AVIVA INVESTORS PENSIONS LIMITED

2024 Solvency and Financial Condition Report (SFCR)

Contents

Summary

Executive Summary

The purpose of the Solvency Financial and Condition Report (SFCR) is to provide information about the capital position as at 30 June 2024 of Aviva Investors Pensions Limited (AIPL, 'the Company') based on the Solvency II requirements.

This report sets out different aspects of AIPL's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Business and Performance

AIPL is a limited company incorporated and domiciled in the UK, which provides customers with long–term life insurance services in the form of a unit-linked insurance policies. The Company is expected to commence a voluntary liquidation following the decision to close all its funds. An application to cancel the Company's regulatory permissions will be made before the Company is placed into voluntary liquidation.

The accounting reference date was extended from 31 December 2023 to 30 June 2024. This report is prepared in line with the financial statements 18-month reporting period. The comparative reporting period is year end 31 December 2022.

The loss after tax for the reporting period was £0.2 million *(2022 loss: £0.1 million)*. The decrease is driven by the reduction in policyholder assets in the unit linked funds. Revenues arising from annual management charges (AMCs) have decreased by £0.9 million to £0.1 million *(2022: £1.0 million)* offset by lower administrative costs paid to Aviva Investors Global Services Limited (AIGSL) of £0.3million *(2022: £1.1 million)*. On an IFRS basis, liabilities for unit-linked investment contracts have decreased to £1.3million as at 30 June 2024 (2022: £59.3 million) primarily due to the sales of investment properties during the reporting period, and subsequent policyholder redemptions.

No interim dividend was paid during the reporting period *(2022: £nil)*. The directors do not recommend the payment of a final dividend for the reporting period ended 30 June 2024.

There have been no events after the reporting period.

Section A of this report sets out further details about AIPL's business structure, key operations, market position and financial performance over the reporting period, split by underwriting performance, investment performance, and performance from other activities.

System of Governance

The Board's responsibility includes ensuring that an appropriate system of governance is in place for the Company. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' model and sets the Company's risk appetite. A strong system of governance for the Company promotes effective decision-making and supports the achievement of the Company's objectives for the benefit of customers, shareholders and the UK regulators.

Section B of this report describes the system of governance in place throughout AIPL by which the operations of the Company are overseen, directed, managed, and controlled, and explains how it complies with the requirements of Solvency II. It describes the following key features:

- The role and responsibility of the Board and delegation of authority to senior management;
- The role and responsibilities of the four key control functions – Risk management, Actuarial, Compliance and Internal Audit – and how they are implemented within the Company;
- The remuneration policy, skills requirements, and procedures for assessing fitness and propriety for senior management and key function holders;
- AIPL's Risk and Oversight Management Framework (ROMF) and its codification through risk policies and business standards, which sets out the risk strategy, appetite, framework and minimum requirements for AIPL's operations, and includes the Company's approach to its Own Risk and Solvency Assessment (ORSA) and governance over its capital model for Solvency II under the Standard Formula (SF) approach;
- How AIPL adheres to the Aviva Group (the Group) business standards which set out mandated control objectives and controls that mitigate operational risks faced by the Group, collectively providing the Group's framework of internal control; and
- Information on important outsourced operational functions, including any intra-group outsourcing arrangements, in line with the Group business standards.

Risk Profile

AIPL is following a wind-down process and aims to remain within risk appetite and meet the expectations of stakeholders. This is achieved by following rigorous and consistent risk and oversight management within the business.

The Board is responsible for the identification, measurement, management, monitoring and reporting of key, material, proximate and emerging risks which it does at least annually via the Own Risk and Solvency Assessment (ORSA) process.

Section 3.3 of the PRA's Rulebook on the general provisions for the Solvency II Capital Requirement (SCR) sets out the quantifiable risks which must include at least non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, credit risk, and operational risk. Non-life underwriting risk and health underwriting risk are not applicable for the Company's business model. Exposure to the quantifiable risks has reduced over the past year due to the decision to cease operating, and the progress made on liquidation of the funds and settlement of liabilities to policyholders. Own funds are held for the level of exposure to the quantifiable risk types, measured based on the SCR.

Some categories of risk are not measured and managed by holding own funds, principally liquidity risk, which is measured through an absolute target based on the operational needs of the business.

In addition, through the ORSA process, management consider whether there are any risks not captured in the SCR for which AIPL should hold additional capital.

Section C of this report further describes the risks to which AIPL is exposed and how the Company measures, monitors, manages and mitigates these risks, including any changes in the year to risk exposures and specific risk mitigation actions taken.

Valuation for Solvency Purposes

Assets, technical provisions and other liabilities are valued in AIPL's Solvency II balance sheet according to the Solvency II regulations. The principle that underlies the valuation methodology for

Solvency II purposes is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arms-length transaction.

As at 30 June 2024, AIPL's excess of assets over liabilities was £9.3 million on a Solvency II basis, which is £0.2 million lower than the total equity reported under International Financial Reporting Standards (IFRS). The valuation of technical provisions adjustments did not materially adjust IFRS equity. The valuation difference on a Solvency II basis is driven by £(0.1) million present value of future profits (PVFP) included in the best estimate liability (BEL), and the inclusion of a residual amount of risk margin (RM) of less than £0.1 million.

Section D of this report provides further description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class. In addition, it also provides an explanation of the material differences between the IFRS and Solvency II bases of valuation.

Capital Management

AIPL manages Own Funds in conjunction with capital requirements as defined by the Solvency II regulations. In the calculation of the SCR, management has chosen to implement the SF approach.

In managing capital, AIPL seeks to, on a consistent basis:

- Maintain sufficient financial strength in accordance with risk appetite and satisfy the requirements of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), the dual regulators of the Company, and other stakeholders giving both customers and shareholders assurance of the Company's financial strength;
- Retain financial flexibility by maintaining strong liquidity; and
- Repatriate excess capital where appropriate.

As at 30 June 2024, the total eligible Own Funds of £9.3 million *(2022: £9.5 million)* was represented by unrestricted tier 1 capital. The SCR as at 30 June 2024 was £0.4 million *(2022: £0.4 million)*. This was lower than the Minimum Capital requirement (MCR) of £3.2 million *(2022: £3.2 million)*. Therefore, as at 30 June 2024 the Company's minimum capital requirement was the MCR. This resulted in the overall AIPL surplus position of £6.1 million *(2022: £6.3 million)*, which translates to a regulatory cover ratio of 289% *(2022: 297%)*, and to a surplus above appetite of 252% *(2022: 229%)*.

Section E of this report further describes the objectives, policies and procedures employed by AIPL for managing its Own Funds. The section also covers information on structure and quality of Own Funds and calculation of the SCR.

Section A Business and Performance

In this Chapter

Section A: Business and Performance

The ‘Business and Performance’ section of the report sets out AIPL’s business structure, key operations and financial performance over the reporting period.

A.1 Business

A.1.1 Business Overview

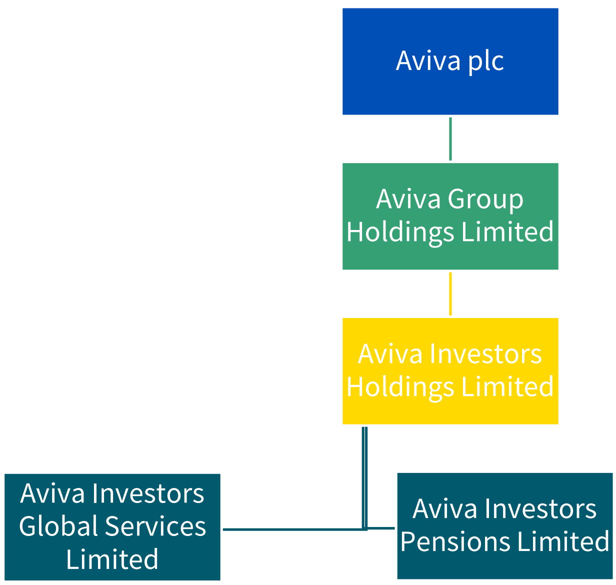
AIPL is a private limited company incorporated, under the laws of England and Wales. The principal activity of the Company is the provision and administration of unit-linked insurance business in the UK. AIPL is a wholly owned subsidiary of Aviva Investors Holdings Limited (AIHL). AIHL is the holding company of the Aviva Investors business, and which is ultimately owned by Aviva plc.

In 2021, the Board took the decision to wind up the funds and return cash to policyholders in a fair and orderly manner. All properties have been sold, with only residual assets and liabilities remaining to settle.

The closure of the Property Fund and the liquidation of the Company is monitored by the Board.

A.1.2 Organisational structure of the Group

The following chart shows, in simplified form, an extract of the Company’s position within the structure of the Group and specific subsidiaries with whom AIPL has key relationships as at 30 June 2024. Aviva plc is the ultimate parent of the Company and Aviva Investors Holdings Limited (AIHL) is the immediate parent and holding company of the Aviva Investors group of companies.



A.1.3 Significant events after the reporting period

Events after the reporting period

There have been no events after the reporting period.

A.1.4 Other information

Qualifying holdings

AIPL is a 100% subsidiary of AIHL and is a member of the Aviva plc group of companies. AIHL is the only qualifying holding as defined by Article 13(21) of Directive 2009/138/EC as AIHL has 100% of the voting rights and interest in AIPL.

Supervisor

The Company is authorised by the PRA and regulated by both PRA and FCA in the UK. The PRA is part of the Bank of England. Contact details for the PRA are as follows:

Address	20 Moorgate, London, EC2R 6DA.
Telephone number	+44 (0) 20 7601 4444

External audit

The PRA issued Policy Statement PS25/18 in October 2018 which removes the external audit requirement for the SFCR of certain ‘small Solvency II firms’. As the Company meets the criteria of a small Solvency II firm, there is no requirement for this SFCR to be audited. Consequently, all qualitative and quantitative disclosures in this document are unaudited.

A.2 Underwriting Performance

The Company charges unit-linked policyholders fees for policy administration, investment advisory for a range of pooled investment funds, and other contract services. The Company then delegates investment management to a fellow subsidiary, AIGSL, on an arms-length basis, for which it is charged a management fee. The excess of AMCs over management fees payable to AIGSL is the principal profit generating activity of the Company.

Profit /(loss) before tax is the key performance metric used to manage performance within the Aviva Group. This is a non-GAAP measure, and in the case of AIPL, is an appropriate measure of underwriting performance.

Operating profit is defined across Aviva Group as profit before income taxes, excluding the following items: investment return variances and economic assumption changes on long-term business, profit or loss on the disposal of assets, integration and restructuring costs and re-measurement of subsidiaries, joint ventures and associates.

For AIPL, operating profit is aligned to profit before income taxes as outlined in section A.2.1.

A.2.1 Performance from underwriting and other activities

Profit before tax as disclosed in the AIPL financial statements for 18 months represents the Company's overall performance over the reporting period. As noted earlier in this report, this metric represents the excess of AMCs (revenue) paid by the policyholders of the unit-linked business over the underlying management fees paid to AIGSL (administrative expenses) for management of the policyholder assets. The following table presents profit before tax for the 18-month reporting period ended 30 June 2024 along with comparatives for the 12-month period ended 31 December 2022.

Statement of Comprehensive Income For the reporting period ended 30 June 2024		
	18 months to 30 June 2024	**12 months to 31 December 2022***
	£m	**£m**
Income		
Revenue	0.1	1.0
Net investment income	3.6	(10.6)
	3.7	(9.6)
Expenses		
Change in investment contract provisions	(3.7)	10.7
Administrative expenses	(0.3)	(1.1)
Other operating expenses	-	(0.1)
	(4.0)	9.5
Loss before tax	(0.3)	(0.1)
Tax credit	0.1	-
Loss for the reporting period and total comprehensive loss for the reporting period	(0.2)	(0.1)

*Restated 2022 per financial statements

Net investment income is largely attributable to policyholders and so is offset by corresponding changes in investment contract provisions and other operating expenses. On an IFRS basis, liabilities for unit-linked investment contracts have decreased to £1.3 million as at 30 June 2024 *(2022: £59.3 million)* primarily due to redemptions of £61.5 million *(2022: £405.3 million)* across the last remaining fund, partly offset by net investment and other income of £3.6 million *(2022: £(12.7) million)*. Revenues arising from AMCs have decreased to £0.1 million for the 18-month reporting period *(2022: £1.0 million)* offset by a corresponding decrease in expenses arising from management fees and other variable administrative costs paid to AIGSL of £0.3 million *(2022: £1.1million)*. As a result, losses increased by £0.2 million to an overall loss before tax of £0.3 million *(2022 loss: £0.1 million)*.

A.3 Investment Performance

Net investment income as disclosed in the Company's financial statements represents the Company's overall investment performance for both policyholders and shareholders. Investment income consists of dividends, interest and rents receivable for the year, realised gains and losses, and unrealised gains and losses on investments held at fair value.

Long-term insurance and savings business

Policyholders and shareholder funds are invested in order to generate a return for both policyholders and shareholders. The financial strength of the Company and both the current and future operating results and financial performance are, therefore, in part dependent on the quality and performance of these investment portfolios.

As different products vary in their cash flows and in the expectations placed upon them by policyholders, the Company may need to hold different types of investments in the different fund ranges to meet these different cash flows and expectations. With the unit-linked business, the primary objective is to maximise investment returns, subject to following an investment policy consistent with representations made to unit-linked policyholders. Shareholder exposure to loss on policyholder assets is limited to the extent that income arising from asset management charges is based on the value of assets in the funds.

A.3.1. Investment performance by asset class

Net investment income represents the Company's overall investment performance for both policyholders and shareholders. The following section summarises the Company's net investment income and provides an analysis of net investment income by fund type.

Net investment income – Total

2024 Net Investment Income – Total (£k)	Debt Securities	Equity Securities	Other Income	Investment property	Total
Dividends	-	-	729	-	729
Interest	-	-	2	-	2
Net realised losses	-	-	-	-	-
Movement in unrealised gains	-	-	-	-	-
Rental income less expenses	-	-		4,192	4,192
Realised gains/(losses) on disposal of investment property	-	-	-	-1,661	-1,661
Movement in unrealised gains/(losses) on investment property	-	-	-	-560	-560
Total	**-**	**-**	**731**	**1,971**	**2,702**

Net investment income – Total

2022 Net Investment Income – Total (£k)	Debt Securities	Equity Securities	Other Income	Investment property	Total
Dividends	-	-	41	-	41
Interest	-	-	137	-	137
Net realised losses	-	(77)	(89)	-	(166)
Movement in unrealised gains	-	77	79	-	156
Rental income less expenses	-	-	-	357	357
Realised gains/(losses) on disposal of investment property	-	-	-	379	379
Movement in unrealised gains/(losses) on investment property	-	-	-	(13,555)	(13,555)
Total	**-**	**0**	**168**	**(12,819)**	**(12,651)**

Of the net investment income in the table above, £(423) *(2022: £30,878)* relates to the shareholder interest income on cash deposits (held in other income above). The remainder relates to unit-linked policyholder assets. These assets are invested in line with the fund choices made by our unit-linked policyholders and the investment risk is borne by the policyholders.

A.3.2 Gains and losses recognised directly in equity

AIPL has no gains or losses recognised directly in equity.

A.3.3 Investments in securitisations

AIPL has no investments in securitisation vehicles.

A.4 Performance of other activities

AIPL has no other material income and expenses in the year.

A.5 Any other information

There is no other material information regarding the business and performance of the Company during the year.

Section B System of Governance

In this Chapter

SECTION B: SYSTEM OF GOVERNANCE

This section of the report sets out information regarding the ‘System of Governance’ in place within AIPL. Details of the structure of AIPL’s administrative, management or supervisory body are provided. The roles, responsibilities and governance of AIPL’s key control functions (the Risk, Compliance, Internal Audit, Actuarial, People, non-executive, Investment Management, Capital Management and Finance functions) are also provided. Other components of the system of governance are also outlined, including the risk management system and internal control system implemented across the business.

B.1 General information on the system of governance

B.1.1 Overview of AIPL’s system of governance

The Aviva Group’s system of governance is applied across the Aviva Group therefore including AIPL and the other companies within Aviva Investors.

The operating activities of the Company, which include product development; distribution and marketing; client relationship management; back-office administration services; fund accounting; actuarial services; transfer agency services and custody relationship oversight, have been outsourced to a fellow subsidiary, Aviva Investors Global Services Limited (AIGSL) under service agreements on an arm’s length basis. AIGSL, in turn, outsources certain activities to other providers, namely back-office administration to JP Morgan and transfer agency services to CACEIS.

AIGSL is also the nominated investment manager for the AIPL fund range and the relationship is governed by an Investment Management Agreement (IMA).

Role and responsibilities of the Board

The Board is responsible for ensuring that an appropriate system of governance is in place for the Company, that the Company is appropriately managed and that it achieves its objectives. A strong system of governance aids effective decision-making and supports the achievement of business objectives for the benefit of customers, the shareholder, and the regulators.

The specific duties of the Board are set out in its terms of reference. The terms of reference list those matters that are specifically reserved for decision by the Board. All director appointments are supported by the Aviva Group Company Secretary and are recommended by the Aviva Investors Remuneration and Nomination Committee.

The Board comprises of a Chief Executive Officer (CEO) and an Executive Director. The Board has delegated to the CEO the approval of specific matters within certain limits, above which matters must be escalated to the Board for determination.

The Board delegates to the CEO full authority for the day-to-day management of the business of the Company in accordance with the strategy, objectives and policies set by the Board from time to time. Certain powers so delegated are exercised with the support of senior executives. The CEO may at their sole discretion and as they feel fit, delegate any of their responsibility for the day-to-day management of the Company to executive directors or other members of management, on such terms as they shall feel appropriate, along with the authority for all or any such authorities granted to be sub-delegated. Any sub-delegation is subject to there being in place a formal system of delegation of authorities and compliance with Aviva Group policies, standards and reporting requirements from time to time in force, compliance with which aims to ensure that the Board and management discharge their responsibilities in an appropriate and consistent manner.

Aviva Investors oversee the services and activities undertaken by outsource providers and suppliers. These activities are managed by the responsible Aviva Investors executives reporting to the Board, as well as to the AIHL board and its committees via personal committees of the Aviva Investors Executive team.

Aviva Investors Audit Committee

The Audit Committee, established by the AIHL board, working closely with the Aviva Investors Risk Committee, assists the AIPL Board in discharging its responsibilities for monitoring the integrity of the Company's financial statements and financial reporting. It also reviews the adequacy and effectiveness of the Company's systems of internal control and risk management and monitors the performance and objectivity of the internal and external auditors.

Aviva Investors Risk Committee

The Risk Committee, established by the AIHL board, assists the AIPL Board in discharging its responsibilities by its oversight of risk across the whole of Aviva Investors (including conduct risk and investment risk), operational risk, regulatory compliance and legal risk, reviewing the Company's risk appetite, risk preferences and risk profile in relation to capital and liquidity and franchise value, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory requirements.

The "three lines of defence model" and roles and responsibilities of key functions

Aviva Investors (including AIPL) recognises the importance of clear and appropriate apportionment of significant responsibilities among directors and senior managers. This is achieved by having clear role profiles that record senior management accountabilities and are consistent with committee and delegated authority structures.

First line of defence: management monitoring

The Aviva Investors Executive Committee is responsible for the implementation of the Company's Risk and Oversight Management Framework (ROMF) and oversight of its suppliers.

The Board is ultimately responsible for the company's strategy, risks, plans and policies and financial performance. The Aviva Investors Executive Committee implements the company's strategy, plans and policies; monitors the operational and financial performance; and assesses the financial, business and operational risks of AIPL on behalf of the Board.

Second line of defence: Risk Management, Compliance and Actuarial functions

Risk function

The Risk function is responsible for developing the Company's ROMF which complements the Aviva Group and Aviva Investors Risk Management Framework (RMF) requirements insofar that it does not breach any regulatory requirements.

The Risk function reviews and challenges the identifying, measuring, managing, monitoring and reporting (IMMMR) of risk exposures performed by the first line of defence. The Risk function reports to the Aviva Investors CRO who, in turn, reports to the Board on the overall risk profile of the Company incorporating the results of the risk monitoring activities, risk assessments performed on business decisions.

The Aviva Investors CRO is responsible for the preparation of the ORSA report which includes a continuous and forward-looking assessment of the short-term and long-term risks that the Company faces, or may face, and ensuring that the Company's solvency requirements are met at all times.

Compliance and actuarial functions

The Compliance function, reporting to the Aviva Investors CRO, supports and advises the business on regulatory, financial crime and conduct risks, and monitors and reports on the overall compliance risk profile.

Refer to sections B.3.2, B.4.2 and B.6 for further details on the roles, responsibilities, authorities, resources, independence and reporting lines of the Risk, Compliance and Actuarial functions respectively.

Third line of defence: Internal Audit

Internal Audit is part of the Aviva plc Group Audit function. It has a dedicated audit team who specialise in fund management, led by an Audit Director who reports to the Chief Audit Officer of Aviva plc and to the Aviva Investors Audit Committee. Refer to section B.5 of this report for details on the roles, responsibilities, authority, resources, independence, and reporting lines of the Internal Audit Function.

Implementation and assessment of adequacy of the system of governance

To promote a consistent and rigorous approach to risk and oversight management AIPL maintains frameworks, policies, methodologies, registers and supplementary guidance documents (as is appropriate) that are aligned with the policies and standards prescribed by Aviva Group. On an annual basis the Aviva Investors CEO, supported by the CRO, signs-off compliance with the Aviva Group policies and standards (which includes AIPL), providing assurance to the relevant oversight committee that the framework is being used for managing its business and associated risks.

B.1.2 Remuneration policy

There are no employees of the Company. The Executive Directors are remunerated for their roles as employees of the Aviva Group but are not remunerated directly for their services as directors of AIPL. There has been no re-charge to the Company.

B.1.3 Material transactions with management, shareholders and persons with significant influence on the Aviva Group

There were no material related party transactions reported. AIPL directors may from time-to-time purchase insurance, savings, asset management or annuity products marketed by Aviva Group companies on equivalent terms to all employees of the Aviva Group.

B.2 Fit and Proper Policy

The Aviva Group has the following policies in place to ensure that individuals acting on behalf of the Company are both “fit” and “proper” in line with the FCA and PRA’s Fit and Proper requirements for individuals subject to the Senior Manager Certification Regime:

- Fit - As part of recruitment and employee screening, an individual’s career history will be assessed and validated to establish whether an individual’s skills and knowledge are appropriately matched to the role.
- Proper – checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

The governance over the fitness and propriety of individuals spans across the employee lifecycle including recruitment, performance management and training. To ensure the Aviva Group protects itself against employing individuals who potentially could threaten our people, customers, properties, facilities or reputation, the majority of Fit and Proper activities take place within recruitment and more specifically in pre-employment screening.

A policy to apply a minimum set of basic screening requirements has been agreed and implemented in order to support the recruitment activity for all staff across the Aviva Group. Additional enhanced screening requirements and ongoing Fit and Proper requirements are also applied for individuals who are subject to regulatory approval by the PRA and / or FCA.

For persons responsible for running the undertaking subject to regulatory approval / notification this assessment must consider their allocated responsibilities and skills and experience across a skills matrix which covers the following areas as appropriate:

- Insurance and financial markets;
- Business strategy and business models;
- Systems of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

The Aviva Investors Remuneration and Nomination Committee established by the AIHL board, approves changes to the boards of AIHL and its subsidiary companies including AIPL and also considers the skills and experience of the board that have been identified, taking into account all relevant aspects of diversity, to ensure a good balance is maintained on the board that supports the wider Aviva Group values and culture.

Prior to appointing an individual into a role which requires regulatory approval, Certification status or enhanced vetting (Non-SMF Non-executive Directors), the SMCR Office in the Legal Function ensures that the relevant skills and experience have been identified and agreed for the role. This is achieved by engaging with internal subject matter experts to define the skills and experience required for each approved Certified or Non-SMF Non-executive Director role. In all cases the team ensures that all skills and experience requirements have been identified, including any specific qualifications required to carry out the role. The Certified or Non-SMF Non-executive Director role skills and experience requirements and qualifications are, where applicable, captured within role profiles.

B.3 Risk management system including the Own Risk and Solvency Assessment

This section provides an overview of the Company's ROMF. It describes how the Company's ROMF has been implemented and integrated into the decision-making process. It also describes the Company's process for conducting its ORSA.

The ROMF is approved by the AIPL Board, is managed on their behalf by the Aviva Investors CRO and complies with the Company's regulatory requirements and Aviva Investors' RMF.

B.3.1 AIPL Risk and Oversight Management Framework

AIPL is following a wind-down process subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by following rigorous and consistent risk and oversight management within the business. The ROMF includes the strategies, policies, processes, governance arrangements, tools, and reporting procedures necessary to support this. The ROMF adopts the AIHL RMF risk principles.

B.3.2 Risk management system: Own Risk and Solvency Assessment (ORSA)

The ORSA comprises all processes and tools that underpin the consideration of risk and capital implications in key decisions, including business planning. The goal of the ORSA is to provide a continuous and forward-looking assessment of the short-term and long-term risks that the Company faces, or may face, and ensuring that its solvency requirements are always met.

The ORSA comprises several elements of the ROMF, such as:

- A high-level description of the risk identification processes, the key risks identified and how they feed into the solvency and capital assessment process.
- A description of the components of the ROMF, including developments in the year and approved appetites / limits against which the Company's risk profile is monitored.
- An explanation of AIPL's strategy and business plan, demonstrating strong linkages with risk and capital assessments.
- A forward-looking assessment of AIPL's risk profile and capital and liquidity requirements over the business planning horizon. This should include: a comparison against risk appetites, tolerance limits and preferences; an assessment of the quality and volatility of own funds; and an assessment of solvency capital requirement (SCR).
- An assessment of the resilience of AIPL's capital and liquidity position compared against risk appetites, including the results of stress and scenario testing and sensitivity analysis, quality of own funds and continuous compliance with the SCR and technical provisions.
- An assessment of whether the Solvency II Standard Formula is appropriate for the risks in the business, including clear articulation of where AIPL's own risk profile deviates from the Standard Formula assumptions.

In combination, these elements create a holistic overview of the elements of risk that may impact the business, and which is considered in day-to-day decision-making. These ORSA process provide the Board with insights on the key risks and current and future capital requirements of the Company.

The Board approved that capital resources and requirements are measured on the basis of Solvency II Standard Formula requirements for determining Solvency II Own Funds and SCR.

The decision taken by the Board to wind-down its funds has had a direct impact on the nature, extent, and scope of the elements that constitute the ORSA. The ORSA report now reflects the change in strategy and short-term outlook for the Company.

B.3.3 Integration of risk management into the decision-making processes

Risks are predominantly identified via the regular internal project meetings where information such as the progress of the liquidation process, client complaints, risk events or any issues or concerns are reviewed and considered.

The Board receives updates on the Company's risk profile, and on key regulatory and compliance affairs impacting the Company as well as reports on progress of the liquidation of the Property Fund.

Residual risk exposures are compared to the Board's risk appetite. Residual exposures exceeding risk appetite are primarily mitigated to reduce their exposure or, in rare circumstances, accepted. Material risks are considered as part of the ORSA process to determine AIPL's capital resource requirements.

B.4 Internal control system

B.4.1 Description of the internal control system

Internal control is an integral part of the Company's ROMF and hence constitutes a key part of corporate governance. It is a critical contributor to the safe and sound operation of the business and underpins the achievement of strategy and business goals.

The objectives of the Governance and Regulatory Business Standard are to specify the minimum requirements for:

- Regulatory engagement so that regulatory risk is managed effectively; and
- Governance enabling effective discharge of statutory and fiduciary duties regarding management of risks.

The Governance and Regulatory Business Standard is underpinned by the Operational Risk and Control Management Framework (ORCM) outlining the detailed requirements regarding the risk register, controls, issues, incidents, indicators, governance, tolerances, inherent risk assessments, residual risk assessments and risk culture.

ORCM is supported by a risk management system called iCARE.

Aviva Investors have employed Governance and Controls members representing each Executive Risk Function to support the business in appropriately and robustly embedding risk and control management. Results are reported to:

- Aviva Investors Executive Committee
- Executive Risk Committee
- Aviva Investors Audit and Risk Committees
- Where material concerns are identified, AIHL board and AIPL Board.

B.4.2 Compliance function

AIPL is authorised and regulated by the PRA for prudential matters and regulated by the FCA for all conduct matters.

The Compliance Function is part of Aviva Investors Risk and Compliance Function and constitutes a key part of the firm's control environment. The function is a critical contributor to the safe and sound operation of the business and supports the achievement of the firm's strategy and business goals.

The primary purpose of the Compliance function is advising and overseeing the business's exposure to regulatory risk, including the following core areas of regulatory risk:

- Conduct of business and systems of control;
- Prevention of financial crime and anti-money laundering;
- Interpretation and application of current rules and regulatory guidance;
- Monitoring regulatory developments and supporting regulatory change management programmes;
- Managing a compliance related training framework; and
- Developing, implementing and overseeing compliance related policies and procedures.

The structure of the Compliance team is as follows; the Aviva Investors' Chief Compliance Officer reports to Aviva Investors' CRO, and also has a reporting line into the Aviva Group Compliance function. The CRO has a dual reporting line into Aviva Investors' CEO and to the CRO for the Aviva Group.

The Compliance team is responsible for identifying compliance risks in Aviva Investors (including both AIPL and the outsourced provider AIGSL) and working with senior management to ensure that appropriate policies, procedures and guidance exist to manage such risks. The compliance policies apply to Aviva Investors globally including AIPL.

B.5 Internal audit function

Aviva Investors Internal Audit (IA) is part of the wider Aviva plc Group Audit function. The dedicated audit team is specialised in fund management, led by the Chief Audit Officer of Aviva Investors who reports to the Chief Audit Officer of Aviva plc and the Aviva Investors' Audit Committee. Internal Audit's purpose is to help the Board and executive management to protect the assets, reputation and sustainability of Aviva Investors by providing independent and objective assurance designed to add value and improve Aviva Investors' operations.

In pursuit of this purpose IA undertakes, objectively and independently from management, to assess whether all significant risks are identified and appropriately reported by management and second line of defence (to Aviva Group and Aviva Investors Audit and Risk committees and executive management as appropriate); assessing whether they are adequately managed; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. The scope of IA assurance activities includes assessing and reporting on the effectiveness of the design and operation of the framework of controls and on the effectiveness of management actions to address any deficiencies within the framework of controls and risks that are out of tolerance. IA may also assess relevant post-mortem or 'lessons learned' analysis following significant adverse events at the organisation or in the industry.

IA is responsible for performing these activities efficiently and effectively, but it is not responsible for setting Aviva Investors' risk appetite or for the effectiveness of the framework of controls.

B.5.1 Independence and objectivity of the internal audit function

Internal Audit must be independent from management at all times in order to be effective in performing its activities. The arrangements to protect the independence of Internal Audit are set out below.

Appointments and reporting lines

- The Aviva Group CAO has a dual reporting line into the chair of the Aviva Group Audit Committee and to the Aviva Group Chief Executive Officer (Aviva Group CEO). The Aviva Group CAO has direct and unlimited access to the Aviva Group board chair, the chair of the Aviva Group Audit Committee (GAC), the chair of the Aviva Group Risk Committee (GRC), the chair of the Aviva Group Nominations and Governance Committee (NGGC) and the chairs of the local audit committees.
- The Aviva Investors Audit Director reports directly to the Aviva Group CAO.
- In addition, the Aviva Investors Audit Director has a dotted reporting line to the Chair of the Aviva Investors Audit Committee.
- The Aviva Investors Audit Committee has a duty to recommend the appointment or dismissal of the Aviva Investors Audit Director to the AIHL board and to participate, jointly with the Aviva Group CAO or designee, in the determination of the objectives of the Aviva Investors Audit Director and the evaluation of their levels of achievement, including consultation with Aviva Investors CEO.

Staff

- Internal Audit staff shall have no direct responsibility or authority over any operational activities reviewed and should not relieve others of such responsibilities.
- Internal Audit will maintain a formal policy of rotating staff to ensure that independence is maintained.
- Internal auditors will not perform or manage reviews in the business area for which they were previously responsible for a period of at least one year after the end of their role within the business. This excludes similar business areas in other legal entities or operating units. Internal auditors on rotation from a business unit will not perform or manage reviews in the business area for which they were previously responsible.
- Internal Audit will provide to the Aviva Group and business unit audit committees an annual confirmation of its independence.

B.5.2 Authority and resources of the internal audit function

- Internal Audit is authorised to review all areas of the Aviva Group and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work.
- The scope of Internal Audit's activities extends to all legal entities, joint-ventures (JVs) and other business partnerships, outsourcing and reinsurance arrangements, other than where the audit capabilities of the JV counterparty are deemed to be sufficient by the Aviva Group CAO, in which case the JV's internal audit services may be provided by the JV partner.

- The Aviva Group CAO shall propose a budget which ensures that Internal Audit has sufficient skills and resources to discharge its responsibilities.

B.6 Actuarial function

The Aviva Group Actuarial Function is accountable for Aviva Group wide actuarial methodology, reporting to the relevant governing body on the adequacy of reserves and capital requirements, and on the adequacy of underwriting and reinsurance arrangements. The Actuarial Function has been implemented in line with Solvency II requirements, and where any interpretation has been made, this has been documented in the Actuarial Charter.

The AIPL Actuarial Function is undertaken by Aviva UK Insurance, Wealth & Retirement business (UK IWR) and overseen by Andy Carr, Aviva UK IWR Chief Actuary and supported by actuaries working in the Actuarial Function of UK IWR.

The Actuarial Function has authority to review all areas of the business and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work. The Aviva Group Chief Risk Actuary leads Aviva's global Actuarial function, supported by the local Chief Actuary within UK IWR.

UK IWR's Actuarial Function has a functional report to the Aviva Group Actuarial Function ensuring that the function is effective. As such, UK IWR's Actuarial Function is required to confirm to the Aviva Group Actuarial Function the appropriate use of methodologies and underlying models, assumptions made in the calculation of provisions and other statutory requirements.

All persons employed by the Actuarial function in a defined 'actuarial' role, are subject to Aviva Group's Fit and Proper minimum requirements to ensure they have the requisite skills and knowledge to complete the responsibilities outlined in these sections.

B.7 Outsourcing

The Aviva Group Procurement and Outsourcing Standard sets out the relevant responsibilities, objectives, process, and monitoring arrangements to be applied in cases of outsourcing, all of which shall be consistent with the overall business strategy. The standard applies equally to any externally or internally (intra-group) outsourced activity. The objective of this standard is to ensure that minimum control objectives and controls for supplier related activities are followed by all Aviva businesses, supplier risk is managed effectively, customers are being treated fairly and continue to receive good outcomes, as well as to mitigate potential financial, operational, contractual, and brand damage caused by inadequate management.

The standard is benchmarked against UK regulatory expectations, FCA, PRA, Solvency II framework and Aviva Group Solvency II requirements, and where appropriate, regulatory guidance will be applied as a requirement.

The standard applies to all staff involved in supplier related activities and provides direction to staff on their roles and responsibilities in effectively managing supplier activity. It provides clarity to businesses on the definition of outsourcing, including where activity is delegated to an intermediary, and whether a function or activity outsourced is critical or important. All staff have a responsibility to comply with this standard if they are involved with supplier related activity.

Aviva Group's Board Risk Committee approves the control objectives and controls in the standard, which cover the following areas:

- Supply governance – business oversight of operational performance for sourcing, contracting, contract, supply management activities and exit activities
- Sourcing (including renewals and alterations to existing arrangements) – how a service provider of suitable quality is selected;
- Contract and Supplier Management– financial, commercial and legal approval of contracts; and
- Supplier management and business continuity – risk-based approach to management of supply contracts; and
- Business contingency and exit plans – a means to safely exit the arrangement without material harm to the business.

Outsourced functions and activities

AIPL outsources a wide range of operational functions and activities, including policy administration, fund and investment management, claims handling, customer contact centres and IT services. The Procurement & Outsourcing Standard requires a global Supplier Landscape document to be reported and approved bi-annually to capture details of all outsourced arrangements. It should not include any non-outsourced supply arrangements.

Material outsourced functions include the following:

- Primary outsourcing to AIGSL who provide asset management services:
- AIGSL subsequently outsource to JP Morgan (custodian and fund accounting)
- AIGSL subsequently outsource to CACEIS (transfer agent)

Contracts are in place with third party outsource providers located in the UK and Luxembourg, some of whom make use of other offshore locations.

Furthermore, the actuarial function is undertaken by Aviva UK IWR, who provide the Best Estimate Liabilities (BEL) and Risk Margin (RM) for AIPL's unit-linked business and assist with methodologies to calculate the SCR and review the output.

Material intra-group outsourcing arrangements

For the reporting period ended 30 June 2024 the only intra-group outsourcing arrangement is in respect of the investment management activity with AIGSL.

B.8 Any other material information

No other information on Aviva's system of governance is considered material requiring disclosure in this section.

Section C Risk Profile

In this Chapter

SECTION C: RISK PROFILE

Overview of the Company's risk profile

An overview of the Company's process for identifying, assessing, managing and monitoring the risks it is exposed to is set out below (see also section B.1.1 'Overview of AIPL's system of governance'). Further details, including key changes to the Company's risk profile in the reporting period and any exposure to off-balance sheet items, are further explained in sections C.1 to C.7.

Risk identification

The liquidation of the funds and wind-down of the Company, including the associated risks, are monitored by personal committees of the Aviva Investors Executive team who in turn report to the AIHL board or its Committees or to the AIPL Board as appropriate.

The Board receives updates on the Company's risk, capital, and liquidity profile, and on key regulatory and compliance affairs impacting the Company.

The second line risk function monitors key metrics against the risk appetite statements on a regular basis and reports the results to the AIPL Board. These risks are considered as part of ORSA process.

Exposure measurement and monitoring

Section 3.3 of the PRA's Rulebook on the general provisions for the SCR sets out the quantifiable risks which must include at least non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, credit risk, and operational risk. Non-life underwriting risk and health underwriting risk are not applicable for the Company's business model.

The primary basis used by AIPL to measure and assess its risks is the Solvency II SCR on the Solvency II Standard Formula basis as it appropriately reflects AIPL's risk profile and balance sheet exposures. The SCR is risk sensitive and proportionate and reflects a level of Solvency II Own Funds at risk in a 1-in-200-year loss event over a 1-year time horizon. Refer to section E.2 of this report for details of the methodology and assumptions used in the calculation of AIPL's Solvency II SCR.

The quantifiable risk types measured in AIPL's Solvency II SCR Standard Formula are:

- Life underwriting risk (refer to section C.1 of this report for further details);
- Market risk (refer to section C.2 of this report for further details);
- Credit risk (refer to section C.3 of this report for further details); and
- Operational risk (refer to section C.4 of this report for further details).

The SCR is net of loss-absorbing capacity of technical provisions and deferred taxes. Further information on the SCR is reported in section E.2.2 of this report.

Risk management and mitigation

Risks arising in AIPL are mitigated through application of the ROMF, which includes the governance, policies and standards, appetites, and limit frameworks for the Company. Refer to section B of this report for details on the Company's overall system of governance.

In addition to AIPL's ROMF, a range of risk mitigation techniques are employed across the different types of risks that it faces. These techniques are explained in detail by risk type in sections C.1 to C.7.

Monitoring the effectiveness of risk mitigation techniques

Annually the Aviva Investors CRO undertakes an assessment of the effectiveness of AIPL's risk management and the robustness of its control environment. Other inputs include key risk and control indicators and the results of the ORSA activities. See sections C.1 to C.7 for further details by risk type.

Prudent Person Principle

AIPL ensures that its assets are invested in accordance with the Investments Part of the PRA Rulebook that require that firms invest their assets in accordance with the Prudent Person Principle as set out in Article 132 of the Solvency II Directive. AIPL achieves this through the collective application of the Aviva Group risk policies and business standards. These ensure that AIPL invests in assets and instruments the risks of which it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs.

AIPL applies the provisions of the Aviva Group Investment Management business standard which sets out the control objectives and controls that must be followed when performing investment management activities. Investment management is the management of financial instruments and other assets to meet specified investment objectives for the benefit of the policyholders and shareholders. The objective of this standard is to establish processes and controls to ensure that the identification, measurement, management, monitoring and reporting of risk is performed prudently and within risk appetite.

Exposure to special purpose vehicles

As at 30 June 2024, AIPL has no special purpose vehicles as defined in the Solvency II Directive (2009/138/EC).

C.1 Life underwriting risk

Life underwriting risk is the risk of loss on underwriting activity caused by an adverse change in the value of liabilities arising from inappropriate insurance pricing, inadequate claims reserving assumptions as well as unforeseen fluctuations in the timing, frequency and severity of insured events relative to the expectations at the time of underwriting. The risk excludes operational risk arising from internal processes in the writing of insurance business or settling of claims.

C.1.1 Risk exposure

Life underwriting risk for AIPL arises through its exposure to worse than anticipated operating experience on factors such as persistency levels (customers lapsing or surrendering their policies) and expense risk (the amount it costs to administer policies).

AIPL is exposed to expense risk in the unit-linked pensions business.

C.1.2 Measurement and monitoring

AIPL follows the Solvency II Standard Formula SCR methodology, including its standard stresses, to measure its exposure to life underwriting risk. The actuarial assumptions underlying the measurement of life underwriting risk SCR have been adjusted to reflect the run-off profile of the Company and the fixed costs that are assumed to remain after the run-off.

Life underwriting risk SCR before diversification and tax as at 30 June 2024 is disclosed in section E.2.2.

C.1.3 Changes to risk profile in the reporting period

The Company's exposure to life underwriting risk has decreased as a result of the Board's decision in 2021 to close the business and commence a voluntary liquidation. For further detail on the movement of life underwriting risk SCR over the reporting period, refer to section E.2.2 of this report.

C.1.4 Risk management and mitigation

The liquidation of the funds and wind-down process are monitored at the regular internal project meetings with reporting on the progress and any associated risks to the Board.

C.1.5 Risk concentration

Due to the closure and voluntary liquidation of the business, life underwriting concentration risk is no longer being monitored and reported.

C.2 Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in interest rates, foreign currency exchange rates, equity, and property prices. Market risk arises in the business due to fluctuations in the value of investments held, which has an impact on the management charges earned by the Company.

C.2.1 Risk exposure

The nature of the Company's unit-linked insurance business results in the value of the Company's insurance contract liability being directly linked to the value of the related investment assets and therefore the Company's exposure relates solely to the management fees earned on the assets.

C.2.2 Measurement and monitoring

AIPL follows the Solvency II Standard Formula SCR methodology, including its standard stresses, to measure its exposure to market risk.

Market risk SCR before diversification and tax as at 30 June 2024 is disclosed in section E.2.2.

C.2.3 Changes to risk profile in the reporting period

The Company's exposure to market risk has decreased as a result of the liquidation of the funds. The Property Fund is projected to be liquidated by Q4 2024. For further detail on the movement in market risk SCR over the reporting period, refer to section E.2.2 of this report.

C.2.4 Risk management and mitigation

The Board monitors the surplus of Own Funds over the company's Solvency II SCR.

The liquidation of the funds and wind-down process are monitored at the regular internal project meetings with regular reporting on the progress and any associated risks to the Board.

C.2.5 Risk concentration

Due to the closure and voluntary liquidation of the business, concentration of market risk is no longer being monitored and reported.

C.3 Credit risk

Credit risk is the risk of financial loss as a result of the default or otherwise failure of third parties to meet their obligations to the Company.

C.3.1 Risk Exposure

The nature of AIPL's unit-linked insurance business results in the credit risk on the investment assets held to cover the linked liabilities being borne by the policyholders.

AIPL's exposure to credit risk from trade and other receivables is mainly influenced by the default risk of its client base.

Remaining credit risk relates to cash and cash equivalents held on deposit at credit institutions. Credit risk on cash and cash equivalents is considered low.

C.3.2 Measurement and monitoring

Credit risk is measured using the Solvency II Standard Formula approach which considers the Company's exposure to counterparties, the loss given default and their probabilities of default.

Each counterparty is allocated to one of two categories, Type 1 or Type 2, depending on the nature of the counterparty. Generally, Type 1 counterparties are rated entities, whereas Type 2 counterparties are likely to be unrated. The major constituents of these two classes are:

Type 1

- Cash at bank
- Deposits with ceding institutions (up to 15 independent counterparties)

Type 2

- Receivables from intermediaries
- Policyholder debtors
- Deposits with ceding institutions (if the number of independent counterparties exceed 15)

The capital requirements for both types of counterparties are calculated separately and combined in a final calculation that assumes a low diversification effect between the two categories.

Credit risk SCR before diversification and tax as at 30 June 2024 is disclosed in section E.2.2.

Credit quality indicators – External credit ratings

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated shareholder credit risk exposure of AIPL for financial assets with external credit ratings. 'Not rated' assets capture assets not rated by external ratings agencies.

As at 30 June 2024	AAA	AA-	A+	A	BBB	Less than BBB	Not rated	Carrying value £m
Cash deposits	-	-	9.5	-	-	-	-	9.5
Total	-	-	9.5	-	-	-	-	**9.5**

The overall credit quality of AIPL's cash deposits remains strong as at 30 June 2024.

C.3.3 Changes to risk profile

There have been no material changes to the Company's credit risk profile in 2024. For further detail on the movement in credit risk SCR over the reporting period, refer to section E.2.2 of this report.

C.3.4 Risk management and mitigation

Investment assets held to cover linked liabilities

Credit risk on the investment assets held to cover linked liabilities is borne by the policyholders. The liquidation of the funds and wind-down process are monitored at the regular internal project meetings with reporting on the progress and any associated risks to the Board.

Banking exposures

Exposure to credit risk associated with cash and cash equivalents is managed conservatively in accordance with the Aviva Investors Investment Policy Statement. This document establishes the governance, principles, and parameters for the management of credit risk, including the minimum requirements that counterparties must adhere to for the Company to invest cash with those counterparties.

The Aviva Investors Investment Policy Statement applies the principals of the Aviva Group Credit Risk policy and Aviva Group Credit and Collateral Management Business Standard in managing the credit risk associated with cash and cash equivalents, notably through placement of funds with high credit ratings assigned by international credit agencies. Credit exposures are identified, evaluated, and managed in accordance with the Company's risk appetite and, where appropriate, the Aviva Group Credit Risk Director.

Trade, other receivables and other assets

Aviva Investors has credit control procedures in place to ensure prompt settlement of fees due and, ultimately, has recourse to the clients' funds as a last resort. Historic losses in respect of unpaid invoices have been immaterial.

C.3.5 Risk concentration

AIPL adheres to the Aviva Group credit limit framework, which limits investments in individual issuers, geographies, sectors, and asset classes to ensure the Aviva Group, individual business units and legal entities are not individually exposed to significant concentrations of credit risk. Credit concentrations are monitored as part of the regular credit monitoring process.

C.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events, including changes in the regulatory environment. The definition includes legal risk but excludes business, strategic and reputational risk. Conduct risk is assessed as part of operational risk and is the risk that appropriate customer outcomes are not achieved during the wind-down process.

C.4.1 Risk exposure

Operational risk arises mainly through the investment process, distribution channels, product development, information technology and operations, including the transfer agency activities, the majority of which have been outsourced to AIGSL. Due to the decision to cease operating and commence a voluntary liquidation, many of these activities have reduced or ceased.

C.4.2 Measurement and monitoring

The Solvency II Standard Formula SCR methodology is used to measure exposure to operational risk. This is based on 25% of the previous year's unit-linked expenses. Operational risk SCR has decreased as a reflection of reduced business activities.

The operational risk associated with the liquidation of the funds and wind-down of the Company are monitored through internal project meetings. These meetings are attended by key business representatives including the Aviva Investors Chief Risk Officer, client relationship managers, Property Fund managers, Head of Investment Oversight, and Legal and second line representation.

The Board receives updates on the Company's risk profile, and on key regulatory and compliance affairs impacting the Company.

The second line risk function monitors key metrics against the risk appetite statements on a regular basis and reports the results to the Board. These risks are considered as part of ORSA process.

Operational risk SCR before diversification and tax as at 30 June 2024 is disclosed in section E.2.2.

C.4.3 Changes to risk exposure in the period

Due to the decision to wind-down the activities of the Company, the operational risk profile has reduced. This is evidenced by the declining number of risk events being reported on AIPL.

C.4.4 Risk management and mitigation

Operational risks for the Company are assessed regularly, according to the likelihood of them materialising and the potential impact on the business. Where appropriate, actions are put in place to address risks outside of tolerance or in cases where control deficiencies have been identified.

The AI Executives ensure that AIPL meets its business objectives and initiates strategic decisions and reviews current issues and risks on a regular basis. The AI Executives report to the relevant AIHL committees and to the AIPL Board.

The oversight and monitoring of the Company's outsource providers is undertaken by the Aviva Investors Operations and Oversight Committee, a personal committee of the Aviva Investors Chief Operating Officer and facilitates legal entity board and board committee reporting and/or escalation. Matters to be reported to the board and board committee would include details of any significant operational breach of regulation, legislation or any of the operational risk policies or standards; and key operational risks outside of tolerance.

The Aviva Investors Operations and Oversight Committee also oversees the implementation of consistent and controlled pricing and valuation of assets across Real Assets in accordance with Aviva Group standards, best practice and regulatory requirements. It has a responsibility to escalate any issues to the board or committees.

C.4.5 Concentration risk

As described above, AIPL has concentrated operational risk exposure to AIGSL.

C.5 Liquidity risk

Liquidity risk is the risk that liabilities cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets into cash to meet its obligations.

C.5.1 Risk exposure

AIPL is exposed to liquidity risk from a shareholder and a policyholder perspective.

Shareholder liquidity risk

The exposure to shareholder liquidity risk is predominantly through its exposure to credit and counterparty risk, exceptional fines, or crystallisation of operational events. The exposure to shareholder liquidity risk is considered low.

Policyholder liquidity risk (fund liquidity risk)

Policyholders who are currently invested in the Property Fund are exposed to liquidity risk because they are invested in direct real estate assets or funds that are invested in direct real estate that are illiquid in nature. As the last property of the portfolio has been sold, the policyholder liquidity risk is minimal for the entity. The Property Fund is due to be placed into voluntary liquidation.

C.5.2 Measurement and assessment of liquidity risk exposure

Shareholder liquidity risk

AIPL aims to ensure a high degree of confidence that it can meet its obligations as they fall due. To support this, AIPL complies with the Aviva Group Liquidity Business Standard and Aviva Group Financial Risk Policy that requires management to consider a range of approaches to determine the appropriate minimum liquidity appetite.

Monthly rolling 12 months cash flow forecasts are prepared by the Aviva Investors Finance function and are monitored at the Board and at the Aviva Investors Finance Committee.

Policyholder liquidity risk

The liquidation of the Property Fund is monitored at internal project meetings which provide reports to the AIPL Board on the progress.

C.5.3 Changes to risk profile in the reporting period

Shareholder liquidity risk

There has been no material change to the Company’s shareholder liquidity risk profile.

Policyholder liquidity risk

Due to the decision to wind-down the activities of the Company, as at 30 June 2024 policyholders are exposed to the liquidation of the remaining assets in the property fund.

C.5.4 Risk management and mitigation

Shareholder liquidity risk

The Company evaluates its liquidity requirements on an ongoing basis and generates sufficient cash flows from its operating activities to meet its obligations arising from its operational liabilities. The Board set a liquidity appetite for the Company to ensure financial obligations can be met when due.

Policyholder liquidity risk

The Property Fund is projected to be liquidated.

C.5.5 Concentration risk

Shareholder liquidity risk

There are no material concentrations of shareholder liquidity risk for AIPL.

Policyholder liquidity risk

Due to the closure and voluntary liquidation of the business, concentration of policyholder liquidity risk is no longer being monitored and reported.

C.5.6 Expected profit in future premium

The amount of expected profit in future premium included within the valuation of the Company's Technical Provisions as at 30 June 2024is £nil.

Section D Valuation for Solvency Purposes

In this Chapter

SECTION D: VALUATION FOR SOLVENCY PURPOSES

The 'Valuation for Solvency Purposes' section of the report provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class. It also provides an explanation of the material differences between the IFRS and Solvency II bases of valuation.

Assets and liabilities under Solvency II are valued in accordance with AIPL's accounting policies established under IFRS as transitioned to the UK-adopted international accounting standards, except for those that are described in sections D.1, D.2 and D.3. A summary of AIPL's accounting policies under IFRS can be found in the accounting policies section of the 2024 report and financial statements.

The table below sets out a summarised balance sheet as at 30 June 2024. The Company's Solvency II balance sheet is detailed in the balance sheet QRT, S.02.01.02 shown in section F.2. The IFRS balance sheet has been reclassified, from the presentation used under IFRS in the financial statements, to the categories used in the balance sheet QRT. Compared to the balance sheet QRT, the figures disclosed in this section are rounded to the nearest £0.1 million.

Balance Sheet – IFRS and Solvency II

As at 30 June 2024	Corresponding IFRS financial statement note	IFRS balance sheet £m	Reclassified IFRS balance sheet £m	Solvency II balance sheet £m	Difference between reclassified IFRS and SII balance sheet £m	SFCR note
Assets						
Assets held for index-linked and unit-linked funds		-	1.3	1.3	-	D.1.2
Trade receivables	11	0.2	0.1	0.1	-	D.1.3
Cash and cash equivalents	17	10.9	9.5	9.5	-	D.1.4
Total assets		11.1	10.9	10.9	-	
Liabilities						
Technical provisions	14	(1.3)	(1.3)	(1.5)	(0.2)	D.2
Payables (trade, not insurance)	15	(0.3)	(0.1)	(0.1)	-	D.3.1
Total liabilities		(1.6)	(1.4)	(1.6)	(0.2)	
Excess of assets over liabilities		9.5	9.5	9.3	(0.2)	

IFRS Balance Sheet reclassified into Solvency II Balance Sheet categories

The main bases, methods and assumptions in respect of the valuation of assets and liabilities under Solvency II are broadly consistent with those of IFRS, disclosed through the Company's Annual report and financial statements. The key classification differences relate to assets backing unit-linked and index-linked contracts, cash and cash equivalents and investment funds. The nature of the reclassification differences is set out in sections D.1, D.2 and D.3.

Valuation differences

As noted earlier, a number of valuation differences exist in respect of liabilities reporting in the Company's balance sheet under Solvency II compared to IFRS as at 30 June 2024. The net impact of these differences is an overall decrease in net assets of £0.2 million under Solvency II relative to IFRS.

This primarily reflects the differences in assumptions and reserving methodology used under Solvency II compared to IFRS. The nature of the differences is set out in sections D.1, D.2 and D.3.

D.1 Assets

Assets have been valued according to the requirements of the Solvency II Directive and related guidance. The basis of the Solvency II valuation principle is the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

The Company considers markets to be active where transactions take place with sufficient frequency and volume for pricing information to be available on an ongoing basis. Where the Company has concluded that markets are not active, alternative methods for valuation are used. Refer to section D.4 for further details on alternative methods for valuation.

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

This section details the Solvency II valuation basis of each material class of asset and any material difference between that and the IFRS valuation.

D.1.1 Investment property

No investment properties held as at the 30 June 2024.

D.1.2 Assets held for index-linked and unit-linked contracts

Assets held for index linked and unit-linked contracts represent all assets that are attributable to policyholders upon redemption of their investment contracts. Assets held to cover index-linked and unit-linked funds are measured at fair value for both Solvency II and IFRS purposes. These assets are not recognised separately in the IFRS balance sheet and are therefore reclassified to this category for Solvency II reporting purposes. As such, the assets held for index linked and unit-linked contracts comprises in whole or part the IFRS balances of investment property, cash and cash equivalents, receivables and payables that have been reclassified from their separate captions in the IFRS financial statements.

There is no difference between the valuation basis for Solvency II and the IFRS balance sheets.

D.1.3 Receivables (insurance, reinsurance and intermediaries)

Under Solvency II, receivables are held at fair value, being the amount for which they could be exchanged between knowledgeable parties in an arm’s length transaction. Where receivables are expected to be recovered within one year, as is the case for AIPL, the Solvency II fair value is equal to the IFRS carrying value. Receivables attributable to the policyholders of the unit-linked business are reclassified to assets held for index-linked and unit-linked contracts (see section D.1.2).

D.1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held on call with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months’ maturity from the date of acquisition, or which are redeemable on demand only with an insignificant change in their fair values. Under Solvency II shareholder investments in CIUs are reclassified from cash and cash equivalents to Participations, while cash and cash equivalents attributable to the policyholders of the unit-linked business are reclassified to assets held for index-linked and unit-linked contracts (see section D.1.2). The residual balance held in the cash and cash equivalents line under Solvency II is valued in accordance with IFRS principles.

D.2 Technical Provisions

This section describes the Solvency II valuation of technical provisions, the level of uncertainty associated with the valuation and an explanation of material differences between the Solvency II and IFRS valuation.

D.2.1 Definition of Technical Provisions

The value of technical provisions under Solvency II is equal to the sum of a best estimate liability and a risk margin. The best estimate liability is defined as the probability-weighted average of the present value of future cash flows on a market consistent basis, using the relevant risk-free interest rate term structure after making allowance for credit risk.

The risk margin is the present value of the cost of capital held each year in respect of non-hedgeable risks and represents the amount, in addition to the best estimate liability, that a third party might expect to receive in order to take over the insurance obligations of an existing entity.

The following general principles apply to technical provisions valuation:

- Normally, the calculation of technical provisions is performed on a going concern basis. However, following the directors' decision in 2021 to wind up the remaining unit linked funds, the provisions have been determined assuming that contracts run off in accordance with the expected wind-up timetable.
- The definition of a "best estimate" assumption is one that represents the expected outcome from the range of possible outcomes for future experience of that assumption and is reasonable and realistic with no deliberate margins for prudence included.

AIPL has not applied to the PRA for any transitional measures on technical provisions.

D.2.2 Technical provisions methodology and assumptions

(i) Cash flow modelling

A deterministic valuation approach producing point estimates, based on best estimate assumptions and all relevant future cash flows required to settle the life insurance liabilities, is used. AIPL's cash flows are all modelled in sterling.

The cash flow projections used in the calculation of the best estimate liability are grouped together since contracts are essentially homogeneous.

(ii) Minimum technical provision per policy

Technical provisions for insurance contracts are allowed to be negative where future cash in-flows are expected to exceed future cash out-flows.

The technical provisions of an insurance contract may be lower than the surrender value available to the policyholder of the underlying contract.

(iii) Contract Boundaries

Solvency II technical provisions are required to allow for any boundaries of the insurance contract. A boundary exists where the insurance undertaking has a unilateral right to: terminate the contract; reject premiums payable under the contract; or amend the premiums or benefits payable under the contract at a future date in such a way that the premiums fully reflect the risks.

Solvency II technical provisions for unit-linked business take into consideration all expected profits over the expected lifetime of the contracts based on those premiums paid to date. Only premiums paid to date are included in the projection; any future premiums would fall outside the contract boundary.

(iv) Cash flows in scope

For life insurance obligations, all cash flows required to settle the insurance liabilities over their lifetime are taken into account. The table below summarises the main cash flows that are modelled (if applicable as the Company winds up):

Gross cash in-flows	Gross cash out-flows
Annual management (and other) charges in Unit Linked Business	Benefits including: - Surrender benefits
	Expenses including: - Investment management expenses - Administrative expenses
Reinsurance cash in-flows	**Reinsurance cash out-flows**
None	None

No future premiums are taken into account. There are no regular premium contracts in force.

(v) Economic and non-economic assumptions

Economic assumptions are reviewed quarterly while non-economic assumptions are reviewed at least on an annual basis to ensure that these remain appropriate, relevant and realistic.

The basic risk-free rate curves used to value the technical provisions reflect the curves published by the PRA.

The risk-free rates at key durations used to value the technical provisions at June 2024 are stated in the table below.

Risk-free rates	1 year
	4.89%

There is no Matching Adjustment or Volatility Adjustment applied.

Expense inflation

Expense inflation is not relevant because of the short nature of the remaining cashflows following the decision to wind up the Company.

Tax rates

The tax assumptions used as at 30 June 2024 are shown in the table below. **Parameter**	**30 June 2024**
Corporation tax (current year)	25%
Corporation tax (future profits)	25%

(vi) Reinsurance counterparty default allowances

As at 30 June 2024, AIPL has no reinsurance arrangements.

(vii) Expenses

The future profits following the valuation date allow for all expected expenses, including (if still applicable as the Company winds up):

- Investment management fees in line with the management agreement between AIPL and Aviva Investors Global Services Limited (AIGSL);
- Fund administration and other administration services payable to AIGSL for costs equivalent to those levied by JPMorgan Chase Bank NA related to fund accounting and also other corporate overhead fees in line with the outsourcing arrangement; and
- Registrar and transfer agent fees payable to AIGSL to cover maintenance and system access in line with the outsourcing arrangement to cover shareholder servicing, transaction processing and any other transfer agent fees.

(viii) Persistency assumptions

Following the directors' decision in 2021 to wind up the remaining unit linked funds, the provisions have been determined assuming that contracts run off in accordance with the expected wind-up timetable.

(ix) Events not in data ("ENID")

The term ENID refers to any events not deemed to be captured by the data, which need to be allowed for within the best estimate calculation to allow for the uncertainty in the future cash flows.

AIPL considers ENID through adjusting the best estimate assumptions to ensure the likely impact of the event is included. Expert judgement is applied to determine the expected impact on future experience.

(x) Tax

Reserves are established (or credit is taken) for tax on unrealised gains (or losses) for unit-linked business as part of the technical provisions.

(xi) Consistency of assumptions

The calculation of the best estimate liability requires a number of projection assumptions to be used. These assumptions are consistently reflected in both the valuation of technical provisions and the calculation of the SCR where necessary.

D.2.3 Material differences between the SII and IFRS valuation bases

In contrast to Solvency II, the IFRS provisions are a single calculation of liabilities, with appropriate margins for uncertainty included within the assumptions and/or methodology. Compared to IFRS technical provisions, £0.2 million Solvency II valuation difference is driven by £(0.1) million present value of future profits (PVFP) included in the best estimate liability (BEL), and by the inclusion of a residual amount of risk margin (RM) of less than £0.1 million.

The following table summarises the Company's gross technical provisions split by Solvency II line of business.

	Insurance liability As at 30 June 2024	IFRS technical provisions £m	Best Estimate Liability (BEL) £m	Risk Margin (RM) £m	Solvency II technical provisions £m	Difference £m
31	Index-linked and unit-linked	1.3	1.3	0.0	1.5	0.2

Key areas of difference between the methods used to calculate Solvency II technical provisions and the methods used to calculate IFRS technical provisions are:

(i) Treatment of unit-linked business

Under IFRS, the technical provisions are based on current unit value (with no allowance for non-unit cash flows as at 30 June 2024). Under Solvency II, the technical provisions are higher than the unit value reflecting the losses expected to emerge from existing business as the Company winds up.

(ii) Discount Rates

Solvency II best estimate liabilities are valued using a PRA prescribed basic risk-free rate curve with an allowance for credit risk. No matching adjustment or volatility adjustment is used. Discount rates have no impact on unit-linked IFRS best estimate because IFRS non-unit provisions are zero due to the treatment described above.

As noted earlier in this report, AIPL has not applied to the PRA for any transitional measures on risk-free interest rates.

(iii) Risk Margin

In addition to the best estimate liability, Solvency II technical provisions include a risk margin. This is analogous to the additional margins held under IFRS to cover uncertainty.

(iv) IFRS margins

IFRS margins have no impact on IFRS technical provisions because IFRS non-unit provisions are zero due to the treatment described above.

D.2.4 Level of uncertainty in value

The best estimate liability corresponds to the probability-weighted average of future cash flows, taking account of the time value of money using the relevant risk-free interest rate term structure. They reflect estimates of how markets and the business might behave in the future given policyholder data, cash flow models and a set of assumptions.

All estimates are based on management's knowledge of current facts and circumstances; assumptions based on that knowledge; and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. The list below sets out the estimates and assumptions that are considered particularly susceptible to valuation uncertainty:

- Changes in the value of an index/market values used to determine claims amounts, e.g. estimating future market values of the unit-linked assets; and
- Uncertainty in policyholder behaviour, e.g. for estimating the wind-up profile for unit-linked policies.

The best estimate liability assumptions are governed by a rigorous process, underpinned by actuarial judgement and peer review.

Following the requirements of the Aviva Group Data Governance and Model Governance standards helps to ensure that the cash flow models used to calculate technical provisions, and the data, which is used within that calculation, are fit for purpose and are managed under appropriate change control processes.

Regulatory compliance

The Company's insurance business is subject to dual regulation in the UK, directly authorised by both the PRA (for prudential regulation) and the FCA (for conduct regulation). Between them, the PRA and the FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The Company has compliance resources to respond to regulatory enquiries in a constructive way and take corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required. The impact of any such finding could have a negative impact on the Company's reported results.

D.2.5 Risk margin methodology

The risk margin is calculated using a Cost of Capital (CoC) approach.

The calculation of the risk margin is defined as the present value of the cost of capital applied to the SCR in respect of non-hedgeable risks in each future year.

The cost of capital rate is the cost in excess of the risk-free rate, to the third party taking over the liabilities, of raising and holding capital to support the non-hedgeable risks over the lifetime of the business. The same cost of capital rate is used for all insurance companies and is prescribed by the PRA at 4% per annum.

As the SCR in the risk margin calculation takes into account non-hedgeable risks only, the rate used to discount the projected non-hedgeable SCR is the basic risk-free rate (including credit risk adjustment).

The SCR in the risk margin calculation takes the following risks into account:

- Life underwriting risk, including expense risk
- Operational risk
- Counterparty default risk

All market risks in respect of investment assets are considered hedgeable.

No allowance for the loss absorbency of deferred taxes is included in the risk margin.

Following the directors' decision in 2021 to wind-down the company, there is no longer any need to project the non-hedgeable SCR which underpins the risk margin for future years. It is assumed that all funds are redeemed within 2024.

The risk margin allows for diversification between risks using the Standard Formula defined aggregation approach.

D.2.6 Simplified methods

There are no material simplifications used by management.

D.2.7 Material changes in assumptions since the prior period

Following the directors' decision in 2021 to wind up the remaining unit linked funds, the provisions have been determined assuming that contracts run off in accordance with the expected wind-up timetable.

D.3 Other Liabilities

This section details how "other liabilities" are valued under Solvency II rules and how this differs to the statutory accounts valuations. There have been no changes made to the recognition and valuation bases during the reporting period.

Under Solvency II, other liabilities expected to be paid within one year are considered to be the same as IFRS value.

D.3.1 Payables (trade, not insurance)

Under Solvency II, payables are measured at fair value, adjusted to eliminate movement in fair value due to changes in the own credit standing of the entity. Under IFRS, payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are measured at amortised cost. There is no difference in the valuation of trade payables between the restated IFRS balance sheet and the Solvency II balance sheet.

D.4 Any other material information

The Company has no other material information to disclose.

Section E Capital Management

In this Chapter

SECTION E: CAPITAL MANAGEMENT

The Capital Management section of the report describes the objectives, policies and procedures employed by AIPL for managing its Own Funds. The section also covers information on structure and quality of Own Funds and calculation of SCR. Compared to the QRTs disclosed in section F.2, the figures disclosed in this section are rounded to the nearest £0.1 million.

E.1 Own Funds

E.1.1 Management of Own Funds

The primary objective of capital management is to maintain an efficient capital structure, in a manner consistent with the Company's risk profile and the regulatory and market requirements of the business. In managing Own Funds, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength in accordance with risk appetite to satisfy the requirements of its policyholders and its regulators;
- Retain financial flexibility by maintaining strong liquidity; and
- Allocate capital efficiently to repatriate excess capital where appropriate.

Following the decision to wind-down the company, Own Funds are monitored based on a reforecast Plan and profitability will be tracked carefully to ensure that the business does not start to incur material losses. The Company also uses a number of sensitivity tests to understand the volatility of earnings (being the primary determinant of Own Funds for the Company) and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on the Company's key financial performance metrics to inform decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

A Capital Management Standard, applicable Aviva Group-wide, sets out minimum standards and guidelines over responsibility for capital management, including consideration for capital management discussions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance. The Solvency II capital surplus of the Company, determined as the excess of Own Funds over the higher of the SCR or the MCR, is monitored monthly at the Aviva Investors Finance Committee and periodically by the Board.

There have been no material changes to the objectives, policies or processes with respect to the management of Own Funds during the year.

E.1.2 Own Funds by tier

The table below sets out AIPL's Own Funds by tier as at 30 June 2024.

As at 30 June 2024	Total £m	Tier 1 Unrestricted £m
Ordinary share capital	8.0	8.0
Reconciliation reserve	1.3	1.3
Total Basic Own Funds	**9.3**	**9.3**
Total Eligible Own Funds to meet the SCR & MCR	**9.3**	**9.3**

As at 31 December 2022	Total £m	Tier 1 Unrestricted £m
Ordinary share capital	8.0	8.0
Reconciliation reserve	1.5	1.5
Total Basic Own Funds	**9.5**	**9.5**
Total Eligible Own Funds to meet the SCR & MCR	**9.5**	**9.5**

All of the Company's Own Funds is unrestricted Tier 1 capital. This consists of ordinary share capital and the reconciliation reserve, which reconciles the total excess of assets over liabilities less share capital. Dividend payments are not declared. As such all of the Company's share capital can be classified as Tier 1.

As at 30 June 2024, total basic Own Funds equal the total eligible Own Funds to meet the SCR, with no tiering limit restrictions. Compared to 2022, Eligible Own Funds have decreased by £0.2 million. This is mainly driven by a loss in current reporting period ended 30 June 2024 of £0.2 million.

Further information on Own Funds by tier is presented in QRT S.23.01.01 'Own Funds' within section F.2.

E.1.3 Reconciliation reserve

The table below sets out the constituents of the reconciliation reserve:

	2024 £m	2022 £m
Solvency II excess of assets over liabilities	9.3	9.5
Share capital	(8.0)	(8.0)
Reconciliation reserve	**1.3**	**1.5**

The reconciliation reserve equals the total excess of Solvency II assets over liabilities reduced by the share capital.

E.1.4 Differences between IFRS net assets and the excess of assets over liabilities as calculated for solvency purposes

The table below lists the material differences between equity as shown in the financial statements of the Company and the excess of assets over liabilities as calculated under Solvency II:

	2024 £m	2022 £m
Total equity on an IFRS basis	**9.5**	**9.7**
Liability valuation differences	(0.1)	(0.1)
Inclusion of risk margin	(0.0)	(0.0)
Net deferred tax	-	-
Solvency II Net Assets	**9.3**	**9.5**
Difference between IFRS and SII Net Assets	**0.2**	**0.2**

Net assets under IFRS differ to Solvency II by £0.2 million as at 30 June 2024 after the inclusion of solvency valuation differences. The key component of the SII adjustment is the recognition of future expected profits within unit-linked Solvency II best estimate liabilities £(0.1) million and the residual amount of the associated Solvency II risk margin, less than £0.1 million.

Valuation of assets and liabilities is explained further in sections D.1, D.2, D.3 and D.4.

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

E.2.1 SCR Calculation Method

AIPL calculates the SCR using the Standard Formula which is a regulatory prescribed method with standard model parameters. Given the Company has a non-complex business model offering no guarantees on performance or charges, the Board considers that this appropriately reflects AIPL's risk profile. Appropriate allowance is made for agreed management actions within the calculation of the SCR.

E.2.2 Solvency Capital Requirement (SCR)

AIPL's SCR as at 30 June 2024 is £0.4 million *(2022: £0.4 million)*.

The table below shows the SCR split by risk module and the diversification benefit between risks. The figures disclosed in this section are rounded to the nearest £0.1 million.

SCR by risk module	2024 £m	2022 £m
Life underwriting risks (i.e. lapse risk and expense risk)	0.0	0.0
Market risk	0.0	0.0
Credit risk (counterparty default risk)	0.3	0.1
Operational risk	0.1	0.3
Total undiversified components	**0.4**	**0.4**
Diversification	(0.0)	(0.0)
Solvency capital requirement	**0.4**	**0.4**

Diversification Benefits

AIPL performs an analysis of the diversification benefit to provide assurance that the level of diversification applied is reasonable given the Company's structure, mixture of risks and underlying risk calibrations. The SCR by risk module has remained in line with prior year, AIPL's overall diversification benefit is £0.0 million which is calculated on an undiversified SCR of £0.4 million.

E.2.3 Minimum Capital Requirement (MCR)

The MCR for each European Economic Area (EEA) insurance undertaking is calculated using a linear formula that applies prescribed factors to Technical Provisions, written premiums, capital at risk, deferred tax and administrative expenses (all net of reinsurance). In accordance with the guidelines the MCR is subject to a floor, equal to 25% of the SCR, and a cap, equal to 45% of the SCR. The MCR is also subject to an absolute floor of €3.7 million. The MCR for the Company as at 30 June 2024 is £3.2 million, which is the absolute floor.

E.2.4 Standard Formula Simplifications

Where the SCR is calculated using the Standard Formula approach, the Solvency II regulations specify simplified calculations that may be used across all of the risk modules except operational risk. Management has not used any of these simplified calculations to calculate the SCR as at 30 June 2024.

E.2.5 Standard Formula Undertaking Specific Parameters (USPs)

Where the SCR is calculated using the Standard Formula approach, Solvency II regulations specify certain USPs that may be used in place of the standard parameters, subject to regulatory approval. These are available for life and health revision risks, and non-life (including some health) premium and reserve risks. Management has not used any USPs to calculate the SCR as at 30 June 2024 .

E.2.6 Transitional measures, disclosure of capital add-ons and USPs (unaudited)

Local regulators have the power to impose capital add-ons to the SCR or to require the use of certain USPs, where there are significant deficiencies in a firm's internal model or partial internal model, or where a firm's risk profile deviates significantly from the assumptions underlying the Standard Formula. AIPL has not had to apply any capital add-ons to calculate the SCR as at 30 June 2024 .

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

Insurance firms that have particular types of retirement provision business managed on a ring-fenced basis, for which the SCR is calculated using the Standard Formula, are entitled to calculate the equity risk capital requirement using a specified duration-based approach. Management does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

Management only uses the Standard Formula and has not used an Internal Model.

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

The Company has complied with the MCR and SCR at all times during the year.

E.6 Any other material information

Management has no other material information to disclose regarding the capital management of its insurance undertaking.

Section F Other Information

In this Chapter

F.1 Glossary of abbreviations used in the report

AIGSL	Aviva Investors Global Services Limited
AIHL	Aviva Investors Holdings Limited
AIPL	Aviva Investors Pensions Limited
AMC	Annual management charges
AVIVA GROUP	Aviva plc Group
BEL	Best Estimate Liabilities
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIU	Collective Investment Undertaking
COC	Cost of Capital
CRO	Chief Risk Officer
EEA	European Economic Area
ENID	Events not in data
EU	European Union
FCA	Financial Conduct Authority
GAAP	Generally Accepted Accounting Principles
GAC	Group Audit Committee
GGC	Group Governance Committee
GRC	Group Risk Committee
GROUP CAO	Group Chief Audit Officer
GROUP CEO	Group Chief Executive Officer
IFRS	International Financial Reporting Standards
IMA	Investment Management Agreement
IMMMR	Identifying, measuring, managing, monitoring and reporting
IPV	Independent price verification
JV	Joint Ventures
MCR	Minimum Capital Requirement
MSCI	Morgan Stanley Capital International
ORCM	Operational Risk and Control Management Framework
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
PVFP	Present Value of Future Profits

QRT	Quantitative Reporting Template
RICS	Royal Institute of Chartered Surveyors
RM	Risk Margin
RMF	Risk Management Framework
ROMF	Risk and Oversight Management Framework
SCR	Solvency Capital Requirement
SF	Standard Formula
SMCR	Senior Manager and Certification Regime
SFCR	Solvency and Financial Condition Report
SMF	Senior Management Function
USP	Undertaking Specific Parameter
UK	United Kingdom
UK IWR	Aviva UK Insurance, Wealth & Retirement business

F.2 Public disclosure templates

List of reported templates:

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

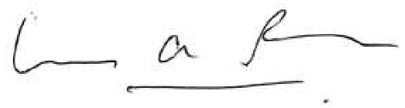
The templates are included at the end of this report.

F.3 Directors Certificate

The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the period 01 January 2023 to 30 June 2024, the firm has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the firm; and

(b) it is reasonable to believe that in respect of the period from 31 December 2022 to the date of the publication of the SFCR, the firm has continued so to comply and that it will continue so to comply for the remainder of the financial year to 30 June 2025.



Iain Pearce

Director

25 September 2024

F.4 Cautionary statement

This announcement contains, and we may make other verbal or written ‘forward-looking statements’ with respect to certain of Company’s plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives (including, without limitation, climate-related plans and goals). Statements containing the words ‘believes’, ‘intends’, ‘expects’, ‘projects’, ‘plans’, ‘will’, ‘seeks’, ‘aims’, ‘may’, ‘could’, ‘outlook’, ‘likely’, ‘target’, ‘goal’, ‘guidance’, ‘trends’, ‘future’, ‘estimates’, ‘potential’, ‘objective’, ‘predicts’, ‘ambition’ and ‘anticipates’, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements.

The Company believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the escalation of Russia-Ukraine and Israel-Palestine conflicts into wider regional conflicts); market developments and government actions; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; the impact of changes in short or long-term interest rates and inflation reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including the longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance (‘ESG’) factors; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Company’s risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Company’s asset management business; the withdrawal by customers at short notice of assets under the Company’s management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Company’s internal model for calculation of regulatory capital under the UK’s version of Solvency II rules; the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel, including quality financial advisers; the failure to act in good faith, resulting in customers not achieving good outcomes and avoiding foreseeable harm; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation; the inability to protect our intellectual property; the effect of undisclosed liabilities and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to recent and future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva plc Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities.

The Company undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made. The climate metrics used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and, therefore, less decision-useful than metrics based on historical financial statements.

This Solvency and Financial Condition Report has been published for information only, it is based on our understanding as at 7 April 2024 and does not provide financial or legal advice. Other than as set out in section F.3 (Directors Certificate), the Companies, their directors, employees, agents or advisers do not accept or assume responsibility to any person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.