



# **AXA Insurance dac Solvency & Financial Condition Report YE2016**

AXA Insurance dac is regulated by the Central Bank of Ireland

**redefining / standards**



## **SOLVENCY AND FINANCIAL CONDITION REPORT 2016**

This report is the Solvency and Financial Condition Report (SFCR) of AXA Insurance dac for the reporting period ended December 31, 2016, pursuant to article 51 of the Directive 2009/138/EC and articles 290 to 298 of the Delegated Regulation 2015/35 and is approved by the Board of AXA Insurance dac .

### **CERTAIN PRELIMINARY INFORMATION ABOUT THIS SFCR REPORT**

#### **Presentation of the information**

In this Report unless provided otherwise, (i) the "Company", "AXA" refer to AXA Insurance dac, (ii) "AXA SA", AXA Group refers to a **société anonyme** organised under the laws of France, which is the publicly traded parent Company of the AXA Group

# SUMMARY

In recent years, the European Union has developed a new regulatory regime for European insurers which became effective on January 1, 2016, following the adoption of the 2009 Solvency II Directive on the taking-up and pursuit of the business of insurance and reinsurance, as amended in 2014 by the 2014/51/EU Directive ("Omnibus II"). The regime is designed to implement solvency requirements that better reflect the risks that insurance companies face and deliver a supervisory system that is consistent across all European member States. The Solvency II framework is based on three main pillars: (1) Pillar 1 consists of the quantitative requirements around own funds, valuation rules for assets and liabilities and capital requirements, (2) Pillar 2 sets out qualitative requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers including the requirement for insurers to submit an Own Risk and Solvency Assessment (ORSA) which will be used by the regulator as part of the supervisory review process; and (3) Pillar 3 focuses on enhanced reporting and disclosure requirements. The Solvency II framework covers, among other matters, valuation of assets and liabilities, the treatment of insurance groups, the definition of capital and the overall level of required capital.

AXA Insurance dac's Property & Casualty insurance operations offer a broad range of products including motor, household, property and general liability insurance for both Personal and Commercial customers.

## / Key Figures

| <i>(In Euro million except solvency ratio data)</i> | <b>2016</b> | <b>2015</b> |
|---|-------------|-------------|
| <b>Income Statement Data</b>                        |             |             |
| Total Revenues                                      | 634         | 554         |
| Operating income before investment results          | 3           | -11         |
| Net investment results                              | 23          | 33          |
| Net income  | 24          | 20          |
| <b>Balance Sheet Data</b>                           |             |             |
| Total assets  | 1618        | 1460        |
|   |             |             |
| Available capital                                   | 392         | 380         |
|   |             |             |
| <b>Capital Requirement Data</b>                     |             |             |
| Solvency Capital Requirement (SCR)                  | 301         | 352         |
| <b>Solvency II ratio</b>                            | 130%        | 108%        |

## / Key Highlights

|                      |   |
|----------------------|---|
| ACTIVITY INDICATORS  | <p>Total Revenues of €634m reflect growth of 14% relative to prior year.</p> <p>Total operating profit of €3 million compares with loss of €11m in 2015 is the result of strong earned premium partially offset by larger cost of claims in 2016.</p> <p>Total net investment results decreased by 30% from €33m in 2015 to €23m in 2016 due to underperformance of Global Investment markets.</p>  |
| CAPITAL MANAGEMENT   | <p>Main transactions during the reporting year:</p> <ul style="list-style-type: none"> <li>• There were no dividend payments during the reporting year</li> <li>• A capital contribution from AXA Ireland Holding Company and subordinated loan were received.</li> </ul>   |
| SYSTEM OF GOVERNANCE | <p>The Company satisfies the Central Bank of Ireland requirements to have a Risk Committee, an Audit Committee, an Investment Committee, a Nomination Committee, a Remuneration Committee and a Reserving Committee through delegation to the following:</p> <ol style="list-style-type: none"> <li>AXA Insurance dac Audit and Compliance Committee</li> <li>AXA Insurance dac Risk Committee</li> <li>AXA Insurance dac Investment &amp; ALM Committee</li> <li>AXA Insurance dac Nomination Committee</li> <li>AXA Insurance dac Remuneration Committee</li> <li>AXA Insurance dac Reserving Committee</li> </ol> <p>In order to preserve a well-balanced governance, the Board of Directors ensures that independent directors have a major role in all Board Committees.</p> <p>The AXA Group is engaged in the financial protection and wealth management business on a global scale. As such, it is exposed to a very wide variety of risks – insurance risks, financial market risks and other types of risks.</p> <p>As an integrated part of all business processes, Group Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AXA Group, including the conduct of the Own Risk &amp; Solvency Assessment (ORSA). This framework is based on the four following pillars, cemented by a strong risk culture:</p> <ul style="list-style-type: none"> <li>- Risk Management independence and comprehensiveness: Chief Risk Officers are independent from operations ("first line of defence") and Internal Audit Departments ("third line of defence"). Risk Management Department, together with Legal, Compliance, Internal Financial Control, Human Resources and Security Departments constitute the "second line</li> </ul> |

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|--|--|
|  | <p>of defence" whose objective is to develop, coordinate and monitor a consistent risk framework across the Group.</p> <ul style="list-style-type: none"> <li>- Shared risk appetite framework,</li> <li>- Systematic second opinion on key processes, and</li> <li>- Robust economic capital model.</li> </ul> <p>In order to manage these risks, AXA Insurance dac has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis and have the necessary information and tools to appropriately analyse and manage these risks.</p> <p>These mechanisms and procedures principally include:</p> <ul style="list-style-type: none"> <li>• local corporate governance structures designed to ensure appropriate supervision and management of our business as well as clear allocation of roles and responsibilities;</li> <li>• management structures and control mechanisms designed to ensure that local management have a clear view of the principal risks faced and the tools necessary to analyse and manage these risks;</li> <li>• Internal Control Over Financial Reporting (ICOFR), designed to ensure the accuracy, completeness and timeliness of consolidated financial statements; and</li> <li>• disclosure controls and procedures designed to ensure that local executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) are timely, accurate and complete.</li> </ul> <p>Revisions to the Consumer Protection Code, specific to insurers, put in place by the Central Bank of Ireland also form an important element of our systems of Governance</p> <p>These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the business of AXA Insurance dac.</p> |
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AXA's economic capital model (AXA's Internal Model) offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework.

In presenting the risks set forth below, management has prioritised the three categories of risks in a manner that corresponds to management's current view as to the potential impact of the risk for the AXA Insurance dac.

**Risks relating to the scope and nature of our business, the products we offer and our operations**

Insurance risks for Property & Casualty businesses are covered through four major processes, defined at Group level but performed jointly by central and local teams:

- risk controls on new product complementing underwriting rules and product profitability analyses;
- optimising of reinsurance strategies in order to cap the Group's peak exposures thereby protecting its solvency by reducing volatility and to mitigate risk within the Group to benefit from diversification;
- reviewing technical reserves including recent claims trends for AXA Insurance dac;
- monitoring emerging risks to share expertise within the underwriting and risk communities.

**Risks relating to the financial markets and financial position**

AXA is exposed to financial market risks through its core business of financial protection i.e. insurance.

A wide variety of risk management techniques are used to control and mitigate the market risks to which the AXA Group's operating units and the Group itself are exposed. These techniques include: Asset & Liability Management (ALM), disciplined investment process, hedging strategies, reinsurance and regular monitoring of the financial risks on the economic and solvency position of the Group.

The main financial risks for the AXA Insurance dac are as follows:

- interest-rate, spread risk and equity risk related to the operating activities;
- credit risk;
- liquidity risk.

These risks are assessed for all exposures on the balance sheet including the defined benefit pension scheme.

There are Risks relating to the evolving regulatory and competitive environment in which we operate.

In addition to risks that bear a capital charge through SCR calculation, AXA Insurance dac also considers liquidity risk, reputation risk, strategic risk, regulatory risk as well as emerging threats and impact of transversal adverse scenarios.



|           |  |
|-----------|--|
| VALUATION | <p>AXA Insurance dac Solvency II balance sheet is prepared as of December 31. The balance sheet is prepared in compliance with the Solvency II Regulation.</p> <p>Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern.</p> <p>Technical provisions are recognised with respect to all of insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.</p> <p>Other assets and liabilities are recognised in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC:</p> <ul style="list-style-type: none"> <li>■ Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;</li> <li>■ Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company own credit standing).</li> </ul> |
| SOLVENCY  | <p>Solvency II ratio at December 31, 2016: 130%</p> <p>Solvency II ratio at December 31, 2015: 108%</p> <p>Solvency II ratio amounted to 130%, up 22 percentage points as compared to December 31, 2015.</p> <p>Available Financial Resources (AFR) increased by €11.3 million to €391.5 million, the main drivers of change in AFR throughout 2016 are Pension Scheme, General Safety Margin, retained Earnings and movement in both investments &amp; Market Value Margin (Risk Margin).</p> <p>Solvency Capital Requirement decreased by €51 million to €301 million, during the reporting period reflecting local Model Addendums.</p>   |

## **BUSINESS AND PERFORMANCE**

### **A.1 Business**

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General information  
Information on the Company  
Major Shareholders and Related party transactions  
Business Overview  
Operating Highlights

### **A.2 Underwriting Performance**

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Underwriting performance by geographical area (material lines of business)  
Underwriting performance by product line  
Aggregate underwriting performance

### **A.3 Investment Performance**

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Net investment result  
Gains and losses directly recognised in Equity  
Investments in securitisation

### **A.4 Performance of other activities**

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Net Income  
Leasing Arrangements

### **A.5 Any other information**

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# A.1 BUSINESS

## / General Information

AXA Insurance dac is established in the Republic of Ireland and a member of the AXA Insurance PLC (UK) group of Companies. The Company is a Property and Casualty Insurer and operates across the island of Ireland with a total of 66 branches across both the Republic and Ireland and Northern Ireland.

## / Information on the Company

The Company is established under the laws of Ireland as a Designated Activity Company (dac). The Company's registered office is at Wolfe Tone Street, Dublin and its telephone number is 1890 24 7 365. (00 353 1 858 3200). AXA was established in Ireland in 2000 but its origins go back to 1721 in Ireland.



## Supervisory authority

AXA Insurance dac is regulated by the Central Bank of Ireland. For Business in Northern Ireland, AXA Insurance dac is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority.

Central Bank of Ireland / Banc Ceannais na hÉireann  
New Wapping Street, North Wall Quay, Dublin 1. D01 F7X3

The Financial Conduct Authority  
25 The North Colonnade, London E14 5HS

AXA Group is engaged in regulated business activities on a global basis through numerous operating subsidiaries and the Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where the

Group operates. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union directives and on the French regulatory system. The AXA Group's principal supervisor is the French Autorité de Contrôle Prudentiel et de Résolution ("ACPR").

AUTORITE DE CONTROLE PRUDENTIEL ET DE RESOLUTION  
61, rue Taitbout – 75436 Paris Cedex, 9.

### **Statutory auditors**

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#### **Incumbent auditors – AXA Insurance dac**

Mazars  
Chartered Accountants and Registered Auditors  
Harcourt Centre, Block 3  
Harcourt Road, Dublin 2

Mark Kennedy lead partner, Fellow of the Institute of Chartered Accountants in Ireland

Mazars were appointed on 31 May 2013.

#### **Incumbent auditors – AXA Group**

MAZARS:

61, rue Henri-Regnault – 92400 Courbevoie, represented by Messrs. Antoine Esquieu and Jean-Claude Pauly, first appointed on June 7, 2004. The current appointment is for a term of 6 years, until the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2022.

Membership in a professional body:

Mazars is registered as an independent auditor with the Compagnie Régionale des Commissaires aux Comptes de Versailles.

Alternate auditors

Mr. Lionel Gotlib: 61, rue Henri-Regnault – 92400 Courbevoie, first appointed on June 3, 2010. The current appointment is for a period of 6 years, until the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2022.

## **/ Major Shareholders and Related party transactions**

### **Capital ownership**

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The ultimate parent of AXA Insurance dac and controlling undertaking is AXA SA, a company incorporated in France. The parent undertaking of the largest group, which included the Company and for which the group financial statements are prepared is AXA SA.

The parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared is Guardian Royal Exchange plc, a company registered in England. Copies of the Guardian Royal Exchange plc financial statements can be obtained from 5 Old Broad Street, London EC2N 1AD.

AXA Insurance dac is a wholly owned subsidiary of AXA Ireland Limited and is incorporated in Ireland. Copies of the financial statements of AXA Ireland Limited may be obtained from the Company at Wolfe Tone House, Wolfe Tone Street, Dublin 1. AXA Ireland Limited has availed of the section 299 exemption under Companies Act, 2014 and does not prepare consolidated group accounts.

## **/ Business Overview**

### **PROPERTY & CASUALTY**

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#### **MARKETS AND COMPETITION**

In the Property & Casualty segment, AXA writes business in both Northern Ireland and the Republic of Ireland for the following lines of business;

- Private motor
- Household
- Personal Property
- Commercial motor
- Commercial property
- Commercial liability

AXA Insurance dac operate through a multi-channel distribution model supporting customers through intermediaries, Bank partnerships, and directly over the internet, telephone and through our network of 66 Branches across the island.

#### **PRODUCTS AND SERVICES**

AXA's Property & Casualty insurance operations offer a broad range of products including motor, household, property and general liability insurance for both Personal and Commercial customers.

#### **DISTRIBUTION CHANNELS**

AXA distributes its Property & Casualty insurance products through a number of channels including exclusive franchisees, brokers, salaried sales forces, direct / internet sales and a banking partner.

Development of distribution channels is key to reach targeted customers and overall for the profitability of the activity.

## **/ Operating highlights**

### **SIGNIFICANT ACQUISITIONS**

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There were no significant acquisitions in Ireland in the reporting period.

### **SIGNIFICANT DISPOSALS**

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There were no significant disposals in Ireland in the reporting period.

## A.2 UNDERWRITING PERFORMANCE

### / Underwriting performance by geographical area (material lines of business)

#### Gross revenues by geographical area

| <i>(in Euro million except percentages)</i> | 2016       |             | 2015       |            |
|---|------------|-------------|------------|------------|
| Ireland                                     | 470        | 74%         | 389        | 70%        |
| United Kingdom                              | 162        | 26%         | 162        | 29%        |
| <b>TOTAL</b>                                | <b>632</b> | <b>100%</b> | <b>551</b> | <b>99%</b> |

#### Current year combined ratio

|                | December<br>31, 2016 | December<br>31, 2015 |
|----------------|----------------------|----------------------|
| <b>Total</b>   | <b>100.3%</b>        | <b>102.6%</b>        |
| Ireland        | 99.3%                | 103.3%               |
| United Kingdom | 102.8%               | 101.0%               |

### / Underwriting performance by product line

The table below presents gross revenues by major product line:

#### Gross revenues by product line

| <i>(in Euro million except percentages)</i> | 2016 |      | 2015 |     |
|---|------|------|------|-----|
| Property & Casualty                         | 632  | 100% | 551  | 99% |

**Gross revenues** increased by €81 million (+15%) to €632 million in the year driven by increased average premium; this was partially offset by lower volumes and foreign exchange impact on operations based on Northern Ireland.

**Technical Provisions** (including reinsurance) increased by €36 million (+8%) to -€479 million due largely to increased average incurred costs.

**Net technical margin** increased by €45 million (+41%) to €155 million due to strong earned premium partially offset by increased claims.

**Expenses** increased by €32 million (+26%) to -€152 million mainly driven by adverse variance on both commissions and expenses reflecting increased commission payable due to growth in written premium together with higher expenses due to the absence of one off saving, as experienced in 2015.

## Gross revenues by product line

The tables below sets forth gross revenues by major product for the periods and as at the dates indicated:

| <i>(in Euro million except percentages)</i> | 2016       |            | 2015       |            |
|---|------------|------------|------------|------------|
| <b>Personal Lines</b>                       |            |            |            |            |
| Motor                                       | 436        | 69%        | 385        | 70%        |
| Homeowners/Household                        | 55         | 9%         | 52         | 9%         |
| <b>Commercial Lines</b>                     |            |            |            |            |
| Motor                                       | 126        | 20%        | 101        | 18%        |
| Property Damage                             | 7          | 1%         | 6          | 1%         |
| <b>TOTAL</b>                                | <b>624</b> | <b>99%</b> | <b>544</b> | <b>98%</b> |

Gross revenues increased by €80 million (+15%) to €634 million.:

- Motor premium of €436m is +€51m favourable to Prior Year reflecting favourable performance across all channels.
- Household premium of €55m is +€3m favourable to prior year reflecting positive performance.

## / Aggregate underwriting performance

### Operating income and expenses

| <i>(in Euro million except percentages)</i>       | December 31, 2016 | December 31, 2015 |
|---|-------------------|-------------------|
| <b>Gross revenues</b>                             | <b>634</b>        | 554               |
| Current accident year loss ratio (net)            | 73.3%             | 79.7%             |
| All accident year loss ratio (net)                | 72.6%             | 77.5%             |
| <b>Net technical result before expenses</b>       | <b>154</b>        | 110               |
| Expense ratio                                     | 27.4%             | 25.1%             |
| <b>Operating income before investment results</b> | <b>3</b>          | -11               |
| Combined ratio                                    | 99.6%             | 102.1%            |

Net technical result increased by €12.8 million to €2.3 million

- the current accident year loss ratio decreased by 6.4 points to 73.3% mainly driven by strong earned premium
- the all accident year loss ratio improved by 4.9 pts points to 72.6% reflecting the improved current year loss ratio partially offset by a reduction in prior year releases relative to 2015.

Expense ratio increased by 2.3 pts to 27.4% resulting from increased commission payable due to growth in written premium, together with higher expenses due to the absence of one off saving which occurred in 2015. The one-off savings related to the closure of the defined benefit pension scheme to future accrual.

Reflecting the combined impact of the above the combined ratio for all years was down to 99.6% from 102.1%.

## A.3 INVESTMENT PERFORMANCE

### / Net investment result

Net investment result from the financial assets of the Company was as follows:

| (In Euro million)   | December 31, 2016     |                               |                                 |                                  |                                |                       |
|---|-----------------------|-------------------------------|---------------------------------|----------------------------------|--------------------------------|-----------------------|
|   | Net investment income | Net realised gains and losses | Net unrealised gains and losses | Change in investments impairment | Investment management expenses | Net investment result |
| Investment in real estate properties  | -                     | -                             | -                               | -                                | -                              | -                     |
| Debt instruments  | 28                    | 1                             | (16)                            | -                                | -                              | 13                    |
| Equity instruments  | 4                     | 3                             | (1)                             | 4                                | -                              | 10                    |
| Investment funds  | 1                     | -                             | (1)                             | -                                | -                              | -                     |
| Loans   | 1                     | -                             | -                               | -                                | -                              | 1                     |
| Assets backing contracts where the financial risk is borne by policyholders | -                     | -                             | -                               | -                                | -                              | -                     |
| Derivative instruments  | -                     | 3                             | -                               | -                                | -                              | 3                     |
| Other   | -                     | -                             | -                               | -                                | (4)                            | (4)                   |
| <b>TOTAL</b>  | <b>34</b>             | <b>7</b>                      | <b>(18)</b>                     | <b>4</b>                         | <b>(4)</b>                     | <b>23</b>             |

| (In Euro million)   | December 31, 2015     |                               |                                 |                                  |                                |                       |
|---|-----------------------|-------------------------------|---------------------------------|----------------------------------|--------------------------------|-----------------------|
|   | Net investment income | Net realised gains and losses | Net unrealised gains and losses | Change in investments impairment | Investment management expenses | Net investment result |
| Investment in real estate properties  | -                     | -                             | -                               | -                                | -                              | -                     |
| Debt instruments  | 31                    | 3                             | -                               | -                                | -                              | 34                    |
| Equity instruments  | 4                     | 11                            | (1)                             | (1)                              | -                              | 13                    |
| Investment funds  | -                     | (1)                           | -                               | -                                | -                              | (1)                   |
| Loans   | 1                     | -                             | -                               | -                                | -                              | 1                     |
| Assets backing contracts where the financial risk is borne by policyholders | -                     | -                             | -                               | -                                | -                              | -                     |
| Derivative instruments  | 3                     | (7)                           | (5)                             | -                                | -                              | (9)                   |
| Other   | (1)                   | -                             | -                               | -                                | (4)                            | (5)                   |
| <b>TOTAL</b>  | <b>38</b>             | <b>6</b>                      | <b>(6)</b>                      | <b>(1)</b>                       | <b>(4)</b>                     | <b>33</b>             |

Net investment income is presented net of debt instruments premiums/discounts.

All investment management fees are also included in the aggregate figure.



Net realised gains and losses relating to investment at cost and at fair value through shareholders' equity include write back of impairment following investment sales.

Net realised gains and losses and change in fair value of investments designated as at fair value through profit or loss consists mainly of:

- changes in the fair value of investments designated as at fair value through profit or
- changes in fair value of underlying hedged items in fair value hedges (as designated by IAS 39) or "natural hedges" (i.e. underlying assets designated as at fair value through profit or loss part of an economic hedge not eligible for hedge accounting as defined by IAS 39).

The changes in investments impairment available for sale assets include impairment charges on investments, and releases of impairment only following revaluation of the recoverable amount. Write back of impairment following investment sales are included in the net realised capital gains or losses on investments aggregate.

Local Statutory reporting is based on FRS101 (reduced disclosure) and therefore materially aligned to Group IFRS reporting.

## **/ Gains and losses directly recognised in Equity**

The Company prepares its statutory financial statements in accordance with Irish legislation and Financial Reporting Standard 101 as issued by the Financial Reporting Council. In adopting this standard it applies the following policy to financial instruments it classifies as Available for sale:

Available for sale ("AFS") financial assets include equity and debt securities. Financial assets designated as available for sale are not classified into the categories of loans and receivables, held to maturity investments or financial assets at fair value through profit and loss. These financial assets are recognised initially at their fair value, including transaction costs; and subsequently measured at fair value, with unrealised gains or losses recognised in the revaluation reserve of the statement of comprehensive income. When the asset is disposed or impaired, the accumulated fair value adjustment in the revaluation reserve is transferred to the profit and loss account.

Derivative financial instruments are designated as held for trading and measured at fair value, with gains and losses recognised in profit or loss account, unless they are designated and effective hedging instruments.

## **/ Investments in securitisation**

The Company has Asset Backed Securities for the year end 2016.

There were €85m (book value) and €86m (market value) held relating to Asset Backed Securities at 31 December 2016. There were no Asset Backed Securities for the year end 2015.

## A.4 PERFORMANCE OF OTHER ACTIVITIES

### / Net income

#### Property & Casualty segment

AXA Insurance's business is the transacting of motor and other non-life insurance business in both the Republic and North of Ireland. The company consists of a number of segments all of which relate to property & casualty insurance.

The following tables present the net income of the Company for the periods indicated.

| <i>(in Euro million)</i>                   | December<br>31, 2016 | December<br>31, 2015 |
|--|----------------------|----------------------|
| <b>Gross revenues</b>                      | <b>634</b>           | <b>554</b>           |
| Current accident year loss ratio           | 73.2%                | 79.7%                |
| All accident year loss ratio               | 72.5%                | 77.5%                |
| <b>Net technical result before expense</b> | <b>155</b>           | <b>110</b>           |
| Expense ratio                              | 27.4%                | 25.1%                |
| <b>Net investment result</b>               | <b>22.9</b>          | <b>32.6</b>          |
| Income tax expenses/benefits               | -4                   | -3                   |
| Other income / expenses                    | 3                    | 2                    |
| <b>NET INCOME</b>                          | <b>24</b>            | <b>20</b>            |

Income tax expense increased by €1 million (+29.9%) to €-4 million driven by an improvement in underwriting margin.

Other income/expenses increased by €1 million driven by exchange rate movements.

Net income increased by €4 million (+20.2%) to €24 million reflecting strong underlying performance on the Underwriting Margin which improved from -€11m in 2015 to +€3m in 2016; the impact of this was largely offset by deterioration in investments -€10m resulting from market performance,

### / Leasing arrangements

The Company has a number of non material leasing arrangements within the AXA Group .

## A.5 ANY OTHER INFORMATION

Not applicable

## SYSTEM OF GOVERNANCE

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

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Governance  
Compensation policy  
Performance Shares and International Performance Shares  
Long term incentives  
Stock Options  
Commitments made to executive officers  
Material transactions with shareholders, persons who exercise a significant influence and corporate officers or executives  
Assessment of the adequacy of the system of governance

### **B.2 Fit and proper requirements**

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Fit and Proper assessment process for the persons who effectively run the undertaking and heads of key functions

### **B.3 Risk management system including the own risk and solvency assessment**

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Risk management system  
AXA Group Internal model  
Own Risk and Solvency Assessment

### **B.4 Internal control system**

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Internal control system

### **B.5 Internal audit function**

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Internal audit function

### **B.6 Actuarial function**

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Actuarial function

### **B.7 Outsourcing**

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Outsourcing arrangements

### **B.8 Any other information**

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# B1 - General information on the system of governance

Implementing sound corporate governance principles has been a priority at AXA for many years. There were no material changes to the systems of Governance in the reporting period.

## / Governance

### Board of Directors

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#### ROLE AND POWERS

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The Board's mandate covers the whole of the Company's activities. In summary, they include:

- Organising itself such that it is able efficiently to discharge its responsibilities, including the clear, documented delegation of tasks and functions to the Chief Executive Officer and others within the AXA Group;
- Approving Board and senior management appointments (Senior management being defined as members of the Executive Committee and Managers at or above level 1 or persons to hold pre-approval controlled functions or as required by the Fitness and Probity Standards issued by the Central Bank of Ireland) (the Board shall review such roles from time to time);
- Approving the Statutory Financial Statements of the Company;
- Helping to develop business strategy and objectives for the Company from Group Plans;
- Formally approving the strategy, business plans and other financial targets/ performance of the Company;
- Periodically reviewing the strategy, business plans and other financial targets/ performance, taking into account the regulatory perspective of the company, ensuring that it is able to efficiently to discharge its regulatory responsibilities to the Central Bank of Ireland and the FCA ,as regards its operations in Northern Ireland;
- Evaluating and reviewing the effectiveness of key controls within the Company, taking into account the regulatory perspective of the company, ensuring that it is able to efficiently discharge its regulatory responsibilities to the Central Bank of Ireland and the FCA ,as regards its operations in Northern Ireland;
- Embedding the Consumer Protection Code (issued by the Central Bank of Ireland) and the Treating Customers Fairly (issued by the FCA) effectively into the culture of the business such that consumers are consistently treated fairly;
- Ensuring compliance with the Corporate Governance Requirements for Insurance Undertakings 2015, the Fitness and Probity Standards and any other Codes or Regulations issued from time to time by the Central Bank of Ireland;
- Approving the Risk Appetite and associated limits taking into account the advice from the Risk Committee;
- Monitoring and reviewing relevant risks by;
  - I. Overseeing an effective and robust control framework,
  - II. Analysing the effectiveness of risk management ; and (iii) ensuring this is integrated into all aspects of decision-making; and
  - III. Monitoring the risk governance framework

- Determining appropriate investment strategies and guidelines
- Monitoring and reviewing regulatory solvency by;
  - I. Ensuring the internal model is appropriate , operates effectively and is embedded in all relevant key risk decision making processes;
  - II. Ensuring appropriate internal model governance, including approval of the internal model policy and any major changes;
  - III. Ensuring that the internal model is subject to independent review;
  - IV. Approving and monitoring the Own Risk & Solvency Assessment ("ORSA") process to ensure an effective implementation; and
  - V. Reviewing and signing off the ORSA report and public reporting ("SFCR")

The Board of AXA Insurance dac meet as often as is appropriate to fulfil its responsibilities effectively and prudently. In any event, the Board meets at least six times per calendar year and at least three times in every six month period in accordance with the requirements of a "High Impact designated institution" set out in the Corporate Governance requirements for Insurance Undertakings 2015 issued by the Central Bank of Ireland and at the request of the Chairman or any Director.

## **COMPOSITION OF THE BOARD**

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Ms. Amanda Blanc (Group Chief Executive Officer, AXA UK)  
 Mr. Philip Bradley (Chief Executive Officer - AXA Ireland))  
 Mr. Robert Dench (Chairman and Independent Non –Executive Director)  
 Mr. Peter Hazell (Independent Non –Executive Director)  
 Mr. Bertrand Poupert-Lafarge (AXA UK Group Chief Financial Officer)  
 Mr. Richard O'Driscoll (Independent Non – Executive Director)  
 Mr. Richard Whelan (Executive Director Finance, Strategy & Planning - AXA Ireland)

Directors of AXA Insurance dac are required to comply with the Fitness and Probity Standards issued by the Central Bank of Ireland.

## **BOARD OF DIRECTORS' COMMITTEES**

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The Company satisfies the Central Bank of Ireland requirements to have a Risk Committee, an Audit Committee, an Investment Committee, a Nomination Committee, a Remuneration Committee and a Reserving Committee through delegation to the following:

- i. AXA Insurance dac Audit and Compliance Committee
- ii. AXA Insurance dac Risk Committee
- iii. AXA Insurance dac Investment and ALM Committee
- iv. AXA Insurance dac Nomination Committee
- v. AXA Insurance dac Remuneration Committee
- vi. AXA Insurance dac Reserving Committee

## **EXECUTIVE MANAGEMENT COMMITTEE**

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AXA Ireland's Executive Management Committee comprises the Chief Executive Officer, Executive Director of Finance and Strategy, Head of Actuarial Function, Claims Director, Chief Operations Officer, Direct, Partner and Customer Experience Director, Pricing and Underwriting Director, Chief Risk Officer, Broker Director, HR Director

The Committee shall make recommendations to the Chief Executive - AXA Ireland who serves as the main link between the Executive Management Committee and the Board.

### **Main roles and responsibilities of key functions**

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#### **Internal audit function**

AXA Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

This recognises two roles for internal audit:

- a) To provide an independent assurance service to the Board, Audit and Compliance Committee, and Management; focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put in place; and,
- b) To provide advice and assistance to management on governance, risks and controls.

The assurance provided generically covers whether:

- i) The organisation has a formal governance process which is operating as intended: values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and the Group's values are preserved.
- ii) Significant risks are being reported, managed and controlled to an acceptable level as determined by the Board.

#### **Actuarial function**

Solvency II regulation requires insurance and reinsurance companies to provide for an effective actuarial function to:

- a) coordinate the calculation of technical provisions;
- b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
- d) compare best estimates against experience;
- e) inform the management and the Board of the reliability and adequacy of the calculation of technical provisions;
- f) oversee the calculation of technical provisions;
- g) express an opinion on the overall underwriting policy;
- h) express an opinion on the adequacy of reinsurance arrangements; and
- i) contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements

A group Actuarial function has been set up with a specific role to define and coordinate the tasks undertaken by the Group actuarial function stakeholders (notably GRM, PBRC, Global Lines) as well as the local/regional actuarial functions established in insurance entities across the Group as required by the Group Actuarial function standard.



Group Actuarial Function relies on the current AXA system of governance (standards, policies, guidelines, frameworks or committees) to carry out its activities notably for issuing the opinions on the overall underwriting policy, the reliability and adequacy of the calculation of technical provisions and the adequacy of reinsurance arrangements.

The Group and local actuarial function prepared a 1st actuarial function report in 2016 to inform the management and the Board on its conclusions about the reliability and adequacy of the calculation of technical provisions. This report will also provide an overview of the activities undertaken by the actuarial function in each of its areas of responsibility during the reporting period.

The main conclusions of the Actuarial Function report are presented in the Executive Summary of the ORSA report.

In addition to the Actuarial Function role, the Central Bank has introduced specific domestic requirements regarding the actuarial function and related governance arrangements which apply to all (re)insurance undertakings subject to Solvency II.

Undertakings are required to notify the Central Bank of the person proposed to take responsibility for the Actuarial Function. Undertakings do this via the Central Bank Fitness & Probity regime where the position is a PCF position, called Head of Actuarial Function (the "HoAF"), and as such, will require Central Bank preapproval before the proposed individual can be appointed to the position. The Central Bank of Ireland has advised that, for AXA, the HoAF and the CRO role cannot be held by the same person.

In that regard AXA Insurance dac meet the following Central Bank of Ireland requirements;

- Undertakings shall appoint a Head of Actuarial Function.
- The responsibility for the tasks called out for the actuarial function under Solvency II and the responsibilities introduced by virtue of the "2015 Domestic Actuarial Regime Related Governance Requirements under Solvency II" and, shall be held by one individual, i.e. the HoAF, who is suitably fit and proper to hold those responsibilities. While the operational activities to fulfil those responsibilities can be spread across a number of individuals the Central Bank requires there to be one individual with overall responsibility for ensuring compliance with the relevant requirements and answerable to the Board, in that regard. That individual shall have the prerequisite level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the undertaking. The HoAF shall be a member of a recognised actuarial association, for example one that is a member of the Actuarial Association of Europe.
- Where an undertaking is designated as a High Impact undertaking, the HoAF shall be an employee of the undertaking. The term "employee" means a direct employee of the undertaking or an employee provided through a group services company on a full-time basis. AXA is a high impact firm.
- The undertaking shall ensure that the HoAF provides an actuarial opinion to the Central Bank on an annual basis. Responsibility for the actuarial opinion rests with the HoAF, using his or her professional judgement. The opinion shall address the Technical Provisions (the "TPs") of the undertaking as reported in any annual quantitative reporting templates ("QRTs") to the Central Bank with a financial reporting date on or after 30th June 2016. This shall be referred to as the Actuarial Opinion on Technical Provisions (the "AOTPs").

In addition to, and connected with the AOTPs, the undertaking shall ensure that the HoAF also provides an Actuarial Report on Technical Provisions (the "ARTPs") to the Board on an annual basis, which supports the AOTPs. This report shall also be provided to the Central Bank upon request.

- The undertaking shall ensure that the HoAF provides an actuarial opinion to the Board in respect of each own risk and solvency assessment ("ORSA") process of the undertaking.

The opinion will address, at a minimum and having regard to the undertaking's individual risk situation, the following:

- The range of risks and the adequacy of stress scenarios considered as part of the ORSA process.

- The appropriateness of the financial projections included within the ORSA process.
- Whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

This opinion is provided in relation to any ORSA process conducted from 2016 onwards. The opinion will be provided to the Board at the same time as the results of the ORSA process to which it relates.

### **Risk management function**

Risk Management is a local responsibility, in accordance with Group Risk Management standards and guidelines.

The roles and responsibilities of Risk Management teams are validated jointly by the Executive Committees and the Group Chief Risk Officer to ensure a better alignment of central and local interests.

The minimum missions required for Risk Management teams are:

- coordinating the second line of defence locally (which covers notably Legal, IT and HR Departments) through specific governance;
- implementing risk appetite on all risks consistently with Group's risk appetite (and taking into account the requirements of the Corporate Governance Requirements for Insurance Undertakings [2015]), with strengthened reporting, risk limits and decision processes;
- performing a second opinion on key processes, such as the definition of characteristics for new products before launch, ALM studies & asset allocation and reinsurance strategy;
- on the internal capital model, Risk Management is responsible for checking the adequacy of the risk profile, implement, test and validate the internal model.

The Chief Risk Officer has regular reporting to the Risk Committee on risk management matters.

### **Other functions**

Line management and staff are responsible for day to day risk management and decision making and therefore have primary responsibility for establishing and maintaining an effective control environment (first line of defence).

Legal, Compliance, Internal Financial Control, Human Resources and Security Departments are responsible for developing, facilitating and monitoring effective risk and control framework and strategy (second line of defence), in coordination with Risk Management.

## Compensation policy

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AXA's global executive compensation policy is designed to align the interests of the Company's executives with those of its shareholders while establishing a clear and straightforward link between performance and compensation. In this context, its main objective is to encourage the achievement of ambitious objectives and the creation of long-term value by setting challenging performance criteria.

AXA's executive compensation structure is based on an in-depth analysis of market practices in France and abroad, within the financial services sector (insurance companies, banks, asset managers, etc.) and compared to the compensation practices of other international groups.

AXA's overall policy on executive compensation focuses on the variable part of the compensation package, which is the compensation at risk for beneficiaries. The structure of AXA's executive compensation is composed of a variable portion which represents a significant portion of the aggregate remuneration. This is designed to align executive compensation more directly with the operational strategy of the Group and the interests of the shareholders while encouraging performance:

- both on an individual and collective level; and
- over the short, medium and long term.

In line with the requirements of the Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings, AXA Insurance dac (the "Company") has documented the Company's Executive Remuneration Policy.

The Company is required to establish remuneration policies and procedures within the Company based on best practice and any requirements which the Central Bank of Ireland may issue. The Remuneration Committee shall specifically ensure that the executive compensation program is effective, reasonable and rational with respect to critical factors such as the Company's performance, industry considerations, risk considerations and compensation paid to other employees. The Remuneration Committee shall also ensure that the structure of executive compensation is fair, non-discriminatory and forward-looking.

### Compensation policy

AXA Group Remuneration policy is applicable to all AXA Group companies and their employees as of January 1, 2016.

This compensation policy is designed to support the Group's long-term business strategy and to align the interests of its employees with those of the shareholders by (i) establishing a clear link between performance and remuneration over the short, medium and long term, (ii) ensuring that the Group can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain, and (iii) ensuring compliance with Solvency II regulations and any other applicable regulatory requirement.

The AXA Group compensation policy is designed to:

- attract, develop, retain and motivate critical skills and best talents;
- drive superior performance;
- align compensation levels with business performance;
- ensure that employees are not incentivised to take inappropriate and/or excessive risks and that they operate within AXA's overall risk framework; and
- ensure compliance of our practices with all applicable regulatory requirements.

It follows three guiding principles:

- competitiveness and market consistency of the remuneration practices;

- internal equity, based on individual and collective performance, in order to ensure fair and balanced compensation reflecting employee's individual quantitative and qualitative achievements and impact; and
- achievement of the Group's overall financial and operational objectives over the short, medium and long term as well as execution against medium and long term strategic objectives as a prerequisite to fund any mid-to-long term award.

The requirements set out in the Group Remuneration policy may be supplemented where necessary in order to comply with local regulatory requirements or identified best practices.

The Remuneration Committee shall respect the country in which the Company operates and shall seek to ensure pay structures reflect the needs of the organisation as well as regulatory requirements.

## **COMPENSATION OF THE EXECUTIVE OFFICERS ON DECEMBER 31, 2016**

### **Compensation structure**

AXA broadly applies a "pay-for-performance" approach which (i) recognises achievement of defined financial and operational targets aligned with AXA's business plan (ii) promotes long-term sustainable performance by incorporating risk adjustment measures in performance metrics (such as cash Return-On-Equity which takes into account the capital required to deliver performance) and (iii) determines individual compensation amounts on the basis of both financial results and demonstrated individual leadership and behaviours.

In this context, the overall remuneration structure is based on the following components, which are designed to provide balance and avoid excessive risk taking for short term financial gain:

- a fixed component which comprises guaranteed elements, such as base salary and any other fixed allowances. It takes into account the position, responsibilities, experience, market practices, technical skills and leadership competences, and also sustained individual performance and criticality or scarcity of skills;
- a variable component which comprises an upfront cash element (Short Term Incentive) and a deferred element which is awarded through equity based instruments or equivalent such as stock options and/or performance shares (Long Term Incentive). This variable component depends on the AXA Group's global performance, on the beneficiary's local entity performance (company or business unit, depending on the case), and on the achievement of the executive's individual objectives including demonstrated abilities for leadership. AXA ensures suitable balance between fixed and variable components so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow AXA to operate a fully flexible bonus policy, including the possibility of paying no variable compensation. All variable remuneration amounts are awarded in accordance with performance and there are no minimum payment guaranteed.

The target level of the executives' compensation and the structure of the elements which compose such compensation are based on a detailed analysis of market practices as well as potentially applicable national and international regulations, and also take into consideration various other factors including the equity principles within the Group and the previous compensation level of the executive.

## **/ LTI**

### **Long Term Incentive (LTI) annual allotment**

Each year, LTIs are granted to the Group executives.

AXA recognises the importance of aligning remuneration over long term value creation by deferring a substantial portion of the individual's total variable compensation (i.e. STI plus LTI). Two main deferred Long Term Incentive instruments are currently used: Performance Shares and Stock Options.

These LTIs are integrally subject to performance conditions and therefore do not guarantee any grant or minimal gain for the beneficiaries.

## **PERFORMANCE SHARES**

Performance Shares are designed to recognise and retain the Group's best talents and critical skills by aligning the individuals interests with the overall performance of the Group, and the corresponding operational Entity/Business Unit as well as with the stock performance over the medium-term (3-5 years).

Performance shares are subject to a minimum deferral period ranging from 4 to 5 years .

In addition Performance Shares are subject to performance conditions over a period of 3-years. The performance indicators measure both (i) the Group's overall financial and operational performance and (ii) the UK and Ireland operational Business Unit performance.

Under the terms of the plan, the initial number of performance shares granted is adjusted to reflect achievement against the defined performance conditions and final individual pay-outs range from 0% to 130% of the initial grant amount depending on the level of achievement against the performance conditions .

In the event that no dividend payment is proposed by the AXA Group Board of Directors with respect to any year during the three year performance period, a malus provision applies and automatically reduces by 50% the number of performance shares that would have otherwise been acquired by the beneficiary at the end of the three year performance period.

### **/ Stock options**

AXA grants stock options to its executive officers and its employees in Ireland. The purpose of these grants is to associate them with AXA's share price performance and encourage performance over the long term.

Pursuant to the stock option plan rules, beneficiaries who resign from the Group lose their right to exercise the options.

## **GRANT PROCEDURE**

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Within the global limit authorised by the AXA Group Shareholders' Meetings, the AXA Group Board of Directors approves all stock option programs prior to their implementation.

Each year, the AXA Group Board of Directors, acting upon the recommendation of its Compensation & Governance Committee, approves the grant of a global option pool. The pool of options allocated to each business unit is essentially determined on the basis of their contribution to the AXA Group's financial results during the previous year and with consideration for specific local needs (market competitiveness, adequacy with local practices, and support to AXA Group development).

Stock options are designed to align long term interest of Group Senior Executives with shareholders through the performance of the AXA share price.

### **/ Directors' fees**

No directors' fees are paid by the Company to Directors exercising executive functions at AXA.



## **/ Commitments made to executive officers**

### **PENSION**

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The Company closed the AXA Ireland Pension Fund to future pension accrual with effect from the 31<sup>st</sup> July 2015. Following the closure to accrual, active members of the defined benefit scheme transferred into the Company's existing defined contribution scheme with effect from the 1<sup>st</sup> August 2015 and accrue benefits from the defined contribution scheme in line with the Scheme rules of employer and employee contribution.

The defined benefit scheme has a retirement age of 60 or 62 dependent on existing normal retirement date. Active defined benefit members will join the defined contribution scheme with a retirement age of 60/ 62 (whichever is relevant). Where an employee requests to retire earlier than age 60/62 (whichever is relevant), Company and Trustee consent may be required.

## **/ Material transactions with shareholders, persons who exercise a significant influence and corporate officers or executives**

### **KEY MANAGEMENT AND DIRECTORS**

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To the best of the Company's knowledge, based on information reported to it:

- on December 31, 2016, there was one loan outstanding from the Company to a Board member.;
- various members of the Company's Board of Directors as well as various other executive officers and directors of other AXA Group companies may, from time to time, purchase insurance, or other products or services offered by AXA in the ordinary course of its business. The terms and conditions are substantially similar to the terms and conditions generally available to the public or to AXA employees in general.

## **/ Assessment of the adequacy of the system of governance**

### **The Board of Directors**

In line with the obligations arising from the Corporate Governance Requirements for Insurance Undertakings (2015) issued by the Central Bank of Ireland, AXA Insurance dac submits a Compliance Statement annually (or as notified) to the Central Bank of Ireland. Through this documented annual process the Board formally reviews its overall performance and that of individual directors, relative to the board's objectives. In addition every three years an evaluation by an external evaluator shall be undertaken in line with the same Central Bank of Ireland obligation.

### **The Risk Committee**

In line with AXA's documented Audit Committee Roles and responsibilities the Audit Committee undertakes an annual self-assessment facilitated by the appointed Independent Observer. The self-assessment is completed annually in quarter 4 for that calendar year regardless of the accounting period of the underlying entities covered by the Audit Committee. The self-assessment comprises of 25 pre-determined statements that are scored. A summary of the results is provided to the Group Audit Committee in Q1 of the following calendar year.

## B2 – Fit and proper requirements

Within AXA Insurance dac, the Chief Executive officer manages the undertaking:

Within the AXA Group, the key function heads in application of the Solvency II Regulation are:

- the Chief Risk Officer,
- the Head of Internal Audit ,
- the Head of Compliance,
- the Head of the Actuarial Function.

### **/ Fit and Proper assessment process for the persons who effectively run the undertaking and heads of key functions –**

AXA Insurance dac is a Regulated Financial Service Provider (RFSP) regulated by the Central Bank of Ireland and as such is required to comply with the Fitness and Probity Regimen that came into effect on 1st December 2011 for all regulated financial service providers. The Regime prescribes approximately 50 senior positions as Pre-Approval Controlled Functions (PCFs) and also prescribes specific functions as Controlled Functions (CFs). The prior approval of the Central Bank is required before an individual can be appointed to a PCF role.

The Fitness and Probity Standards provide that an individual performing a PCF or CF is required to be:

- competent and capable;
- honest, ethical and to act with integrity; and
- financially sound

The list of PCFs include the key function heads in application of the Solvency II regulations:

- Chief Risk Officer
- Head of Actuarial Function
- Head of Internal Audit
- Head of Compliance

An RFSP must not permit an individual to perform a PCF unless it is satisfied on reasonable grounds that the individual complies with the Fitness and Probity Standards and has obtained confirmation that the individual has agreed to abide by those standards. RFSPs are responsible for ensuring that individuals performing PCFs meet the Fitness and Probity Standards both prior to appointment and on an on-going basis.

AXA Insurance dac is not allowed to appoint an individual to a PCF role without the prior approval from the Central Bank, this process will include confirmation from the individual they will comply with the standards, due diligence and background checks are also completed. An annual process, including due diligence and background checks are also completed for all PCFs to ensure the individuals comply with the standards on an on-going basis.

AXA Insurance dac has a Fitness and Probity Policy in place.



## B3 - Risk management system including the own risk and solvency assessment

### / Risk management system

#### **Risk management missions**

As an integrated part of all business processes, Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AXA Insurance dac. Risk Local management is responsible for developing the Enterprise Risk Management framework in terms of limits/thresholds (covering Financial, Insurance and Operational risks), policies, guidelines and monitoring of the risk exposure, subject to Group standards and within a clearly defined Risk Appetite consistent with the Group's Risk Appetite.

Risk Management oversees the adherence of AXA Insurance dac to the framework, developing risk culture throughout the Company.

The CRO chairs the Risk and Compliance Forum and is a member of the Local insurance Risk Committee (2017 Executive Risk Committee), defining risk standards, controlling Risk Appetite limits and recommending actions to mitigate risks. The CRO reports key risk matters directly to the Risk Committee, which establishes the risk control framework by validating both Risk policy and risk strategy.

This framework is based on the five following pillars, cemented by a strong risk culture:

1. Risk Management independence and comprehensiveness:

The Chief Risk Officer is independent from operations ("first line of defence") and Internal Audit Departments ("third line of defence"). The Risk Management department, together with Legal, Compliance, Internal Financial Control constitute the "second line of defence". The objective of this second line of defence is to develop, coordinate and monitor a consistent risk framework across AXA Insurance dac.

2. Shared risk appetite framework: The Chief Risk Officer is responsible for ensuring that top management reviews and approves the risks they carry in their company, understand the consequences of an adverse development of these risks, and have action plans that can be implemented in case of unfavorable developments.

3. Systematic second opinion on key processes: The Chief Risk Officer ensures a systematic and independent second opinion, on AXA Insurance dac material decision processes, like P&C new product characteristics (risk-adjusted pricing and profitability), P&C Economic reserves, Asset and Liability Management studies, Asset allocation and new investments, and Reinsurance.

4. Robust economic capital model: AXA's Internal Model (STEC – Short Term Economic Capital) offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework. AXA's Internal Model is designed as a consistent and comprehensive risk management tool, which also forms an important element in the capital management and planning process.

5. Proactive Risk Management: The Chief Risk Officer is responsible for early detection of risks. This is ensured through challenge of and constant dialogue with the relevant business, and supported by AXA's emerging risks management framework.

#### **AXA Insurance dac Risk Management**

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Risk Management is a local responsibility, in accordance with GRM standards and guidelines.

The roles and responsibilities of local Risk Management teams are validated jointly by the Executive Committees of local entities and the Group Chief Risk Officer to ensure a better alignment of central and local interests.

The minimum missions required for local Risk Management teams are:

- coordinating the second line of defence locally through specific governance;
- implementing risk appetite on all risks consistently with Group's risk appetite, with strengthened reporting, risk limits and decision processes;
- performing a second opinion on key processes, such as P&C reserves, Asset and Liabilities Management (ALM) studies & asset allocation, and reinsurance strategy;
- on the internal capital model, local Risk Management is responsible for checking the adequacy of the risk profile, implement, test and validate the internal model.

The AXA Insurance dac Chief Risk Officer heads the local Risk Management team and reports both to the CEO and to the AXA UK CRO. Chief Risk Officer is independent from operations and Internal Audit Departments.

The AXA Insurance dac Chief Risk Officer regularly reports to the Audit Committee and the Board of Directors on risk management matters.

The risk management team is responsible for controlling and managing risks within Group policies and limits.

### Other functions

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Line management and staff are responsible for day to day risk management and decision making and therefore have primary responsibility for establishing and maintaining an effective control environment (first line of defence).

Legal, Compliance and Internal Financial Control Departments are responsible for developing, facilitating and monitoring effective risk and control framework and strategy (second line of defence), in coordination with Risk Management. Internal Audit performs, as part of its role, an assessment of risks and governance processes on a periodic basis to provide independent opinion on the effectiveness of the system of internal control (third line of defence).

### Risk governance within AXA Insurance dac

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In order to efficiently manage local and global risks, the decision process within the risk governance structure is divided into 2 main levels:

1. The Risk Committee defines business objectives and capital allocation with respect to investment return and risk. It also defines the Company appetite for risks in terms of impact on its key financial indicators. The Risk Appetite is endorsed by the Board of Directors upon review by its Risk Committee with the Audit Committee considering the effectiveness of the Company's internal control and risk management frameworks supporting it. A report on the Company's performance against the key financial indicators is presented on a regular basis to the Risk Committee, to the Audit Committee and to the Board of Directors. The overall risk framework is governed by the Risk Committee. The membership of the Risk Committee includes a number of Board members with attendance by the CRO and the Head of Actuarial Function.
2. Four Company internal committees contribute to risk management covering the following risk categories:
  - For P&C insurance risks:
    - The decision process relating to the management of insurance risk is governed by the Local Insurance Risk Committee, chaired by the CEO. The members of the Insurance Risk Committee are members of the Executive Committee including the CRO and the Head of Actuarial Function, and several other business areas. The Committee mainly analyses and monitors the insurance risk profile, its components and the related changes towards risk appetite limits defined; validates all launches or portfolio reviews of products or lines of businesses.

- For Financial risks:
  - The Investment and ALM Committee is primarily responsible for the management of Investments. It specifically includes some members of the Board, the Chief Investment Officer (CIO) and is attended by the CRO and the Head of Actuarial Function. The Committee approves the strategic asset allocations and the interest-rate hedging programmes. It delegates the determination of the level of tolerance to financial risk and the monitoring of compliance with the related limits to the Investment & ALM Committee, as part of the Risk Appetite process. This committee determines the ALM policies and ensures that the Company exposures are within the risks limits defined.
- For Operational and Reputation risks:
  - The Risk & Compliance Forum, chaired by the CRO.

The Risk Management function at Group level is also reinforced by AXA Global P&C who advise and support local entities in their reinsurance strategy and centralise the Group's purchasing of reinsurance.

## **/ AXA Group Internal model**

AXA has developed a robust economic capital model since 2007 and the AXA Group internal model has been used since 2009 in the risk management system and decision making processes. AXA main goal of using an internal model as opposed to the standard formula is to better reflect the company's risk profile in the Solvency Capital Requirement. This is considered from several aspects.

- Taking into account local specificities – AXA is a global company, and caters to a wide range of insurance markets with a variety of products offered targeting certain demographics and with differing risk exposures. It is therefore appropriate, to the extent possible, to calibrate stresses specific for these risk profiles and to allow for the benefits of diversification of risks which arise as a result of being spread over these markets.
- Addressing shortcomings of the standard formula – Based on its expertise, the Group can improve on the approach of the standard formula, which is naturally constrained by its general scope, and have models more appropriate to the scope of the Group.
- Allowing for better evolution of the model over time – As the Group experience increases, business expands to new markets and product innovations create different risks to consider, the flexibility of an internal model allows the specificities of these developments to be reflected.

### **Internal model governance**

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At Group level, the governance bodies involved in the internal model governance are the following ones:

- The Group Boards of directors
- The Management committee
- The Solvency II Steering committee (Group Model Committee)

At Group level, the internal model is reviewed, challenged and approved on an ongoing basis by the Solvency II Steering Committee (SII STC), co-chaired by the Group CRO and the Group CFO. The Solvency II steering Committee is supported by risk technical working groups reviewing changes proposed to the Group internal model and presenting conclusions of these diligences to the SII STC. The SII STC also reviews internal model validation and model change processes, including links with local governance of the model. It also reviews the conclusions of the regular validation activities.

The Group results are presented quarterly to the Management Committee.

Group provides guidance on internal model design and operational processes that are defined locally.

In AXA Insurance dac the Capital Modelling Committee is responsible for internal model governance. The Committee is made up of members of the Executive Committee with members of the risk department and is chaired by the CRO.

## **Internal model validation**

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AXA has implemented and documented an overall regular validation process of the internal model to monitor its performance and on-going appropriateness. This process and associated governance are documented in the Group Validation policy, endorsed by the Management Committee.

The Group Validation policy is complemented by AXA UK Model Validation policy that specifies local validation activities and responsibilities for AXA Insurance dac.

This local Validation policy is endorsed by the AXA UK CRO.

Validation is processed to all parts of the Internal Model. Hence, it does not only apply to the quantitative aspects of the model (input data, theory & methodology, parameters & assumptions, data, results) but encompasses the qualitative aspects of the model: expert judgement, documentation, model governance, use test, systems/IT.

Risk management is performing regular integrated validation activities, described in this policy, mostly organised around:

- validation of the model structure, modelling choices, parameters and assumptions
- validation of the internal capital model calculation and results

These tasks are performed mostly within the Risk Management departments in charge of the model, through controls and validation activities using validation tools as sensitivity tests, back testing, scenario testing, and stability analysis and any other relevant activity. A four eyes principle is applied for these validation activities where necessary.

These validation procedures are complemented by independent challenge and validation of assumptions, key parameters and results through committees (assumptions committees, calibration committees, clearance committees...) providing the adequate level of expertise and seniority.

In particular, regional risk management departments and/or Group risk management teams provide independent challenge of the local model choices, local parameters, assumptions or calibration as well as local results.

Apart from this line-integrated validation, sanctioned by CRO review and sign-off of numbers, a comprehensive independent review process has been defined and implemented to provide adequate confidence to AXA Management and Board of Directors on the fit for purpose quality of the model and its outputs.

The independent reviews are performed by 2 internal teams and by external auditors:

- **Internal Financial Control (IFC) team** are responsible for assessing the effectiveness of the internal control framework over Solvency II, on the basis of the testing of processes and controls over the AFR and SCR, at least annually
- **Internal Model Review (IMR) team**, Group team responsible for the in-depth actuarial review of the model under local teams responsibility, the conception and methodology when locally developed, and the local implementation of the Group principles when relevant. IMR controls are performed on a 3-year rolling basis, independently from closing agenda.

Both IMR and IFC are fully independent from the development, the governance and the processing of the internal model.

- Mazars have been engaged to provide a positive assurance opinion to the AXA Board of Directors on the compliance and consistency of the internal model with the Solvency II Directive requirements.

The annual validation process is concluded by the issuance of the external auditors audit opinion submitted to the Board of Directors along with the conclusions of internal integrated (RM) and independent (IMR, IFC) validation activities summarised in the Validation report.

## **/ Own Risk and Solvency Assessment**

The Own Risk & Solvency Assessment (ORSA) encompasses processes to identify, assess, monitor, manage and report the short to medium term risks of AXA Insurance dac and to ensure the level of own funds adequacy with its's solvency targets, taking into account the risk profile, approved risk tolerance limits and business strategy. As an important component of the risk management system, it is intended to give a comprehensive and complete vision of the risks embedded in the business of AXA Insurance dac.

ORSA mainly encompasses risk management and financial activities, which are organised around the following processes:

- Short Term Economic Capital (STEC) & Available Financial Resources (AFR) quarterly calculation,
- Liquidity risk reporting,
- Strategic planning and financial projections,
- Risk appetite process,
- Stress and scenario testing analysis and monitoring (Transversal stress scenario and Reverse stress test)
- Reputation and strategic risk assessment and review.

The Group has established a policy on the Own Risk and Solvency Assessment (ORSA) to set and describe the common framework and rules to consistently run and report on the ORSA across the Group.

The Own Risk and Solvency Assessment is a Board owned process. The Chief Risk Officer of AXA Insurance dac supports the Board through a working with AXA UK on the shared ORSA policy, is responsible for implementing the local ORSA process and coordinating ORSA reporting for the Board and it's ORSA sub-committee.

Executive Management approves the policy, ensures that procedures are in place to implement and monitor ORSA process and approves the ORSA report.

The Board owned ORSA is prepared and approved at least once annually; at any stage the Board may request the production of a further ORSA.

The ORSA report provides assessment on:

- a) The overall solvency needs through the assessment using the internal model of the economic capital for quantifiable risks considering risk mitigation actions implemented in current economic context and approved business strategy and within approved risk appetite limits. Stress scenario analyses are performed to ensure adequacy of the economic capital assessed. This is supported by enterprise risk management including the identification and monitoring of non-quantifiable risks.
- b) The compliance, on a continuous basis, with the regulatory capital requirements, through the assessment of the ability to meet capital requirements over the strategic plan horizon, both for the initial base case and for two additional scenarios.
- c) The extent to which the risk profile deviates from the assumptions underlying the Solvency Capital Requirement calculated with the internal model. Extensive validation tests are performed to assess the relevance of the internal model and its assumptions for AXA Group including stress and scenario testing. Limitations of the internal model and evolution plan resulting from the validation activities are presented. Also, the extensive use of the internal model outputs for key decision making processes provides a feedback loop for improving the modelling according to the evolution of the risk profile.



## **Board of Directors**

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ORSA is a top-down process owned by the Board, to facilitate its production a Board sub-committee is established to ensure Board engagement in its production. The AXA Insurance dac ORSA report is presented to the Capital Modelling Committee and the Executive Committee for review / approval prior to final review and approval by the Board of Directors. Following approval by the Board the ORSA is submitted to the Central Bank of Ireland through its online reporting process in line with local Regulatory obligations.

This review encompasses Solvency II coverage ratio results at end of year and targets, risk and solvency management internal best practices and conclusions on management actions for material risks assessed out of the economic capital requirement.

Risk appetite, developed by the Management, is reviewed by the Risk Committee and endorsed by the Board of Directors.

## **Executive Committee**

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The Executive Committee participates fully in the ORSA process both in its own right and through the oversight of the reports production in the Capital Modelling Committee. The Executive Committee reviews and approves the ORSA. The Executive Committee and departments under their direction are also involved in the validation of some inputs through the process of drafting of the assessment.

The Executive Committee is responsible for reviewing the entire ORSA including qualitative and quantitative ORSA results and conclusions.

Beyond the annual ORSA report, a quarterly assessment is performed to update the risk profile and adapt management actions accordingly. This information is reported to the Executive Committee.

# B4 – Internal control system

## / Internal control system

### Internal Control and Risk Management procedures

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#### INTERNAL CONTROL AND RISK MANAGEMENT: OBJECTIVES

##### Objectives of the internal control system

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The AXA Group is engaged in the financial protection and wealth management business on a global scale. As such, it is exposed to a very wide variety of risks – insurance risks, financial market risks and other types of risks.

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In order to manage these risks, the Group has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks on a timely and continuing basis, have the necessary information and tools to appropriately analyse and manage these risks, and that the financial statements and other market disclosures are timely and accurate.

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These mechanisms and procedures principally include:

- the corporate governance structures which are designed to ensure appropriate supervision and management of the business as well as clear allocation of roles and responsibilities at the highest level;
  - management structures and control mechanisms designed to ensure that the executives have a clear view of the principal risks faced and the tools necessary to analyse and manage these risks;
  - disclosure controls and procedures designed to ensure that executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) are timely, accurate and complete.
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These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the business.

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#### Corporate governance structure

Key components of the corporate governance are described earlier in this report.

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#### Management structures and controls

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In order to manage the various risks to which it is exposed, the company has various management structures and control mechanisms designed to ensure that executives have a clear and timely view of the principal risks facing them and the tools necessary to analyse and manage these risks.



## Compliance function

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The Compliance function is responsible for advising the entity's management and board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA Insurance dac. The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risk and contribute to design solutions to mitigate those risks to which AXA Insurance dac is exposed.

Compliance is managed by the Head of Compliance, a member of the senior management team, reporting to the CEO.

The compliance function manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) the monitoring of compliance and regulatory risks, (iii) data privacy, (iv) employee Compliance & Ethics Guide and (v) financial crime matters (which include anti-bribery, anti-money laundering and international sanctions/embargo compliance).

The compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year to define activities for 2017.

The compliance activities within AXA Insurance dac are articulated around a number of Group Standards and Policies which set the minimum requirements expected to be covered by AXA Insurance dac. The Compliance Group Standards Handbook (GSH) and the Compliance Professional Family Policy Manual (PFPM) contain standards and policies on significant risks affecting the compliance activities as well as the high level control and monitoring principles to which AXA Insurance dac must adhere. Both the standards and policies contained in the GSH and PFPM (e.g. Compliance Governance, Anti-Money Laundering, Sanctions, Anti-Bribery...) are mandatory. In addition, the compliance function has adapted the Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AXA Insurance dac operates and conducts business. These local policies are reviewed regularly.

The compliance function reports directly to the Executive Committee, Audit Committee and Board on significant compliance matters on a regular basis. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, outstanding Compliance Support and Development Program (CSDP) remediation plans and any other significant issues that require escalation.

## B5 – Internal audit function

### / Internal audit function

The Group's Internal Audit function provides the Group Audit Committee and the Group's Management Committee with independent and objective assurance on the effectiveness of internal control and risk management across the Group.

The Group's Global Head of Audit reports to the Chairman of the AXA Group Audit Committee with an administrative reporting line to the Group's Deputy Chief Executive Officer.

All internal audit teams across the Group report to the Group's Global Head of Audit whilst also having a direct and unfettered reporting line to their local Audit Committee Chairman and an administrative reporting line within their local management structure.

AXA Insurance dac Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

The head of the AXA Insurance dac 's internal audit function has a direct and unfettered reporting line directly to the respective Audit Committee Chairman.

AXA Insurance dac Internal Audit function also reports through to the Global Head of Audit who reports to the Group Audit Committee Chairman.

AXA Insurance dac Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over a five year period, all applicable Common Audit Universe categories for each entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and Executive Management on a regular basis.

The Audit Committee must have at least three, but no more than seven, members with one filling the role of Chairman. The Chair and members of the Audit Committee are nominated and appointed by the Board. Members must not be appointed for a period of more than 5 years. Members may have their appointment renewed subject to serving a maximum period of 12 years on the Audit Committee.

The Audit Committee fulfils its duties according to the AXA Group Terms of Reference for Audit Committees.

## B6 – Actuarial function

### / Actuarial function

Solvency II regulation requires insurance and reinsurance companies to provide for an effective actuarial function to:

- a. coordinate the calculation of technical provisions;
- b. ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- c. assess the sufficiency and quality of the data used in the calculation of technical provisions;
- d. compare best estimates against experience;
- e. inform the management and the Board of the reliability and adequacy of the calculation of technical provisions;
- f. oversee the calculation of technical provisions;
- g. express an opinion on the overall underwriting policy;
- h. express an opinion on the adequacy of reinsurance arrangements; and
- i. contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements

An Actuarial Function has been set up locally with a specific objective to adhere to the requirements of Solvency II as well as the local Domestic Actuarial Regime and associated guidelines.

This includes the issuing the opinions on the overall underwriting policy, the reliability and adequacy of the calculation of technical provisions and the adequacy of reinsurance arrangements.

The Group and local actuarial function prepared a 1st actuarial function report in 2016 to inform the management and the Board on its conclusions about the reliability and adequacy of the calculation of technical provisions. This report will also provide an overview of the activities undertaken by the actuarial function in each of its areas of responsibility during the reporting period.

The main conclusions of the Actuarial Function report are presented in the Executive Summary of the ORSA report.

In addition to the Actuarial Function role, the Central Bank of Ireland has introduced specific domestic requirements regarding the actuarial function and related governance arrangements which apply to all (re)insurance undertakings subject to Solvency II.

Undertakings are required to notify the Central Bank of the person proposed to take responsibility for the Actuarial Function. Undertakings do this via the Central Bank Fitness & Probity regime where the position is a PCF position, called **Head of Actuarial Function (the "HoAF")**, and as such, will require Central Bank preapproval before the proposed individual can be appointed to the position. The Central Bank of Ireland has advised that, for AXA, the HoAF and the CRO role cannot be held by the same person.

In that regard, the Central Bank of Ireland requires that undertakings shall appoint a Head of Actuarial Function,

The responsibility for the tasks called out for the actuarial function under Solvency II and the responsibilities introduced by virtue of the **"2015 Domestic Actuarial Regime Related Governance Requirements under Solvency II"** and, shall be held by one individual, i.e. the HoAF, who is suitably fit and proper to hold those responsibilities. While the operational activities to fulfil those responsibilities can be spread across a number of individuals the Central Bank requires there to be one individual with overall responsibility for ensuring compliance with the relevant requirements and answerable to the Board, in that regard. That individual shall have the prerequisite level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the undertaking. The HoAF shall be a member of a recognised actuarial association, for example one that is a member of the Actuarial Association of Europe.

Where an undertaking is designated as a High Impact undertaking, the HoAF shall be an employee of the undertaking. The term "employee" means a direct employee of the undertaking or an employee provided through a group services company on a full-time basis. AXA is a high impact firm.

The undertaking shall ensure that the HoAF provides an actuarial opinion to the Central Bank on an annual basis. Responsibility for the actuarial opinion rests with the HoAF, using his or her professional judgement. The opinion shall address the Technical Provisions (the "TPs") of the undertaking as reported in any annual quantitative reporting templates ("QRTs") to the Central Bank with a financial reporting date on or after 30th June 2016. This shall be referred to as the Actuarial Opinion on Technical Provisions (the "AOTPs").

In addition to, and connected with the AOTPs, the undertaking shall ensure that the HoAF also provides an Actuarial Report on Technical Provisions (the "ARTPs") to the Board on an annual basis, which supports the AOTPs. This report shall also be provided to the Central Bank upon request.

The undertaking shall ensure that the HoAF provides an actuarial opinion to the Board in respect of each own risk and solvency assessment ("ORSA") process of the undertaking.

The opinion will address, at a minimum and having regard to the undertaking's individual risk situation, the following:

- The range of risks and the adequacy of stress scenarios considered as part of the ORSA process.
- The appropriateness of the financial projections included within the ORSA process.
- Whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

This opinion is provided in relation to any ORSA process conducted from 2016 onwards. The opinion will be provided to the Board at the same time as the results of the ORSA process to which it relates.

## B7 – Outsourcing

### / Outsourcing arrangements

Outsourcing by AXA refers to delegation to a third party of the execution of certain ongoing activities as part of the service agreement. The AXA Ireland outsourcing policy describes the mandatory requirements to comply with Solvency II directives and requires that material relationships with third party providers are subjected to appropriate due diligence, approval and on-going monitoring. The objective of the policy is to ensure that "AXA does not abdicate responsibility" for the functions delegated to a AXA internal subsidiaries or external third party and the risks inherent in the outsourcing of material relationships (i.e. those deemed critical to the principal activities to the business) are identified, monitored and appropriately mitigated.

In addition AXA Insurance dac is subject to Regulatory oversight in this area specifically the Central Bank of Ireland Notification Process for (Re)Insurance Undertakings when Outsourcing Critical or Important Functions or Activities under Solvency II.

The Company has entered into contractual outsourcing arrangements with third-party service providers for services required in connection with the day-to-day operation of our businesses. Thorough due diligences are conducted regularly to ensure the Company maintains full responsibility over the outsourced functions or activities.

Based on a self-assessment conducted as of year-end 2016, our most significant outsourced activities are operated within the AXA Group and relate to the management of investments (AXA Investment and Treasury UK).

## B8 – Any other information

Not Applicable



## RISK PROFILE

### C.1 Underwriting risk

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Insurance risks

Risk Control and Risk Mitigation

### C.2 Market risk

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Market Risk Exposure

Risk Control and Risk Mitigation

Governance of Investment strategy and asset & liability management (ALM)

### C.3 Credit risk

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Risk Control and Risk Mitigation

### C.4 Liquidity risk

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Liquidity position and risk management framework

### C.5 Operational risk

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General principles

### C.6 Other material risks

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Strategic risk

Reputation risk

Emerging risks

### C.7 Any other information

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## / Foreword

This section describes the main risks to which AXA Insurance dac is exposed through its business.

The business of AXA Insurance dac is to provide protection to its individual or group clients ranging from the protection of their properties and liabilities for their personal and business need. AXA collects premiums from its policyholders and invests the collected premiums for the period between collection and the event that generates a claim or the expiration of the policy.

The Property & Casualty business (P&C) covers a broad range of products and services, including Motor, Household, Property and general liability insurance for both personal and commercial customers.

Insurance is a transaction whereby a client pays a premium or contribution to an insurer to ensure coverage in the event of an insured loss (fire, accident, theft, etc.). All of the premiums collected by the insurer are used to settle the claims filed by its policyholders, as well as its own operating costs. By pooling risks among policyholders, the insurance industry protects them at a reasonable cost. Risk assessment is a key element allowing the insurer to price its risk correctly (the premium), to pool it and to optimise its own operating and administrative costs.

AXA's expertise lies in its ability to assess, mutualise or transfer individual or business risk. In this context, AXA has developed consistent and comprehensive tools to measure and control its main risks as detailed in the below sections.

## / Solvency II capital position and internal model

The Solvency II regime introduces a risk based capital requirement which can be assessed either using an internal model or a standard formula.

The AXA economic capital model (AXA's Internal Model) aims to cover all the material and quantifiable risks the entity is exposed to. AXA's Internal Model offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework.

The economic capital model is based on a common definition of risks used consistently throughout the AXA Group. It aims to ensure that the Company risk mapping is comprehensive and is followed in a consistent way across the Company and that efficient procedures and reporting are in place so that roles and responsibilities are allocated to identify, measure, monitor, manage and report key risks.

The Group risk grid identifies all material risks applicable for the Company insurance businesses. AXA's Economic capital model captures all material risks applicable for the Company insurance businesses in order to assess the different sub risks and the overall aggregation of risks. The underlying methodologies used in the economic capital model are regularly reviewed to ensure that they accurately reflect the AXA Insurance dac risk profile and new methods are developed and integrated regularly (in accordance with the internal model change policy).

AXA's Internal Model is calibrated to represent the value at risk of Group Economic Value at the 99.5<sup>th</sup> percentile over a one year horizon. In other words, the Solvency Capital requirement (SCR) is the capital needed to sustain a 1 in 200 year shock. It strives to include all measurable risks (market, credit, insurance and operational) and reflects AXA's unique diversified profile.

In addition to the risks that result in a SCR through AXA's Internal Model calculation, AXA also considers liquidity risk, reputation risk, strategic risk, regulatory risks as well as emerging threats.

The table below details the Solvency Capital Requirement at AXA Insurance dac level and per risk category.



Solvency Capital Requirement - for undertakings on Full Internal Models  
Component-specific information

In EUR 000

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|------------------------|---|
| <b>C0010</b>               | <b>C0020</b>           | <b>C0030</b>                                    |
| 1                          | Market                 | 101,614   |
| 2                          | Credit                 | 14,407  |
| 3                          | Life Insurance         | 37,040  |
| 4                          | P&C Insurance          | 248,015   |
| 5                          | Operational Risk       | 22,831  |
| 6                          | Intangible Risk        | 0   |
|                            |                        |   |

**Calculation of Solvency Capital Requirement**

Total undiversified components

**R0110**

Diversification

**R0060**

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

**R0160**

**Solvency capital requirement excluding capital add-on**

**R0200**

Capital add-ons already set

**R0210**

**Solvency capital requirement**

**R0220**

**Other information on SCR**

Amount/estimate of the overall loss-absorbing capacity of technical provisions

**R0300**

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

**R0310**

Total amount of Notional Solvency Capital Requirements for remaining part

**R0410**

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

**R0420**

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

**R0430**

Diversification effects due to RFF nSCR aggregation for article 304

**R0440**

**C0100**

|          |
|----------|
| 423,907  |
| -116,619 |
| 0        |
| 300,879  |
| 0        |
| 300,879  |
|          |
|          |
| -6,409   |
|          |
|          |
|          |
|          |

## AXA Insurance dac Target Capital and Risk Sensitivity

Under Solvency II regime, AXA Insurance dac is required to hold eligible own funds that cover its Solvency Capital Requirement to absorb significant losses and to be compliant with regulatory requirements. The AXA Insurance dac Solvency Capital Requirement is calibrated so as to ensure that all quantifiable risks to which it is exposed are taken into account.

Under normal conditions, AXA Insurance dac should maintain solvency II regulatory ratio above 100%, allowing it to have sufficient eligible own funds to sustain a 1 in 200 years shock.

In addition, to ensure a comfort level over a 100% Solvency II regulatory ratio, AXA Insurance dac monitors its ability to absorb possible severe financial or technical shocks. In this context, AXA Insurance dac assess the sensitivities of its Solvency II regulatory ratio to financial shocks on corporate bond spreads, on interest rates, and on equity (as detailed in the figure below). These sensitivity analyses do not take into account preemptive management actions that might be taken by

the management to mitigate the effects of the defined shocks, but, allow to ensure through the risk appetite framework that local executive management reviews and approves the risk carried by the company, understand the consequences of and adverse development of these risks, and have action plans that can be implemented in case of unfavorable developments

AXA Insurance dac is a subsidiary of the AXA Group under which the Solvency II regime has defined a clear capital management framework. The AXA Group target range for Solvency II ratio is 170-230%. AXA's consolidated Solvency Capital Requirement is taking into account the global diversification of risks that exist across all its insurance and reinsurance undertakings, reflecting properly the AXA Group risk exposure. AXA Group performs also on regular basis sensitivity analyses of its Solvency II regulatory ratio to material risks and events, demonstrating that its Solvency ratio is resilient to a wide range of shocks (similar to past major observed events such 2008/2009 financial crisis, 2011 financial crisis, Lothar & Martin storm)

|                                 |  |  |
|---------------------------------|--|--|
| <b>31.12.2016</b>               |  |  |
| <b>Coverage Ratio post tax</b>  | 130%                                   |  |
|                                 |  |  |
|                                 | <b>Post Sensitivity Coverage ratio</b> | <b>Difference from actual coverage ratio</b> |
| <b>+50bps Interest Rate</b>     | 141%                                   | +11%   |
| <b>-50bps Interest Rate</b>     | 118%                                   | -13%   |
| <b>+75bps Corporate Spreads</b> | 146%                                   | +16%   |
| <b>+25% Equity Markets</b>      | 141%                                   | +10%   |
| <b>-25% Equity Markets</b>      | 118%                                   | -12%   |

# C1. Underwriting risk

## / Insurance risks

AXA Insurance dac is primarily responsible for managing its insurance risks linked to underwriting, pricing and reserving. It is also responsible for taking appropriate actions in response to changes in insurance cycles and to the political and economic environments in which it operates.

Although the Company underwrites only P&C business, Life risks present within the risk profile of the Company derive from annuities related to the Pension scheme.

In the context of the business of AXA Insurance dac, as described in this report, AXA Insurance dac is exposed to the following main risks: Premium risk due to pricing (risk of undercharging for the potential costs of future claims and expenses of the Company), reserve risk (risk of insufficient reserves on the balance sheet of the Company to cover past claims)

## / Risk Control and Risk Mitigation

Insurance risks Property & Casualty businesses are covered through 4 major processes, defined at Group level but performed jointly by central and local teams:

- risk controls on new product complementing underwriting rules and product profitability analyses;
- optimising of reinsurance strategies in order to cap peak exposures thereby protecting its solvency by reducing volatility;
- reviewing technical reserves including a roll forward analysis;
- monitoring emerging risks to share expertise within the underwriting and risk communities.

## PRODUCT APPROVAL

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Group Risk Management (GRM) has defined a set of procedures to approve new products launches. These procedures, that are adapted and implemented locally, foster product innovation across the Group while maintaining risks under control.

This validation framework notably relies on the results of the economic capital calculation of AXA economic capital model and ensures that any new products undergo a thorough approval process before they are put to market.

In Property & Casualty, methods are adapted to the underwriting of risks, while maintaining the principle of local decision making based on a documented approval procedure and using the output of the economic capital model. The aim is twofold:

- for pre-launch business, the aim is to ensure that new risks underwritten have been scrutinised before proposing them to customers;
- for post-launch business, appropriate profitability and risks control are due to check the **business remains in line with the Group's risk framework.**

This framework complements underwriting rules by ensuring that no risks are taken outside pre-defined tolerances levels and that value is created by adequate risk pricing.

## EXPOSURE ANALYSIS

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For P&C activities, GRM has developed and deployed common models and metrics to consistently measure risks throughout the Group (in particular via its economic capital model framework). This enables Group to check that its exposure complies with risk appetite limits along the dimensions of earnings, value, capital and liquidity. These tools also contribute substantially to monitoring the major

risks (claims frequency deviation, claims severity, reinsurance, pricing consistency and natural catastrophes).

This framework is included in the governance set out previously for product development control.

Concentration risk studies are developed to ensure no single-peril (i.e. windstorm, earthquake, hurricane or typhoon) might affect the company above the tolerance levels set.

## REINSURANCE

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Together with the Global business lines, GRM contributes to the placement of Group reinsurance cover. In alignment with Group Standards, AXA Insurance dac reinsurance treaties are placed through the Global lines, unless a documented approval to place the treaty outside the Group is obtained.

For Property & Casualty operations, reinsurance programs are set up as follows:

- risks are modelled through in-depth actuarial analyses conducted on each portfolio and protected with reinsurance cover in adequacy with the risk appetite limits set at Group level;
- specifically for P&C natural catastrophe modelling, via the AXA Group Internal Model, GRM uses several external models for assessing the risk associated with the main natural perils (storms, flood ...);

## TECHNICAL RESERVES

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AXA Insurance dac specifically monitors its reserve risks. Claims reserves are firstly estimated and booked on a file by file basis by the claims handlers. Additional reserves are also booked by reserving actuaries using various statistical and actuarial methods. These calculations are initially carried out locally by the technical departments in charge, and are then reviewed for a second opinion by local risk management teams or external technical experts.

Actuaries in charge of assessing reserves notably ensure that:

- A sufficient number of elements have been scrutinised (incl. contracts, premiums and claims patterns, handling, and reinsurance effects);
- The technical assumptions and actuarial methodologies are in line with professional practices and sensitivity analyses are performed at least for most significant ones;
- A roll-forward analysis of reserves including Boni-Mali back testing are performed, the regulatory and economic context references are taken into account and material deviations are explained;
- The operational losses relating to the reserving process have been adequately quantified;
- The Best Estimate Liabilities have been calculated in accordance with Articles 75 to 86 of the Solvency II Directive and Group guidelines.

As part of the Solvency II framework, the local Head of Actuarial Function for AXA Insurance dac coordinates the calculation of technical provisions ensuring the appropriateness of the methodologies and underlying models used. As part of his annual report, the Head of Actuarial Function also gives an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

## C2. Market Risk

### / Market Risk Exposure

AXA Insurance dac is exposed to financial market risks through its core business of financial protection (i.e. insurance).

#### **Description of market risks for Property & Casualty**

The market risks to which long-tail Property & Casualty (P&C) portfolios are exposed arise from a variety of factors including:

- a rise in yields on fixed-income investments (linked to interest rates or in spreads) reduces the market value of fixed-income investments and could impact adversely the solvency margin,
- a decline in asset market value (equity, real estate, alternatives, etc.) could adversely impact the solvency margin, as well as available surplus;
- a change in foreign-exchange rates would have limited impact for the operating units since foreign-currency commitments are matched to a large extent by assets in the same currency or covered by hedges, but it could affect the earnings contribution in euros;
- furthermore, P&C activities are subject to inflation which may increase the compensation payable to policyholders, so that the actual payments may exceed the associated reserves set aside. This risk can be significant for long-tail businesses but is managed through regular pricing adjustments or specific protections against peaks of inflation.

Regarding foreign exchange risk, the implemented policy's objective is to limit variations in net foreign currency-denominated assets resulting from movements in exchange rates. The purpose of the policy is therefore to protect partially or in full the value of AXA Insurance dac net foreign-currency investments in its subsidiaries and thus reduce the variability of Company's consolidated shareholders' equity against currency fluctuations, but also of other key indicators such as liquidity, gearing and solvency ratios at Company level.

AXA regularly monitors its exchange rate hedging strategy and will continue to review its effectiveness and the potential need to adapt it taking into account impacts on earnings, value, solvency, gearing ratio and liquidity.

The overall exposure to market risks of AXA Insurance dac is covered by the AXA Solvency Capital Requirement metric, and taken into account in AXA's liquidity risk management framework.

### / Risk Control and Risk Mitigation

AXA Insurance dac is primarily responsible for managing its financial risks (market risk, credit risk, liquidity risk), while abiding by the risk framework defined at Group level, in terms of limits/ thresholds and standards. This approach aims to allow reacting swiftly in an accurate and targeted manner to changes in financial markets, political and economic environments in which the Company operates.

A wide variety of risk management techniques are used to control and mitigate the market risks to which the Company is exposed. These techniques include:

- Asset Liability Management (ALM), i.e. defining an optimal strategic asset allocation with respect to the liabilities' structure, to reduce the risk to a desired level;
- a disciplined investment process, requiring for any sophisticated investment a formal thorough analysis by the Investment Department, and a second opinion by Risk Management;
- hedging of financial risks when they exceed the tolerance levels set by AXA Insurance dac or by the Group. Operational management of derivatives is based on stringent rules and is mainly performed by AXA Investment Managers;
- a regular monitoring of the financial risks on the economic and solvency position of the Company; and
- reinsurance which also offers solutions to mitigate certain financial risks;

## **/ Governance of Investment strategy and asset & liability management (ALM)**

### **Group and Local Guidance on Investments**

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Investment & ALM activities are steered by the Chief Investment Officer (CIO) through a delegation given by AXA Insurance dac. The CIO manages local portfolios, aiming at an optimised risk-return ratio, maintains reporting lines to the Group, and manages close relationships with CRO and CFO of AXA Insurance dac.

### **Group and Local Governance Bodies**

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In order to efficiently coordinate local and global investment processes, decisions within the investment community are taken by two main governance bodies:

- the Group Investment Committee which is chaired by the Group Chief Financial Officer . This committee defines investment strategies, steers tactical asset allocation, evaluates new investment opportunities and monitors the Group's investment performance;
- the Group Asset Liability Management Supervisory Committee for which the Group Investment and ALM Management Department is an important member, is co-chaired by the Group Chief Financial Officer and the Group Chief Risk Officer.

AXA Insurance dac has a Local Investment and ALM Committee whose terms of reference are approved by the local Executive committee.

This committee is responsible for, inter alia, defining the entity's Strategic Asset Allocation, approving and monitoring investments, meeting local compliance obligations and reviewing the participation to investment proposals syndicated by the Group, as well as local investment proposals.

### **ALM Studies and Strategic Asset Allocation**

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ALM aims at matching assets with the liabilities generated by the sale of insurance policies. The objective is to define the optimal asset allocation so that all liabilities can be met with the highest degree of confidence while maximising the expected investment return.



ALM studies are performed by AXA Investment and Treasury with the support of internal asset managers when appropriate and a second opinion provided by the Risk Management Department. They use methodologies and modelling tools that develop deterministic and stochastic scenarios, embedding policyholders' behaviour considerations for the liabilities, financial market evolution for the assets and taking into account existing interaction between the two. This process aims at maximising expected returns given a defined level of risk. Furthermore, a series of additional constraints are taken into account, such as Solvency II economic capital model considerations, earnings stability, protection of the solvency margin, preservation of liquidity, as well as local and consolidated capital adequacy and requirement.

At AXA Insurance dac level, the strategic asset allocation issued from the ALM study must be reviewed by the local risk management, and approved with regards to predefined risk appetite limits, before being considered and fully endorsed by the local Investment and ALM Committee, and ultimately the Board. The strategic asset allocation allows for taking a tactical stance within defined parameters.

### **Investment Approval Process**

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Investment opportunities, like non-standard investments, new strategies or new structures, are subject to an Investment Approval Process (IAP). The IAP ensures key characteristics of the investment are analysed, such as risk and return expectations, experience and expertise of the investment management teams, as well as accounting, tax, legal and reputational issues.

The IAP is completed at Group level for any significant investment, notably if several local entities are participating in the same investment. In that case, the successful completion of an IAP is done after the production of a second independent opinion by GRM. The IAP is used and completed at local level to cover local characteristics (tax, statutory accounting, etc).

Local IAP is also run for investments in new asset classes for local entities under the same principles.

### **Governance Framework for Derivatives**

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Products involving hedging programs based on derivative instruments are designed with the support of dedicated teams at AXA Investment Managers. In a similar way, this set-up ensures all entities benefit from technical expertise, legal protection and good execution of such transactions within the following governance framework for derivatives.

Derivative strategies are systematically reviewed and validated by the Local Investment and ALM Committee. In addition, there is a segregation of duties between those responsible for making investment decisions, executing transactions, processing trades and instructing the custodian. This segregation of duties aims in particular at avoiding conflicts of interest.

The market risks arising from derivatives are regularly monitored taking into account the Group's various constraints (Risk appetite, Economic capital model, etc). Such monitoring is designed to ensure market risks, coming either from cash or derivative instruments, are properly controlled and remain within approved limits.

Legal risk is addressed by defining a standardised master agreement. AXA Insurance dac may trade derivatives only if they are covered by legal documentation which complies with the requirements set out in the Group standard. Any change to certain mandatory provisions defined in the Group standards must be approved by GRM.



Additionally, there is a centralised counterparty risk policy. GRM has established rules on authorised counterparties, minimum requirements regarding collateral, and counterparty exposure limits.

The operational risk related to derivatives is measured and managed in the context of AXA's global operational risk framework. Furthermore, execution and management of derivatives are centralised within dedicated teams, reducing AXA Group's and AXA Insurance dac operational risk.

Valuation Risk is addressed through the use of expert teams. They independently counter-valuate the derivatives positions so as to get appropriate accounting, payment and collateral management. They also challenge the prices proposed by counterparties in case AXA Insurance dac wishes to initiate, early terminate or restructure derivatives. Such capacity in pricing requires high-level expertise, which relies on rigorous market analysis and the ability to follow the most up-to-date market developments for new derivatives instruments.

### **Investment and Asset Management**

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For a large proportion of its assets, AXA Insurance dac utilises the services of asset managers to invest in the market:

- AXA Insurance dac mandates the day-to-day management of its asset portfolios primarily to AXA's asset management subsidiaries, i.e. AXA Investment Managers. The CIO continuously monitors, analyses, and challenges asset managers' performances for the AXA Insurance dac portfolio;
- in order to benefit from a more asset specific and/or geographical expertise, AXA Insurance dac can also decide to invest through external asset managers. In these cases, thorough due diligence analyses are performed by the Investment and the Risk Management communities and a continuous monitoring is implemented.

## C3. Credit Risk

Counterparty credit risk is defined as the risk that a third party in a transaction will default on its commitments. Given the nature of its core business activities, AXA Insurance dac monitors two major types of counterparties, using methods suitable to each type:

- investment portfolios held by its insurance operations
- ceded risks to reinsurers resulting from reinsurance directly ceded by AXA Insurance dac
- receivables from brokers by AXA Insurance dac.

The overall exposure to credit risks of AXA Insurance dac is covered by AXA's Solvency Capital Requirement metric.

### / Risk Control and Risk Mitigation

#### / Invested Assets

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Concentration risk is monitored by different analyses performed at Group level by issuer, sector and geographic region, in addition to local procedures and by a set of Group and local issuer limits.

These limits aim at managing the default risk of a given issuer, depending on its rating and on the maturity and seniority of all bonds issued by the issuer and held by AXA Insurance dac (corporate, Government agency and sub sovereign).

The limits also take into account all exposure on issuers through debt securities, equity, derivatives and reinsurance counterparty risk.

For Sovereign exposures, specific limits have also been defined on government bonds and government-guaranteed bonds and are monitored at Group and local levels.

Compliance with the limits is ensured by the Group through defined governance. The Group Credit Risk Committee handles, on a monthly basis, the issuer exposure breaches to the Group's limit tolerances and determines coordinated actions for excessive credit concentrations. A Group Credit Team reporting to the Group CIO provides credit analysis independently from Group asset managers, in addition to local CIO teams. The ALM Supervisory Committee is regularly kept informed of the work performed. At AXA Insurance dac level, any breach of limits is presented for remediation at the Local Investment and ALM Committee.

#### Credit Derivatives

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AXA Insurance dac, as part of its investment and credit risk management activities, uses strategies that involve credit derivatives (mostly Credit Default Swaps or CDS), which are used as a protection on credit portfolios.

#### Counterparty Risk arising from Over-The-Counter (OTC) Derivatives

AXA actively manages counterparty risk generated by OTC derivatives through a specific Group-wide policy. This policy includes:

- rules on derivative contracts (ISDA, CSA);
- mandatory collateralisation;
- a list of authorised counterparties;
- a limit framework and an exposure monitoring process.

## Receivables: Rating Processes and Factors

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The AXA Insurance dac Finance team maintains detailed monthly reporting, ratings and actions across all material Intermediary, Direct and Reinsurance receivable balances.

Quarterly Credit Risk Reporting is issued by Finance to key stakeholders, including the local CFO and CRO, and presented to local Executive Management Committee meetings and Group Risk management. The amount on the most recent report at December 2016 deemed to be a specific credit risk for non-recovery on Premium Debtor & Reinsurance balances is < 2 % of overall €164.2m balance on the Balance Sheet and is adequately provided for.

## Other receivables

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Receivables risk arises from to the risk of default of counterparties related to insurance operations. The exposures are monitored by the accounting department by nature of counterparties (policyholders, intermediaries, intragroup, taxes, others, etc) and are actively managed to ensure the correct representation of the risk in the balance sheet on a quarterly basis.

The Risk Management team assesses on an annual basis the capital charge for each type of counterparty, using internal risk factors or standard factors.

## C4. Liquidity risk

### / Liquidity position and risk management framework

The liquidity risk is the uncertainty, emanating from business operations, investments or financing activities, that AXA Insurance dac will have the ability to meet payment obligations in a full and timely manner, in current or stressed environments. Liquidity risk concerns assets and liabilities as well as their interplay.

At AXA Insurance dac level, the liquidity risk is measured by the "Excess Liquidity" metric, which is defined as the worst liquidity position, measured over four different time horizons: 1 week, 1 month, 3 months and 12 months.

For each time horizon, the post-stress liquidity resources available and the post-stress liquidity needs (i.e. net outflows) to be paid are projected over the time-horizon allowing estimating the excess liquidity (i.e. the amount of available post-stress liquidity resources minus the post-stress outflows projected over a defined time horizon).

The stressed conditions are calibrated so as to reflect extreme circumstances, and include:

- Distressed financial markets (in terms of asset prices, liquidity and access to funding through capital markets);
- Confidence crisis towards AXA (increase in lapses, decrease of premiums received, no new business);
- Natural catastrophes (windstorm, flood, etc.).

i. AXA Insurance dac shows significant positive excess liquidity and is monitored on a quarterly basis,

ii. The main liquidity resources are the assets and the main needs are coming from Claims payments.

iii. The liquidity position remains relatively stable over time

In addition, all these events are considered to occur simultaneously. Therefore, the calibration of the liquidity stress is extremely conservative.

As of December 31, 2016 the expected profit included in future premiums as calculated in accordance with Article 260(2) of the Solvency II Regulation totalled €0.7 million.

## C5. Operational risk

AXA has defined a framework to identify and measure its operational risks that may arise from a failure in its organisation, systems and resources or from external events. Ensuring an adequate mitigation of these risks across the Group is a key pillar of the Risk Management functions.

### / General principles

One objective of the AXA Insurance dac operational risk economic capital model is to understand and reduce losses resulting from operational failures and to define an appropriate risk response strategy for major Operational risk scenarios.

Based on the Solvency II definition, AXA Insurance dac defines operational risk as the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risks and excludes risks arising from strategic decisions, as well as reputation risks.

AXA has defined a single Group framework for identifying, quantifying and monitoring the main operational risks, involving the deployment of a common system, dedicated operational risk teams and a common operational risk typology classifying operational risks into seven risk categories: internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, damages to physical assets, business disruption and system failures and execution, delivery and process management.

Both quantitative and qualitative requirements are defined.

- Across the Group, the most critical operational risks of AXA Insurance dac and a set stress scenarios are identified and assessed following a forward-looking and expert-opinion approach. These risk scenarios are then used to estimate the capital requirement needed to cover operational risks based on advanced models based on Solvency II principles. The operational risk management process is embedded into local governance through senior management validation to ensure the adequacy, appropriateness and comprehensiveness of the risk assessment but also to ensure that adequate corrective and pre-emptive actions are defined and implemented in front of the main risks;
- In addition, a loss data collection process is in place within AXA Insurance dac in order to track and appropriately mitigate actual operational risk losses. This process is also used as a valuable source of information to back-test the assumptions taken in risk assessments.

The quantified risk profile is a result of the quantification of 48 individual risks, including any applicable Group Mandatory scenarios and UK Transversal risks. In 2016, the AXA Insurance dac Operational Risk Profile is reasonably well spread out with all seven operational risk categories covered and the main risks being the following Cyber Attack Risk, Reserving process, Key Business premises Unavailable and Compliance Risks.

The AXA Insurance dac overall exposure to operational risks is covered by AXA's Solvency Capital Requirement metric.

## C6. Other material risk

### / Strategic risk

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at the Group level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- significant changes in footprint, including through mergers and acquisitions;
- product offering and client segmentation;
- distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no capital charge assessment but processes are led by Group Strategic Planning (GSP) and AXA Insurance dac Finance department in order to assess, anticipate and mitigate these risks and result in the development and monitoring of recommendations to the local Executive Committee and Risk Committee.

### / Reputation risk

Reputation risk is the risk that an event, internal or external, will negatively influence the stakeholders' perceptions of the Company or where there is a gap between stakeholders' expectation and the Company's behaviours, attitudes, values, actions, or inactions.

AXA has defined a global framework with a two-fold approach to reactively protect and proactively monitor, manage and mitigate reputational issues in order to minimise value destruction, and build and maintain brand equity and trust among stakeholders.

AXA Group created a Global Reputation Network that's purpose is to implement locally a reputation risk management framework. This has been implemented locally by AXA Insurance dac and monitored by the Risk and Compliance Forum and the Risk Committee. The objectives of the reputation risk management approach are in line with AXA's overall enterprise risk management approach aiming to develop a reputation risk culture.

Three main objectives drive the reputation risk management approach:

- proactively manage reputation risks, avoid or minimise negative issues impacting on the reputation of AXA and build trust among all of AXA stakeholders.
- define accountability for reputation risks across the organisation (Marketing, HR, Finance / Investors Relations, etc.), at Group and local levels;
- implement a common reputation risk management framework throughout the organisation.
- The implementation of the reputation risk framework encompasses all AXA activities including insurance, asset management, banking as well as internal service providers.

### / Emerging risks

Emerging risks are risks which may develop or which already exist and are continuously evolving. Emerging risks are marked by a high degree of uncertainty; as some of them will even never emerge.

AXA Group has established processes to qualify and quantify emerging risks which could develop over-time and become significant. The emerging risk framework encompasses a network of circa 50 people within AXA Group, including AXA Insurance dac.

Emerging risks surveillance is organised through a detection process including watch on scientific publications, court decisions, etc. Risks are monitored and classified within a risk mapping constituted of six sub-groups (regulatory & legal, environmental, socio & political, economic & financial, medical and technological). After prioritisation of the monitored risks or after a warning from an entity, a working group is launched on a yearly basis by GRM to review a specific risk and its potential impact in terms of insurance.

By developing relationships with researchers and supporting innovative projects in environmental, socio-economic and life risks, the AXA Research Fund is a key contributor to AXA's commitment to better understand the evolution of these risks.

By seeking to develop new solutions, acting as an advisor on risk management and actively contributing to the overall debate about the issues involved, along with other major market players, AXA Group intends to promote a better understanding and better forecasting of the emerging risks and to support sustainable development.

Locally, Emerging Risks is overseen by the Risk and Compliance Forum and also the Risk Committee on a quarterly basis.

## C7 – Any other information

Not Applicable

**D**

## **VALUATION FOR SOLVENCY PURPOSES**

### **Basis for preparation**

#### **D.1 Assets**

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Fair Value Measurement  
Intangible Assets  
Property, Plant & Equipment held for own use  
Investments and loans  
Equities  
Debt Instruments  
Investment Funds  
Derivative instruments  
Cash and Cash equivalents  
Deferred taxes  
Leasing arrangements

#### **D.2 Valuation of technical provisions and reinsurance recoverables**

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General principles  
Best Estimate Liabilities  
Risk Margin  
Reinsurance & Special purpose vehicles recoverables

#### **D.3 Other liabilities**

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Contingent liabilities  
Subordinated Debt  
Derivative instruments  
Provisions other than technical provisions  
Pension benefit obligations  
Deferred taxes  
Financial liabilities  
Leasing arrangements  
Other assets and liabilities

#### **D.4 Alternative methods for valuation**

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#### **D.5 Any other information**

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## **/ Basis for preparation**

The AXA Insurance dac Solvency II balance sheet is prepared as of December 31. The balance sheet is prepared in compliance with the Solvency II Regulation.

Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern.

The Solvency II balance sheet only includes the value of business in force.

Technical provisions are recognised with respect to all of insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.

Other assets and liabilities are recognised in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date with a compulsory date of January 1, 2016, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC:

■ **Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;**

■ **Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company own credit standing).**

The main adjustments between local statutory GAAP and Solvency II assets and liabilities relate to:

- The re-measurement of the market value of assets, related to the recognition of unrealised gain and losses of assets, recognised at cost in the statutory Balance Sheet,
- The re-measurement in the Solvency II framework of policyholder's reserves as compared to those of the Statutory Balance Sheet, for the liabilities side.

Other minor adjustments come from the removal of intangibles within the Solvency II balance-sheet, or the reclassification of subordinated debt.

These adjustments are detailed hereafter in this section.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires a degree of judgment in the application of Solvency II principles described below. The main balance sheet captions concerned are assets accounted at fair value, deferred tax assets, assets and liabilities relating to the insurance business, pension benefit obligations and balances related to share-based compensation. The principles set out below specify the measurement methods used for these items.

Unless otherwise stated, AXA's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in Euro, it being the Company's presentational currency. Assets and liabilities resulting from transactions denominated in foreign currencies are translated at the local exchange rate.

FRS 101: Reduced disclosure framework is adopted in the preparation of the statutory financial statements of the Company. FRS101 allows the Company to report using the same recognition and measurement principles as International Financial Reporting Standards (IFRS), but requires a reduced level of disclosure. There are no material differences in the valuation of the Balance sheet in using IFRS or FRS 101.

## D1 – Assets

### / Fair value measurement

The table below summarises for each material class of assets, the value of the assets of the Company according to Solvency II provisions together with the values of the assets recognised and valued on a statutory account basis as at December 31, 2016:

| <i>(in Euro million)</i>   | <b>Fair Value</b><br>(Solvency II) | <b>Carrying Value</b><br>(Local GAAP) | <b>%</b><br>(value Balance Sheet) |
|--|------------------------------------|---------------------------------------|-----------------------------------|
| Goodwill   | 0                                  | 0                                     | 0.00%                             |
| Deferred acquisition costs   | 0                                  | 44                                    | 0.00%                             |
| Intangible assets  | 0                                  | 0                                     | 0.00%                             |
| Deferred tax assets  | 0                                  | 0                                     | 0.00%                             |
| Pension benefit surplus  | 0                                  | 0                                     | 0.00%                             |
| Property, plant & equipment held for own use   | 27                                 | 18                                    | 1.66%                             |
| <b>Investments (other than assets held for index-linked and unit-linked contracts)</b> | <b>1,345</b>                       | <b>1,345</b>                          | <b>83.10%</b>                     |
| Investment in real estate properties   | 0                                  | 0                                     | 0.00%                             |
| Holdings in related undertakings, including participations                             | 0                                  | 0                                     | 0.00%                             |
| Equities   | 110                                | 110                                   | 6.79%                             |
| Debt Instruments   | 1,218                              | 1,218                                 | 75.25%                            |
| Investment funds   | 8                                  | 8                                     | 0.50%                             |
| Derivatives  | 9                                  | 9                                     | 0.56%                             |
| Other investments  | 0                                  | 0                                     | 0.00%                             |
| <b>Assets held for index-linked and unit-linked contracts</b>                          | <b>0</b>                           | <b>0</b>                              | <b>0.00%</b>                      |
| <b>Loans and mortgages</b>   | <b>109</b>                         | <b>109</b>                            | <b>6.73%</b>                      |
| <b>Reinsurance recoverables</b>  | <b>19</b>                          | <b>19</b>                             | <b>1.20%</b>                      |
| <b>Receivables</b>   | <b>47</b>                          | <b>163</b>                            | <b>2.92%</b>                      |
| <b>Cash and cash equivalents</b>   | <b>66</b>                          | <b>66</b>                             | <b>4.07%</b>                      |
| Other  | 5                                  | 5                                     | 0.32%                             |
| <b>Total Assets</b>  | <b>1,618</b>                       | <b>1,769</b>                          | <b>100.00%</b>                    |

*Note: Receivables here includes Insurance, Reinsurances & Trade receivables + Deposits to cedants. The fair value hierarchy is consistent with the one defined in the Solvency II regulation*

The Company applies the IFRS 13 fair value hierarchy as described below for all assets and liabilities (excluding technical provisions). This fair value hierarchy is consistent with the one defined in the Solvency II regulation.

#### **a) Active market: quoted price**

Fair values of assets and liabilities traded on active markets are determined using quoted market prices when available. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing

buyer. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

#### **b) Active versus inactive markets – financial instruments**

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Equity instruments quoted on exchange traded markets and bonds actively traded on liquid markets for which prices are regularly provided by external pricing services that represent consensus with limited dispersion and for which quotes are readily available are generally considered as being quoted in an active market. Liquidity may be defined as the possibility to sell or dispose of the asset in the ordinary course of business within a certain limited time period at approximately the price at which the investment is valued. Liquidity for debt instruments is assessed using a multi criteria approach including the number of quotes available, the place of issuance and the evolution of the widening of bid ask spreads.

A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or indicative of a change in the conditions prevailing in certain markets.

#### **c) Assets and liabilities not quoted in an active market**

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The fair values of assets and liabilities that are not traded in an active market are estimated:

- Using external and independent pricing services; or
- Using valuation techniques
- No active market: use of external pricing services

External pricing services may be fund asset managers in the case of investments in funds. To the extent possible, the Company collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions. In addition, given current market conditions since the financial crisis and the persistency of complete inactivity of some markets since then, many financial institutions closed their desks dedicated to structured assets deals and are no longer in a position of delivering meaningful quotes.

- No active market: use of valuation techniques

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date. Valuation technique models include:

1. Market approach: The consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities.
2. Income approach: Use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (i.e. discounted) amount.
3. Cost approach: The consideration of amounts that would currently be required to construct or replace the service capacity of an asset.

Valuation techniques are subjective in nature and significant judgment is involved in establishing fair values. They include recent arm's length transactions between knowledgeable willing parties on similar assets if available and representative of fair value and involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity instruments are based on cross checks using different methodologies such as discounted cash flows techniques, price earnings ratios multiples, adjusted net asset values, taking into account recent transactions on instruments which are substantially the same if concluded at arm's length between knowledgeable willing parties, if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlying (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Valuation techniques may be used when there is little observation of transaction prices as an inherent characteristic of the market, when quotes made available by external pricing providers are too dispersed or when market conditions are so dislocated that observed data cannot be used or need significant adjustments. Internal marks to model valuations are therefore normal market practices for certain assets and liabilities inherently scarcely traded or exceptional processes implemented due to specific market conditions.

■ Use of valuation techniques in dislocated markets

The dislocation of certain markets may be evidenced by various factors, such as very large widening of bid ask spreads which may be helpful indicators in understanding whether market participants are willing to transact, wide dispersion in the prices of the small number of current transactions, varying prices over time or among market participants, inexistence of secondary markets, disappearance of primary markets, closing down of dedicated desks in financial institutions, distress and forced transactions motivated by strong needs of liquidity or other difficult financial conditions implying the necessity to dispose of assets immediately with insufficient time to market the assets to be sold, and large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer). Primary transactions' prices in markets supported by government through specific measures following the financial crisis do not represent fair value.

In such cases, the Company uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts: in inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs.

## **/ Intangible assets**

Under Solvency II, only intangible assets related to the in force, that are separable and for which there are evidence of exchange transactions for the same or similar assets, indicating they are saleable in the market place, are recognised.

As a result of Solvency II principles, goodwill and other intangible assets recognised under IFRS have no value in the Solvency II balance sheet. Goodwill has no value in the Statutory GAAP accounts however Deferred Acquisition Cost has been eliminated.

## **/ Property, Plant & Equipment held for own use**

Under Solvency II, property, plant & equipment held for own use is recognised at fair value whereas under IFRS, it is recognised at cost. Asset components are depreciated over their estimated useful lives and reversible impairment is recognised if conditions are met. When an asset is intended to be sold within twelve months, it is measured at the lower of net carrying value and fair value net of selling costs.

## **/ Investments and loans**

The investments aggregate on the Solvency II balance sheet include investment in real estate properties (other than for own use), participations (including entities other than investment funds that are accounted for under the equity method), equity instruments, bonds, investment funds, derivatives and deposits other than cash equivalents.

In relation to Loans and Mortgages, the material element relates to inter group exposures.

Under Solvency II, financial assets are recognised at fair value.

## **/ Equities**

Under both IFRS and Solvency II, equities are recognised at fair value.

## **/ Debt instruments**

Under both IFRS and Solvency II, debt instruments are recognised at fair value.

## **/ Investment funds**

Under both IFRS and Solvency II, investment funds are recognised at fair value.

## **/ Derivative instruments**

Under both IFRS and Solvency II, derivatives are recognised at fair value.

## **/ Cash and cash equivalents**

Under both IFRS and Solvency II, cash and cash equivalents are recognised at fair value.

## **/ Deferred taxes**

Please refer to section D.3.

## **/Leasing arrangements**

The Company has a number of non material leasing arrangements within the AXA Group .



## D2 - Valuation of technical provisions and reinsurance recoverables

### / General principles

Technical provisions are measured using a two "building blocks" approach:

- Best Estimate Liabilities (BEL), and
- Risk margin for non-hedgeable risks that is added to the best estimate liabilities.

The best estimate liability corresponds to the probability-weighted average of future cash flows, including claims payments, expenses, taxes, premiums related to existing insurance and reinsurance contracts taking into account the time value of money (i.e. by discounting these future cash flows to present value). The calculation of the best estimate liability is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

The best estimate liability is recognised on a gross of reinsurance basis, without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. The latter are recognised separately.

The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an on-going basis. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks.

This valuation requires deep analysis of the underlying obligations, collection of qualitative and quantitative information, projection tools and models, and expert judgment in a number of areas.

The table below summarises the AXA Insurance dac technical provisions under Solvency II together with a comparison on a local statutory accounting basis.

| Euro m   | Fair Value<br>(Solvency II) | Carrying Value<br>(Local GAAP) |
|--|-----------------------------|--------------------------------|
| <b>Technical Provision - non life</b>                              |                             |                                |
| Material lines of business   |                             |                                |
| Motor Vehicle Liability insurance - Technical Provisions           | 923.22                      | 1,055.10                       |
| Best Estimate  | 873.85                      |                                |
| Risk Margin  | 49.37                       |                                |
| Other Motor insurance - Technical Provisions                       | 35.37                       | 62.76                          |
| Best Estimate  | 32.89                       |                                |
| Risk Margin  | 2.48                        |                                |
| Fire and Other Damage to Property insurance - Technical Provisions | 29.87                       | 50.16                          |
| Best Estimate  | 27.63                       |                                |
| Risk Margin  | 2.24                        |                                |
| General Liability insurance - Technical Provisions                 | 18.50                       | 22.90                          |
| Best Estimate  | 17.44                       |                                |
| Risk Margin  | 1.05                        |                                |

## **/ Best Estimate Liabilities**

A best estimate assumption is defined as one where there is as much probability that the actual experience develops over the assumption as below it. It is neither a prudent nor an optimistic assumption. It is set at a level that is neither deliberately overstated nor deliberately understated. Due to the inherent uncertainties, if two assumptions are equally reasonable the average is used.

### **Assumptions and framework**

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Non market assumptions, based on latest best estimate assumptions (historical data and expert judgment), include the Loss ratio and best estimate claims payment.

Assumptions regarding future experience are reasonable, and, to the extent possible, take into account the actual historical and current experience of the Company, adjusted to reflect known changes in the environment and identifiable trends. In some instances, it may be necessary to rely more on judgment, taking into consideration the Company's pricing and/or reserving assumptions.

Assumptions are used to project future cash flows, and are therefore selected with due regard to the future context or expected future operating environment of the Company. Thus, they may or may not be consistent with past experience.

The development of future experience will depend on the context and the risk characteristics of the products. Setting corresponding assumptions requires a sound knowledge of the current and projected policies by management in charge of investment, underwriting, reinsurance, claim settlement, marketing, pricing and administration. The impact of the external environment on the future cash flows is also taken into account. Specific consideration is given to economic factors such as inflation or recession as well as the regulatory, legal and political environments.

Assumptions are consistent with the best estimates used for other purposes such as Statutory, IFRS, or GAAP reporting and product pricing.

Assumptions in respect of best estimate metrics are derived consistently over time and within homogeneous risk groups and lines of business. The assumptions adequately reflect any uncertainty of the cash flows.

Assumptions are reviewed and potentially adjusted in the light of the recent experience.

### **Specificities of some assumptions**

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#### **Expenses**

Expenses include administrative expenses, investment management expenses, claims management expenses and acquisition expenses which relate to recognised insurance and reinsurance obligations.

The assumptions underlying expenses projections are consistent with the strategy of the Company, taking into account future new business and any change in the expenses agreed by the management.

Expenses are inflated over the duration of the projection. The inflation assumption is assessed on the basis of the economic environment and the specifics of the Company, and generally varies across economic scenarios.

#### **Boundary of an insurance or reinsurance contract**

The Solvency II balance sheet excludes all premiums expected from new business not yet bound and future premiums expected from existing contracts if the Company has the power to either reject them or fully re-price them.

#### **Reference rate curve and stochastic scenarios**

Discount rates used for non-life reserves are basic risk free rates. (No volatility adjustment used locally)



## Non-life Best Estimate Liabilities

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Non-life Best Estimate Liabilities (BEL) represent expected future cash flows discounted to take into account the time value of money for non-life obligations and do not generally require stochastic projections and dynamic assumptions.

The valuation of non-life technical provisions is based on the application of a wide range of actuarial projection models, including a balanced mix of the following elements:

- Portfolio's main features in terms in particular of risks mapping, underwriting and claims policies, social, economic and legal context, local requirements (such as statutory, accounting, tax...), market conditions and claimants' behaviours;
- Quality, relevance and consistency over time of available statistical data;
- Consistency and limits of the set of selected forecasting methods, given the business features and the available data;
- Selection of relevant actuarial assumptions sets and their adequate application to actuarial projection models;
- Ability to economically document the projected range of results, both quantitatively and qualitatively;

The Company applies a wide range of actuarial and statistical methods. Analyses are performed by lines of business and projections are performed using tools developed either internally or externally.

Non-life technical provisions are valued based on internally modelled run-offs projected out flows on the basis of past payment patterns adjusted whenever relevant. A number of adjustments are applied to the statutory technical provisions to determine the Solvency II technical provisions.

### Unearned premium reserves

In addition to the valuation above, the non-life BEL include the adjusted valuation of the accounting unearned premium reserves that aim to cover the unexpired risk period for which the Company received a premium.

Under Statutory GAAP, unearned premium reserves are usually based on a prorata of premiums received related to the unexpired period of coverage plus an amount to cover deficiencies when the combined ratio based on technical reserves is higher than 100% (net of reinsurance).

Under Solvency II, such reserves result from the application of an expected combined ratio to the proportion of the premiums related to the unexpired period, even when this loss ratio is lower than 100%

## / Risk margin

In addition to the best estimate liabilities (BEL), a risk margin is recognised to obtain values consistent with the determination of market prices when there are no deep and liquid markets. The risk margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on an ongoing basis. In general, most insurance risks (e.g. mortality or property risks) are deemed to be non-hedgeable risks.

The non-hedgeable risks comprise:

- Property & Casualty,
- Reinsurance default risks and
- Operational risks.

The Solvency Capital Requirement (SCR) for the non-hedgeable risks is projected for the future years until the run-off of the portfolio following suitable risk driver.

The risk margin is determined as the present value at the basic risk free interest rate structure of the future capital charges using a 6% cost of capital for all lines of business.

The cost of capital is a premium over the risk free rate that represents the reduction in economic "value" (cost) linked to the risks considered.

## **/ Reinsurance & Special purpose vehicles recoverables**

As technical provisions are reported gross of reinsurance, a reinsurance asset is identified separately. Transactions related to reinsurance assumed and ceded are accounted for in the balance sheet in a similar way to direct business transactions in agreement with contractual clauses. Indeed, the methods used to value reinsurance balances depend on the type of reinsurance contracts (e.g. treaties / facultatives, proportional/non-proportional), the nature of the business and the ceded portion.

At year end 2016 AXA Insurance dac had no special purpose vehicle recoverables.

### **Reinsurance receivables / payables**

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Under Solvency II provisions, receivables from reinsurance contracts and special purpose vehicles are adjusted from their Statutory GAAP value to take into account the expected losses due to default of the counterparty.

## D3 - Valuation of other liabilities

The table below summarises AXA Insurance dac other liabilities under Solvency II together with a comparison on a local statutory account basis as of December 31, 2016.

| <i>(in Euro million)</i>   | <b>Fair Value<br/>(Solvency II)</b> | <b>Carrying Value<br/>(Local GAAP)</b> |
|--|-------------------------------------|--|
| Contingent liabilities   | 0                                   | 0                                      |
| Provisions other than technical provisions                         | 2                                   | 2                                      |
| Pension benefit obligations  | 68                                  | 68                                     |
| Deposits from reinsurers   | 0                                   | 0                                      |
| Deferred tax liabilities   | 6                                   | 4                                      |
| Derivatives  | 35                                  | 35                                     |
| Debts owed to credit institutions                                  | 0                                   | 0                                      |
| Financial liabilities other than debts owed to credit institutions | 0                                   | 0                                      |
| Payables   | 71                                  | 71                                     |
| Subordinated liabilities   | 20                                  | 20                                     |
| Other  | 35                                  | 35                                     |

### / Contingent liabilities

Contingent liabilities are:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or
- Present obligations that arise from past events but for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Under Solvency II, contingent liabilities that are material are recognised as liabilities. Contingent liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgment of the intended user of that information, including the supervisory authorities.

The value of contingent liabilities is equal to the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.

AXA Insurance dac has no contingent liabilities as of December 31, 2016.

### / Subordinated liabilities

Under both IFRS and Solvency II, subordinated liabilities are recognised at fair value.

### / Derivative instruments

See section D.1

## **/ Provisions other than technical provisions**

The same approach prevails under both IFRS and Solvency II frameworks.

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at management's best estimate, at the balance sheet date

## **/ Pension benefit obligations**

The same approach prevails under both IFRS and Solvency II frameworks. Pension benefit obligations are valued under IAS19 (IFRS) for Solvency II and FRS101 for Statutory GAAP.

Pension benefit obligations include the benefits payable to AXA employees after they retire (retirement compensation, additional pension benefit, health insurance). In order to meet those obligations, some regulatory frameworks have allowed or enforced the set-up of dedicated funds (plan assets).

- Defined contribution plans: payments are made by the employer to a third party (e.g. pension trusts). These payments free the employer of any further commitment, and the obligation to pay acquired benefits to the employees is transferred. No liability needs to be recorded once contributions are made.
- Defined benefit plans: an actuarial assessment of the commitments based on each plan's internal rules is performed. The present value of the future benefits paid by the employer, known as the DBO (Defined Benefit Obligation), is calculated annually on the basis of long-term projections of rate of salary increase, inflation rate, mortality, staff turnover, pension indexation and remaining service lifetime. The amount recorded in the balance sheet for employee defined benefit plans is the difference between the present value of the Defined Benefit Obligation and the market value at the balance sheet date of the corresponding invested plan assets after adjustment for any minimum funding requirement or any asset ceiling effect. If the net result is positive, a provision is recorded. If the net result is negative, a prepaid pension asset is recorded in the balance sheet but not more than its recoverable amount (asset ceiling).

## **/ Deferred taxes**

Differences arise between IFRS and Solvency II deferred taxes balances due to differences in underlying principles for assets and liabilities. Indeed, there are generally tax impacts on adjustments between IFRS and Solvency II assets and liabilities.

However, similar recognition and valuation principles apply under both IFRS and Solvency II frameworks.

Deferred tax assets and liabilities emerge from temporary differences with tax values of assets and liabilities, and when applicable from tax loss carry forwards. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the temporary differences, taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) relating to the carry forward of unused tax losses or the carry forward of unused tax credits. The recoverability of deferred tax assets recognised in previous periods is re-assessed at each closing.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact, at the balance sheet date that would follow the way the Company expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognised.

For presentation purpose of the balance sheet, deferred tax assets are offset with deferred tax liabilities at fiscal entity (or tax group if any) level.

As of December 31, 2016 a net DTL position of €6m million has been recognised in the Solvency II Balance Sheet.

## **/ Financial liabilities**

Financial liabilities relates to liabilities other than debts owed to Credit Institutions. AXA Insurance dac have no such debts as at December 31, 2016.

## **/Leasing arrangements**

The Company has no material leasing arrangements.

## **/ Other assets and liabilities**

Under Solvency II, reinsurance receivables are adjusted from their IFRS value to take into account the expected losses due to the probability of default of the counterparty.

With regard to share-based compensation plans, the same approach prevails under both IFRS and Solvency II frameworks. The Company's share-based compensation plans are predominantly settled in equities. These plans, by nature, do not have an impact on assets and liabilities except for the related tax effect; cash-settled share-based compensation plans are recognised at fair value, which is re-measured at each balance sheet date.

With the exception of collateral pledged (€3.1m), to cover derivative exposures, assets of the company are free of charges exercisable by third parties.

All other assets and debts (tangibles assets and other long term assets) are also recorded at fair value under Solvency II but by default, the IFRS value is kept.

## D4 – Alternative methods for valuation

For detailed information on alternative methods used for valuation of assets and other liabilities, please refer to the subsection Fair Value Measurement in section D1.

For detailed information on alternative methods used for valuation of liabilities other than technical provisions, please refer to the section D3.

## D5 – Any other material information

As at year end 2016 AXA Insurance dac does not use matching adjustment , volatility adjustment or transitional risk free interest rate structure.

## CAPITAL MANAGEMENT

### **E.1 Own funds**

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Capital Management Objectives  
Information on Capital structure  
Change in Capital resources in 2016  
Tiering Analysis of capital  
Reconciliation to IFRS shareholders' equity

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

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General principles  
Solvency Capital Requirement  
Minimum Capital Requirement

### **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

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### **E.4 Differences between the standard formula and any internal model used**

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General information  
Main differences between the Standard Formula and the Internal Model

### **E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

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

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## E.1 Own funds

### / Capital Management Objectives

AXA Insurance dac reviewed its capital resources and requirements on an economic basis as at the end of 2016. In performing this review, both Regulatory requirements and Management's internal objective, including ability to meet key shareholder's requirements, have been considered.

The local Executive Management Committee regularly reviews the adequacy of the risk management system and processes and has regular processes in place to identify and prioritise opportunities for further developing the risk management capabilities.

Management monitors the Company's solvency margin on an on-going basis. AXA Insurance dac regularly monitors its exchange rate hedging strategy and will continue to review its effectiveness and the potential need to adapt it taking into account impacts on earnings, value, solvency, gearing ratio and liquidity.

AXA Insurance dac have in place a local Capital Management Policy and review information over the company planning horizon (generally 5 years).

### / Information on the Capital Structure

As of December 31, 2016, available financial resources totalled €391.5m.

The capital resources at December 31, 2016 and December 31, 2015 are presented in the table below:

| <i>(in € million)</i>   | <b>At<br/>December<br/>31, 2016</b> | <b>At<br/>December<br/>31, 2015</b> | <b>Evolution</b> |
|---|-------------------------------------|-------------------------------------|------------------|
| Share capital   | 42.1                                | 42.1                                | 0.0              |
| Capital in excess of nominal value  | 32.4                                | 32.4                                | 0.00             |
| Dated subordinated debt   | 20.0                                | 0.0                                 | 20.0             |
| Reconciliation reserve  | 225.4                               | 265.9                               | (40.5)           |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | 71.6                                | 39.8                                | 31.8             |
| <b>Available Financial Resources</b>  | <b>391.5</b>                        | <b>380.2</b>                        | <b>11.3</b>      |

Reconciliation reserve represents the excess of asset over liabilities from the Solvency II balance sheet, reduced by capital items in the financial statements (share capital, capital in excess of nominal value, Capital Contributions) and net of foreseen dividends to be paid in 2017.

## / Change in capital resources in 2016

### Available Financial Resources

At December 31, 2016

| <i>(in € million)</i>                    | At<br>December<br>31, 2016 |
|--|----------------------------|
| <b>AFR FY 2015</b>                       | <b>380.2</b>               |
| Modeling changes and opening adjustments | 4.2                        |
| Total Return                             | 5.5                        |
| Dividend to be paid in year N+1          | 0                          |
| Others                                   | 1.6                        |
| <b>AFR FY 2016</b>                       | <b>391.5</b>               |

In 2016 post tax AFR increased by €11.3m from €380.2m to €391.5m. The significant movements being;

- +€5.5m total return due to revaluation of properties;
- +€4.2m modeling changes and opening adjustments due to movements in best estimate liabilities and market value margin & subordinated loan reclassification of debt to equity.

All relevant adjustments above are net of tax.

## / Tiering analysis of capital

### Repartition of capital by tier

Solvency II available Own funds represent Available Financial Resources (AFR) available to the undertaking before any consideration for tiering eligibility restriction and after limitation over the potential non-availability of certain elements of capital.

Available own funds are split into tiers (this analysis is only done for the purpose of calculating the Solvency ratio), i.e. three different buckets of capital determined according to the quality of such components as defined in the Solvency II Regulation. Eligibility limits apply to those available elements to cover respectively the Solvency Capital Requirement (SCR) or the Minimum Capital Requirement (MCR).

As far as compliance with the Solvency Capital Requirement is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least one half of the Solvency Capital Requirement; (b) the eligible amount of Tier 3 items shall be less than 15 % of the Solvency Capital Requirement; (c) the sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50 % of the Solvency Capital Requirement.

AFR is the eligible own fund amount after the tiering limits are applied. The structure of tiering is presented in the table below:

| <i>(in Euro million)</i>                            | Total | Unrestricted<br>Tier 1 | Restricted<br>Tier 1 | Tier 2 | Tier3 |
|---|-------|------------------------|----------------------|--------|-------|
| <b>AFR (Eligible own fund) At December 31, 2016</b> | 391.5 | 371.5                  | 0                    | 20.0   | 0     |
| Of which ancillary                                  | 0     | 0                      | 0                    | 0      | 0     |
| Of which subject to transitional measures           | 0     | 0                      | 0                    | 0      | 0     |

As far as compliance with the Minimum Capital Requirements is concerned, the following quantitative limits shall apply: (a) the eligible amount of Tier 1 items shall be at least 80 % of the Minimum Capital Requirement; (b) the eligible amounts of Tier 2 items shall not exceed 20 % of the Minimum Capital Requirement.

In accordance with the methods of calculation implemented by AXA in line with existing regulations, the AXA Insurance dac eligible financial resources to cover its minimum capital requirement under the current Solvency II regime amounted to €392m at December 31, 2016 .

### Dated and undated subordinated debts description

The company has not issued dated or undated subordinated debt. The Company has received €20m of subordinated debt during 2016.

## / Reconciliation to IFRS Shareholders' equity

As of December 31, 2016, consolidated IFRS shareholder's equity totalled €340.8 million. The reconciliation movements in capital resources between the IFRS Shareholders' equity and the Solvency II Available Financial Resources are presented in the table below:

| € million   | At<br>December<br>31, 2016 |
|---|----------------------------|
| <b>IFRS Shareholders' Equity</b>                  | <b>340.8</b>               |
| Best estimate liabilities and market value margin | 64.5                       |
| Subordinated loan - reclass debt to equity        | 20.0                       |
| Full market value of assets                       | 9.3                        |
| Other   | -5.2                       |
| Intangible assets                                 | -37.9                      |
| <b>Available Financial Resources (AFR)</b>        | <b>391.5</b>               |

The key differences between the IFRS and the Solvency II frameworks are further explained below:

- Intangible asset removal relates to the removal of DAC which is re-measured through the Best Estimate Liabilities calculation.
- The adjustment of the market value of assets is related to the recognition of unrealised gain and losses of assets (loans and real estate) recognised at cost in the IFRS Balance Sheet.
- Best Estimate Liabilities and Market Value Margin changes reflect the difference in regulations between IFRS and Solvency II.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

AXA received formal approval over its internal economic capital model application on November 2015. The AXA Internal economic capital model is designed to allow AXA entities to choose the local calibrations which better reflect the local risk profile and to capture all the material risks to which AXA is exposed. As a result, it is believed the internal economic capital model reflects the overall solvency need of the AXA Insurance dac more faithfully and better aligns the capital requirement metrics with the Management decision making.

### / General principles

The Solvency II directive provides for two separate levels of solvency margin: (i) the Minimum Capital Requirement (MCR), which is the amount of own funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk should the Company be allowed to continue its operations, and (ii) the Solvency Capital Requirement (SCR), which corresponds to a level of eligible own funds that enables insurance and reinsurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made.

Ireland has not made use of the option not to disclose any capital add-on during a transitional period ending no later than 31 October 2020.

### / Solvency Capital Requirement (SCR)

On November 17, 2015, AXA received approval from the College of Supervisors to use its internal model to calculate its regulatory capital under Solvency II. The Solvency II capital ratio for AXA Insurance dac was 130% as of December 31, 2016.

On December 31, 2016 the Company's solvency capital requirement was €301 million net of tax, split as follows by risk module: P&C risk €248 million, L&S risk €37 million, Market risk €102 million, Credit Risk €14 million, Operational Risk €23 million. This split is before diversification and tax adjustment.

Total Solvency Capital Requirement (SCR) decreased by €51 million to €301 million mainly driven by Group and local Model Addendums.

At December 31, 2016 the breakdown of the Solvency II required Capital (€301 million) by risk categories was Market 24%, Credit 3%, Life 9%, P&C 59% and Operational 5% before diversification and tax adjustment.

### / Minimum Capital Requirement

The Minimum Capital Requirement is meant to ensure a minimum level below which the amount of financial resources should not fall. That amount is calculated in accordance with a simple formula, which is subject to a defined floor and cap based on the Solvency Capital Requirement of the Company in order to allow for an escalating ladder of supervisory intervention, and that it is based on the data which can be audited.

In accordance with the methods of calculation implemented by AXA Insurance dac in line with existing regulations, the AXA Insurance dac Minimum Capital Requirement amounted to €134 million at December 31, 2016 (up + €12 million) mainly driven by the increase in volume metric.

For non-life entities, the Minimum Capital Requirement is founded over a factor-based formula taking into consideration the amounts of Best Estimate Liabilities net of the amounts recoverable from reinsurance contracts and special purpose vehicles, and written premiums for each segment of business. Different factors are applied to those amounts according to each relevant segment.

### E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

No Applicable

## E.4 Differences between the standard formula and any internal model used

### / General information

AXA has developed a robust economic capital model since 2007 and the AXA Group internal model has been used since 2009 in the risk management system and decision making processes. AXA main goal of using an internal model as opposed to the standard formula is to better reflect the Company's risk profile in the Solvency Capital Requirement. This is considered from several aspects.

- *Taking into account local specificities* – AXA is a global Company, and operates in a wide range of insurance markets offering a variety of products and targeting different demographics and different risk exposures. It is therefore appropriate, to the extent possible, to calibrate stresses specifically to these risk profiles and to allow for the benefits of diversification of the different risks across such markets.
- *Addressing shortcomings of the standard formula* – Based on its expertise, the Group can improve on the approach of the standard formula, which is naturally constrained by its general scope, to have models which are more appropriate for the scope of the Group. For example, the internal economic capital model for market risks adds some risks not covered by the standard formula (government spread risk, into interest rate implied volatility and equity implied volatility risk).
- *Allowing for better evolution of the model over time* – As the Group's experience increases, its business expands to new markets and product innovations create different risks, the flexibility of an internal model allows the specificities of these developments to be reflected.

AXA Internal Model is calibrated to represent the value-at-risk of the loss distribution over a one year time horizon at the 99.5th percentile at Solo and Group level.

- The AXA Internal Model forms an important piece of the AXA system of governance of which usage has been built and developed in strong relationship with the operating business lines and risk management department in a way to develop an internal model adapted to the undertaking's needs.
- The AXA Internal Model is used for assessing and managing the economic capital and is also a supportive decision-making tool in different business processes: strategic planning, underwriting, investment decisions, and project management. Besides, as integrated within the risk management system, the AXA Internal Model provides information for implementing the Own Risk & Solvency Assessment (ORSA) process, formulating risk strategies, monitoring risk appetite or producing risk reporting.

### / Main differences between the Standard Formula and the Internal Model

AXA's Internal Model is a centralised model which is based on Group methodologies. This ensures a full consistency in the modelling of similar risks across the Group while still allowing for local specificities when they exist, in particular via the calibration of underwriting risks at local levels, these local calibrations being then presented and validated by Group Risk Management. Validation encompasses both quantitative and qualitative aspects of the internal model, amongst which, in particular data quality. AXA's data quality policy requires data used as input in the internal model to be complete, accurate and appropriate

The general architecture of the AXA's Internal Model consists in five main modules (Life, Market, Credit, P&C and operational risks). The Standard Formula in addition considers a separate Health risk



category. Instead, in the Internal Model the health risk is included in the Life risks (not applicable for AXA Insurance dac.).

In general in the 5 risks categories, the internal economic capital model provides models for sub-risks that are not adequately captured in the Standard Formula but are material to AXA.

Market risk: Interest rate implied volatility, Equity implied volatility, Government Spread and Inflation are explicitly modelled in AXA's Internal Model. The risk of concentrations in the portfolio is included in the Corporate Default calculation.

Due to the higher number of sub-risks and risk factors used in the internal model, the risks of the different asset classes and the diversifications among them can be captured more precisely than in the standard formula. For instance the shocks depend on the economy, which means that for volatile markets higher shocks are assumed.

Credit risks: AXA's Internal Model addresses separately the default risk of corporate bonds whereas it is included in the calibration of spreads in the standard formula.

Property & Casualty risks: P&C lapse risk is not modelled in AXA's Internal Model as immaterial.

Operational risk: The standard formula for operational risk is factor-based (percentage of gross written premiums or technical provisions) and is not risk sensitive. AXA internal model for operational risks follows a forward-looking and Scenario-Based Approach (SBA). It relies on the identification and assessment of the most critical Operational risks of each entity complemented by a set of transversal Group scenarios.

### **Modelling techniques**

In the standard formula simple models are used for most risk categories in order to derive the SCR. In most cases an extreme scenario is defined, which represents the 99.5% quantile.

In the AXA Internal Model, sophisticated models are applied. In particular for Market, Credit Reinsurance, Property & Casualty and Operational risk Monte Carlo simulations are used. This allows deriving the whole loss distribution.

### **Diversification**

In the standard formula, no geographical diversification is explicitly recognised. The internal economic capital model aggregation considers geographical diversification as AXA Group is operating globally.

The Solvency II framework requires the provision of a Probability Distribution Forecast (PDF) underlying the internal model that assigns probabilities to changes in the amount of Company's own funds. The following orientations have been chosen for the internal economic capital model assessment:

- The Property & Casualty and Market modules' modelling, using simulation-based approaches, allow exhibiting a full Probability Distribution Forecast.
- The modelling of the Credit risk leans on both simulation-based techniques and shock-approaches depending on the considered sub-risk. For the first techniques, full Probability Distribution Forecasts are available. Regarding shock-approaches, several percentiles, similarly to the approach performed for the life risk, are calculated.

The overall aggregation process is based on an elliptical aggregation of the Market, Life, Credit, Property & Casualty and Operational requirements. This modular approach allows for the ranking of

the main risks or sub-risks and provides a better understanding of the risks (sub-risks) and their impacts.

AXA Insurance dac also performs reverse stress scenarios. The aim of such scenarios is to exhibit combinations of Market, Credit, Life, P&C and Operational events (the shocks defined in the scenario are occurring simultaneously) that would yield the same amount of SCR for a chosen valuation date. They allow assessing several impacts inherent to the internal model. They consist in a back-testing for the correlation coefficients' accuracy. Indeed, performing such scenarios permits highlighting potential cross and non-linearity effects and thus adjusting the correlations to take into account such impacts. It results in conservative correlation coefficients.

These back-testing techniques are useful as they mitigate potential shortcomings coming from the aggregation structure (relying on an elliptical framework and the associated assumptions)

#### **Data**

The data used for local paramerisation of the Internal model comes predominantly from the Reserving process and from the Finance area. The data is validated for appropriateness prior to use in the Internal model

## **E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

Not Applicable

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

Not Applicable



# **AXA Insurance dac Quantitative Reporting Templates (QRT) YE2016**

AXA Insurance dac is regulated by the Central Bank of Ireland

**redefining / standards**



# Quantitative Reporting Templates

## Quantitative Reporting Templates YE 2016

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### Content of the submission

| Template Code | Template name  | applicable |
|---------------|--|------------|
| S.02.01.02    | Balance sheet information  | Yes        |
| S.05.01.02    | Premiums, claims and expenses  | Yes        |
| S.05.02.01    | Premiums, claims and expenses by country   | Yes        |
| S.12.01.02    | Technical provisions relating to life insurance and health insurance   | No         |
| S.17.01.02    | Non-life technical provisions  | Yes        |
| S.19.01.21    | Non-life insurance claims  | Yes        |
| S.22.01.21    | Impact of the long term guarantee and transitional measures  | No         |
| S.23.01.01    | Own funds, including basic own funds and ancillary own funds   | Yes        |
| S.25.01.21    | Solvency Capital Requirement calculated using the standard formula   | No         |
| S.25.02.21    | Solvency Capital Requirement calculated using the standard formula and a partial internal model  | No         |
| S.25.03.21    | Solvency Capital Requirement calculated using a full internal model  | Yes        |
| S.28.01.01    | Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity | Yes        |
| S.28.02.01    | Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity                                    | No         |

## / Quantitative Reporting Templates

The following Quantitative Reporting Templates are presented as part of the YE 2016 Solvency and Financial Condition Report of AXA Insurance dac.

### Template S.02.01.02

Template S.02.01.02 of Annex I specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC, following the instructions set out in section S.02.01 of Annex II to this Regulation;

#### S.02.01.02 Balance sheet

in EUR 000

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



in EUR 000

**Liabilities**

**Technical provisions – non-life**

**Technical provisions – non-life (excluding health)**

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

**Technical provisions - life (excluding index-linked and unit-linked)**

**Technical provisions - health (similar to life)**

TP calculated as a whole

Best Estimate

Risk margin

**Technical provisions – life (excluding health and index-linked and unit-linked)**

TP calculated as a whole

Best Estimate

Risk margin

**Technical provisions – index-linked and unit-linked**

TP calculated as a whole

Best Estimate

Risk margin

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

**Subordinated liabilities**

Subordinated liabilities not in BOF

Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

**Total liabilities**

**Excess of assets over liabilities**

|       | Solvencyllvalue |
|-------|-----------------|
|       | C0010           |
| R0510 | 1,008,679       |
| R0520 | 1,007,712       |
| R0530 | -               |
| R0540 | 952,544         |
| R0550 | 55,168          |
| R0560 | 967             |
| R0570 | -               |
| R0580 | 925             |
| R0590 | 42              |
| R0600 | -               |
| R0610 | -               |
| R0620 | -               |
| R0630 | -               |
| R0640 | -               |
| R0650 | -               |
| R0660 | -               |
| R0670 | -               |
| R0680 | -               |
| R0690 | -               |
| R0700 | -               |
| R0710 | -               |
| R0720 | -               |
| R0740 | -               |
| R0750 | 2,259           |
| R0760 | 68,055          |
| R0770 | -               |
| R0780 | 6,409           |
| R0790 | 34,983          |
| R0800 | -               |
| R0810 | -               |
| R0820 | 15,202          |
| R0830 | 5,298           |
| R0840 | 50,309          |
| R0850 | 20,000          |
| R0860 | -               |
| R0870 | 20,000          |
| R0880 | 35,406          |
| R0900 | 1,246,600       |
| R1000 | 371,544         |

## Template S.05.01.02

Template S.05.01.02 of Annex I, specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.01 of Annex II to this Regulation, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;

| EUR 000                                       |  | Line of Business for: <del>non-life</del> insurance and reinsurance obligations (direct business and accepted proportional reinsurance) |       |                                   |       |                                       |         |  |       |                             |       |  |       |   | Line of business for: accepted non-proportional reinsurance |                                   |       |                                       |          |                                |          |            |       |                                 |       |       |       |       |       |         |
|---|--|---|-------|-----------------------------------|-------|---------------------------------------|---------|--|-------|-----------------------------|-------|--|-------|---|---|-----------------------------------|-------|---------------------------------------|----------|--------------------------------|----------|------------|-------|---------------------------------|-------|-------|-------|-------|-------|---------|
|   |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   | Health  |                                   |       |                                       | Casualty | Marine, aviation, transport    | Property | Total      |       |                                 |       |       |       |       |       |         |
|   |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   | C0130   | C0140                             | C0150 | C0160                                 | C0160    |                                |          |            |       |                                 |       |       |       |       |       |         |
| in thousand EUR                               |  | Medical<br>expense<br>insurance   | C0010 | Income<br>protection<br>insurance | C0020 | Workers'<br>compensation<br>insurance | C0030   | Motor<br>vehicle<br>liability<br>insurance | C0040 | Other<br>motor<br>insurance | C0050 | Marine,<br>aviation<br>and<br>transport<br>insurance | C0060 | Fire and<br>other<br>damage to<br>property<br>insurance | C0070   | General<br>liability<br>insurance | C0080 | Credit and<br>suretyship<br>insurance | C0090    | Legal<br>expenses<br>insurance | C0100    | Assistance | C0110 | Miscellaneous<br>financial loss | C0120 | C0130 | C0140 | C0150 | C0160 | C0200   |
| Premiums written                              |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   |   |                                   |       |                                       |          |                                |          |            |       |                                 |       |       |       |       |       |         |
| Gross - Direct Business                       |  |   | R0110 | -                                 | 1,824 | -                                     | 445,672 | 117,766                                    | -     | 56,697                      | 9,124 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | 950   | -     | -     | -     | -     | 632,033 |
| Gross - Proportional reinsurance accepted     |  |   | R0120 | -                                 | -     | -                                     | -       | -  | -     | 2,076                       | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | 2,076   |
| Gross - Non-proportional reinsurance accepted |  |   | R0130 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Reinsurers' share                             |  |   | R0140 | -                                 | -     | -                                     | 7,956   | 7,237                                      | -     | 6,565                       | 1,018 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 177                             | -     | -     | -     | -     | -     | 22,953  |
| Net   |  |   | R0200 | -                                 | 1,824 | -                                     | 437,716 | 110,529                                    | -     | 52,208                      | 8,106 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 773                             | -     | -     | -     | -     | -     | 611,157 |
| Premiums earned                               |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   |   |                                   |       |                                       |          |                                |          |            |       |                                 |       |       |       |       |       |         |
| Gross - Direct Business                       |  |   | R0210 | -                                 | 1,824 | -                                     | 408,902 | 107,597                                    | -     | 54,774                      | 8,934 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 834                             | -     | -     | -     | -     | -     | 582,865 |
| Gross - Proportional reinsurance accepted     |  |   | R0220 | -                                 | -     | -                                     | -       | -  | -     | 2,078                       | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | 2,078   |
| Gross - Non-proportional reinsurance accepted |  |   | R0230 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Reinsurers' share                             |  |   | R0240 | -                                 | -     | -                                     | 10,159  | 4,361                                      | -     | 6,455                       | 987   | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 161                             | -     | -     | -     | -     | -     | 22,124  |
| Net   |  |   | R0300 | -                                 | 1,824 | -                                     | 398,743 | 103,236                                    | -     | 50,397                      | 7,947 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 673                             | -     | -     | -     | -     | -     | 562,819 |
| Claims incurred                               |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   |   |                                   |       |                                       |          |                                |          |            |       |                                 |       |       |       |       |       |         |
| Gross - Direct Business                       |  |   | R0310 | -                                 | 6     | -                                     | 316,954 | 39,011                                     | -     | 16,130                      | 7,971 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 88                              | -     | -     | -     | -     | -     | 380,160 |
| Gross - Proportional reinsurance accepted     |  |   | R0320 | -                                 | -     | -                                     | -       | -  | -     | 760                         | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | 760     |
| Gross - Non-proportional reinsurance accepted |  |   | R0330 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Reinsurers' share                             |  |   | R0340 | -                                 | -     | -                                     | 5,862   | 76   | -     | 1,226                       | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | 7,164   |
| Net   |  |   | R0400 | -                                 | 6     | -                                     | 311,092 | 38,934                                     | -     | 15,664                      | 7,971 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | 88                              | -     | -     | -     | -     | -     | 373,755 |
| Changes in other technical provisions         |  |   |       |                                   |       |                                       |         |  |       |                             |       |  |       |   |   |                                   |       |                                       |          |                                |          |            |       |                                 |       |       |       |       |       |         |
| Gross - Direct Business                       |  |   | R0410 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Gross - Proportional reinsurance accepted     |  |   | R0420 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Gross - Non-proportional reinsurance accepted |  |   | R0430 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Reinsurers' share                             |  |   | R0440 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Net   |  |   | R0500 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Expenses incurred                             |  |   | R0550 | -                                 | 301   | -                                     | 144,776 | 22,395                                     | -     | 17,339                      | 5,039 | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -1    | 94                              | -     | -     | -     | -     | -     | 189,943 |
| Other expenses                                |  |   | R1200 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | -       |
| Total expenses                                |  |   | R1300 | -                                 | -     | -                                     | -       | -  | -     | -                           | -     | -  | -     | -   | -   | -                                 | -     | -                                     | -        | -                              | -        | -          | -     | -                               | -     | -     | -     | -     | -     | 189,943 |



Template S.05.02.01 of Annex I, specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.02 of Annex II:

### Premiums, claims and expenses by country

|   |  | in EUR 000 | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations |             |             |       |       |         | Total Top 5 and home country |
|---|--|------------|--------------|--|-------------|-------------|-------|-------|---------|------------------------------|
|   |  |            |              | C0010  | C0020<br>GB | C0030<br>FR | C0040 | C0050 | C0060   |                              |
| R0010   |  |            | C0080        | C0090  | C0100       | C0110       | C0120 | C0130 |         |                              |
| Premiums written                              |  |            |              |  |             |             |       |       |         |                              |
| Gross - Direct Business                       |  |            | 469,692      | 162,341  | 0           | 0           | 0     | 0     |         |                              |
| Gross - Proportional reinsurance accepted     |  |            | 0            | 0  | 2,076       | 0           | 0     | 0     | 632,033 |                              |
| Gross - Non-proportional reinsurance accepted |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 2,076   |                              |
| Reinsurers' share                             |  |            | 20,080       | 2,872  | 0           | 0           | 0     | 0     | 0       |                              |
| Net   |  |            | 449,612      | 159,469  | 2,076       | 0           | 0     | 0     | 22,953  |                              |
| Premiums earned                               |  |            |              |  |             |             |       |       |         |                              |
| Gross - Direct Business                       |  |            | 428,488      | 154,378  | 0           | 0           | 0     | 0     |         |                              |
| Gross - Proportional reinsurance accepted     |  |            | 0            | 0  | 2,078       | 0           | 0     | 0     | 582,865 |                              |
| Gross - Non-proportional reinsurance accepted |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 2,078   |                              |
| Reinsurers' share                             |  |            | 19,287       | 2,837  | 0           | 0           | 0     | 0     | 0       |                              |
| Net   |  |            | 409,201      | 151,541  | 2,078       | 0           | 0     | 0     | 22,124  |                              |
| Claims incurred                               |  |            |              |  |             |             |       |       |         |                              |
| Gross - Direct Business                       |  |            | 265,951      | 114,209  | 0           | 0           | 0     | 0     |         |                              |
| Gross - Proportional reinsurance accepted     |  |            | 0            | 0  | 760         | 0           | 0     | 0     | 380,160 |                              |
| Gross - Non-proportional reinsurance accepted |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 760     |                              |
| Reinsurers' share                             |  |            | 6,902        | 262  | 0           | 0           | 0     | 0     | 0       |                              |
| Net   |  |            | 259,049      | 113,946  | 760         | 0           | 0     | 0     | 7,164   |                              |
| Changes in other technical provisions         |  |            |              |  |             |             |       |       |         |                              |
| Gross - Direct Business                       |  |            | 0            | 0  | 0           | 0           | 0     | 0     |         |                              |
| Gross - Proportional reinsurance accepted     |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 0       |                              |
| Gross - Non-proportional reinsurance accepted |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 0       |                              |
| Reinsurers' share                             |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 0       |                              |
| Net   |  |            | 0            | 0  | 0           | 0           | 0     | 0     | 0       |                              |
| Expenses incurred                             |  |            | 148,173      | 41,514   | 256         | 0           | 0     | 0     | 189,943 |                              |
| Other expenses                                |  |            |              |  |             |             |       |       | 0       |                              |
| Total expenses                                |  |            |              |  |             |             |       |       | 189,943 |                              |

[illegible]

## Template S.17.01.02

Template S.17.01.02 of Annex I, specifying information on non-life technical provisions, following the instructions set out in section S.17.01 of Annex II to this Regulation for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;

### S.17.01.02

| Non-life Technical Provisions  |       | Direct business and accepted proportional reinsurance |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       | Accepted non-proportional reinsurance |  |  |  | Total Non-Life obligation |
|--|-------|---|-----------------------------|---------------------------------|-----------------------------------|-----------------------|--------------------------------------|---|-----------------------------|---------------------------------|--------------------------|------------|------------------------------|-------------------------------------|---|---------------------------------------|-------|---------------------------------------|--|--|--|---------------------------|
| In thousand EUR  |       | Medical expense insurance                             | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation 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 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                                 |  |  |  |                           |
| Technical provisions calculated as a whole   |       | R0010   | -                           | -                               | -                                 | -                     | -                                    | -   | -                           | -                               | -                        | -          | -                            | -                                   | -   | -                                     | -     | -                                     |  |  |  |                           |
| Total Recoverables from reinsurance/SPV and Fintre Re after the adjustment for expected losses due to counterparty default associated to TP as a whole |       | R0050   | -                           | -                               | -                                 | -                     | -                                    | -   | -                           | -                               | -                        | -          | -                            | -                                   | -   | -                                     | -     | -                                     |  |  |  |                           |
| Technical provisions calculated as a sum of BE and RM  |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Best estimate  |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Premium provisions   |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Gross  | R0060 | -   | 814                         | -                               | 113 021                           | 30 935                | -                                    | 7 363                                       | 2 197                       | -                               | -                        | -          | 402                          | -                                   | -   | -                                     | -     | 154 732                               |  |  |  |                           |
| Fintre Re after the adjustment for expected losses due to counterparty default   | R0140 | -   | -                           | -                               | 393                               | 3 630                 | -                                    | 267   | 49                          | -                               | -                        | -          | 25                           | -                                   | -   | -                                     | -     | 4 363                                 |  |  |  |                           |
| Net Best Estimate of Premium Provisions  | R0150 | -   | 814                         | -                               | 112 628                           | 27 305                | -                                    | 7 097                                       | 2 148                       | -                               | -                        | -          | 378                          | -                                   | -   | -                                     | -     | 150 369                               |  |  |  |                           |
| Claims provisions  |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Gross  | R0160 | -   | 112                         | -                               | 760 829                           | 1 954                 | -                                    | 20 265                                      | 15 247                      | -                               | -                        | -          | 332                          | -                                   | -   | -                                     | -     | 798 738                               |  |  |  |                           |
| Fintre Re after the adjustment for expected losses due to counterparty default   | R0240 | -   | -                           | -                               | 10 551                            | 30                    | -                                    | 4 405                                       | 0                           | -                               | -                        | -          | 0                            | -                                   | -   | -                                     | -     | 14 986                                |  |  |  |                           |
| Net Best Estimate of Claims Provisions   | R0250 | -   | 112                         | -                               | 750 278                           | 1 924                 | -                                    | 15 859                                      | 15 247                      | -                               | -                        | -          | 332                          | -                                   | -   | -                                     | -     | 783 751                               |  |  |  |                           |
| Total Best estimate - gross  | R0260 | -   | 925                         | -                               | 873 850                           | 32 869                | -                                    | 27 628                                      | 17 444                      | -                               | -                        | -          | 734                          | -                                   | -   | -                                     | -     | 953 470                               |  |  |  |                           |
| Total Best estimate - net  | R0270 | -   | 925                         | -                               | 862 906                           | 29 229                | -                                    | 22 966                                      | 17 395                      | -                               | -                        | -          | 710                          | -                                   | -   | -                                     | -     | 934 120                               |  |  |  |                           |
| Risk margin  | R0280 | -   | 42                          | -                               | 49 366                            | 2 476                 | -                                    | 2 240                                       | 1 051                       | -                               | -                        | -          | 34                           | -                                   | -   | -                                     | -     | 55 210                                |  |  |  |                           |
| Amount of the transitional on Technical Provisions   |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Technical Provisions calculated as a whole   |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Best estimate  | R0290 | -   | -                           | -                               | -                                 | -                     | -                                    | -   | -                           | -                               | -                        | -          | -                            | -                                   | -   | -                                     | -     | -                                     |  |  |  |                           |
| Risk margin  | R0300 | -   | -                           | -                               | -                                 | -                     | -                                    | -   | -                           | -                               | -                        | -          | -                            | -                                   | -   | -                                     | -     | -                                     |  |  |  |                           |
| Technical provisions - total   |       |   |                             |                                 |                                   |                       |                                      |   |                             |                                 |                          |            |                              |                                     |   |                                       |       |                                       |  |  |  |                           |
| Technical provisions - total   | R0320 | -   | 967                         | -                               | 923 215                           | 35 365                | -                                    | 29 868                                      | 18 495                      | -                               | -                        | -          | 769                          | -                                   | -   | -                                     | -     | 1 008 679                             |  |  |  |                           |
| Recoverable from reinsurance contract/SPV and Fintre Re after the adjustment for expected losses due to counterparty default - total                   | R0330 | -   | -                           | -                               | 10 944                            | 3 660                 | -                                    | 4 672                                       | 49                          | -                               | -                        | -          | 25                           | -                                   | -   | -                                     | -     | 19 349                                |  |  |  |                           |
| Technical provisions minus recoverables from reinsurance/SPV and Fintre Re - total   |       | R0340   | -                           | 967                             | 912 272                           | 31 705                | -                                    | 25 196                                      | 18 446                      | -                               | -                        | -          | 744                          | -                                   | -   | -                                     | -     | 989 330                               |  |  |  |                           |

Template S.19.01.21 of Annex I, specifying information on non-life insurance claims in the format of development triangles, following the instructions set out in section S.19.01 of Annex II for the total non-life business;

**Non-life Insurance Claims Information**  
**Total Non-Life Business**

**Gross Claims Paid (non-cumulative)**  
(absolute amount)

[illegible]

| Year end (discounted data) | C0360   |       |
|----------------------------|---------|-------|
|                            | R0100   | 4,702 |
| R0160                      | 1,838   |       |
| R0170                      | 4,623   |       |
| R0180                      | 4,477   |       |
| R0190                      | 12,588  |       |
| R0200                      | 36,828  |       |
| R0210                      | 55,856  |       |
| R0220                      | 81,807  |       |
| R0230                      | 129,727 |       |
| R0240                      | 183,419 |       |
| R0250                      | 282,874 |       |
| R0260                      | 798,738 |       |
| Total                      |         |       |

[illegible]



### Template S.23.01.01

Template S.23.01.01 of Annex I, specifying information on own funds, including basic own funds and ancillary own funds, following the instructions set out in section S.23.01 of Annex II;

#### Own funds

In EUR 000

|  |       | Total   | Tier 1 -<br>unrestricted | Tier 1 -<br>restricted | Tier 2 | Tier 3 |
|--|-------|---------|--------------------------|------------------------|--------|--------|
|  |       | C0010   | C0020                    | C0030                  | C0040  | C0050  |
| <b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>                                     |       |         |                          |                        |        |        |
| Ordinary share capital (gross of own shares)   | R0010 | 42,079  | 42,079                   |                        | 0      |        |
| Share premium account related to ordinary share capital  | R0030 | 32,392  | 32,392                   |                        | 0      |        |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  | R0040 | 0       | 0                        |                        | 0      |        |
| Subordinated mutual member accounts  | R0050 | 0       |                          | 0                      | 0      | 0      |
| Surplus funds  | R0070 | 0       | 0                        |                        |        |        |
| Preference shares  | R0090 | 0       |                          | 0                      | 0      | 0      |
| Share premium account related to preference shares   | R0110 | 0       |                          | 0                      | 0      | 0      |
| Reconciliation reserve   | R0130 | 225,507 | 225,507                  |                        |        |        |
| Subordinated liabilities   | R0140 | 20,000  |                          | 0                      | 20,000 | 0      |
| An amount equal to the value of net deferred tax assets  | R0160 | 0       |                          |                        |        | 0      |
| Other own fund items approved by the supervisory authority as basic own funds not specified above  | R0180 | 71,565  | 71,565                   | 0                      | 0      | 0      |
| <b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b> |       |         |                          |                        |        |        |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds        | R0220 | 0       |                          |                        |        |        |
| <b>Deductions</b>  |       |         |                          |                        |        |        |
| Deductions for participations in financial and credit institutions   | R0230 | 0       | 0                        | 0                      | 0      |        |
| <b>Total basic own funds after deductions</b>  | R0290 | 391,544 | 371,544                  | 0                      | 20,000 | 0      |
| <b>Ancillary own funds</b>   |       |         |                          |                        |        |        |
| Unpaid and uncalled ordinary share capital callable on demand  | R0300 | 0       |                          |                        | 0      |        |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand                      | R0310 | 0       |                          |                        | 0      |        |
| Unpaid and uncalled preference shares callable on demand   | R0320 | 0       |                          |                        | 0      | 0      |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand   | R0330 | 0       |                          |                        | 0      | 0      |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  | R0340 | 0       |                          |                        | 0      |        |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC   | R0350 | 0       |                          |                        | 0      | 0      |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC   | R0360 | 0       |                          |                        | 0      |        |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC  | R0370 | 0       |                          |                        | 0      | 0      |
| Other ancillary own funds  | R0390 | 0       |                          |                        | 0      | 0      |
| <b>Total ancillary own funds</b>   | R0400 | 0       |                          |                        | 0      | 0      |
| <b>Available and eligible own funds</b>  |       |         |                          |                        |        |        |
| <b>Total available own funds to meet the SCR</b>   | R0500 | 391,544 | 371,544                  | 0                      | 20,000 | 0      |
| <b>Total available own funds to meet the MCR</b>   | R0510 | 391,544 | 371,544                  | 0                      | 20,000 |        |
| <b>Total eligible own funds to meet the SCR</b>  | R0540 | 391,544 | 371,544                  | 0                      | 20,000 | 0      |
| <b>Total eligible own funds to meet the MCR</b>  | R0550 | 391,544 | 371,544                  | 0                      | 20,000 |        |
| <b>SCR</b>   | R0580 | 300,879 |                          |                        |        |        |
| <b>MCR</b>   | R0600 | 134,404 |                          |                        |        |        |
| <b>Ratio of Eligible own funds to SCR</b>  | R0620 | 1.3013  |                          |                        |        |        |
| <b>Ratio of Eligible own funds to MCR</b>  | R0640 | 2.9132  |                          |                        |        |        |

# Reconciliation reserve

|   |              | C0060          |
|---|--------------|----------------|
| <b>Reconciliation reserve</b>   |              |                |
| Excess of assets over liabilities   | R0700        | 371,544        |
| Own shares (held directly and indirectly)   | R0710        | 0              |
| Foreseeable dividends, distributions and charges  | R0720        | 0              |
| Other basic own fund items  | R0730        | 146,037        |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740        | 0              |
| <b>Reconciliation reserve</b>   | <b>R0760</b> | <b>225,507</b> |
| <b>Expected profits</b>   |              |                |
| Expected profits included in future premiums (EPIFP) - Life business  | R0770        | 0              |
| Expected profits included in future premiums (EPIFP) - Non-life business                                    | R0780        | 655            |
| <b>Total Expected profits included in future premiums (EPIFP)</b>   | <b>R0790</b> | <b>655</b>     |



### Template S.25.03.21

Template S.25.03.21 of Annex I, specifying information on the Solvency Capital Requirement calculated using a full internal model, following the instructions set out in section S.25.03 of Annex II;

### Solvency Capital Requirement - for undertakings on Full Internal Models

In EUR 000

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement |
|----------------------------|------------------------|---|
| <b>C0010</b>               | <b>C0020</b>           | <b>C0030</b>                                    |
| 1                          | Market                 | 101,614   |
| 2                          | Credit                 | 14,407  |
| 3                          | Life Insurance         | 37,040  |
| 4                          | P&C Insurance          | 248,015   |
| 5                          | Operational Risk       | 22,831  |
| 6                          | Intangible Risk        | 0   |
|                            |                        |   |

### Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)

**Solvency capital requirement excluding capital add-on**

Capital add-ons already set

**Solvency capital requirement**

**Other information on SCR**

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

|              |              |
|--------------|--------------|
|              | <b>C0100</b> |
| <b>R0110</b> | 423,907      |
| <b>R0060</b> | -116,619     |
| <b>R0160</b> | 0            |
| <b>R0200</b> | 300,879      |
| <b>R0210</b> | 0            |
| <b>R0220</b> | 300,879      |
|              |              |
| <b>R0300</b> |              |
| <b>R0310</b> | -6,409       |
| <b>R0410</b> |              |
| <b>R0420</b> |              |
| <b>R0430</b> |              |
| <b>R0440</b> |              |

### Template S.28.01.01

template S.28.01.01 of Annex I, specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity, following the instructions set out in section S.28.01 of Annex II;

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

S.28.01.01

In EUR 000

### Linear formula component for non-life insurance and reinsurance obligations

|  |       | MCR components  |   |
|--|-------|---|---|
|  |       | C0010   |   |
| MCRNL Result   | R0010 | 134,404   |   |
| Background information   |       | Background information  |   |
|  |       | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|  |       | C0020   | C0030   |
| Medical expense insurance and proportional reinsurance                   | R0020 | 0   | 0   |
| Income protection insurance and proportional reinsurance                 | R0030 | 925   | 1,824   |
| Workers' compensation insurance and proportional reinsurance             | R0040 | 0   | 0   |
| Motor vehicle liability insurance and proportional reinsurance           | R0050 | 862,906   | 437,716   |
| Other motor insurance and proportional reinsurance                       | R0060 | 29,229  | 110,529   |
| Marine, aviation and transport insurance and proportional reinsurance    | R0070 | 0   | 0   |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 22,956  | 52,208  |
| General liability insurance and proportional reinsurance                 | R0090 | 17,395  | 8,106   |
| Credit and suretyship insurance and proportional reinsurance             | R0100 | 0   | 0   |
| Legal expenses insurance and proportional reinsurance                    | R0110 | 0   | 0   |
| Assistance and proportional reinsurance                                  | R0120 | 0   | 0   |
| Miscellaneous financial loss insurance and proportional reinsurance      | R0130 | 710   | 773   |
| Non-proportional health reinsurance                                      | R0140 |   |   |
| Non-proportional casualty reinsurance                                    | R0150 |   |   |
| Non-proportional marine, aviation and transport reinsurance              | R0160 |   |   |
| Non-proportional property reinsurance                                    | R0170 |   |   |

### Linear formula component for life insurance and reinsurance obligations

|              |       | C0040 |
|--------------|-------|-------|
| MCRRL Result | R0200 |       |

### Total capital at risk for all life (re)insurance obligations

|   |       | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|-------|---|--|
|   |       | C0050   | C0060  |
| Obligations with profit participation - guaranteed benefits           | R0210 |   |  |
| Obligations with profit participation - future discretionary benefits | R0220 |   |  |
| Index-linked and unit-linked insurance obligations                    | R0230 |   |  |
| Other life (re)insurance and health (re)insurance obligations         | R0240 |   |  |
| Total capital at risk for all life (re)insurance obligations          | R0250 |   |  |

### Overall MCR calculation

|                             |       | C0070   |
|-----------------------------|-------|---------|
| Linear MCR                  | R0300 | 134,404 |
| SCR                         | R0310 | 300,879 |
| MCR cap                     | R0320 | 135,396 |
| MCR floor                   | R0330 | 75,220  |
| Combined MCR                | R0340 | 134,404 |
| Absolute floor of the MCR   | R0350 |         |
| Minimum Capital Requirement | R0400 | 134,404 |