 75 for traditional contracts. In addition, the return of premiums with interest is also guaranteed on death or surrender. For unitised with-profits contracts, the unit fund without application of an MVR, is guaranteed on the policyholder's selected retirement date.

The traditional personal pensions and deferred annuities are now closed to new business, hence over time the guarantee costs will fall as policies mature. The unitised personal pension product with high guarantees is closed to new business. Other unitised personal pension products with lower guarantees are still open to new business, but over time guarantee costs will fall as policies with high guarantees mature and are replaced by policies with lower levels of guarantees.

- With-Profits Life Annuities

The cost of guarantee on with-profit annuities in payment (approximately £10m) is in respect of current annuity payments which are guaranteed for life. The current annuity is the sum assured plus declared regular bonuses. This contract is closed to new business.

- Whole of Life

The cost of guarantees on with-profit Whole of Life contracts (approximately £4m) is in respect of the guaranteed sum assured plus declared regular bonuses payable on death. This contract is closed to new business.

- With-Profits Bonds

The cost of guarantees on bond type products (Capital Investment Bond, Flexibond and Vintage bond) is approximately £21m. The Vintage Bond and Capital Investment Bond are closed to new business, and the Flexibond is open to new business.

The Capital Investment Bond (CIB) provided a guarantee that no MVR will apply on the 10th anniversary of the policy. For those CIB policies that did not surrender on the 10th anniversary, the shadow fund was increased where necessary so that it equalled the value of with-profit units at the 10th anniversary. There is also a guarantee that no MVR will apply on regular withdrawals up to 10% of premiums paid, or on death.

The Flexibond provides a guarantee that no MVR will apply on regular withdrawals up to 10% of premiums paid, or on death.

The Vintage Bond provides a guarantee that no MVR will apply on death. In addition, there is also a guarantee that an MVR does not apply on the 5th policy anniversary and subsequent quinquennial anniversaries.

- Guarantee Charges

The cost of guarantees is in part offset by the charges for the cost of guarantees. We currently only charge With-Profits Annuities, Vintage Bond and Classic Bond policies for the cost of guarantees. However, we may prospectively charge other policies for the cost of guarantees in

future provided we get advice from the With-Profits Actuary that it is appropriate to do so, as stated in our PPFM.

- Non-contractual guarantees

The cost of guarantees also includes the cost of guarantees on Minimum Cost Endowment policies (approximately £1m). Minimum Cost Endowment contracts written on or after 1 January 1998 provide a guarantee that the maturity payout will not be less than the minimum guaranteed death benefit. There is no such guarantee on policies written before 1 January 1998, and the majority of policies are in this category. Instead, we apply a statement of intent to these policies that it is our intention to pay at least the guaranteed minimum death benefit on maturity as long as circumstances permit.

- Other products

There are guarantee costs on other products which are less significant in comparison to those described above. The main product in this category is the Insurance ISA which provides a guarantee that no MVR applies on death and the cost of this guarantee is approximately £13m as at 31 December 2023.

D.2.a.iii.2.iii. (*2*) Cost of Smoothing

The Cost of Smoothing is the discounted value of the amount by which the projected payouts are above or below asset share (or the guaranteed benefit if higher). Although it is our intention to pay the asset share over the long term, this cost will vary depending on the degree to which bonus rates at the valuation date achieve this aim, and asset share movements since the bonus rates were set.

D.2.a.iii.3. (*2*) Index-linked and unit-linked insurance

All of these liabilities are unit-linked (£3.60bn) as we have no index-linked liabilities.

The unit-linked liability is largely just the value of units; however, allowance is also made for the cost of guarantees and present value of future profits. It includes the cost of guarantees on Classic bond contracts (-£0.4m), which is net of the value of charges for those guarantees. The Classic bond provides a guarantee that the unit price on the fifth anniversary will not be less than the unit price on the previous fifth anniversary. The present value of future profits for unit-linked business, adjusted to allow for some additional liabilities such as budgeted project expenses, is £71m.

D.2.a.iii.4. (*2*) Other Life Insurance

- Pension annuities in payment

The liability for level and fixed escalation pension annuities in payment is £0.71bn and these are the only contracts for which we use a matching adjustment. These annuities are payable for life and some contracts have a minimum guaranteed payment period.

The liability for index-linked pension annuities in payment is £4m. These annuities are payable for life and some contracts have a minimum guaranteed payment period.

- Protection business contracts

The majority of these contracts are non-profit whole of life (£5m) and level term assurance (£16m) contracts which provide a fixed lump sum on death. The low-cost decreasing term assurance contracts (£8m) were designed to provide non-profit benefits on with-profit whole of life contracts.

- Other contracts

These mostly consist of non-profit and index-linked Life annuities in payment (£82m), non-profit deferred annuities and other minor contracts.

D.2.a.iii.5. (*2*) Non-Life Annuities – Health

We do not have any non-life annuities within the Life business.

D.2.a.iii.6. (*2*) Non-Life Annuities – Other than Health

We do not have any non-life annuities within the Life business.

D.2.a. iv. (*1*) Analysis of Material Changes in the Value of Technical Provisions – General Insurance (NFU Mutual, Avon Insurance plc)

The following tables show the most significant changes to the Solvency II technical provisions over the past year for NFU Mutual (the start and end points are the sum of best estimate plus risk margin, net of reinsurance).

NFU Mutual:

Provision		**NFU MUTUAL**	**Explanation**
2022 Year End Technical Provision		**£2,101m**	
Claims Provision	Claims Provision Gross Claims	**+£300m**	An increase in the gross UK GAAP best estimate in 2023. Driven by higher-than-expected inflation as well as storm events in Q4 2023.
	Claims Provision Reinsurance claims	**-£22m**	An increase in the reinsurance UK GAAP best estimate since year end 2022, which acts to decrease technical provisions.
	Claims Provision Expenses	**+£5m**	Driven by an increase in the claims handling reserve, as per UK GAAP.
Premium Provision	Premium Provision Premium Income	**-£120m**	Future premium income has increased due to premium growth, which acts to decrease technical provisions.
	Premium Provision Expenses	**+£23m**	Updated in line with the 2024 business plan expenses.
	Premium Provision Future Reinsurance Premiums	**+£5m**	Updated to reflect the RI programme purchased for 2024.
	Premium Provision Future Claims	**+£51m**	Updated to reflect the latest loss ratios from the 2024 business plan forecasts, which allow for the inflationary environment, as well as updated unearned exposure and typical seasonality in loss ratios.
Change in Impact of Discounting		**-£1m**	Reflecting changes in the yield curve over the year (Note this excludes the impact on the Risk Margin which is included below).
Risk Margin (unaudited)		**-£80m**	Reflecting updated Internal Model output and yield curve. Driven by the reduction in the cost of capital charge from 6% to 4%, as per regulations.
Other		**+£2m**	Various small changes
2023 Year End Technical Provision		**£2,264m**	

Avon Insurance plc:

Provision	Amount	Explanation
2022 Year End Technical Provision	**£3.1m**	
Net Claims Provisions	**-£0.1m**	The expected future claims on PA Plans have reduced as the book continues to run off.
Risk Margin	**-£0.2m**	The Risk Margin has reduced slightly, driven by the reduction in the cost of capital charge from 6% to 4% as well as a reduction in the Standard Formula SCR as the book continues to run off.
2023 Year End Technical Provision	**£2.8m**	

D.2. a. iv. (*2*) Analysis of Material Changes in the Value of Technical Provisions – Life (NFU Mutual)

Changes in valuation assumptions and methods over 2023 (as detailed earlier in the report) have impacted the value of technical provisions since the previous year-end and resulted in the following movements:

Area of change	Report Reference Life Sections (*2*)	Impact on 31 December 2023 Best Estimate Liabilities £m
Persistency and Retirement assumptions	D.2.a.ii.5 & D.2.a.ii.7	(1.4)
Expense assumptions	D.2.a.ii.6	18.0
Expense inflation assumptions	D.2.a.ii.6	13.7
Mortality assumptions	D.2.a.ii.7	(28.7)
Modelling methodology changes	D.2.a.i.(2)	18.5
Total		**20.1**

D.2.b.(1) Level of Uncertainty within the Technical Provisions – General Insurance (NFU Mutual, Avon Insurance plc)

The uncertainty in our Solvency II technical provisions calculations is of a similar nature to that in the best estimate reserving analysis used for UK GAAP. Actual outcomes could differ from the values calculated for claims provisions due to unexpected changes in items such as:

- the propensity to claim;
- levels of claims inflation (for NFU Mutual), including social inflation, particularly in the current economic environment;
- proportion of claims settled as PPO compared to lump sum;
- legal changes, including changes to the Ogden discount rate;
- the impacts of climate change;
- changes in NFU Mutual or Avon claims processes which alter our claims development patterns.

Exposure to long-tail latent risk is especially uncertain and therefore is a material driver of the overall uncertainty in our claim's provisions.

In addition, for the premium provision component, outcomes could differ due to experience being out of line with our plans. This could be for reasons such as:

- claims experience (numbers or average costs) being higher or lower than our forecasts, for example due to factors associated with the current high inflationary environment;
- expenses being higher or lower than expected;
- changes in mix, persistency or levels of new business.

Finally given the complexity of the calculations involved in estimating these technical provisions, there may be changes over time due to improvements to our calculation methods. For NFU Mutual, based on the Internal Model for Reserve Risk there is roughly a 50% chance that the 2023 calendar year movement in best estimate ultimate claims costs (including latent claims) for loss years prior to 2022 will change by more than £200m (10%).

For Avon, at a gross level, latent claims reserves are highly uncertain, and the ultimate costs could turn out to be materially different from the chosen best estimate. On a net basis for Avon the key uncertainty is the assessment of the best estimate reserve for PA Plans business, which makes up around 80% of the Technical Provisions on a net basis (excluding Risk Margin). Based on a standard actuarial 'bootstrapping' approach, there is roughly a 50% chance that these reserves will turn out to be more than 10% different from the chosen estimate.

There is also significant uncertainty associated with chosen assumptions for Risk Margin and reinsurance credit risk, which is captured by NFU Mutual's Expert Judgement Framework.

D.2.b.(*2*) Level of Uncertainty within the Technical Provisions – Life (NFU Mutual)

Liability Type / Risk Margin	Amount £m	Percentage
Unit Liability	3,669	43.9%
Retrospective Asset Shares	3,646	43.6%
Prospective Asset Shares	104	1.2%
Present Value of Future Cashflow	842	10.1%
Present Value of Future Profit	(248)	(3.0%)
Cost of Options	123	1.5%
Cost of Guarantees	125	1.5%
Cost of Smoothing	23	0.3%
Other Liabilities	36	0.4%
Reinsurance Assets	(21)	(0.3%)
Risk Margin (unaudited)	64	0.8%
Net Technical Provisions, pre–Transitional Measure	**8,363**	**100%**

The table above shows the amount and percentage of Technical Provisions split by type.

The level of uncertainty largely depends on the type and method of calculation of the technical provisions. The more significant areas of uncertainty involve provisions calculated via cashflow projection, where expert judgements are made in setting projection assumptions and projection models may include a degree of simplification compared to reality.

D.2.b.i.(*2*) Unit Liabilities and Asset shares

Around 89% of our technical provisions are unit reserves or asset shares which have a very low level of uncertainty.

- **Unit liabilities**

The unit liability is simply the market value of assets backing the units adjusted for tax.

- **Asset shares**

Asset shares calculated on a retrospective basis make up 97% of the total asset shares. Data validation processes minimise the likelihood of potential errors, rendering their likely impact as immaterial.

In relative terms the values of prospective asset shares have a higher degree of uncertainty as the calculation requires assumptions to be made about future experience. The bonuses declared on contracts for which we calculate the asset shares on a prospective basis are based on bonuses declared on relevant premium paying policies hence the benefits paid may diverge from asset share over time. The prospective asset shares however only account for approximately 1% of the total technical provisions.

D.2.b. ii. (*2*) Present value of future cashflow

- **Level and Fixed Escalation Annuities**

The liability for pension annuities in payment of this type (£0.71bn) is the largest component of this liability type. While adequate allowance has been made for future annuitant mortality improvements in the valuation basis, there is still a degree of uncertainty due to the long-term nature of the liabilities.

- **RPI linked Annuities**

The majority of the liability for RPI-linked annuities (£70m) is in respect of Structured Settlements. Many of these annuitants are impaired lives and this has been taken into account when setting the mortality assumptions. However, the relatively small number policyholders involved increases the risk that mortality experience may vary significantly from our assumptions.

Some of the annuitants are relatively young hence we must make assumptions about future inflation over a much longer time horizon.

- **Protection business**

Whole of life contracts are long-term in nature and therefore require us to make assumptions about future experience over longer periods. Traditional non-profit whole of life (£5m) and term assurance (£17m) contracts are however only a small proportion of the technical provisions.

- **Other liabilities**

These mainly consist of life annuities, group contracts and other minor contracts. The liabilities are all calculated using standard actuarial valuation techniques and form a small proportion of the technical provisions.

- **Present value of future profit**

The present value of future profit is attributable to unit-linked and unitised with-profits contracts. It is the discounted value of future annual management charges less mortality costs (any excess of benefits payable on death over the value of units) and expense outgo, allowing for tax on life insurance business, and assumes that all unit-linked policies become paid-up at the valuation date. These projected cashflows involve a degree of uncertainty, most significantly in respect of future maintenance expense costs attributable to these contracts.

D.2.b.iii. (2) Stochastic Liabilities

The stochastic liabilities (Cost of Options and Guarantees and Cost of Smoothing) have the highest degree of uncertainty compared to all the other liabilities. The liabilities calculated under different scenarios (typically 1,000) show variability, and the best estimate liability is taken to be the average value from these results. The liabilities are also calculated using grouped data, which increases the level of approximation compared to individual policy data.

The stochastic liabilities however only account for approximately 3% of the technical provisions. We make checks to ensure that the difference between liabilities calculated using grouped and ungrouped data is of low materiality. In addition, we also check that the impact of calculating the liabilities using a larger number of simulations is also of low materiality, if not immaterial.

D.2.b. iv. (*2*) Other liabilities

The Other liabilities largely consist of provisions for advice costs and budgeted project expenses, along with other miscellaneous costs, and these only account for less than 1% of the technical provisions. The actual project expenses may differ from budget due to expense over/under runs.

D.2.b.v.(*2*) Reinsurance assets

We reduce the value of reinsurance assets to allow for the risk of reinsurer default. The probabilities of reinsurer default are based on an analysis of global corporate default rates which are not industry specific and are therefore an approximation of expected default experience for

our specific reinsurers. There is also limited data on our reinsurers' recovery rates. The reinsurance assets however constitute less than 1% of the technical provisions.

D.2.b.vi. (*2*) Risk Margin (unaudited)

When calculating the Risk Margin, we assume that the run-off of components of the SCR is in line with the best estimate liabilities, which is a simplification. In addition, we make an approximate allowance for non-linearity within the projection of the SCR. These approximations could lead to a deviation of the calculated risk margin from the true value but the risk margin only accounts for approximately 0.8% of the value of technical provisions.

D.2.c.(*1*) Comparison of Technical Provisions Valuation Methods, Bases, Assumptions and Values for Solvency Purposes UK GAAP – General Insurance (NFU Mutual, Avon Insurance plc)

There have been no significant changes to previously used assumptions for the 2023 year-end technical provisions.

The following tables demonstrate the value of Technical provisions between UK GAAP and Solvency II basis as at 31 December 2023.

NFU Mutual:

	£m
Claims Outstanding	2,586
Provision for Unearned Premium	995
Reinsurers share of technical provisions	(214)
UK GAAP Technical Provisions (net of reinsurance)	**3,367**
Differences	
Release of prudence margins and addition of Solvency II Risk Margin (unaudited)	(142)
Treat premium debtor asset as a negative liability	(805)
Replace Unearned Premium Reserve and AURR with future cashflow based Premium Provisions (including WBNI)	48
Discounting of future cash flows	(213)
Other differences	9
Solvency II Technical Provisions (net of reinsurance)	**2,264**

Further detail on these elements of difference is given in the following passages.

Solvency II starts from a best estimate view of claims provisions so our calculations will use the actuarial best estimate view of claims costs, rather than the prudent level of margin booked under UK GAAP. The Solvency II rules describe an explicit risk margin required to be held above best estimate. This margin is intended to cover the cost of capital that a third party would incur if they were to take on NFU Mutual's liabilities in the event of our firm closing.

Unlike UK GAAP, Solvency II requires a cashflow view of premium provisions. Specifically, this means that rather than reserving an unearned portion of the previous year's written premiums, we are required to look only at the cashflows which will result from those. For annual premiums where the whole premium had already been collected before the valuation date, there is no further positive premium cashflow. For those who pay monthly through our Flexible Payment

Plan, NFU Mutual will receive further premiums. The other part of the premium provision is the cashflow related to the expected claims and expenses on the unearned portion of those policies. Solvency II asks firms to consider at the valuation date any future business which they may be obliged to accept even if they closed to business on 1st January. This includes both new business quotes and any issued renewals. Collectively these are referred to as Written but not Incepted ("WBNI") business. There is no UK GAAP equivalent, and within Solvency II this component can be referred to by a number of alternative names, including "tacit business" and "Bound but not Incepted" (BBNI) business.

Solvency II reserves are discounted. The discount rates are provided by PRA and are based on Swap Rates.

Avon Insurance plc:

	£m
UK GAAP Technical Provisions (net of reinsurance)	**3.4**
Differences	
Release of prudence margins and addition of Solvency II Risk Margin	0.2
Replace Unearned Premium Reserve and AURR with future cashflow based Premium Provisions (including WBNI)	(0.1)
Treatment of claims handling reserve and investment management expenses	(0.7)
Discounting of future cash-flows	(0.1)
Allowance for bad debt for reinsurance recoveries	0.1
Solvency II Technical Provisions (net of reinsurance)	**2.8**

D.2.c.(*2*) Comparison of Technical Provisions Valuation Methods, Bases, Assumptions and Values for Solvency Purposes UK GAAP– Life (NFU Mutual)

D.2.c.i.(*2*) Solvency II vs Statutory Accounts

As at year-end 2023 the technical provisions used for UK GAAP reporting in the statutory accounts are based on Solvency 1 realistic peak liabilities. The resulting differences between the statutory accounts and Solvency II technical provisions and associated assets are therefore as follows:

NFU Mutual:

	£m
Statutory Accounts	
Technical Provisions net of reinsurance	8,437
Deferred Acquisition Cost	(18)
Technical Provisions net of associated assets	**8,419**
Margins for prudence within statutory accounts provisions that don't exist in Solvency II provisions.	(39)
PVFP differences on investment business	(135)
Surplus distribution reserves that are not permitted under Solvency II	(69)
Discount rate assumption differences	55
Contract boundaries that result in premium cessation assumptions under Solvency II	68
Risk Margin (unaudited)	64
Transitional Measures on Technical Provisions (unaudited)	(107)
Solvency II	
Technical Provisions net of reinsurance	**8,256**

Further detail on these elements of difference is given in the following passages.

- Bases / Methods
  - Non-profit and Unit-linked business – margins for prudence

The statutory accounts technical provisions for non-profit and unit-linked business are set as Pillar 2 realistic peak reserves under Solvency I, which include a margin for prudence in the underlying assumptions.

The Solvency II technical provisions for non-profit and unit-linked business are set as best estimate reserves with no margins for prudence.

  - Investment business – PVFP differences

Under the Solvency II technical provisions, a present value of future profits asset is calculated for unit-linked business. In the statutory accounts the present value of future profits asset is not allowed on investment business (primarily unit-linked business). Instead

on investment business a deferred acquisition cost asset is calculated, and the non-unit reserve component of the technical provision is removed.

- With-Profits business – surplus distribution

Within the statutory accounts we reserve for surplus which is to be distributed to policyholders over the twelve months following the valuation date. However, under Solvency II, reserving for future distributions of this type is not permitted.

- Assumptions
  - Discount Rates

For the statutory accounts the risk-free curve is based on gilt yields with no adjustment, whereas for Solvency II the risk-free curve is based on swap yields less an adjustment for credit risk.

Under Solvency II we have regulatory approval to add a volatility adjustment to the risk-free curve when valuing certain business, as described in D.2.e.(2). For the statutory accounts no such adjustment was allowable.

Under Solvency II we also have regulatory approval to add a matching adjustment to the risk-free curve when valuing certain non-profit pension annuities, as described in D.2.d.(2), which at the 2023 year-end was 93bps. For statutory accounts liabilities a liquidity margin was instead used when calculating the technical provisions on this business. As at 2023 year-end this was a 74bps uplift to the risk-free yield curve.

- Contract Boundaries

Solvency II contract boundary regulations mean we must replace our best-estimate premium cessation rates used for statutory accounts technical provisions, with 100% premium cessation rates when calculating the unit-linked technical provisions on a Solvency II basis.

- Risk Margin (unaudited)

Under Solvency II the Risk Margin is the discounted cost of holding capital to back the non-hedgeable risks in the SCR, at the regulatory cost of 4% per annum. This liability does not appear within the statutory account's technical provisions.

- Transitional Measure (unaudited)

Under Solvency II we have regulatory approval to apply the Transitional Measure on Technical Provisions to all of our pre-2016 business, as described in D.2.g.(2). This transitional measure is not relevant within the statutory accounts.

D.2.d.(1) Matching Adjustment – General Insurance (NFU Mutual, Avon Insurance plc)

For Non-Life we have not applied a matching adjustment.

D.2.d.(*2*) Matching Adjustment – Life (NFU Mutual)

We use a matching adjustment on our in-force pension annuity business, excluding any annuities that have an inflation link or participate in profit. This liability includes the policies themselves plus the expenses associated with maintaining these policies over their expected future lifetime.

A ring-fenced portfolio of assets is maintained to support these liabilities. These assets are primarily sterling government and corporate bonds of a suitable duration to closely match the expected cashflows from the liabilities.

The impact of the matching adjustment reducing from 93 basis points at 31 December 2023 to nil would be an increase in technical provisions of £50m. The impact of this change on the Solvency Capital Requirement would be an increase of £43m, with no impact on the basic own funds or the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement. There would be an impact on the Minimum Capital Requirement of an £11m increase.

D.2.e.(1) Volatility Adjustment – General Insurance (NFU Mutual, Avon Insurance plc)

For non-life we have not applied a volatility adjustment.

D.2.e.(2) Volatility Adjustment – Life (NFU Mutual)

We use a volatility adjustment on all of our in-force liabilities, except those where we use a matching adjustment and when calculating a present value of future profits on unitised business.

Our latest analysis at 31 December 2023 shows the impact on technical provisions of changing the volatility adjustment to zero is £36m.

The impact of this change on the Solvency Capital Requirement would be an increase of £9m (unaudited), with no impact on the basic own funds or the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement. There would be an impact on the Minimum Capital Requirement of a £2m (unaudited) increase.

D.2.f. Transitional risk-free interest rate term structure

The transitional risk-free interest rate term structure is not being applied for either General Insurance or Life business.

D.2.g.(1) Transitional Deduction – General Insurance (NFU Mutual, Avon Insurance plc)

For General Insurance we have not applied a transitional deduction.

D.2.g.(*2*) Transitional Deduction – Life (NFU Mutual) (unaudited)

We have used the transitional deduction referred to in Article 308d of Directive 2009/138/EC. The impact on the financial position of not applying this transitional measure on technical provisions is a £107m increase in life technical provisions, with no accompanying reduction in

basic own funds, own funds eligible to cover the Solvency Capital Requirement or own funds eligible to cover the Minimum Capital Requirement. This change also has no impact on the Solvency Capital Requirement or the Minimum Capital Requirement.

D.2.h(*1*) Reinsurance Recoverables – General Insurance (NFU Mutual, Avon Insurance plc)

We calculate the value of reinsured liabilities based on the existing reinsurance arrangements at the valuation date. Details of our methods are provided in our response to section D2.a above.

Special purpose vehicles:

We do not use special purpose vehicles.

D.2.h(*2*) Reinsurance Recoverables – Life (NFU Mutual)

Reinsurance contracts:

We calculate the value of reinsured liabilities based on the existing reinsurance arrangements at the valuation date. There have been no changes to existing reinsurance arrangements in 2023.

We calculate the value of reinsured liabilities using methods and assumptions similar to those used to calculate the gross of reinsurance liabilities. The only exception is in respect of income protection business which is fully reinsured with the reinsurer and for which the liabilities are taken to be the liability values calculated by the reinsurer.

We reduce the value of all reinsured liabilities to allow for the risk of reinsurer default when calculating the value of best estimate liabilities net of reinsurance.

Special purpose vehicles:

We do not use special purpose vehicles

D.2.i.(*1*) Material Changes in Assumptions used for Technical Provisions – General Insurance (NFU Mutual, Avon Insurance plc)

All material changes in relevant assumptions made in the calculation of technical provisions compared to the previous reporting period are disclosed in D.2.a.

D.2.i.(*2*) Material Changes in Assumptions used for Technical Provisions – Life (NFU Mutual)

All material changes in relevant assumptions made in the calculation of technical provisions compared to the previous reporting period are disclosed in D.2.a.

D.3. Other Liabilities

D.3.a. Other Liabilities Valuation Methods, Bases, Assumptions and Values

- **Financial Liabilities**

The amounts owed by the Group to credit institutions as at 31 December 2023 amounted to £149.2m representing amounts utilised by AVER Property Partnership and Hathaway Opportunity Fund supporting property fund purchases (£110m) and an amount which is offset against monies held at the same credit institutions (£39.2m). These financial liabilities are valued at the total amount outstanding without discounting or considering the firm's own credit risk.

Avon Insurance plc has no significant financial liabilities as at 31 December 2023.

- **Leases**

NFU Mutual has recognised lease contracts for company motor vehicles and property lease commitments, in respect of agents' offices, which are leased from third party landlords. No adjustments were required to reflect the company's credit standing.

Motor Vehicle valuation

The valuation calculations use outstanding future lease payments and interest/discount rates as at the point of first recognition of the asset. Adjustments are made to update the discount and interest rates for all new leased assets recognised. This valuation is in accordance with the requirements of IFRS 16.

Property Lease valuation

The valuation calculations are based on the future lease payments due until the tenant only lease break date and interest/discount rates equating to the firm's estimated marginal cost of borrowing as at the point of first recognition of the asset. Adjustments are made to update the discount and interest rates for all new leased assets recognised. This valuation is in accordance with the requirements of IFRS 16.

Avon Insurance plc had no leases as at 31 December 2023.

- **Deferred Tax Liabilities**

NFU Mutual recorded a £27.9m deferred tax liability as at 31 December 2023. Avon recorded a deferred tax liability of £0.2m.

Employee Benefits

The Group and NFU Mutual's Defined Benefit Scheme as at 31 December 2023 was a surplus. See section D.1.a. for further information.

Avon Insurance plc had no significant employee benefits liabilities as at 31 December 2023.

- **Other Liabilities**

NFU Mutual

These are short term amounts predominantly reflecting tax and property creditors for expenses already incurred or committed to by NFU Mutual. These values are already well defined in terms of their initial recognition under UK GAAP and will all fall due within 12 months. In view of the short-term nature of these liabilities, it is deemed that no reassessment of likelihood of payment is warranted, and no discounting effect should be applied. As at 31 December 2023 these amounted to £177.2m.

Avon Insurance plc

Other liabilities of £5.6m (2022: £2.5m) predominately constitutes amounts owed for taxation. The reduction is due to amounts paid in the year to other group undertakings.

The value of Other liabilities is the same on both Solvency II and UK GAAP.

D.3.b. Comparison of Other Liabilities Valuation Methods, Bases, Assumptions and Values for Solvency Purposes

The valuation base for all non-technical provision liabilities is the UK GAAP valuation contained within the Statutory Accounts, subsequently adjusted (if relevant) according to the published Implementing Technical Standards of Solvency II.

The firm does not adopt any additional or Alternative Valuation Methods for any of its major asset or liability classes.

D.4. Alternative Methods for Valuation

D.4.a. Alternative Methods for Valuation

The valuation base for all classes of assets and liabilities is consistent with the UK GAAP valuation as disclosed within the Statutory Accounts, subsequently adjusted according to the published Implementing Technical Standards of Solvency II.

Alternative valuation methods have been adopted for investment property where there is no readily available market value. For these assets an external firm of independent chartered surveyors has been used to value the assets on an open market value taking into consideration economic conditions, experience of similar valuations and on the assumption that the property could be disposed of with vacant possession. Valuations as at 31 December 2023 are Group £1,671.9m and NFU Mutual £1,142.3m.

Avon Insurance plc does not use any alternative valuation methods for its assets and liabilities.

D.5. Any Other disclosures

D.5.a. Other Material Information

There are no material differences between the valuation basis, methods and assumptions applied at the Group level and those applied at the solo level except for the treatment of the solo's minority interest in Salmon Harvester Properties Ltd which is required to be shown at the consolidated Group level under Solvency II.

The Group, NFU Mutual or Avon Insurance plc do not have any significant contingent liabilities as at 31 December 2023 and there have been no significant subsequent events since that date.

E. CAPITAL MANAGEMENT

E.1. Own Funds

E.1.a. Objectives, Policies and Processes for Managing Own Funds and Material Changes over the Reporting Period

The Group and NFU Mutual
The Own Funds of the Group solely comprise the excess of Assets over Liabilities (net of any intra group transactions) represented by its accumulated retained profits.

The Group and NFU Mutual has an established business objective of "Sustainable profitable growth" at the cornerstone of which is a long-term specific General Business target of a 98% Combined Operating Ratio within its Underwriting Result, and this forms an integral part of its business planning. The firm operates a medium-term business plan over a 3-year horizon within the context of financial projections and strategic planning over a 10-year period.

To support the protection of existing Own Funds, the firm has established processes and policies in specific areas such as Investment Strategy and Risk Management.

The NFU Mutual Board sets a Group level risk appetite which is based on the Solvency II Group balance sheet. The target range is set based on the Solvency II Coverage ratio at Group level (i.e., the ratio of Group Eligible Own Funds to the Solvency II Capital Requirement). The position against risk appetite is regularly monitored at risk committees and reported in the monthly Board pack. If the Group moves outside of its target range for risk appetite, then the relevant committees are informed, and appropriate strategies are agreed to return the fund to the target range. For example, should the Group fall below its target range then strategies to improve the solvency position of the Group could include investment re-allocations such as selling high risk assets and investing the proceeds in assets of lower risk.

Avon Insurance plc
The business objectives for Avon Insurance plc are aligned to those of the Group, to support the protection of its Own Funds. The firm takes advantage of the established processes and policies of the Group in specific areas such as Investment Strategy and Risk Management.

E.1.b. Structure, Amount and Quality of Own Funds by Tier and Analysis of Change over the Reporting Period

The Group and NFU Mutual
The Own Funds solely comprise the excess of Assets over Liabilities represented by its accumulated retained profits, and as such are all designated Tier One funds. The Group has no capital instruments in issue at the end of the period.

Own funds, being solely retained profits and reserves, are all denominated in pounds sterling (GBP) though the underlying assets and liabilities may, in some cases, be expressed in other major currencies and are therefore valued at the exchange rates in force at the end of the period.

The table below illustrates the items reflecting the different valuation basis, methodology and assumption used in arriving at the value of Own Funds for Solvency II when compared to the value of Equity as reported under UK GAAP (FRS102/103). There is no significant difference between the Group and NFU Mutual figures.

	Group £m	NFU MUTUAL £m	Avon £m
Equity, UK GAAP (FRS102/103) (Excluding minority interest)	**6,994**	**7,085**	**27.4**
Change in Life Technical Provisions	181	181	-
Change in GI Technical Provisions	1,123	1,123	0.6
Premium debtors (included with Technical Provisions)	(766)	(766)	-
Deferred Acquisition Costs (DAC)	(163)	(163)	-
Pension Scheme Surplus	(271)	(271)	-
Deferred Tax	(45)	(45)	-
Excess Ring-Fenced Funds (in excess of Life SCR) (unaudited)	(667)	(648)	-
Removal of fair value of subsidiaries	-	(84)	-
Other	8	(18)	(0.1)
Own Funds, Solvency II	**6,394**	**6,394**	**27.9**

Beyond the movement in Own Funds relating to the reduction driven by investment performance and movements in Technical Provisions, there have been no material changes to Own Funds in the period.

To the extent that retained profits exist within the subsidiary companies in the Group, these Own Funds accrue to those companies, but given the nature of the underlying assets and liabilities, and the wholly owned nature of those subsidiaries, the transferability of those Own Funds (in excess of capital requirements where applicable) is not considered to be in doubt.

Avon Insurance plc

The Own Funds of Avon Insurance plc solely comprise the excess of Assets over Liabilities represented by its accumulated retained profits, and its issued ordinary share capital of £20m, and is designated Tier One funds (any dividends declared can be cancelled at any point prior to a payment). The firm has no capital instruments other than its share capital in issue at the end of the period.

E.1.c. Own Funds covering the Solvency Capital Requirement by Tier

The Group and NFU Mutual

The Group's and NFU Mutual's Eligible Own Funds to SCR ratio at the end of the period is 218% (2022: 218%). This reflects a significant excess over the SCR and reinforces the Group's intention that it retains significant capital above the SCR to enable business to continue without significant disruption in the event of the occurrence of a significant capital stress.

All the Group's Own Funds are considered available to meet its SCR since they reflect unrestricted Tier One Capital. Furthermore, the Group remains subject to a capital restriction reflecting an excess of capital above the requirement within its ring-fenced funds which may provide further cover in the event of a capital stress within those funds.

The Group is headed by a regulated Insurance Company which calculates its SCR via the use of an Internal Model and incorporates risk modelling for its regulated subsidiaries on a look-through basis within its own calculation. As such, this ensures that all risks are captured at the consolidated level, and the double use of eligible own funds is avoided.

Avon Insurance plc

Avon Insurance plc Eligible Own Funds to SCR ratio at the end of the period is 672% (2022: 459%). This reflects a significant excess over the SCR and reinforces the firm's intention that it retains significant capital above the SCR to enable business to continue without significant disruption in the event of the occurrence of a significant capital stress.

E.1.d. Own Funds Covering the Minimum Capital Requirement by Tier

Group and NFU Mutual

All of the Group's Own Funds are considered available to meet its MCR since they reflect unrestricted Tier One Capital. Furthermore, the Group remains subject to a capital restriction reflecting an excess of capital above the requirement within its ring-fenced funds which may provide further cover in the event of a capital stress within those funds.

Avon Insurance plc

All of Avon Insurance plc's Own Funds are considered available to meet its MCR since they reflect unrestricted Tier One Capital.

E.1.e. Analysis of Differences between Own Funds and Net Assets on a Financial Reporting Basis

Group and NFU Mutual

Being a Company Limited by Guarantee, the Firm and Group have no equity instruments in issue. The only changes from Statutory Financial Statements therefore relate to the valuation changes as a result of Solvency II rules and are all contained within the Reconciliation Reserve.

The major element of the Reconciliation Reserve within the Group and NFU Mutual is the accumulated valuation differences between Solvency II and Statutory Financial Statements. The valuation basis from Statutory Financial Statements to Solvency II is showing in E.1.b.

These include both those items whereby SII calls for no value to be carried (e.g., Deferred Acquisition costs) and, more significantly, those significant changes incurred as a result of the different methods of calculating Technical Provisions. On a Statutory Accounting basis, the Group carries Technical Provisions at a level in excess of that called for by Solvency II due, in most part, to its prudent reserving. This largely reflects the fact that to carry increased Reserving Risk (via lower case estimates) and to potentially call for further capital from members in the event of under-reserving would be unwelcome as a mutual insurer.

This change in valuations is subsequently reduced by the calculation for Deferred Tax that would be payable on the 'profit' potentially released by this reduced Technical Provision.

Avon Insurance plc
Other than those shown in the table E.1.b. there are no valuation differences in respect of Avon Insurance plc's Own Funds and its reports Net Assets in its Financial Report and Accounts.

E.1.f. Nature and Amount of Basic Own funds subject to Transitional Arrangements

The Group, NFU Mutual and Avon Insurance plc have no Own Funds that are affected by transitional arrangements.

E.1.g. Nature and Amount of each Material Item of Ancillary Own Funds

The Group, NFU Mutual and Avon Insurance plc have no Ancillary Own Funds.

E.1.h. Deductions from and Restrictions on Availability and Transferability of Own Funds

At Group, NFU Mutual and Avon Insurance plc levels there are no reported material Own Funds items that suffer from a lack of fungibility or transferability.

The Group and NFU Mutual
The Own Funds reported at Group level reflect the amount remaining following a deduction for Own funds held in the Ring-Fenced Fund (Life Division) in excess of its own SCR. The Ring – Fenced Fund covers the whole of the Life business due to the inclusion of With-Profits business that is not ring–fenced from other Life Business.

The total excess of Assets over Liabilities in the Ring-Fenced Fund for the Group is approximately £1,340m (2022: £1,327m) of which £667m (2022: £675m) is subsequently deducted as being in excess of the SCR of the fund and, for the NFU Mutual £1,321m (2022: £1,310m) of which £648m (2022: £658m) is subsequently deducted as being in excess of the SCR of the fund. The Group Own Funds have been determined net of inter group transactions. There are no items within Own Funds which represent amounts not issued by the Parent.

E.2. Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

Under Solvency II regulation, we are required to determine how much capital we need to hold such that we can still pay all our liabilities in an adverse 1-in-200-year event (that is, an event that would be expected to happen only once in every 200 years). This amount is called the Solvency Capital Requirement (SCR). NFU Mutual has approval from the PRA to calculate this value for Group and NFU Mutual using an Internal Model, a model that specifically reflects our own risk profile. The model specifically reflects our own risk profile with the only component using the Standard Formula being Operational Risk.

For Avon Insurance plc, we calculate the SCR using the Standard Formula, a model calibrated by the regulator that reflects the risk profile of an average insurance firm. This is appropriate given its low materiality relative to the rest of the Group.

As we then combine the results of the Internal Model with the results of the Standard Formula, overall, we use a Partial Internal Model.

We are also required to calculate a Minimum Capital Requirement (MCR) using a method set by the regulator.

E.2.a. Amount of the SCR (unaudited) and MCR - Group and NFU Mutual

The SCR for the Group and NFU Mutual at 31 December 2023 has been assessed as £2,932m (2022: £2,797m). The Group uses the same SCR as NFU Mutual, taking advantage of a waiver from the PRA, as the minority interests consolidated within Group are deemed immaterial. This is calculated using an Internal Model, with the exception of operational risk where the Standard Formula is used. The method used to incorporate Group Undertakings is shown in QRT templates S.32.01.22.

The SCR for Avon Insurance plc (calculated using the Standard Formula) is £4.1m (2022: £5.6m).

The MCR for the Group at 31 December 2023 is £737m (2022: £703m).

The MCR for NFU Mutual at 31 December 2023 is £733m (2022: £699m).

The MCR for Avon Insurance plc at 31 December 2023 is £3.5m (2022: £3.4m).

Further details on the SCR and MCR for the Group, NFU Mutual and Avon Insurance plc can be found in the QRT templates attached to this document. Material changes are covered in section E.2.h.

QRT References

	Solvency Capital Requirement (SCR)	Minimum Capital Requirement (MCR)
Group	S.25.02.22	Not Applicable
NFU Mutual	S.25.02.21	S.28.02.01
Avon	S.25.01.21	S.28.01.01

The Solvency II regulation describes two methods for the calculation of Group SCR figures. These are:

- Method 1 – Accounting Consolidation-Based Method.
- Method 2 – Deduction and Aggregation Method.

In the context of the definitions above, the Group calculation method is a consolidated accounting (method 1), except for Avon Insurance plc which uses the deduction and aggregation method (method 2).

Given the wide variety of risk exposures of the Group, substantial diversification benefits exist and are allowed for in the capital calculation. The amount of diversification benefit between risk categories is shown in the QRT template S.25.2.22 attached to this document.

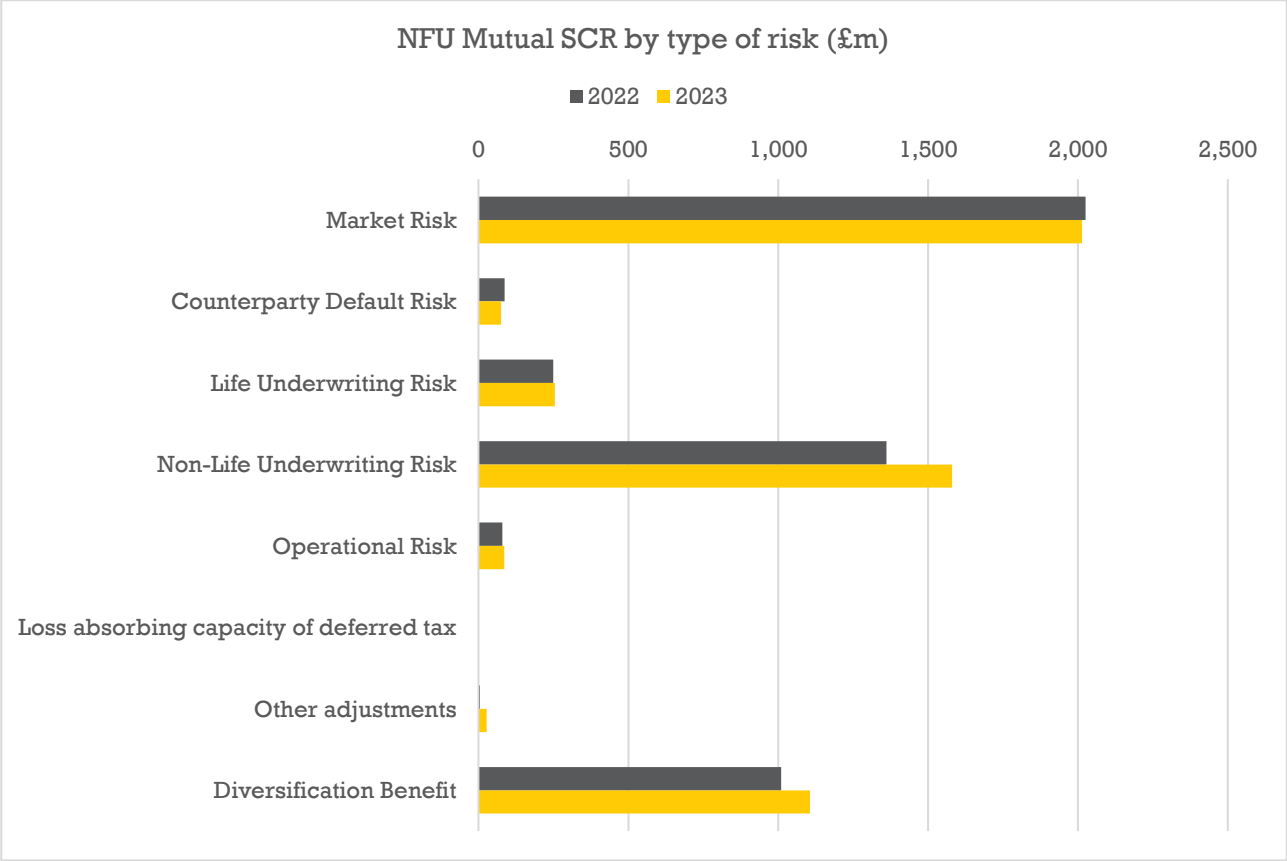
NFU Mutual does not currently claim any diversification benefit between the Life and General Insurance Funds. This diversification benefit exists, however NFU Mutual has not attempted to justify this benefit to the standards required under Solvency II. This is a known limitation of the current Group SCR calculation but is an area that NFU Mutual may revisit in the future.

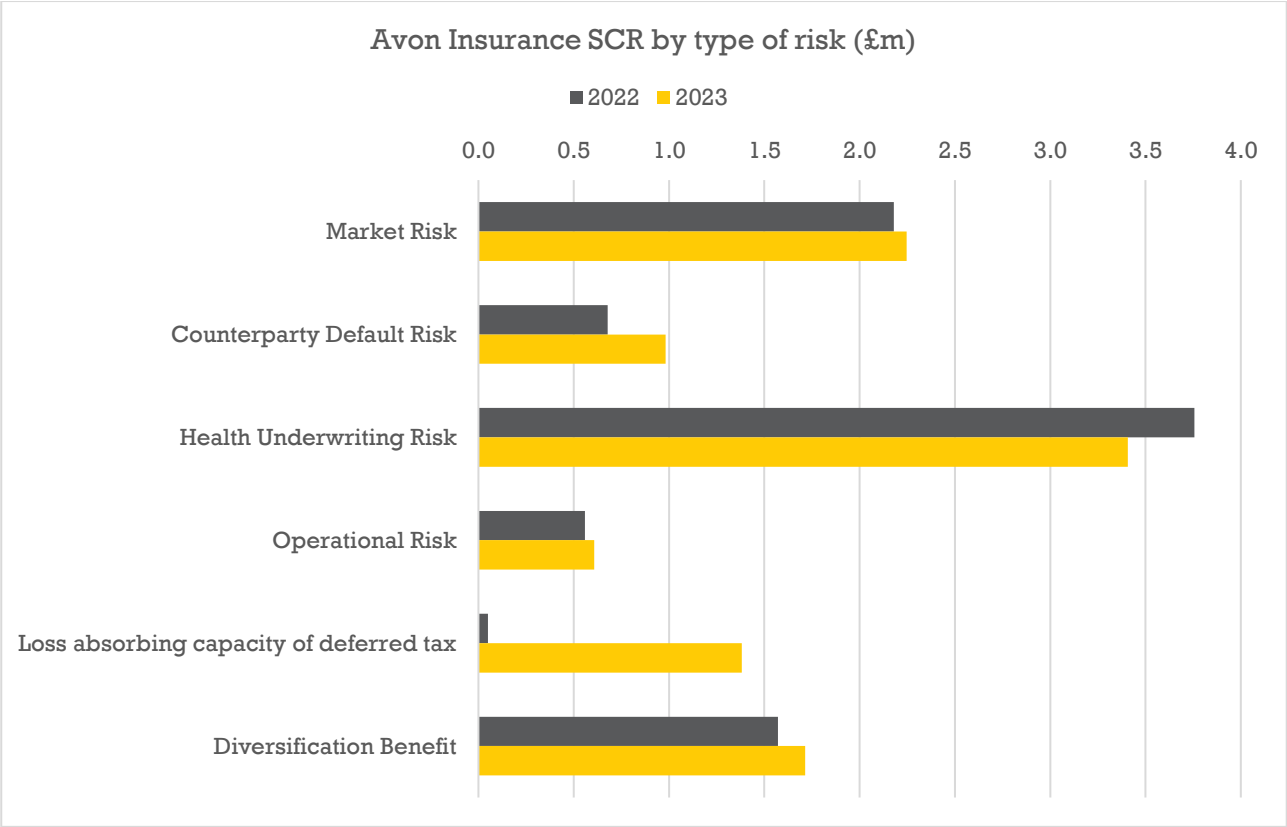
E.2.b. SCR split by Risk Category

Group and NFU Mutual

The category of risk with the most material Group capital requirements is market risk. The Group is exposed to market risk by investing in assets that are expected to generate a return for members. For Avon Insurance plc, the most significant risk category is health underwriting risk.

The charts below show the composition of the SCR for NFU Mutual and Avon Insurance plc by major risk categories:





E.2.c. Use of Simplified Calculations within the Standard Formula

Where the Standard Formula is used, simplified calculations are not applied.

E.2.d. Use of Undertaking Specific Parameters within the Standard Formula

The Group, NFU Mutual and Avon Insurance plc do not use undertaking-specific parameters to calculate the Standard Formula elements of the SCR.

E.2.e. Statement on the use of the Supervisor's Option not to Disclose Capital Add On

Not applicable in respect of the Group, NFU Mutual and Avon Insurance plc.

E.2.f. Amount of and Justification for any Capital Add On Applied by the Supervisor

Not applicable in respect of the Group, NFU Mutual and Avon Insurance plc.

E.2.g. Inputs used to calculate the MCR

Group, NFU Mutual and Avon Insurance plc

The Group calculates the Minimum Capital Requirement (MCR) as a linear function of technical provisions and the capital at risk. The technical provisions and the capital at risk are the balance sheet values at the calculation date.

The technical provisions used to calculate the MCR exclude the risk margin, are after deduction of the amounts recoverable from reinsurance contracts and are subject to a floor of zero. The MCR is subject to a cap and a floor, both of which are expressed as percentages of the Solvency Capital Requirement (SCR) at the valuation date. The percentages of the SCR which we use are the values stipulated in the Solvency II regulations.

The MCR is also subject to an absolute floor expressed in monetary terms, and for this we use the monetary value stipulated in the Solvency II regulations. As the monetary amount is expressed in euros, we convert it to pounds sterling using bid exchange rates.

E.2.h. Analysis of Material Changes in SCR (unaudited) and MCR

Group and NFU Mutual

At the Group and NFU Mutual level the SCR has increased over the reporting period. This is mainly due to higher capital requirements for insurance risks due to higher liabilities and insurance risk exposures.

The MCR also increased over the reporting period. The Minimum Capital Requirement is currently restricted to 25% of the SCR. As a result, the MCR increased for the reasons described for the SCR above.

Avon Insurance plc

In respect of Avon Insurance plc, the SCR has decreased over the reporting period. This primarily reflects an increase in the reduction made for the deferred tax liability, due to investment profits in 2023, as well as a decrease in underwriting risks as this business is in run off.

E.3. Use of a Duration Based Equity Risk Sub-Module in Calculating SCR

E.3.a. Is a Duration-Based Equity Risk Sub-Module being used? (Group and NFU Mutual: unaudited)

The Group and NFU Mutual and Avon Insurance plc do not use the duration-based equity risk sub-module for the calculation of their SCR.

E.3.b. Resulting SCR for the Duration-Based Equity Risk Sub-Module (Group and NFU Mutual: unaudited)

The Group, NFU Mutual and Avon Insurance plc do not use the duration-based equity risk sub-module for the calculation of their SCR.

E.4. Internal Model Details (unaudited)

The Group and NFU Mutual use a Partial Internal Model. Avon Insurance plc uses the Standard Formula.

E.4.a. Use of the Internal Model

The Group and NFU Mutual uses its Internal Model for the following purposes:

- Calculation of the SCR for reporting under Solvency II.
- The capital risk appetite at Group and Life Fund levels are based on the Solvency II balance sheet and hence rely on Internal Model output.
- Internal Model output is used to allocate capital for pricing purposes.
- The Internal Model is used to produce much of the content of the Own Risk and Solvency Assessment (ORSA) reporting.
- The Internal Model is used to support the General Insurance reinsurance decision making.
- The capital impacts from the Internal Model are used as part of the process of determining investment strategy.

The Group and NFU Mutual maintains business continuity plans to ensure that the Internal Model remains effective in the event of disruptive events, and internal and external changes.

E.4.b. Scope of the Internal Model by Business Units and Risk Categories

The Standard Formula is a "one size fits all" approach, and consequently it does not accurately represent NFU Mutual's risk exposure and therefore capital requirement. As a result, the Group and NFU Mutual uses a Partial Internal Model;

The main differences between the Group and NFU Mutual Partial Internal Model and the Solvency II Standard Formula are:

- The Standard Formula does not explicitly allow for the cost of guarantees associated with NFU Mutual's with-profits business. This is allowed for in the Internal Model via an allowance for equity volatility risk as described in section C2. a.i.
- The Standard Formula does not allow for the specific reserving exposures of the Group and NFU Mutual, for example those relating to exposure to the farming market. These exposures are modelled within the Partial Internal Model.

Avon Insurance plc is assessed using the Standard Formula given the low materiality of its capital requirement in comparison to the Group as a whole.

E.4.c. Integration of the Partial Internal Model into the Standard Formula

The capital requirement for those risks calculated using the Internal Model is added to the capital requirements for the components calculated via Standard Formula (Operational Risk and Avon Insurance plc). As a result of this method no allowance for diversification benefit is taken between the Internal Model and Standard Formula components.

E.4.d. Methodology for the Calculation of the Probability Distribution Forecast and the SCR

The Group and NFU Mutual calculates a notional SCR for the Life Fund. A further notional SCR is calculated for the General Insurance Fund. The Group and NFU Mutual SCR is calculated by adding together these two notional SCRs. The same approach is used if we wish to calculate capital requirements at different probability levels.

E.4.e. Methodology and Assumption Differences between the Internal Model and the Standard Formula

For Group and NFU Mutual Solvency II capital requirements are higher under the Internal Model than under the Standard Formula. A key reason is the additional risks faced by the Group and NFU Mutual which are not covered by the Standard Formula. This includes the equity volatility risk which is caused by the long term guarantees on with-profits business and due to the Standard Formula not allowing for the specific reserve exposures of NFU Mutual.

Diversification between risk categories is higher under the Internal Model. To a large extent this is a consequence of the greater capital requirements, which means there is more scope for diversification. Part of the difference also arises due to differences in assumptions between the Internal Model and the Standard Formula.

E.4.f. Risk Measure and Time Period used in the Internal Model

The risk measure and time period used in the Internal Model are the same as those set out in Article 101(3) of Directive 2009/138/EC for the Group and NFU Mutual. That is, we consider a 1-in-200 risk measure over a one-year time horizon.

E.4.g. Nature and Appropriateness of the Data used by the Internal Model

A large amount of data is required to calculate the Group and NFU Mutual SCR. Data is required both to determine the risks to which the Group and NFU Mutual are exposed over the SCR period and to inform the assumptions and judgements needed to model the capital required against these risks. The data used is from a variety of sources, both internal and external.

Solvency II requires that all data used in the Internal Model adheres to certain quality standards, based on the criteria of accuracy, completeness, and appropriateness. These standards are set out in the NFU Mutual Data Quality Policy.

NFU Mutual maintains a directory of all data used in the Internal Model, specifying the source, characteristics, and usage. Any deficiencies in the data or uncertainties over the quality of the data used are included in the data deficiency log. Such deficiencies and uncertainties are taken into account in the assumption setting and expert judgement process.

E.5. Non-Compliance with the MCR and Significant Non-Compliance with the SCR

E.5.a. Maximum Amount, Period, Origin, Consequences and Remedial Action for any Non-Compliance with the MCR during the Reporting Period

Over the reporting period, Own Funds for the Group, NFU Mutual and Avon Insurance plc exceeded the MCR at all times.

E.5.b. Amount of Non-Compliance with the MCR at the Reporting Date

Own Funds for the Group, NFU Mutual and Avon Insurance plc exceeded the MCR at the reporting date.

E.5.c. Maximum Amount, Period, Origin, Consequences and Remedial Action for any Significant Non-Compliance with the SCR during the Reporting Period

Over the reporting period, Own Funds for the Group, NFU Mutual and Avon Insurance plc exceeded their respective SCR at all times.

E.5.d. Amount of Significant Non-Compliance with the SCR at the Reporting Date

Own Funds for the Group, NFU Mutual and Avon Insurance plc exceeded the SCR at the reporting date.

E.6. Any Other Disclosures

E.6.a. Other Disclosures

None.

The National Farmers Union Mutual Insurance Society Group

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	The National Farmers Union Mutual Insurance Society Group
Group identification code	2138007R6SO8SJRB9Z36
Type of code of group	LEI
Country of the group supervisor	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 group SCR	Partial internal model
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	Use of matching adjustment
Volatility adjustment	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.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
S.22.01.22 - Impact of long term guarantees measures and transitionals
S.23.01.22 - Own Funds
S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	81,205
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	97,109
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	13,826,648
R0080	*Property (other than for own use)*	1,671,904
R0090	*Holdings in related undertakings, including participations*	7,462
R0100	*Equities*	3,543,376
R0110	*Equities - listed*	3,543,362
R0120	*Equities - unlisted*	14
R0130	*Bonds*	5,736,764
R0140	*Government Bonds*	2,031,158
R0150	*Corporate Bonds*	3,705,607
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,418,330
R0190	*Derivatives*	14,123
R0200	*Deposits other than cash equivalents*	434,690
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	3,758,569
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	148,924
R0280	*Non-life and health similar to non-life*	61,215
R0290	*Non-life excluding health*	61,306
R0300	*Health similar to non-life*	-91
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	87,709
R0320	*Health similar to life*	2,923
R0330	*Life excluding health and index-linked and unit-linked*	84,787
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	46,660
R0370	Reinsurance receivables	11,746
R0380	Receivables (trade, not insurance)	99,688
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	272,916
R0420	Any other assets, not elsewhere shown	12,402
R0500	**Total assets**	18,355,868

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,305,956
R0520	*Technical provisions - non-life (excluding health)*	2,293,273
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	2,081,564
R0550	*Risk margin*	211,709
R0560	*Technical provisions - health (similar to non-life)*	12,683
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	12,068
R0590	*Risk margin*	615
R0600	Technical provisions - life (excluding index-linked and unit-linked)	4,793,789
R0610	*Technical provisions - health (similar to life)*	9,264
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	8,794
R0640	*Risk margin*	470
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	4,784,525
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	4,764,586
R0680	*Risk margin*	19,939
R0690	Technical provisions - index-linked and unit-linked	3,572,567
R0700	*TP calculated as a whole*	3,668,667
R0710	*Best Estimate*	-102,394
R0720	*Risk margin*	6,294
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	72,610
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	28,130
R0790	Derivatives	59,135
R0800	Debts owed to credit institutions	149,214
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	22,519
R0830	Reinsurance payables	23,831
R0840	Payables (trade, not insurance)	178,362
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	70,041
R0900	**Total liabilities**	11,276,155
R1000	**Excess of assets over liabilities**	7,079,713

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		33,761	0	437,726	320,822	6,315	824,494	257,316	0	24,238	160	72,945					1,977,777
R0120	Gross - Proportional reinsurance accepted		0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share		5,903	0	20,340	14,882	71	67,530	9,551	0	17,493	1	6,115					141,887
R0200	Net	0	27,857	0	417,386	305,940	6,244	756,964	247,765	0	6,744	160	66,829					1,835,890
	Premiums earned																	
R0210	Gross - Direct Business		33,327	0	406,975	298,122	5,857	764,738	248,590	0	23,062	142	64,658					1,845,471
R0220	Gross - Proportional reinsurance accepted		0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share		11,276	0	20,340	14,882	71	67,198	10,213	0	21,242	1	6,069					151,291
R0300	Net	0	22,052	0	386,636	283,240	5,786	697,539	238,377	0	1,820	141	58,590					1,694,180
	Claims incurred																	
R0310	Gross - Direct Business		21,377	0	355,280	224,164	2,947	657,716	219,034	0	1	109	76,950					1,557,577
R0320	Gross - Proportional reinsurance accepted		0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share		972	0	14,040	6,022	-4	-4,438	28,429	0	0	0	6,029					51,050
R0400	Net	0	20,405	0	341,240	218,142	2,950	662,155	190,605	0	1	108	70,920					1,506,526
	Changes in other technical provisions																	
R0410	Gross - Direct Business		0	0	0	-7,793	0	-12,180	-3,708	0	0	0	0					-23,681
R0420	Gross - Proportional reinsurance accepted		0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share		0	0	0	0	0	0	0	0	0	0	0					0
R0500	Net	0	0	0	0	-7,793	0	-12,180	-3,708	0	0	0	0					-23,681
R0550	**Expenses incurred**	0	7,750	0	130,608	119,192	1,864	228,916	64,466	0	5,020	49	18,376					576,240
R1200	**Other expenses**																	43,189
R1300	**Total expenses**																	619,429

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
	Premiums written									
R1410	Gross	1,406	162,951	170,853	3,149	0	0	0	0	338,359
R1420	Reinsurers' share	544	2,006	0	2,582	0	0	0	0	5,132
R1500	Net	862	160,945	170,853	568	0	0	0	0	333,228
	Premiums earned									
R1510	Gross	1,406	162,951	170,853	3,149	0	0	0	0	338,359
R1520	Reinsurers' share	544	2,006	0	2,582	0	0	0	0	5,132
R1600	Net	862	160,945	170,853	568	0	0	0	0	333,228
	Claims incurred									
R1610	Gross	1,366	303,711	290,486	78,465	0	569	0	0	674,597
R1620	Reinsurers' share	1,063	2,039	0	2,930	0	569	0	0	6,601
R1700	Net	303	301,672	290,486	75,535	0	0	0	0	667,996
	Changes in other technical provisions									
R1710	Gross	0	0	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0	0	0
R1900	**Expenses incurred**	341	13,107	11,896	4,381	0	0	0	0	29,726
R2500	**Other expenses**									10,894
R2600	**Total expenses**									40,621

S.05.02.01

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,977,777						1,977,777
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted	0						0
R0140	Reinsurers' share	141,887						141,887
R0200	Net	1,835,890						1,835,890
	Premiums earned							
R0210	Gross - Direct Business	1,845,471						1,845,471
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted	0						0
R0240	Reinsurers' share	151,291						151,291
R0300	Net	1,694,180						1,694,180
	Claims incurred							
R0310	Gross - Direct Business	1,557,577						1,557,577
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted	0						0
R0340	Reinsurers' share	51,050						51,050
R0400	Net	1,506,526						1,506,526
	Changes in other technical provisions							
R0410	Gross - Direct Business	-23,681						-23,681
R0420	Gross - Proportional reinsurance accepted	0						0
R0430	Gross - Non-proportional reinsurance accepted	0						0
R0440	Reinsurers' share	0						0
R0500	Net	-23,681						-23,681
R0550	**Expenses incurred**	576,240						576,240
R1200	**Other expenses**							43,189
R1300	**Total expenses**							619,429

S.05.02.01

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

R1400		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	338,359						338,359
R1420	Reinsurers' share	5,132						5,132
R1500	Net	333,228						333,228
	Premiums earned							
R1510	Gross	338,359						338,359
R1520	Reinsurers' share	5,132						5,132
R1600	Net	333,228						333,228
	Claims incurred							
R1610	Gross	674,597						674,597
R1620	Reinsurers' share	6,601						6,601
R1700	Net	667,996						667,996
	Changes in other technical provisions							
R1710	Gross	0						0
R1720	Reinsurers' share	0						0
R1800	Net	0						0
R1900	**Expenses incurred**	29,726						29,726
R2500	**Other expenses**							10,894
R2600	**Total expenses**							40,621

S.22.01.22

Impact of long term guarantees measures and transitionals

		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
R0010	Technical provisions	10,672,313	107,180	0	35,909	49,671
R0020	Basic own funds	6,393,638	0	0	18,982	0
R0050	Eligible own funds to meet Solvency Capital Requirement	6,393,638	81,205	0	-62,223	0
R0090	Solvency Capital Requirement	2,932,279	0	0	9,421	42,962

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	1,340,094	1,340,094			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	4,991,321	4,991,321			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	81,205				81,205
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	18,982	18,982			
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	18,982	18,982	0	0	0
R0280	**Total deductions**	18,982	18,982	0	0	0
R0290	**Total basic own funds after deductions**	6,393,638	6,312,433	0	0	81,205
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	6,393,638	6,312,433	0	0	81,205
R0530	Total available own funds to meet the minimum consolidated group SCR	6,312,433	6,312,433	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	6,393,638	6,312,433	0	0	81,205
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	6,312,433	6,312,433	0	0	
R0610	**Minimum consolidated Group SCR**	736,564				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	857.01%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	6,393,638	6,312,433	0	0	81,205
R0680	**Group SCR**	2,932,279				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	218.04%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	7,079,713
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,421,299
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	667,093
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	4,991,321
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	6,950
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	133,711
R0790	**Total Expected profits included in future premiums (EPIFP)**	140,661

S.25.02.22

Solvency Capital Requirement -
for groups using the standard formula and partial internal model

USP Key	USP Key	USP Key
For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None	**For health underwriting risk:** 1 - Increase in the amount of annuity benefits 2 - Standard deviation for NSLT health premium risk 3 - Standard deviation for NSLT health gross premium risk 4 - Adjustment factor for non-proportional reinsurance 5 - Standard deviation for NSLT health reserve risk 9 - None	**For non-life underwriting risk:** 4 - Adjustment factor for non-proportional reinsurance 6 - Standard deviation for non-life premium risk 7 - Standard deviation for non-life gross premium risk 8 - Standard deviation for non-life reserve risk 9 - None

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
	C0010	C0020	C0030	C0070	C0090	C0120
1	10310I	Interest rate risk - Interest rates down more onerous.	0	0	9	9
2	10320I	Interest rates up - Interest rates up more onerous	439,248	439,248	9	9
3	10410I	Equity risk - Equity values	1,454,118	1,454,118	9	9
4	10420I	Equity risk - Equity volatility	130,140	130,140	9	9
5	10499I	Equity risk - Equity diversification	-24,550	-24,550	9	9
6	10600I	Property risk	402,664	402,664	9	9
7	10710I	Spread risk	653,866	653,866	9	9
8	10740I	Spread risk - Swap / gilt spread risk	106,819	106,819	9	9
9	10760I	Spread risk - Liability change due to matching adjustment.The amount to be shown is an	-48,022	-48,022	9	9
10	10900I	Currency risk	516,747	516,747	9	9
11	11000I	Other market risk	168,516	168,516	9	9
12	19900I	Diversification within market risk	-1,785,916	-1,785,916	9	9
13	20110I	Type 1 counterparty risk	67,273	67,273	9	9
14	20220I	Type 2 counterparty risk	8,724	8,724	9	9
15	20330I	Other counterparty risk	0	0	9	9
16	29999I	Diversification within counterparty risk	0	0	9	9
17	30100I	Mortality risk	14,313	14,313	9	9
18	30210I	Longevity risk - Longevity mis-estimation	108,056	108,056	9	9
19	30220I	Longevity risk - Longevity trend	108,928	108,928	9	9
20	30230I	Longevity risk - Longevity diversification	-40,274	-40,274	9	9
21	30300I	Disability-morbidity risk	9,121	9,121	9	9
22	30400I	Mass lapse	85,890	85,890	9	9
23	30510I	Other lapse risk - Lapse levels	53,864	53,864	9	9
24	30590I	Other lapse risk - Retirement optionality.The amount to be shown should cover any stres	33,472	33,472	9	9
25	30599I	Other lapse risk - Lapse diversification	-56,079	-56,079	9	9
26	30600I	Expense risk	133,475	133,475	9	9

S.25.02.22

Solvency Capital Requirement -
for groups using the standard formula and partial internal model

USP Key	USP Key	USP Key
For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None	**For health underwriting risk:** 1 - Increase in the amount of annuity benefits 2 - Standard deviation for NSLT health premium risk 3 - Standard deviation for NSLT health gross premium risk 4 - Adjustment factor for non-proportional reinsurance 5 - Standard deviation for NSLT health reserve risk 9 - None	**For non-life underwriting risk:** 4 - Adjustment factor for non-proportional reinsurance 6 - Standard deviation for non-life premium risk 7 - Standard deviation for non-life gross premium risk 8 - Standard deviation for non-life reserve risk 9 - None

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
27	30900I	Other life underwriting risk	0	0	9	9
28	39900I	Diversification within life underwriting risk	-196,185	-196,185	9	9
29	50150I	Premium risk	664,151	664,151	9	9
30	50210I	Reserve risk	419,965	419,965	9	9
31	50300I	Non-life catastrophe risk	883,251	883,251	9	9
32	50500I	Other non-life underwriting risk	0	0	9	9
33	59900I	Diversification within non-life underwriting risk	-386,697	-386,697	9	9
34	70100I	Operational risk : Total	86,141	0	9	9
35	80110I	Other risks - Pension scheme	0	0	9	9
36	80160I	Other risks	0	0	9	9
37	80300I	Loss-absorbing capacity of deferred tax (GI)	0	0	9	9
38	80400I	Other adjustments	27,619	-26,529	9	9

S.25.02.22

Solvency Capital Requirement - for groups using the standard formula and partial internal model

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	4,038,640
R0060	Diversification	-1,106,360
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	2,932,279
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement for undertakings under consolidated method**	2,932,279
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	-250,805
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-138,288
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	2,259,279
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	610,320
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	62,681
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	736,564
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
	Overall SCR	
R0560	SCR for undertakings included via D and A	
R0570	**Solvency capital requirement**	2,932,279

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Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	2138007R6SO8SJRB9Z36	LEI	The National Farmers Union Mutual Insurance Society Limited	Composite undertaking	Company limited by shares or by guarantee or unlimited	Mutual	PRA
2	GB	2138007R6SO8SJRB9Z36GB00001	Specific code	NFU Mutual Management Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
3	GB	213800XFUL3GDVFD4U46	LEI	Avon Insurance plc	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	PRA
4	GB	2138007R6SO8SJRB9Z36GB00003	Specific code	Hathaway Property Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
5	GB	2138007R6SO8SJRB9Z36GB00004	Specific code	Harvester Properties Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
6	JE	2138007R6SO8SJRB9Z36GG00006	Specific code	Islands Insurance Brokers Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	GFSC
7	GG	2138007R6SO8SJRB9Z36GG00007	Specific code	Islands Insurance Holdings Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
8	GG	2138007R6SO8SJRB9Z36JE00008	Specific code	Islands Insurance Managers Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
9	GG	2138007R6SO8SJRB9Z36GG00009	Specific code	Lancaster Court Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
10	JE	2138007R6SO8SJRB9Z36JE00010	Specific code	M J Touzel Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	JFSC
11	GB	213800UTILPJXXGYHN52	LEI	NFU Mutual Investment Services Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	FCA
12	GB	2138007R6SO8SJRB9Z36GB00013	Specific code	NFU Mutual Service Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
13	GB	2138007R6SO8SJRB9Z36GB00014	Specific code	Tiddington Finance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
14	GB	213800EHDCBNHJOTPE34	LEI	NFU Mutual Unit Managers Limited	UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	FCA
15	GB	2138007R6SO8SJRB9Z36GB00015	Specific code	NFU Mutual Risk Management Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
16	GB	2138007R6SO8SJRB9Z36GB00016	Specific code	NFU Mutual Finance Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
17	GB	2138007R6SO8SJRB9Z36GB00017	Specific code	Hathaway Opportunity Fund Unit Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
18	GB	2138007R6SO8SJRB9Z36GB00018	Specific code	Salmon Harvester Properties Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	

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Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	2138007R6SO8SJRB9Z36	LEI	The National Farmers Union Mutual Insurance Society Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	2138007R6SO8SJRB9Z36GB00001	Specific code	NFU Mutual Management Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
3	GB	213800XFUL3GDVFD4U46	LEI	Avon Insurance plc	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	2138007R6SO8SJRB9Z36GB00003	Specific code	Hathaway Property Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
5	GB	2138007R6SO8SJRB9Z36GB00004	Specific code	Harvester Properties Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
6	JE	2138007R6SO8SJRB9Z36GG00006	Specific code	Islands Insurance Brokers Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
7	GG	2138007R6SO8SJRB9Z36GG00007	Specific code	Islands Insurance Holdings Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
8	GG	2138007R6SO8SJRB9Z36JE00008	Specific code	Islands Insurance Managers Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
9	GG	2138007R6SO8SJRB9Z36GG00009	Specific code	Lancaster Court Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
10	JE	2138007R6SO8SJRB9Z36JE00010	Specific code	M J Touzel Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
11	GB	213800UTILPJXXGYHN52	LEI	NFU Mutual Investment Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
12	GB	2138007R6SO8SJRB9Z36GB00013	Specific code	NFU Mutual Service Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
13	GB	2138007R6SO8SJRB9Z36GB00014	Specific code	Tiddington Finance Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
14	GB	213800EHDCBNHJOTPE34	LEI	NFU Mutual Unit Managers Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
15	GB	2138007R6SO8SJRB9Z36GB00015	Specific code	NFU Mutual Risk Management Services Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
16	GB	2138007R6SO8SJRB9Z36GB00016	Specific code	NFU Mutual Finance Limited	50.00%	50.00%	50.00%		Significant	50.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
17	GB	2138007R6SO8SJRB9Z36GB00017	Specific code	Hathaway Opportunity Fund Unit Trust	99.79%	100.00%	99.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
18	GB	2138007R6SO8SJRB9Z36GB00018	Specific code	Salmon Harvester Properties Limited	50.00%	50.00%	50.00%		Dominant	50.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
19	GB	21380019SIIR265AOO81	LEI	NFU Mutual Select Investments Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	FCA
20	GB	2138007R6SO8SJRB9Z36GB00019	Specific code	Tiddington nominees limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
21	GB	2138007R6SO8SJRB9Z36GB00020	Specific code	NFUM Trustee Ltd	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
22	GB	2138007R6SO8SJRB9Z36GB00021	Specific code	The Oaks property Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Unincorporated Trust	Non-mutual	
23	GB	APACHE001	Specific code	ACP (BTR Prime 1) LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
24	GB	AVER001	Specific code	Aver Property Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
25	GB	2138007R6SO8SJRB9Z36GB00022	Specific code	ACP (BTR Prime III) LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
26	GB	2138007R6SO8SJRB9Z36GB00023	Specific code	NFUM Global Real Estate LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
27	JE	2138007R6SO8SJRB9Z36GB00024	Specific code	Hepburns Insurance (Jersey) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	
28	GG	2138007R6SO8SJRB9Z36GB00025	Specific code	Hepburns Insurance (Guernsey) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
19	GB	21380019SIIR265AOO81	LEI	NFU Mutual Select Investments Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
20	GB	2138007R6SO8SJRB9Z36GB00019	Specific code	Tiddington nominees limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
21	GB	2138007R6SO8SJRB9Z36GB00020	Specific code	NFUM Trustee Ltd	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
22	GB	2138007R6SO8SJRB9Z36GB00021	Specific code	The Oaks property Trust	80.00%	80.00%	50.00%		Significant	80.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
23	GB	APACHE001	Specific code	ACP (BTR Prime 1) LP	80.00%	50.00%	50.00%		Significant	80.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
24	GB	AVER001	Specific code	Aver Property Limited Partnership	99.67%	99.67%	100.00%		Significant	99.67%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
25	GB	2138007R6SO8SJRB9Z36GB00022	Specific code	ACP (BTR Prime III) LP	80.00%	50.00%	50.00%		Significant	80.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
26	GB	2138007R6SO8SJRB9Z36GB00023	Specific code	NFUM Global Real Estate LP	100.00%	100.00%	100.00%		Significant	100.00%	Not included in the scope (art. 214 c)		Method 1: Full consolidation
27	JE	2138007R6SO8SJRB9Z36GB00024	Specific code	Hepburns Insurance (Jersey) Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 c)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
28	GG	2138007R6SO8SJRB9Z36GB00025	Specific code	Hepburns Insurance (Guernsey) Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Not included in the scope (art. 214 b)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC

The National Farmers Union Mutual Insurance Society Limited

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	The National Farmers Union Mutual Insurance Society Limited
Undertaking identification code	2138007R6SO8SJRB9Z36
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity - article 73 (5)
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	Partial internal model
Matching adjustment	Use of matching adjustment
Volatility adjustment	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.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
S.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.22.01.21 - Impact of long term guarantees measures and transitionals
S.23.01.01 - Own Funds
S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	81,205
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	97,109
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	13,738,014
R0080	*Property (other than for own use)*	1,142,331
R0090	*Holdings in related undertakings, including participations*	499,458
R0100	*Equities*	3,543,376
R0110	*Equities - listed*	3,543,362
R0120	*Equities - unlisted*	14
R0130	*Bonds*	5,715,967
R0140	*Government Bonds*	2,023,232
R0150	*Corporate Bonds*	3,692,735
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,417,222
R0190	*Derivatives*	14,123
R0200	*Deposits other than cash equivalents*	405,536
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	3,758,569
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	146,872
R0280	*Non-life and health similar to non-life*	59,163
R0290	*Non-life excluding health*	60,047
R0300	*Health similar to non-life*	-885
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	87,709
R0320	*Health similar to life*	2,923
R0330	*Life excluding health and index-linked and unit-linked*	84,787
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	46,036
R0370	Reinsurance receivables	11,738
R0380	Receivables (trade, not insurance)	75,551
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	177,415
R0420	Any other assets, not elsewhere shown	14,781
R0500	**Total assets**	18,147,291

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,301,149
R0520	*Technical provisions - non-life (excluding health)*	2,291,832
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	2,080,227
R0550	*Risk margin*	211,606
R0560	*Technical provisions - health (similar to non-life)*	9,316
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	8,891
R0590	*Risk margin*	425
R0600	Technical provisions - life (excluding index-linked and unit-linked)	4,793,789
R0610	*Technical provisions - health (similar to life)*	9,264
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	8,794
R0640	*Risk margin*	470
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	4,784,525
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	4,764,586
R0680	*Risk margin*	19,939
R0690	Technical provisions - index-linked and unit-linked	3,572,567
R0700	*TP calculated as a whole*	3,668,667
R0710	*Best Estimate*	-102,394
R0720	*Risk margin*	6,294
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	72,595
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	27,992
R0790	Derivatives	59,135
R0800	Debts owed to credit institutions	39,172
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	22,421
R0830	Reinsurance payables	23,707
R0840	Payables (trade, not insurance)	93,233
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	99,935
R0900	**Total liabilities**	11,105,695
R1000	**Excess of assets over liabilities**	7,041,596

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		17,755		437,200	320,822	6,315	824,494	257,140	0	24,238	160	72,824					1,960,948
R0120	Gross - Proportional reinsurance accepted		2		526	0	0	0	176	0	0	0	121					825
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share		2		20,340	14,882	71	67,530	9,551	0	17,493	1	6,115					135,986
R0200	Net		17,754		417,386	305,940	6,244	756,964	247,764	0	6,744	160	66,829					1,825,786
	Premiums earned																	
R0210	Gross - Direct Business		17,249		406,449	298,122	5,857	764,738	248,405	0	23,062	141	64,548					1,828,571
R0220	Gross - Proportional reinsurance accepted		1		527	0	0	0	184	0	0	0	111					822
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share		5,349		20,340	14,882	71	67,198	10,213	0	21,242	1	6,069					145,365
R0300	Net		11,902		386,636	283,240	5,786	697,539	238,376	0	1,820	141	58,590					1,684,029
	Claims incurred																	
R0310	Gross - Direct Business		18,890		356,023	224,164	2,947	657,688	214,956	0	1	109	76,950					1,551,726
R0320	Gross - Proportional reinsurance accepted		0		173	0	0	0	2,849	0	0	0	130					3,152
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share		0		14,961	6,022	-4	-4,455	27,202	0	0	0	6,159					49,886
R0400	Net		18,890		341,235	218,142	2,950	662,143	190,603	0	1	108	70,920					1,504,993
	Changes in other technical provisions																	
R0410	Gross - Direct Business		0		0	-7,793	0	-12,180	-3,708	0	0	0	0					-23,681
R0420	Gross - Proportional reinsurance accepted		0		0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share		0		0	0	0	0	0	0	0	0	0					0
R0500	Net		0		0	-7,793	0	-12,180	-3,708	0	0	0	0					-23,681
R0550	**Expenses incurred**		5,129		130,548	119,192	1,864	228,776	64,679	0	5,020	49	18,360					573,618
R1200	**Other expenses**																	43,063
R1300	**Total expenses**																	616,682

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
	Premiums written									
R1410	Gross	1,406	162,951	170,853	3,149		0	0	0	338,359
R1420	Reinsurers' share	544	2,006	0	2,582		0	0	0	5,132
R1500	Net	862	160,945	170,853	568		0	0	0	333,228
	Premiums earned									
R1510	Gross	1,406	162,951	170,853	3,149		0	0	0	338,359
R1520	Reinsurers' share	544	2,006	0	2,582		0	0	0	5,132
R1600	Net	862	160,945	170,853	568		0	0	0	333,228
	Claims incurred									
R1610	Gross	1,366	303,711	290,486	78,465		569	0	0	674,597
R1620	Reinsurers' share	1,063	2,039	0	2,930		569	0	0	6,601
R1700	Net	303	301,672	290,486	75,535		0	0	0	667,996
	Changes in other technical provisions									
R1710	Gross	0	0	0	0		0	0	0	0
R1720	Reinsurers' share	0	0	0	0		0	0	0	0
R1800	Net	0	0	0	0		0	0	0	0
R1900	**Expenses incurred**	341	13,107	11,896	4,381		0	0	0	29,726
R2500	**Other expenses**									10,894
R2600	**Total expenses**									40,621

S.05.02.01

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,960,948						1,960,948
R0120	Gross - Proportional reinsurance accepted	825						825
R0130	Gross - Non-proportional reinsurance accepted	0						0
R0140	Reinsurers' share	135,986						135,986
R0200	Net	1,825,786						1,825,786
	Premiums earned							
R0210	Gross - Direct Business	1,828,571						1,828,571
R0220	Gross - Proportional reinsurance accepted	822						822
R0230	Gross - Non-proportional reinsurance accepted	0						0
R0240	Reinsurers' share	145,365						145,365
R0300	Net	1,684,029						1,684,029
	Claims incurred							
R0310	Gross - Direct Business	1,551,726						1,551,726
R0320	Gross - Proportional reinsurance accepted	3,152						3,152
R0330	Gross - Non-proportional reinsurance accepted	0						0
R0340	Reinsurers' share	49,886						49,886
R0400	Net	1,504,993						1,504,993
	Changes in other technical provisions							
R0410	Gross - Direct Business	-23,681						-23,681
R0420	Gross - Proportional reinsurance accepted	0						0
R0430	Gross - Non-proportional reinsurance accepted	0						0
R0440	Reinsurers' share	0						0
R0500	Net	-23,681						-23,681
R0550	**Expenses incurred**	573,618						573,618
R1200	**Other expenses**							43,063
R1300	**Total expenses**							616,682

S.05.02.01

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

R1400		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	338,359						338,359
R1420	Reinsurers' share	5,132						5,132
R1500	Net	333,228						333,228
	Premiums earned							
R1510	Gross	338,359						338,359
R1520	Reinsurers' share	5,132						5,132
R1600	Net	333,228						333,228
	Claims incurred							
R1610	Gross	674,597						674,597
R1620	Reinsurers' share	6,601						6,601
R1700	Net	667,996						667,996
	Changes in other technical provisions							
R1710	Gross	0						0
R1720	Reinsurers' share	0						0
R1800	Net	0						0
R1900	**Expenses incurred**	29,726						29,726
R2500	**Other expenses**							10,894
R2600	**Total expenses**							40,621

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance 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)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		3,668,667			0				0	3,668,667						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole					0				0	0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	3,881,603		-70,217	-878		831,998		86,250	0	4,728,755		8,794				8,794
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		17,862		66,924	0	84,787		2,923				2,923
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	3,881,603		-70,217	-878		814,136	0	19,325	0	4,643,969		5,872	0		0	5,872
R0100	**Risk margin**	31,075	13,791			17,543			3,050	0	65,459	1,590					1,590
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	0	0								0						0
R0120	Best estimate	-30,304		-31,156	-143		-4,960				-66,564		0				0
R0130	Risk margin	-21,927	-7,497			-9,802					-39,226	-1,120					-1,120
R0200	**Technical provisions - total**	3,860,447	3,572,567			834,778			89,300	0	8,357,092	9,264				0	9,264

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0		0	0	0	0	0	0	0	0	0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		0		0	0	0	0	0	0	0	0	0					0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		-581		41,612	31,615	-197	100,119	-8,987	0	-7,814	-4	9,790					165,553
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-1,045		-16,679	-749	-371	-15,257	-4,354	0	-4,482	-9	-1,926					-44,871
R0150	**Net Best Estimate of Premium Provisions**		464		58,291	32,364	174	115,376	-4,633	0	-3,333	5	11,716					210,424
	Claims provisions																	
R0160	Gross		9,471		579,655	27,470	858	518,791	725,133	0	0	10	62,175					1,923,564
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		160		45,459	164	14	11,670	41,433	0	0	0	5,133					104,034
R0250	**Net Best Estimate of Claims Provisions**		9,311		534,196	27,306	845	507,121	683,699	0	0	10	57,042					1,819,530
R0260	**Total best estimate - gross**		8,891		621,267	59,084	661	618,911	716,146	0	-7,814	7	71,965					2,089,118
R0270	**Total best estimate - net**		9,775		592,487	59,670	1,019	622,497	679,066	0	-3,333	15	68,758					2,029,955
R0280	**Risk margin**		425		47,621	2,774	38	26,994	131,500	0	0	0	2,676					212,031
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**		9,316		668,888	61,859	700	645,905	847,646	0	-7,814	7	74,641					2,301,149
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		-885		28,780	-585	-357	-3,586	37,079	0	-4,482	-8	3,207					59,163
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		10,201		640,108	62,444	1,057	649,492	810,567	0	-3,333	16	71,434					2,241,986

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											16,354	16,354	16,354
R0160	-9	352,691	209,266	63,174	45,624	24,956	10,570	6,027	5,006	617	1,506		1,506	719,437
R0170	-8	340,336	233,008	68,652	61,702	32,168	8,864	4,478	2,172	1,402			1,402	752,781
R0180	-7	361,187	229,350	73,123	38,289	24,355	17,554	7,813	6,432				6,432	758,103
R0190	-6	379,466	230,169	72,387	52,333	32,846	26,167	12,599					12,599	805,967
R0200	-5	499,187	257,134	76,449	55,680	34,744	21,738						21,738	944,931
R0210	-4	453,639	253,228	91,709	60,380	47,466							47,466	906,422
R0220	-3	473,498	290,543	82,690	56,960								56,960	903,691
R0230	-2	442,562	347,189	102,625									102,625	892,377
R0240	-1	562,036	352,934										352,934	914,970
R0250	0	548,127											548,127	548,127
R0260												**Total**	1,168,142	8,163,160

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											271,403	191,757
R0160	-9	0	0	145,194	69,420	31,336	21,069	16,264	14,118	13,208	12,696		9,548
R0170	-8	0	288,137	170,832	72,139	43,401	38,672	16,953	14,688	14,210			11,020
R0180	-7	532,737	253,275	127,051	59,384	40,081	28,613	25,091	23,404				19,653
R0190	-6	555,748	249,637	161,865	103,774	80,739	26,031	18,263					14,919
R0200	-5	522,866	225,635	140,152	91,471	61,009	44,415						39,457
R0210	-4	503,902	230,699	158,857	90,622	58,627							52,961
R0220	-3	513,352	260,473	216,932	158,384								146,596
R0230	-2	674,332	353,895	274,070									255,768
R0240	-1	719,217	396,844										372,372
R0250	0	855,931											809,512
R0260												**Total**	1,923,564

S.22.01.21

Impact of long term guarantees measures and transitionals

		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
R0010	Technical provisions	10,667,505	106,910	0	35,909	49,671
R0020	Basic own funds	6,393,638	0	0	0	0
R0050	Eligible own funds to meet Solvency Capital Requirement	6,393,638	0	0	0	0
R0090	Solvency Capital Requirement	2,932,279	0	0	9,421	42,962
R0100	Eligible own funds to meet Minimum Capital Requirement	6,312,433	0	0	0	0
R0110	Minimum Capital Requirement	733,070	0	0	2,355	10,740

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		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	1,320,959	1,320,959			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	4,991,474	4,991,474			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	81,205				81,205
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	6,393,638	6,312,433	0	0	81,205
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	6,393,638	6,312,433	0	0	81,205
R0510	Total available own funds to meet the MCR	6,312,433	6,312,433	0	0	
R0540	Total eligible own funds to meet the SCR	6,393,638	6,312,433	0	0	81,205
R0550	Total eligible own funds to meet the MCR	6,312,433	6,312,433	0	0	
R0580	**SCR**	2,932,279				
R0600	**MCR**	733,070				
R0620	**Ratio of Eligible own funds to SCR**	218.04%				
R0640	**Ratio of Eligible own funds to MCR**	861.10%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	7,041,596				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	1,402,164				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	647,958				
R0760	**Reconciliation reserve**	4,991,474				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	6,950				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	133,711				
R0790	**Total Expected profits included in future premiums (EPIFP)**	140,661				

S.25.02.21

Solvency Capital Requirement -
for undertakings using the standard formula and partial internal model

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

USP Key

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

USP Key

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

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
	C0010	C0020	C0030	C0070	C0090	C0120
1	10310I	Interest rate risk - Interest rates down more onerous.	0	0	9	9
2	10320I	Interest rates up - Interest rates up more onerous	439,248	439,248	9	9
3	10410I	Equity risk - Equity values	1,454,118	1,454,118	9	9
4	10420I	Equity risk - Equity volatility	130,140	130,140	9	9
5	10499I	Equity risk - Equity diversification	-24,550	-24,550	9	9
6	10600I	Property risk	402,664	402,664	9	9
7	10710I	Spread risk	653,866	653,866	9	9
8	10740I	Spread risk - Swap / gilt spread risk	106,819	106,819	9	9
9	10760I	Spread risk - Liability change due to matching adjustment.The amount to be shown is an	-48,022	-48,022	9	9
10	10900I	Currency risk	516,747	516,747	9	9
11	11000I	Other market risk	168,516	168,516	9	9
12	19900I	Diversification within market risk	-1,785,916	-1,785,916	9	9
13	20110I	Type 1 counterparty risk	67,273	67,273	9	9
14	20220I	Type 2 counterparty risk	8,724	8,724	9	9
15	20330I	Other counterparty risk	0	0	9	9
16	29999I	Diversification within counterparty risk	0	0	9	9
17	30100I	Mortality risk	14,313	14,313	9	9
18	30210I	Longevity risk - Longevity mis-estimation	108,056	108,056	9	9
19	30220I	Longevity risk - Longevity trend	108,928	108,928	9	9
20	30230I	Longevity risk - Longevity diversification	-40,274	-40,274	9	9
21	30300I	Disability-morbidity risk	9,121	9,121	9	9
22	30400I	Mass lapse	85,890	85,890	9	9
23	30510I	Other lapse risk - Lapse levels	53,864	53,864	9	9
24	30590I	Other lapse risk - Retirement optionality.The amount to be shown should cover any stres	33,472	33,472	9	9
25	30599I	Other lapse risk - Lapse diversification	-56,079	-56,079	9	9
26	30600I	Expense risk	133,475	133,475	9	9
27	30900I	Other life underwriting risk	0	0	9	9

S.25.02.21

Solvency Capital Requirement -
for undertakings using the standard formula and partial internal model

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

USP Key

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

USP Key

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
28	39900I	Diversification within life underwriting risk	-196,185	-196,185	9	9
29	50150I	Premium risk	664,151	664,151	9	9
30	50210I	Reserve risk	419,965	419,965	9	9
31	50300I	Non-life catastrophe risk	883,251	883,251	9	9
32	50500I	Other non-life underwriting risk	0	0	9	9
33	59900I	Diversification within non-life underwriting risk	-386,697	-386,697	9	9
34	70100I	Operational risk : Total	86,141	0	9	9
35	80110I	Other risks - Pension scheme	0	0	9	9
36	80160I	Other risks	0	0	9	9
37	80300I	Loss-absorbing capacity of deferred tax (GI)	0	0	9	9
38	80400I	Other adjustments	27,619	-26,529	9	9

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	4,038,640
R0060	Diversification	-1,106,360
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	2,932,279
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	2,932,279

	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	-250,805
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-138,288
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	2,259,279
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	610,320
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	62,681
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	Amount/estimate of LAC DT	-138,288
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	-138,288
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	0
R0670	Amount/estimate of AC DT justified by carry back, current year	0
R0680	Amount/estimate of LAC DT justified by carry back, future years	0
R0690	Amount/estimate of Maximum LAC DT	-138,288

S.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activitie	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
R0010	**Linear formula component for non-life insurance and reinsurance obligations**	359,911	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	0	0		
R0030	Income protection insurance and proportional reinsurance	9,775	17,754		
R0040	Workers' compensation insurance and proportional reinsurance	0	0		
R0050	Motor vehicle liability insurance and proportional reinsurance	592,487	417,574		
R0060	Other motor insurance and proportional reinsurance	59,670	305,753		
R0070	Marine, aviation and transport insurance and proportional reinsurance	1,019	6,244		
R0080	Fire and other damage to property insurance and proportional reinsurance	622,497	756,364		
R0090	General liability insurance and proportional reinsurance	679,066	247,998		
R0100	Credit and suretyship insurance and proportional reinsurance	0	0		
R0110	Legal expenses insurance and proportional reinsurance	0	6,744		
R0120	Assistance and proportional reinsurance	15	160		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	68,758	67,196		
R0140	Non-proportional health reinsurance	0	0		
R0150	Non-proportional casualty reinsurance	0	0		
R0160	Non-proportional marine, aviation and transport reinsurance	0	0		
R0170	Non-proportional property reinsurance	0	0		

		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
R0200	**Linear formula component for life insurance and reinsurance obligations**	406	36,038

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits			2,174,617	
R0220	Obligations with profit participation - future discretionary benefits			1,686,022	
R0230	Index-linked and unit-linked insurance obligations			3,582,001	
R0240	Other life (re)insurance and health (re)insurance obligations	19,325		813,633	
R0250	Total capital at risk for all life (re)insurance obligations				1,557,279

	Overall MCR calculation	C0130
R0300	Linear MCR	396,355
R0310	SCR	2,932,279
R0320	MCR cap	1,319,526
R0330	MCR floor	733,070
R0340	Combined MCR	733,070
R0350	Absolute floor of the MCR	6,989
R0400	**Minimum Capital Requirement**	733,070

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	360,316	36,038
R0510	Notional SCR excluding add-on (annual or latest calculation)	2,665,665	266,614
R0520	Notional MCR cap	1,199,549	119,976
R0530	Notional MCR floor	666,416	66,654
R0540	Notional combined MCR	666,416	66,654
R0550	Absolute floor of the notional MCR	3,495	3,495
R0560	**Notional MCR**	666,416	66,654

Avon Insurance PLC

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	Avon Insurance PLC
Undertaking identification code	213800XFUL3GDVFD4U46
Type of code of undertaking	LEI
Type of undertaking	Non-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	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

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
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	33,950
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	20,797
R0140	*Government Bonds*	7,926
R0150	*Corporate Bonds*	12,871
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	13,153
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	17,792
R0280	*Non-life and health similar to non-life*	17,792
R0290	*Non-life excluding health*	16,999
R0300	*Health similar to non-life*	793
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	62
R0370	Reinsurance receivables	8
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,898
R0420	Any other assets, not elsewhere shown	2
R0500	**Total assets**	54,711

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	20,549
R0520	*Technical provisions - non-life (excluding health)*	17,182
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	17,078
R0550	*Risk margin*	104
R0560	*Technical provisions - health (similar to non-life)*	3,367
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	3,177
R0590	*Risk margin*	190
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	15
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	138
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	98
R0830	Reinsurance payables	124
R0840	Payables (trade, not insurance)	280
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	5,620
R0900	**Total liabilities**	26,824
R1000	**Excess of assets over liabilities**	27,887

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		16,006		526	0	0	0	176		0	0	121					16,830
R0120	Gross - Proportional reinsurance accepted		0		0	0	0	0	0		0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share		5,903		526	0	0	0	176		0	0	121					6,726
R0200	Net		10,103		0	0	0	0	1		0	0	0					10,104
	Premiums earned																	
R0210	Gross - Direct Business		16,078		527	0	0	0	184		0	0	111					16,900
R0220	Gross - Proportional reinsurance accepted		0		0	0	0	0	0		0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share		5,928		527	0	0	0	184		0	0	111					6,749
R0300	Net		10,150		0	0	0	0	1		0	0	0					10,151
	Claims incurred																	
R0310	Gross - Direct Business		2,487		394	0	0	28	4,078		0	0	0					6,988
R0320	Gross - Proportional reinsurance accepted		0		0	0	0	0	0		0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share		972		389	0	0	17	4,076		0	0	0					5,454
R0400	Net		1,515		5	0	0	11	2		0	0	0					1,534
	Changes in other technical provisions																	
R0410	Gross - Direct Business		0		0	0	0	0	0		0	0	0					0
R0420	Gross - Proportional reinsurance accepted		0		0	0	0	0	0		0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share		0		0	0	0	0	0		0	0	0					0
R0500	Net		0		0	0	0	0	0		0	0	0					0
R0550	**Expenses incurred**		2,620		60	0	0	140	-214		0	0	16					2,622
R1200	**Other expenses**																	125
R1300	**Total expenses**																	2,747

S.05.02.01

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	16,830						16,830
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted	0						0
R0140	Reinsurers' share	6,726						6,726
R0200	Net	10,104						10,104
	Premiums earned							
R0210	Gross - Direct Business	16,900						16,900
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted	0						0
R0240	Reinsurers' share	6,749						6,749
R0300	Net	10,151						10,151
	Claims incurred							
R0310	Gross - Direct Business	6,988						6,988
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted	0						0
R0340	Reinsurers' share	5,454						5,454
R0400	Net	1,534						1,534
	Changes in other technical provisions							
R0410	Gross - Direct Business	0						0
R0420	Gross - Proportional reinsurance accepted	0						0
R0430	Gross - Non-proportional reinsurance accepted	0						0
R0440	Reinsurers' share	0						0
R0500	Net	0						0
R0550	**Expenses incurred**	2,622						2,622
R1200	**Other expenses**							125
R1300	**Total expenses**							2,747

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0		0	0	0	0	0		0	0	0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		180		0	0	0	-1	-375		0	0	0					-197
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		30		0	0		-1	-375									-347
R0150	**Net Best Estimate of Premium Provisions**		151		0	0	0	0	0		0	0	0					150
	Claims provisions																	
R0160	Gross		2,996		19	12	0	64	17,361		0	0	0					20,452
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		764		19	12		64	17,282									18,140
R0250	**Net Best Estimate of Claims Provisions**		2,233		0	0	0	0	79		0	0	0					2,312
R0260	**Total best estimate - gross**		3,177		18	12	0	63	16,985		0	0	0					20,255
R0270	**Total best estimate - net**		2,383		0	0	0	0	79		0	0	0					2,462
R0280	**Risk margin**		190		0	0	0	0	103		0	0	0					294
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**		3,367		19	12	0	63	17,088		0	0	0					20,549
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		793		18	12	0	62	16,906		0	0	0					17,792
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		2,573		0	0	0	1	182		0	0	0					2,756

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											1,013	1,013	1,013
R0160	-9	2,686	1,862	79	598	44	8	40	8	110	2		2	5,436
R0170	-8	2,359	1,520	511	156	74	91	0	1	20			20	4,733
R0180	-7	2,482	1,729	715	439	278	55	0	5				5	5,702
R0190	-6	991	1,441	513	196	74	65	23					23	3,303
R0200	-5	1,244	1,378	323	99	49	19						19	3,112
R0210	-4	1,026	1,187	233	86	83							83	2,615
R0220	-3	1,045	1,305	768	161								161	3,279
R0230	-2	745	1,455	433									433	2,633
R0240	-1	945	1,505										1,505	2,450
R0250	0	935											935	935
R0260												Total	4,198	35,211

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											22,000	17,519
R0160	-9	0	0	687	301	-6	44	8	73	16	24		22
R0170	-8	0	919	411	373	119	48	74	33	20			19
R0180	-7	2,507	815	315	209	179	61	17	9				9
R0190	-6	1,747	735	559	230	192	46	14					14
R0200	-5	2,208	826	364	73	0	111						106
R0210	-4	1,806	697	298	50	24							26
R0220	-3	1,911	588	256	26								26
R0230	-2	1,828	1,005	296									283
R0240	-1	1,906	524										516
R0250	0	2,009											1,913
R0260												Total	20,452

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	20,000	20,000		0	
R0030	Share premium account related to ordinary share capital	0	0		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	7,887	7,887			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	27,887	27,887	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	27,887	27,887	0	0	0
R0510	Total available own funds to meet the MCR	27,887	27,887	0	0	
R0540	Total eligible own funds to meet the SCR	27,887	27,887	0	0	0
R0550	Total eligible own funds to meet the MCR	27,887	27,887	0	0	
R0580	**SCR**	4,148				
R0600	**MCR**	3,495				
R0620	**Ratio of Eligible own funds to SCR**	672.39%				
R0640	**Ratio of Eligible own funds to MCR**	798.01%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	27,887				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	20,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	7,887				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	0				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,247		
R0020	Counterparty default risk	983		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,407		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-1,714		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	4,922		

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	608
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-1,383
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	4,148
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	4,148

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	-1,383
R0650	LAC DT justified by reversion of deferred tax liabilities	-1,383
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-1,383

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	1,179

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	2,383	10,103
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	79	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	1,179
R0310	SCR	4,148
R0320	MCR cap	1,866
R0330	MCR floor	1,037
R0340	Combined MCR	1,179
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	3,495