PIC

Unleashing the power of pensions.

Pension Insurance Corporation Group Limited
Solvency and Financial Condition Report 2023

About PIC

PIC is a specialist insurer which has become a leader in the UK pension risk transfer market by focusing on our purpose: to pay the pensions of our current and future policyholders.

For over a decade, PIC has been a significant investor in areas like social housing, renewable energy and the UK's universities. These investments, which are typically sourced privately, provide the cash flows we need to match our liabilities at maturities when publicly available debt is simply not available.

Pension Insurance Corporation Group Limited is the ultimate parent Company of Pension Insurance Corporation plc. Pension Insurance Corporation plc is registered in England and Wales under company number 05706720. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345). Its registered office is at 14 Cornhill, London EC3V 3ND.

Directors' Responsibility Statement

We acknowledge our responsibility for preparing the Pension Insurance Corporation plc (the "Company" or the "Insurer") and Pension Insurance Corporation Group Limited (the "Group") Solvency and Financial Condition Report ("SFCR") in all material respects in accordance with the Prudential Regulation Authority ("PRA") Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer and Group have complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable at the level of the insurer and Group; and

b) it is reasonable to believe that the insurer and Group have continued so to comply subsequently and will continue so to comply in future.

Signed on behalf of the Board of Directors

3 April 2024

Report of the Independent External Auditor

Report of the external independent auditor to the Directors of Pensions Insurance Corporation Group Limited ('the parent Company'), and Pension Insurance Corporation pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms.

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by Pension Insurance Corporation Group Limited and Pension Insurance Corporation, (together 'the Entities'), as at 31 December 2023:

- The 'valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Entities as at 31 December 2023, ('**the Narrative Disclosures subject to audit**'); and
- Group templates S.02.01, S.22.01, S.23.01, S.32.01 for the Group, and Company templates S.02.01, S.12.01, S.22.01, S.23.01, S.28.01 for the Company ('**the templates subject to audit**').

The Narrative Disclosures subject to audit and the templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report**'.

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

- information contained within the Relevant Elements of the Solvency and Financial Condition Report set out about above which derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- Group templates S.05.01 and S.25.03 for the Group;
- Company templates S.05.01 and S.25.03 for the Company;
- information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report; and
- elements of the Narrative Disclosures subject to audit identified as 'unaudited'; the written acknowledgement by the Directors of the Entities of their responsibilities, including for the preparation of their relevant content of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

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

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Entities as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II Regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations in effect as at the date of approval of the Solvency and Financial Condition Report.

Basis for opinion

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

Emphasis of matter – special purpose basis of accounting

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

Report of the Independent External Auditor continued

Going concern

The Directors of Pension Insurance Corporation Group Limited have prepared the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for the Group on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group and the parent Company's financial positions mean that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Solvency and Financial Condition Report ("the going concern period"). The Directors of Pension Insurance Corporation have prepared the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for their respective entity on the going concern basis as they do not intend to liquidate their respective entity or to cease its operations, and as they have concluded that their respective entity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the ability of their respective entity to continue as a going concern for the going concern period.

We used our knowledge of the Group and Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and Company's available financial resources over this period were:

- a significant deterioration in longevity experience, potentially caused by market wide event(s);
- a deterioration in the valuation of the Group's investments arising from fluctuations or negative trends in the economic environment; and
- the impact on regulatory capital solvency margins and liquidity of changes in inflation and movements in foreign exchange or interest rates.

We also considered less predictable but realistic second order impacts such as failure of counterparties who have transactions with the Group (such as reinsurers) to meet commitments and a sudden and significant increase in policyholders seeking to transfer their policies to other providers that could give rise to a negative impact on the Group's financial position and increased illiquidity.

We considered whether these risks could plausibly affect the liquidity or Solvency in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group and Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our conclusions based on this work:

- we consider that the Directors' of the Entities use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for their respective entity and the Group is appropriate; and
- we have not identified, and concur with the Directors' of the Entities assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Entities' or the Group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Entities or the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of Directors, the audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, and Audit Committee minutes, Risk Committee and Credit Rating Committee minutes; and
- considering remuneration incentive schemes and performance targets for management/directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. Accordingly, we identified a fraud risk related to accounting estimates and judgements related to Best Estimate Liabilities 'BEL' in the valuation of technical provisions in response to the potential for management bias.

To address the fraud risks related to management override, we also performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those including specific words based on our risk criteria, those posted to seldom used accounts and those entries containing significant estimates posted at the end of the period (period-end adjustments).

Report of the Independent External Auditor continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. the following areas as those most likely to have such as effect: regulatory capital and liquidity requirements, GDPR compliance, Health and Safety legislation, Employment and Social Security legislation, Fraud, corruption and bribery legislation, Misrepresentation Act, Environmental protection legislation, including emissions trading and Climate Change Act 2008 and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operation regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect a breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation:

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Directors of the Entities are responsible for their relevant content of the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors of the Entities for the Solvency and Financial Condition Report

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

The Directors of the Entities are also responsible for such internal control as they determine is necessary to enable the preparation of their relevant content of the Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for assessing their respective entity's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate their respective entity or to cease operations, or have no realistic alternative but to do so.

The Directors of the parent Company are responsible for assessing the Group's and parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease their operations, or have no realistic alternative but to do so.

Report of the Independent External Auditor continued

Auditor's Responsibilities for the audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Other Matter- Internal Model

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Sectoral information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the Group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of each of the Entities' statutory financial statements for the year ended 31 December 2023. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

This engagement is separate from the audits of the annual financial statements of the Entities and the report here relates only to the matters specified and does not extend to the Entities' annual financial statements taken as a whole.

As set out in our audit reports on those financial statements, those audit reports are made solely to the members of the respective Entities, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the members of the respective Entities those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities and the members, as a body, of each of the respective Entities for the audit work, for the audit report, or for the opinions we have formed in respect of those audits.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Directors of the Entities, as their governing bodies, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Entities' Directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities through their governing bodies, for our audit, for this report, or for the opinions we have formed.

James Anderson

James Anderson
for and on behalf of KPMG LLP
15 Canada Square
London
E14 5GL

3 April 2024

Appendix to report of the external independent auditor to the Directors of Pension Insurance Corporation Group Limited ('the parent Company') and Pension Insurance Corporation ('the Company') pursuant to Rule 4.1 (2) of the external audit part of the PRA Rulebook applicable to Solvency II firms – Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit

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

Group

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions–non-life (excluding health) – risk margin;
  - Row R0590: Technical provisions–health (similar to non-life) – risk margin;
  - Row R0640: Technical provisions–health (similar to life) – risk margin;
  - Row R0680: Technical provisions–life (excluding health and index-linked and unit- linked) – risk margin; and
  - Row R0720: Technical provisions–Index-linked and unit-linked – risk margin.
- The following elements of Group template S.22.01:
  - Column C0030: Impact of transitional measures on technical provisions;
  - Row R0010: Technical provisions; and
  - Row R0090: Solvency Capital Requirement.
- The following elements of Group template S.23.01:
  - Row R0020: Non-available called but not paid in ordinary share capital at Group level;
  - Row R0060: Non-available subordinated mutual member accounts at Group level;
  - Row R0080: Non-available surplus at Group level;
  - Row R0100: Non-available preference shares at Group level;
  - Row R0120: Non-available share premium account related to preference shares at Group level;
  - Row R0150: Non-available subordinated liabilities at Group level;
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the Group level;
  - Row R0190: Non-available Own Funds related to other Own Funds items approved by supervisory authority;
  - Row R0210: Non-available minority interests at Group level;
  - Row R0380: Non-available ancillary Own Funds at Group level;
  - Rows R0410 to R0440: Own Funds of other financial sectors;
  - Row R0680: Group SCR;
  - Row R0740: Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds;
  - Row R0750: Other non-available Own Funds; and
  - Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Company

The Relevant Elements of the Company's Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Solo template S.02.01:
  - Row R0550: Technical provisions–non-life (excluding health) – risk margin;
  - Row R0590: Technical provisions–health (similar to non-life) – risk margin;
  - Row R0640: Technical provisions–health (similar to life) – risk margin;
  - Row R0680: Technical provisions–life (excluding health and index-linked and unit-linked) – risk margin; and
  - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin.
- The following elements of template S.12.01:
  - Row R0100: Technical provisions calculated as a sum of BE and RM – risk margin; and
  - Rows R0110 to R0130: Amount of transitional measure on technical provisions.
- The following elements of template S.17.01:
  - Row R0280: Technical provisions calculated as a sum of BE and RM – risk margin; and
  - Rows R0290 to R0310: Amount of transitional measure on technical provisions.
- The following elements of template S.22.01:
  - Column C0030: Impact of transitional measures on technical provisions;
  - Row R0010: Technical provisions; and
  - Row R0090: Solvency Capital Requirement.
- The following elements of template S.23.01:
  - Row R0580: SCR; and
  - Row R0740: Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds.
- The following elements of template S.28.01:
  - Row R0310: SCR Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Summary (unaudited)

The Solvency and Financial Condition Report ("SFCR") is an annual report that is required to be produced as part of the Solvency II ("SII") regime in accordance with applicable Prudential Regulatory Authority ("PRA") Rules and Solvency II regulations. The requirement to prepare the SFCR is set out in a direction made by the PRA on 6 November 2019. Any reference to the SII Directive in this document is a reference to the UK version of that regulation, unless otherwise stated.

The Group has permission to produce a single SFCR, covering both Pension Insurance Corporation plc ("PIC", or the "Company") and Pension Insurance Corporation Group Limited ("PICG", or the "Group").

2022 IFRS comparatives have been restated throughout the SFCR following the Group's adoption of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments".

Business and performance

PIC is the primary operating subsidiary of the Group and it is authorised by the PRA to insure UK defined benefit pension schemes. It is regulated by the PRA and the Financial Conduct Authority.

Both the Group and Company saw a decrease in their SII ratio to 211% (2022: 226% in PICG and 225% in PIC). The decrease in the ratio in the year was primarily caused by the impact of writing £6.9 billion of new business alongside an increase in Solvency Capital Requirement ("SCR") from the refinement of our credit risk and hedging models. This was partly offset by expected returns from the in-force book, the impact of risk margin reform and raising new debt, net of repurchases.

The Group IFRS profit before tax was £303 million for the year (2022: £96 million) and PIC's profit before tax was £303 million (2022: £96 million).

The Group also chooses to analyse its IFRS results on an alternative performance metric, Adjusted operating profit before tax ("AOPBT"). AOPBT reflects value generated prior to the new business deferral and subsequent in-force release of profit via the contractual service margin ("CSM"), and excludes investment related variances. The Company and Group's AOPBT were £893 million (2022: £383 million), an increase of 133%, largely resulting from higher expected returns reflecting higher risk-free rates, the release of reserves following management's review of assumptions and the greater volume of new business written in the period.

The Group paid more than £2.1 billion, (2022: £1.8 billion) of pension payments to policyholders in 2023, with a customer satisfaction rating of 99.3% (2022: 99.6%). Total number of pensions insured was 339,900 (2022: 302,200).

System of governance

Three lines of defence

PIC's governance structure is in line with the "three lines of defence" model which is operated by the Group. The 'first line' represents the business functions who are responsible for managing risk in their day-to-day activities. The 'second line' consists of independent risk and compliance functions, whose responsibility is to set, monitor and oversee the risk framework within which the first line operates, and the Actuarial Function Holder. The 'third line' comprises Internal Audit, which have responsibility for assessing the operation of the risk and control environment.

The Board delegates specific responsibilities to the Board Committees, which assist the Board in its oversight and control of the business. There are currently six Board Committees: Audit, Customer, Investment and Origination, Nomination, Remuneration and Risk. The Investment and Origination and Customer Committees consider matters specific to PIC. The four remaining Committees consider matters specific to both PIC and the Group, as per the delegations in their terms of reference (further details are provided in section B.1). Members of the Committees are appointed by the Board on recommendation of the Nomination Committee in consultation with the Committees' chairs.

Risk Management Framework

The Risk Management Framework informs business decisions and is comprised of three elements. The first element is the risk governance framework within which risk management responsibilities are delegated and governed. This includes the policy framework and the implementation of three lines of defence. The second element is Risk Appetite Framework , which sets limits and triggers in line with the Board's risk preferences and appetite statements, within which the Group's risk exposures are managed. The third is the risk management system, by which risks are identified, assessed, mitigated, monitored and reported.

Own Risk and Solvency Assessment

The annual Own Risk and Solvency Assessment ("ORSA") assesses the risks which the Group is currently exposed to and the forward-looking risks to the successful execution of the Group's business strategy and objectives over the planning horizon. This includes risks to all elements of the Group's Risk Appetite Framework, including quantifiable risks such as solvency and liquidity, and non-quantifiable risks such as conduct and reputational.

The ORSA provides an ongoing process to identify, assess, monitor and manage the most material risks to PIC's business plan and solvency over both the near term and the five-year business planning horizon.

Risk Profile

The Group and Company quantify their exposure to different types of risk using their Internal Model, which was approved for use by the PRA in December 2015.

Summary (unaudited) continued

The Group's total SCR represents the amount of capital the firm must hold to protect it from extreme risk events and comply with regulatory requirements. The component risks which make up the SCR are detailed in section C.

The Group's risk profile has remained stable over the reporting period.

Valuation for solvency purposes

The table below summarises the Group and Company's assets and liabilities valued in accordance with its statutory accounting basis (IFRS), and the Solvency II regulatory basis at 31 December:

	Group		Company	
2023	**Solvency £m**	**IFRS £m**	**Solvency £m**	**IFRS £m**
Total Assets	**78,438**	**78,538**	**78,347**	**78,441**
Total Liabilities	**71,855**	**74,070**	**71,806**	**73,992**
Excess of Assets over Liabilities/Equity	**6,583**	**4,468**	**6,541**	**4,449**

	Group		Company	
2022	Solvency £m	IFRS £m (Restated*)	Solvency £m	IFRS £m (Restated*)
Total Assets	65,461	65,225	65,429	65,191
Total Liabilities	59,582	60,850	59,596	60,848
Excess of Assets over Liabilities/Equity	5,879	4,375	5,833	4,343

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance Contracts".

Differences in the valuation of assets and liabilities between the two bases are driven primarily by the following:

- valuation of best estimate liabilities under Solvency II is higher than under IFRS, mainly due to differences in discount rates;
- the Solvency II risk margin (net of transitional measures for technical provisions ("TMTP")) which is an addition to the Solvency II best estimate liabilities but is not required under IFRS;
- IFRS 17 risk adjustment for non-financial risk is included in the IFRS 17 insurance and reinsurance balances which represents the compensation PIC requires for taking non-financial risk (predominantly longevity and expense risk);
- IFRS 17 contractual service margin which represents the unearned profit that the Group will recognise as it provides insurance contract services;
- valuation of subordinated debt liabilities, which are at amortised cost for IFRS purposes and at fair value under Solvency II; and
- deferred tax on the above.

The valuation differences above are explained in greater detail in section D.

Summary (unaudited) continued

Capital management

At 31 December 2023, PIC and the Group's Solvency II ratios were 211% (2022: PIC 225%; PICG 226%) and they had surplus funds of £4,320 million and £4,331 million respectively (2022: PIC £4,011 million; PICG £4,037 million) in excess of their SCR. The decrease in the ratios in the year were primarily caused by the impact of writing £6.9 billion of new business alongside an increase in SCR from the refinement of our hedging and credit risk models. This was partly offset by expected returns from the in-force book, the impact of risk margin reform and raising new debt, net of repurchases.

On 13 November 2023, PIC issued £500 million subordinated loan notes, maturing in 2033, with a fixed coupon of 8.0% paid annually in arrears. These notes were issued at 99.7% of par. Following the issue, £97 million of the 2024 and £203 million of the 2026 loan notes were repurchased for a total cost of £310 million.

On 26 March 2024, the Board approved a final dividend for 2023 of £147 million (2022: £100 million).

The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities of the UK pension risk transfer market, whilst paying regular dividends to shareholders, based on the current and future projected capital position of the business. The implications for solvency, leverage and liquidity are all considered when considering the appropriateness of dividend payments.

The table below summarises the Group and Company's capital and solvency position as at 31 December:

2023	**Group**	**Company**
Own Funds £m	**8,221**	**8,210**
SCR £m	**3,890**	**3,890**
Solvency II surplus £m	**4,331**	**4,320**
Solvency II ratio %	**211%**	**211%**

2022	Group	Company
Own Funds £m	7,236	7,210
SCR £m	3,199	3,199
Solvency II surplus £m	4,037	4,011
Solvency II ratio %	226%	225%

A. Business and Performance (unaudited)

A.1 Business

A.1.1 Business overview

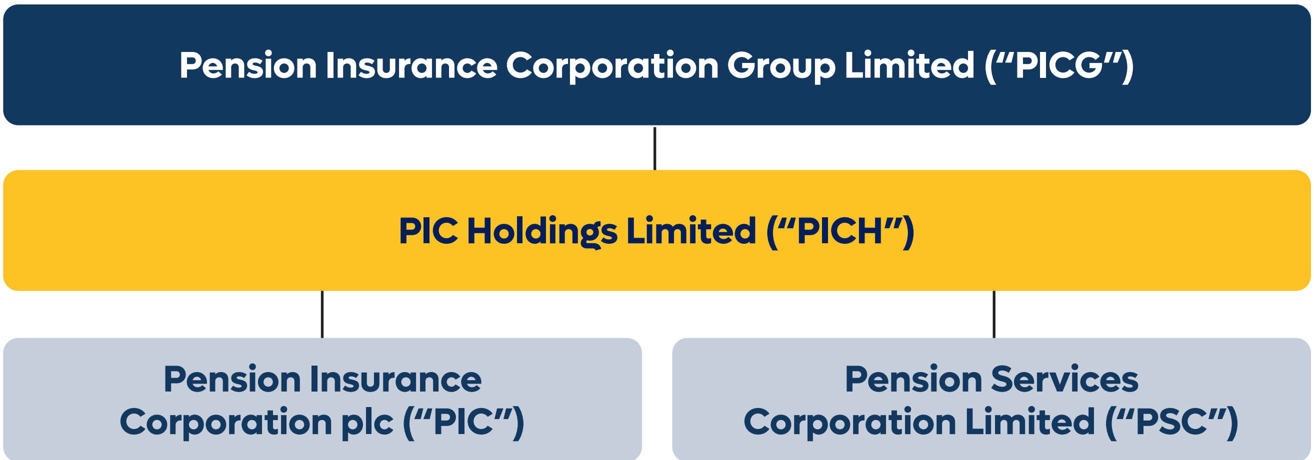
The full legal name of the undertaking is Pension Insurance Corporation plc. It is a Public Limited Company, registered in England and Wales with the company registration number 05706720.

PIC is authorised by the Prudential Regulation Authority, 20 Moorgate, London EC2R 6DA and regulated by the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN and the Prudential Regulation Authority (FRN 454345).

The principal activity of PIC is the provision of pension risk transfer contracts to corporate pension schemes (also known as "pension insurance" or "bulk annuities"). Pension risk transfer products are used by pension funds to transfer the risks and liabilities arising from the benefit promises made to pension fund members to an insurance company. Insurance is also used as a means by which the ultimate responsibility to pay the benefits promised is transferred to the insurance company through the issuance of an individual annuity insurance policy to the pension fund member.

A.1.2 Legal structure of the Group

A simplified Group structure chart and a description of the Group as at 31 December 2023 are set out below:



Group undertakings	Country of incorporation	Principal activity
Pension Insurance Corporation Group Limited	England	Holding company for the other companies within the Group, owning 100% of the equity. It has no employees and incurs minimal administrative expenses. It also operates share incentive plans for the benefit of the employees of the Group.
PIC Holdings Limited	England	An intermediate holding company, and has no material assets or liabilities in the context of the Group.
Pension Insurance Corporation plc (Regulated entity)	England	Provision of insurance annuity products to corporate pension schemes and their members. It also issues Restricted Tier 1 notes and Tier 2 subordinated debt.
Pension Services Corporation Limited	England	Service company of the Group, and employs all the staff which are responsible for the performance of the Group's activities. It also enters into the majority of material contracts (with the exception of pension insurance contracts) on behalf of the Group.

The Group and Company prepare their financial statements in accordance with IFRS in conformity with the requirements of the Companies Act 2006. There are no differences between the scope of the Group for the consolidated financial statements and the scope under the default accounting consolidation method for solvency purposes. The external auditor to the Group is KPMG LLP, 15 Canada Square, London E14 5GL.

A.1.3 Significant events in the period

Key appointments (Board level)

The following changes were made to the Board of Directors of PICG between 1 January 2023 and the date of this report: Mark Stephen stepped down from the Board on 31 December 2023 and Andy Moss was appointed on 1 January 2024.

The following changes were made to the Board of Directors of PIC between 1 January 2023 and the date of this report: Mark Stephen stepped down on 31 December 2023 and Andy Moss was appointed on 1 September 2023.

Arno Kitts was appointed the Board Sustainability Champion effective from 6 October 2023.

A. Business and Performance (unaudited) continued

Other key transactions
On 26 March 2024, the Board approved a final dividend for 2023 of £147 million (2022: £100 million).

Key business transactions
PIC has completed the £6.2 billion buy-in of two schemes sponsored by RSA Group, covering c.40,000 members. Following this transaction, our balance sheet has remained very strong with a solvency ratio at 31 December 2023 of 211% (2022: 225%). This positions us well to fulfil our purpose of paying the pensions of our current and future policyholders, as well as helping the trustees of defined benefit schemes to secure the pension benefits of their members.

Transition to IFRS 17 reporting
From 1 January 2023, the Group adopted IFRS 17 "Insurance Contracts", the new global insurance accounting standard that has fundamentally changed how companies account for insurance and reinsurance contracts, including measurement, income statement presentation and disclosure.

A.2 Performance of underwriting activity
The PIC and Group's profit before tax for year was £303 million (2022: PIC £96 million; PICG £96 million).

In addition to the statutory result above, the Group also chooses to analyse its IFRS results using an alternative performance metric, AOPBT, which has been redefined following the Group's adoption of IFRS 17. The Group considers this alternative performance metric to be an important metric for stakeholders as it reflects the Group's operating activities which are core to our business alongside certain management choices and decisions around those activities. This includes the writing and management of pension insurance contracts and the management of risk through reinsurance. The operating performance of the Group includes the full value generated from writing new business prior to the new business deferral and subsequent in-force release of profit via the CSM, and excludes investment related variances. AOPBT for the period, for both PIC and the Group, increased by 133% to £893 million (2022: PIC £383 million; PICG £383 million), largely resulting from higher expected returns reflecting higher risk-free rates, the release of reserves following management's review of assumptions and the greater volume of new business written in the period.

Information on premiums, claims and changes in technical provisions, which can be considered as key elements of underwriting performance, is presented by Solvency II line of business in Quantitative Reporting Template ("QRT") S.05.01 in Appendix B of this report.

Adjusted operating profit before tax

	2023		2022	
	Group £m	**Company £m**	Group £m (restated*)	Company £m (restated*)
Expected return from operations	**495**	**495**	264	264
New business and reinsurance profit	**444**	**444**	329	329
Underlying profit	**939**	**939**	593	593
Changes in valuation assumptions	**194**	**194**	12	12
Experience and other variances	**(18)**	**(18)**	(19)	(19)
Finance, project and other costs	**(222)**	**(222)**	(203)	(203)
Adjusted operating profit before tax	**893**	**893**	383	383
Movement in CSM	**(585)**	**(585)**	(409)	(409)
Investment related variances	**(38)**	**(38)**	89	89
Add back: Restricted Tier 1 coupon (treated as a dividend for statutory purposes)	**33**	**33**	33	33
Profit before taxation	**303**	**303**	96	96

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

A.2.1 Underlying profit
Underlying profit has increased to £939 million (2022: £593 million). This includes:

- Expected return from operations reflects the long-term expected returns arising from the management of the Group's assets and liabilities. It is based on opening economic assumptions applied to the opening assets and liabilities. Expected returns of £495 million were above the prior year (2022: £264 million), mainly driven by the increase in opening interest rates.

A. Business and Performance (unaudited) continued

- New business and reinsurance profit represents the impact on profit of writing new pension risk transfer contracts and the impact of entering into new reinsurance contracts on the in-force book. The profit is calculated using the economics at the initial recognition date, the locked-in liquidity premium, expected reinsurance, pricing demographic and expense assumptions and the target asset portfolio mix assumptions. New business also includes any acquisition expense variance, being the difference between the actual acquisition expenses incurred in the year and those used in pricing. Any premium adjustments or deferred acquisition costs are also included in this line.
  New business and reinsurance profit was £444 million (2022: £329 million), resulting from the £6.9 billion of new business premiums written (2022: £4.1 billion), primarily driven by the RSA transaction.

A.2.2 Changes in valuation assumptions

The Group's focus remains on long-term profitability, and so we set assumptions in respect of the in-force liabilities and new business acquired during the year, using our best estimate and applying an adjustment for non-financial risk. Under IFRS 17, the impact of changes in such items is added to the CSM and spread over the future expected duration of the contracts. AOPBT is shown before this deferral. Management regularly review these assumptions to ensure that they reflect the characteristics of the Group's book and wider market practice.

As part of this review in 2023, updated assumptions resulted in a benefit to AOPBT of £194 million (2022: £12 million).

A.2.3 Experience and other variances

Experience and other variances gave rise to a loss of £18 million in 2023 for both PICG and PIC (2022: PICG and PIC loss of £19 million). Favourable impacts from updates to policy data were offset by differences between the maintenance expense assumptions used for pricing new business compared to those used in the valuation basis; this negative expense variance was partly offset by a reserve release within changes in valuation assumptions.

A.2.4 Finance, project and other costs

The interest costs of the subordinated Tier 2 debt capital issued by PIC and transaction costs increased slightly to £91 million in 2023 (PICG: £91 million) from £90 million the previous year (PICG: £90 million).

Interest coupons paid on the Restricted Tier 1 ("RT1") debt issued by PIC were £33 million (PICG: £33 million) and were unchanged from prior year.

Project and other costs in 2023 were £98 million (PICG: £98 million) compared with costs of £80 million (PICG: £80 million) in the prior year. They reflect costs associated with other business-wide initiatives, alongside other shareholder and regulatory costs.

A.2.5 Movement in CSM

The movement in CSM comprises the deferral of new business profits on contracts written in the year and interest accretion on the opening CSM, alongside the impact of changes in non-financial assumptions and experience variances on the CSM, partly offset by the amortisation of CSM in respect of in-force business.

During the year, the total increase in CSM was £585 million, net of reinsurance (2022: £409 million). The CSM recognised from new business written in year was £337 million up from £317 million in 2022. This reflects the new business written in the year and represents an increase in the store of future value and the growth in the business. The amortisation of CSM also increased to £181 million from £133 million in 2022 reflecting the increase in the size of the in-force book.

A.2.6 Investment related variances

Investment related variances include the differences between the expected long-term investment return and the actual investment return earned in the period; changes in economic assumptions on liabilities and the impact of changes in credit ratings.

The Group carefully manages its risk to market and other economic factors and enters into derivative hedging contracts to manage these exposures in accordance with its risk appetite. The Group's hedging strategy is primarily designed to actively manage risk over the long term in the solvency balance sheet, and there exists a mismatch between this hedging strategy and the IFRS balance sheet. This mismatch, and the resulting volatility, is included within the investment related variance line.

Investment related variances resulted in a loss of £38 million in the period (2022: gain of £89 million), largely driven by movements in interest rates and credit spreads partly offset by asset optimisation activities. In the prior year, the benefit predominantly related to favourable market movements, including inflation movements and credit spreads.

A.2.7 Other operational highlights

In 2023, PIC was responsible for the current and future pension payments of 339,900 (2022: 302,200) policyholders. This includes those with individual policies, and those for whom the trustees of the underlying pension schemes retain ultimate responsibility.

At 31 December 2023, 85% (2022: 87%) of the Group's gross benefit reserves had been reinsured. The Group has 14 reinsurance counterparties, all of which have a credit rating of A- or above.

A. Business and Performance (unaudited) continued

A.3 Performance of investment activity

The investment performance (including commissions earned) presented in the table below is a reflection of income, gains (realised and unrealised), losses and expenses arising from the investment portfolios owned by the Group.

Investment return: by Solvency II asset class	Group and Company	
	2023 £m	2022 £m (restated*)
Government bonds	**549**	(5,740)
Corporate bonds	**1,218**	(3,899)
Collective investment undertakings	**85**	293
Cash and deposits	**12**	12
Collateralised securities	**27**	(52)
Mortgages and loans	**575**	(3,197)
Derivative-based instruments	**743**	224
Commissions earned	**1**	1
Investment return	**3,210**	(12,358)
Investment management expenses	**(54)**	(50)
Total	**3,156**	(12,408)

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 9 "Financial Instruments".

Investment return comprises income received on fixed income securities, derivatives and investment property, and unrealised and realised gains and losses on these investments. The table above allocates investment return across the Solvency II asset classes.

A.3.1 Gains and losses recognised directly in equity

Consistent with prior year, the Group did not recognise any gains or losses related to the Group's investments directly in equity during the year.

A.3.2 Information on securitisation

PIC invests in equity release mortgages ("ERMs") because they are a good match for its long-term liabilities, and help diversify the portfolio. ERMs are loans secured against property that are repayable on death or entry into long-term care of the borrower. An ERM can also be repaid early voluntarily by the borrower, in which case an early repayment charge may apply. The majority of PIC's portfolio of ERMs has been legally transferred to the Group's subsidiary PIC ERM 1 Limited; however PIC retains substantially all of the risks and rewards of ownership through its holding of loan notes issued by PIC ERM 1 Limited. The market value of securitised ERMs at 2023 was £1,110 million (2022: £887 million).

A.4 Performance of other activities

The Group does not have any other material activities.

A.5 Any other information

Economic uncertainty and market volatility

The global economic outlook continued to be volatile in 2023, with fluctuating interest rates and growing geopolitical risks, particularly the continued Russian invasion of Ukraine and the conflict between Israel and Hamas.

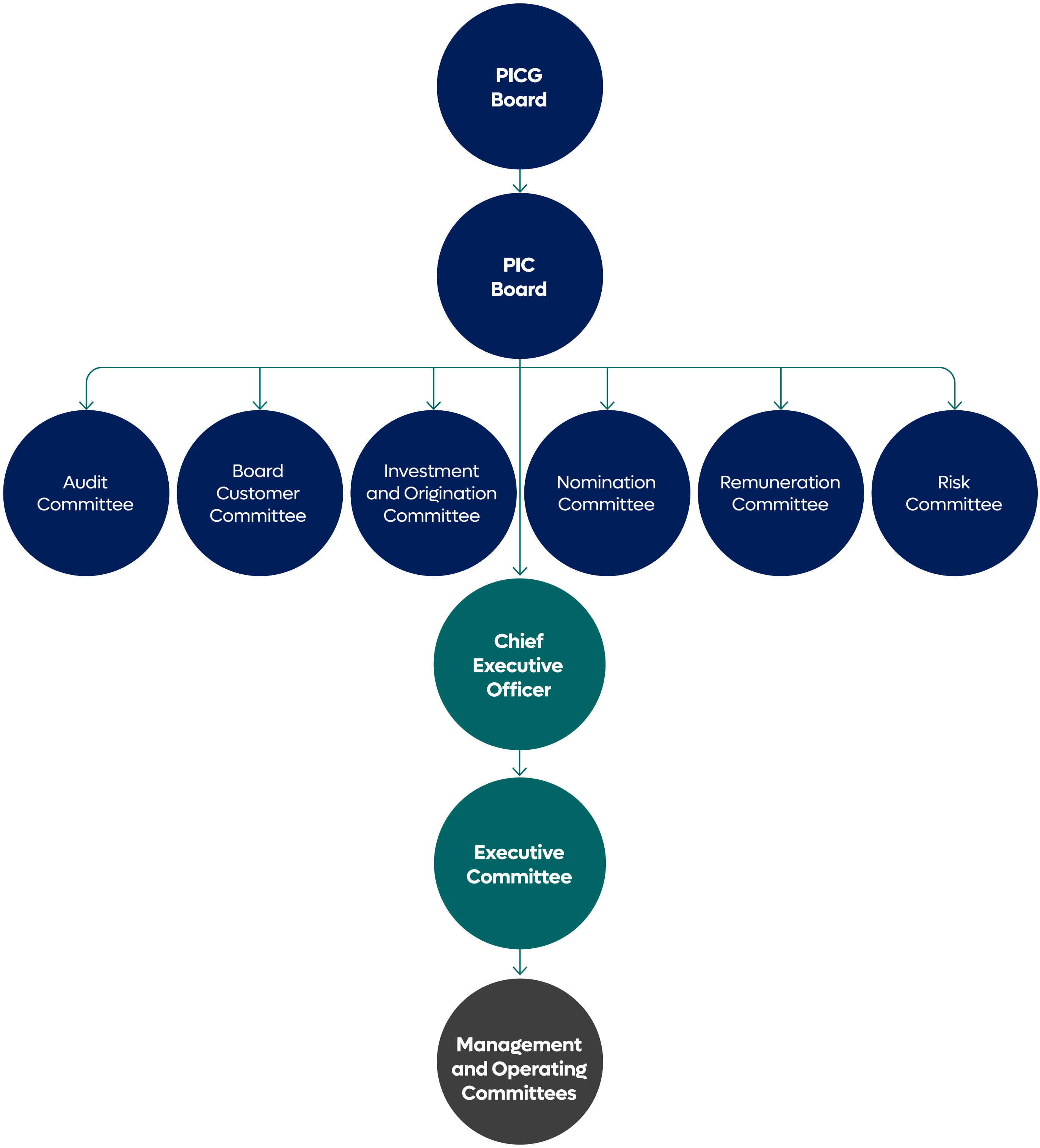
The impacts of these market conditions on PIC can be both positive and negative. The current market conditions have resulted in higher risk of credit downgrades and defaults, and heightened risk overall. Sustained levels of downgrades and defaults would impact PIC's solvency position. However, higher yields without downgrades or defaults could improve PIC's solvency position. The Group constantly monitors market conditions and has risk appetite limits for PIC's exposure to market risks. PIC also holds sufficient capital to protect the business against market movements and downgrades and defaults, and it continues to develop its methodology for calculating the amount of capital to hold.

Rounding convention

The SFCR is presented in pounds sterling rounded to the nearest million which is consistent with the presentation in the IFRS financial statements. The QRTs are presented in pounds sterling rounded to the pound. Rounding differences of +/- one unit can occur.

B. System of Governance (unaudited)

The below chart shows the Group's governance structure. Along with other annual reviews of our governance processes, the structure is reviewed to make sure that it is fit for purpose and remains as such in the context of the Group's growth prospects.



B. System of Governance (unaudited) continued

B.1 Governance function

B.1.1 Board of Directors

Pension Insurance Corporation Group Limited

PICG is governed by its Board consisting of 13 Directors, 12 of whom are non-executive.

Of the non-executive Board members: two are nominated by Reinet PC Investments (Jersey) Limited, which as at 31 December 2023 holds a 49.496% interest in PICG; one is nominated by Luxinva S.A., a wholly owned subsidiary of the Abu Dhabi Investment Authority, which holds a 18.416% interest in PICG; one is nominated by Blue Grass Holdings Limited, a CVC entity, which holds a 17.376% interest in PICG; and one is nominated by MP 2019 K2 Aggregator, L.P., an HPS Investment Partners entity, which holds a 10.231% interest in PICG.

The Board maintains overall responsibility for PICG Limited as an entity and an oversight responsibility for the Group to ensure the Group operates in the best interests of its policyholders, shareholders, employees and other stakeholders. The Board is also responsible for setting the Group's long-term objectives and commercial strategy.

The main activities of the Group are conducted through its principal operating subsidiary, PIC.

The Board has delegated the day-to-day management and administration of the Company to the Chief Executive Officer ("CEO") who has established the Executive Committee at the operating entity level, PIC, to assist the CEO in the day-to-day running of PIC.

Pension Insurance Corporation plc

PIC is governed by its Board consisting of 15 Directors until 31 December 2023 (14 Directors from 1 January 2024), 12 of whom are non-executive.

Of the non-executive Board members: one is appointed by Reinet PC Investments (Jersey) Limited, one is appointed by Luxinva S.A., a wholly owned subsidiary of the Abu Dhabi Investment Authority; one is appointed by Blue Grass Holdings Limited, a CVC entity; and one is nominated by MP 2019 K2 Aggregator, L.P., a HPS Investment Partners entity.

Pension Insurance Corporation plc is a wholly owned subsidiary of PIC Holdings Limited which is a wholly owned subsidiary of the ultimate parent entity Pension Insurance Corporation Group Limited.

The Board has overall responsibility for the operations of PIC and oversees the management of the Company in the best interests of its policyholders, shareholders, employees and other stakeholders, and sets the Company's long-term objectives and commercial strategy.

The Board has delegated responsibility for a number of functions to Board Committees as set out below. The Committees all have terms of reference setting out their responsibilities in more detail.

B.1.2 Audit Committee

The Board has established the Committee in fulfilling its responsibilities regarding financial reporting, sustainability reporting including Task Force on Climate-related Financial Disclosures report, the effectiveness of internal control and risk management systems, processes and compliance matters.

The Audit Committee comprises four independent Non-Executive Directors. The Board is satisfied that members of the Audit Committee have relevant accounting and financial reporting experience.

The Board has delegated the responsibility of overseeing the following key areas to the Committee:

Financial and non-financial reporting

The Audit Committee monitors and, where necessary, challenges the Group's financial reporting processes including key accounting issues and judgements as well as methods and assumptions used in the valuation of the technical provisions under Solvency II and under IFRS.

The Committee reviews and, where necessary, challenges all material information presented in the Annual Report and Accounts and Sustainability Report before these are approved by the Board, and approves the Task Force on Climate-related Financial Disclosures report.

The Committee is also responsible for reviewing the Group's assessments of going concern, longer-term prospects and viability of the business, and reviews of any applicable material which the Committee is required to review under the Group's and the Company's Reporting and Disclosure Policy.

Internal controls and risk management

The Audit Committee oversees, reviews, challenges and assesses the framework, effectiveness and adequacy of the Group's systems of internal controls, including key financial, operational and compliance controls. The Committee also reviews whether management has discharged its duty to maintain the effectiveness of such systems, processes and controls. The Committee meets regularly with management, the Chief Risk Officer, the General Counsel and the Chief Internal Audit Officer to ensure management take action to address any issues arising from this review.

B. System of Governance (unaudited) continued

The Committee reviews and approves the statements to be included in the annual report concerning the effectiveness of the internal controls and risk management.

The Committee also oversees the annual validation process of the regulatory balance sheet and, jointly with the Risk Committee, making appropriate recommendations to the Board.

The Audit Committee liaises closely with the Risk Committee to identify and mitigate any significant risk to the Group,.

Compliance, financial crime and whistleblowing
The Audit Committee reviews the Group's compliance policies and procedures as part of oversight of the Group's compliance, with relevant regulatory and legal requirements, including the arrangements in place for the reporting and investigation of concerns and for ensuring fair customer outcomes.

The Committee reviews the adequacy of the Group's whistleblowing policies and procedures, ensuring that such arrangements allow for proportionate and independent investigation of such matters, and appropriate follow-up actions.

Reviewing the Group's procedures for detecting fraud, systems and controls for prevention of bribery and market abuse is also a function of the Committee.

Internal and External Audit
The Audit Committee oversees and monitors the role and effectiveness of the Group's Internal Audit Function including approving the annual internal audit plan, monitoring the reports arising from internal audits and the status of actions resulting therefrom.

The appointment or removal of the Chief Internal Audit Officer is also a key function of the Audit Committee.

The Committee is also responsible for reviewing and approving the integrated assurance plan, ensuring it aligns with the key risks of the business.

The Committee manages the relationship with the external auditor; monitoring and reviewing its independence, objectivity and performance, and leading any processes regarding audit tender or Senior Statutory Auditor change.

The Committee considers and makes recommendations to the Board on the appointment of the external auditor (including approving the remuneration and terms of appointment) as well as reviewing the external auditor's annual audit programme and the results therefrom. It also reviews the policy on non-audit services carried out by the external auditor.

KPMG has been the external auditor for the Group for the last 17 years, with a tendering process last completed in 2016. The Committee has taken due regard of the current Audit Directive and FRC guidance in respect of audit tendering. The Committee approved the rotation of auditors from 1 January 2026, as required, meaning KPMG will perform its final audit for the full year 2025 financial statements. The Committee has proactively started engagement with prospective audit firms as part of its preparations.

B.1.3 Risk Committee
The Risk Committee provides oversight and advice to the Board on the current and future risk exposure of the Group including oversight of the future risk strategy; determination of risk appetite and tolerance; and internal controls required to manage risk and the effectiveness of the Risk Management Framework. The Risk Committee oversees the operation and development of the Internal Model.

The Committee comprises six Non-Executive Directors, five of whom are regarded as independent and the remaining Director is shareholder nominated.

The Board has delegated to the Committee the responsibility for overseeing the following key areas:

Risk strategy, appetite and policies
The Risk Committee advises the Board on the Company's overall risk exposures, and the current and future risk strategy. The Committee reviews and recommends the Company's design and implementation of Risk Management Framework and measurement strategies to the Board. It ensures that climate change risks are appropriately incorporated in the Risk Management Framework and the risk strategy. The Committee also reviews the risk appetite and tolerances and recommends these to the Board for approval.

Risk oversight and monitoring
The Risk Committee monitors the Company's overall risk identification, assessment and management process that influence the Board's decision making. The Committee is responsible for the oversight of Internal Model and reporting to the Board on any areas needing improvement, as well as updating the Board on the status of efforts to improve previously identified weaknesses.

The Committee advises the Board on the risks to the business plan and capital implications making sure that these are adequately identified and assessed as part of the business planning process through stress testing and scenario analysis. The Committee also works with the Nomination and Remuneration Committee to ensure that risk management is taken into consideration in objective setting and the design of overall remuneration and risk weightings are applied to performance objectives. It further provides advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Company.

B. System of Governance (unaudited) continued

The Risk Committee also reviews reports on any material breaches of risk and compliance limits and material incidents. The Committee monitors the adequacy of proposed actions and management's responsiveness to remedial actions.

Public and regulatory disclosures
The Risk Committee reviews and recommends any risk related public and regulatory disclosures to the Board, such as the Company's ORSA reports, processes and outputs.

Risk Function and the Chief Risk Officer
The Risk Committee considers and approves the Risk Function and Actuarial Function Mandate and reviews and assesses performance of the Chief Risk Officer ("CRO"). It works with the Nomination Committee on making recommendations to the Board with regard to the appointment and removal of the CRO.

B.1.4 Investment and Origination Committee
The Investment and Origination Committee is responsible for overseeing the management of the investment policy and investment strategy for PIC, and to provide oversight of the operation of PIC's investment portfolios within the strategic and risk frameworks. The Committee plays a key role in PIC's governance of pricing by providing oversight of portfolio pricing for large deals. The Committee is responsible for overseeing the integration of environmental, social and governance risks (including climate change) into its decision making process and within the investment policy and for reviewing management's proposals on the Group's sustainability strategy as it relates to PIC's investments and their impact on asset holdings, third parties and investment partners in line with risk strategy, appetite and limits.

The Committee also oversees all aspects of PIC's new business and reinsurance origination within established strategy, business plan and risk frameworks including conduct risk.

The Committee approves the pricing assumptions at least annually and approves the pricing authority for management.

The Committee comprises seven Non-Executive Directors, three of whom are regarded as independent and the remaining four Directors are shareholder nominated.

B.1.5 Nomination Committee
The role of the Nomination Committee is to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and the Executive Committee, and to make recommendations to the Board with regard to any changes.

The Committee also oversees the process by which the Board and its Committee, with input from individual directors, assess their performance; and reviews the results of this evaluation and makes appropriate recommendations to the Board.

The Committee comprises five Non-Executive Directors, three of whom are regarded as independent and the remaining two Directors are shareholder nominated.

B.1.6 Remuneration Committee
The role of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of all employees and the specific compensation in respect of the Company's Chairman, Non-Executive Directors, Chief Executive, Executive Directors, Executive Committee and other material risk takers.

In 2023, the Committee expanded its remit to cover other people related matters. This includes assisting the Board in its overall responsibility for overseeing the development and measuring of the Group's culture, monitoring the Group's diversity and inclusion initiatives, employee engagement and general capacity and capability.

The Committee comprises six Non-Executive Directors, four of whom are regarded as independent and the remaining two Directors are shareholder nominated.

B.1.7 Board Customer Committee
The role of the Board Customer Committee is to provide oversight and advice to the Board in relation to the implementation, prioritisation, delivery and embedding of the new Consumer Duty requirements in the Company's processes and business activities. The Committee will also provide an annual customer satisfaction report to the Board.

The Committee comprises three independent Non-Executive Directors.

B.1.8 Environmental, Social and Governance ("ESG") Committee
The ESG Committee was in place until 29 June 2023 when it was disbanded and its activities were reallocated to the other Board Committees as part of embedding ESG into the Board and Committee structure. The ESG Committee met in March and June 2023. The purpose of the Committee was to consider and oversee all ESG related matters and to ensure that the Board and its Committees provide oversight of the Group's ESG strategy and activities and that the Group complies with legal and regulatory requirements in respect of ESG, enabling the Group to make the right decisions for the long-term benefit of its policyholders.

B. System of Governance (unaudited) continued

B.1.9 Executive Committee

The Executive Committee consists of the CEO, Chief Financial Officer ("CFO") and senior management of the Company. Its role is to assist the CEO in the overall management of the Company including (but not limited to) proposing strategy to the Board and, once approved, implementing it together with operational plans, policies, procedures and budgets. The Committee's purpose is also to shape, embed and maintain a culture which safeguards PIC's values by promoting attitudes and behaviours of high ethical standards and integrity in everyday conduct of PIC's business. The Committee further ensures that appropriate systems and controls are in place, monitors operating and financial performance and assesses and controls risks. The Committee also reviews resources and prioritises their use and allocation.

Apart from the disbanding of the ESG Committee on 29 June 2023, and the establishment of the Board Customer Committee from June 2023, there were no material changes to the governance structure over the reporting period.

B.1.10 Remuneration policies and practices

Governance of remuneration

The Remuneration Committee ("RemCo") oversees the governance of remuneration in accordance with its duties described under section B.1.6.

In its oversight of the remuneration structures, the Committee takes full account of strategic objectives and stakeholder views, as well as the interests of the customers and policyholders. The alignment of risk and reward is a prominent consideration, and the Committee seeks input from the CRO, Chair of the Risk Committee, and the Chair of the Audit Committee as appropriate in the design of remuneration policies and in determining collective and individual reward outcomes. To minimise the risk of any conflicts of interest, no individual is involved in decisions regarding their own remuneration.

The Committee also has responsibility for overseeing compliance with all relevant legal and regulatory requirements on remuneration (including Solvency II). The Committee ensures that its remuneration policies and practices are suitably aligned with the requirements of Solvency II, and is responsible for the oversight of individual remuneration arrangements and outcomes in respect of all Solvency II Identified Staff. The remuneration for the CEO and CFO is also approved by the Board.

Remuneration policy

The Company's remuneration policy is designed to enable the Company to recruit, retain and motivate employees of the appropriate calibre to deliver its strategy over the long term. The policy is intended to be consistent with and to promote sound and effective risk management and to ensure that it does not encourage risk taking that exceeds the tolerated risk appetite of the Company.

A description of the different remuneration elements for 2023 is set out below.

Base salary	Salaries are reviewed annually and are set to be market competitive taking into account the individual's skills, the size and scope of their role. Salaries are set at such a level that employees are not overly dependent on variable pay and to allow the Company to operate a fully flexible bonus policy.
Benefits	The following benefits are offered to all eligible employees: private health cover, annual travel insurance, interest-free loans (up to £10,000) for season tickets, death in service life assurance, participation in the Save As You Earn Plan, Cycle to Work scheme, income protection insurance, critical illness insurance, 28 days' annual leave and family friendly policies.
Pension	All employees who meet the minimum criteria are automatically enrolled in the Worksave Pension scheme. Employees who have reached their lifetime or annual allowance limit for pensions for tax purposes may receive a cash alternative in lieu of the Company's contribution that otherwise would have been made under the Worksave Pension arrangement. No member of the administrative and management bodies or members of Committees and key function holders benefit from any additional pension arrangement to those listed above including supplementary pension or early retirement schemes.
Annual bonus	The annual bonus plan provides eligible employees with an opportunity to receive a cash amount, subject to performance measured in respect of the relevant financial year. Awards are based on the achievement of annual objectives. At all levels within the Group, individual performance metrics include compliance with standards relating to risk and compliance set by the Board. Other performance metrics assess alignment with the Group's values, which include good conduct both within the firm and in dealings with customers. Performance is also assessed against both financial and non-financial criteria. For Solvency II staff in assurance functions, at least 75% of the annual bonus award is based on the achievement of objectives related to the individual's assurance function. The remaining 25% relates to the performance of the Group. Awards for this population are subject to a prevailing affordability underpin, and no bonuses will be paid if overall financial performance is not sufficient to fund awards.

B. System of Governance (unaudited) continued

Deferred Bonus Share Plan	The DBSP seeks to align the long-term interests of the Company for all senior management and other key individuals through bonus deferral. Under the DBSP, bonuses comprise a cash element awarded annually at the end of the financial year and paid in March of the next year. The deferred element is awarded in the form of nil cost options which vest after three years. For Solvency II Identified staff a minimum of 40% of any variable award is deferred. Prior to vesting, the RemCo can make adjustments to awards under the malus and clawback provisions.
Long term Incentive Plan	Each year selected senior individuals are invited, at the discretion of the RemCo, to receive LTIP share awards. These individuals are those tasked with delivering PIC's long-term strategic goals and generating long-term shareholder value. LTIP awards vest over a three-year period, subject to the achievement of performance conditions. Awards to Executive Committee members become exercisable after a further retention period of up to two years. The RemCo can make adjustments to LTIP awards by applying malus and clawback up to the fifth anniversary of the date of grant (or longer if an investigation is ongoing at that point).
Non-Executive Directors	The NED fees are set and reviewed annually based on the membership of the Board and/or Committees. Additional fees are awarded for taking extra responsibilities to the Board Chairman, Senior Independent Director or Committee Chair. NEDs are also reimbursed for all reasonably incurred expenses in the proper performance of their duties as Directors.

Link between pay and risk management
The Company's Remuneration Policy includes the following elements which are intended to align employees' reward to the Company's risk management:

- Maintaining an appropriate ratio between fixed and variable pay.
- Performance measures – Variable remuneration is subject to an assessment of financial and non-financial performance. Financial targets are set at a level consistent with the Company's risk appetite. For all employees, there is consideration of performance against risk and compliance criteria, thereby ensuring that there is risk adjustment at an individual and Company level.
- Long-term incentives – Alignment with the long-term interests of the Company for senior management is achieved by the award of variable remuneration in shares for a three-year vesting period (a post-vesting holding period of up to two years currently applies to Executive Committee members) before liquidity can be obtained subject to the terms of the relevant plan rules.
- Risk adjustment process – The RemCo, in formulating its recommendation on aggregate variable pay to the Board for approval, will review progress against strategic goals and financial targets, and seek input from the CRO and Chair of the Risk Committee and Chair of the Audit Committee for an assessment of risk and compliance within established risk appetite limits as stated and approved by the Risk Committee.
- If the performance has been achieved out of line with risk appetite, the variable incentive pool may be adjusted downwards, including to zero.
- Malus and clawback provisions apply to all share-based variable remuneration paid to employees whereby awards may be reduced, withheld or reclaimed in certain circumstances, as outlined in previous table.
- For staff engaged in assurance functions, variable remuneration is mainly determined by reference to performance against functional/individual performance. The RemCo signs off on all remuneration for senior assurance staff, ensuring independent review of achievements.

B. System of Governance (unaudited) continued

B.1.11 Material transactions during the reporting period

Transactions with Directors and key management personnel

Key management personnel comprise Directors of the Group and members of the Executive Committee.

There were no material transactions between Directors or key management personnel and PIC during the reporting period.

	2023 £m	2022 £m
Short-term employee benefits	**10**	9
Share-based payments	**3**	4
Total	**13**	13

Other related party transactions

PIC holds €150 million 1.48% senior notes in Capital Investors Europe PBI Limited, a company within the CVC Group. Another member of the CVC Group is a significant shareholder of PICG. Investment income during the year amounted to £2 million (2022: £2 million) and the carrying value of the investment at 31 December 2023 was £108 million (2022: £97 million).

PIC holds investments in funds managed by HPS which is a member of a group that is a significant shareholder of PICG. During the year there were net capital contributions of £6 million (2022: net capital contributions of £33 million) and investment income amounted to £16 million (2022: £14 million). As at 31 December 2023 the carrying value of the investments was £179 million (2022: £166 million).

Transactions with shareholders

Pension Insurance Corporation plc

On 26 March 2024, the Board approved a final dividend for 2023 of £147 million (2022: £100 million). There were no other transactions with its shareholder during 2023 (2022: £nil).

Pension Insurance Corporation Group Limited

On 26 March 2024, the Board approved a final dividend for 2023 of £147 million (2022: £100 million). Subject to approval by shareholders, the dividend will be paid on or around 8 May 2024.

As PICG is a private limited company, it does not have a share price or tradeable securities so it has to generate internal liquidity to allow participants of the Group's share schemes to exercise their share options and sell shares they acquire through the share schemes. With the exception of dividend paid and annual exercise liquidity event, there were no other transactions with shareholders during 2023 (2022: £nil).

B.2 Fit and proper requirements

PIC's Fit and Proper Policy sets out the procedures required by regulated firms to assess the fitness and propriety of individuals who run these undertakings or who hold other key functions in them. PIC procedures ensure its staff are:

a) fit – Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management; and

b) proper – They are of good repute and integrity.

Prior to the appointment, the individual must be assessed as fit and proper for their position/role. In deciding whether a person is fit and proper, PIC carries out the appropriate assessments and checks in order to be satisfied that appointed personnel have the required:

a) personal characteristics (including being of good repute and integrity);
b) level of competence, knowledge and experience;
c) qualifications; and
d) training.

In addition, PIC carries out DBS and credit checks on all staff who are involved in finance, investments, or administration of policies or who hold senior positions.

PIC also monitors staff throughout the year and reviews their performance by way of an appraisal. Staff are expected to keep up to date with relevant changes in applicable technical competencies and their Continuing Professional Development ("CPD") hours are recorded.

PIC has implemented the requirements of the Senior Managers and Certification Regime which was extended to insurance companies on 10 December 2018. Staff were recertified on 1 April 2023.

B. System of Governance (unaudited) continued

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

Risk management is integrated into the business via the Enterprise Risk Management Framework and is used to inform a range of business decisions. This consists of our Risk Governance Framework, Risk Policy Framework, Risk Processes and Risk Appetite Framework:

- the Risk Governance Framework sets out PIC's risk management responsibilities;
- the Risk Policy Framework sets, embeds and monitors the standards applied to each risk area;
- the Risk Processes are the techniques and tools used to identify, assess, mitigate, monitor and report risk throughout PIC; and
- the Risk Appetite Framework sets the level of risk the Board is willing to take and in which areas and how performance against risk appetite will be measured.

B.3.1 Risk Governance Framework

Broader risk governance

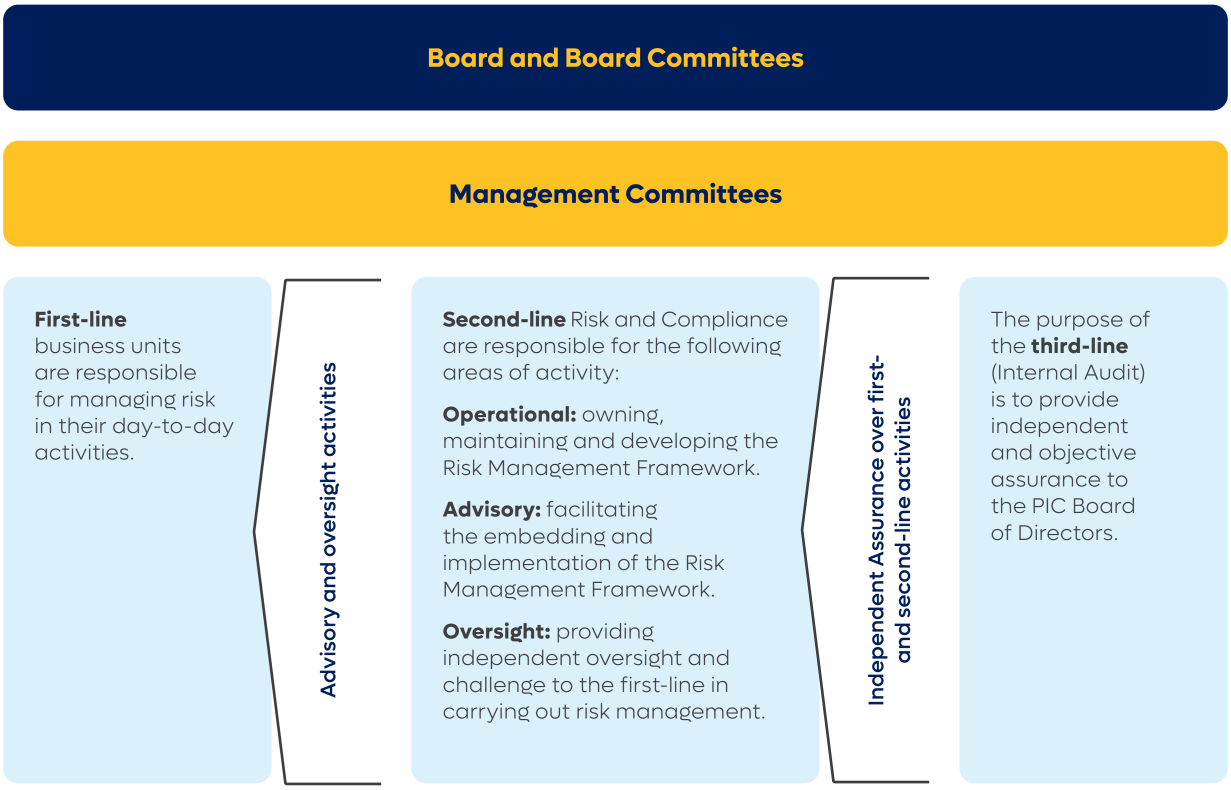
Risk governance within PIC forms part of the broader governance framework for managing the business, and is overseen by the Board. The PIC Board has ultimate responsibility for PIC's risk management approach, and its Risk Management Framework. The Board delegates a number of these responsibilities to the Board Risk Committee ("BRC") as a focused point of risk management decision making, supported by the CRO.

Further to this, the Management Risk Committee assist the CRO in:

- effective implementation and operation of the Risk Management Framework and risk appetite and that the material risks facing the Company are identified and monitored and remain within appetite;
- providing insight and review to the Executive Committee and the Board and its Committees in relation to the risks facing the Company; and
- monitoring the risk profile and risk exposure of the Company.

Three lines of defence model

PIC operates a three lines of defence model that is shown below.



B. System of Governance (unaudited) continued

B.3.2 Risk Appetite Framework

The Risk Appetite Framework is a key tool for managing the material risks to the business operations, its strategy and to PIC's reputation with key stakeholders (including policyholders, trustees, regulators and investors). It is approved by the Board and includes risk metrics (limits and triggers) within which the business must operate. It outlines the roles and responsibilities of those who implement and monitor the Company's risk appetite. The Company has developed primary and secondary risk appetite metrics which are designed to support the safe delivery of the strategic objectives of the business within the Board approved risk appetite.

To monitor the position against the risk appetite, metrics are set to help guard against PIC exceeding the level of risk we are willing to take on. The risk appetite metrics are monitored by the business and performance against the metrics is reported to the BRC and Board.

Consistent with other years, we reviewed our risk appetite statements and metrics in 2023, adding new metrics where appropriate. This resulted in improved coverage of quantifiable measures of risk, for example relating to project risk management and company culture.

B.3.3 Risk strategy – preferences and appetite statements

Our Risk Appetite Framework articulates the Board's appetite for taking the different types of risks which PIC may be exposed to in pursuit of its strategic objectives. Risk preferences are set for each risk as those PIC actively seeks, accepts or wants to minimise.

PIC should actively seek risks that:

- are aligned with the business strategy and the stakeholder expectations;
- PIC believes are adequately rewarded; and
- are within the capabilities and capacity of PIC's people, processes and technology to manage.

PIC should accept and take measured amounts of risks that:

- are an acceptable consequence of pursuing the business strategy; and
- are within the capabilities and capacity of PIC's people, processes and technology to manage.

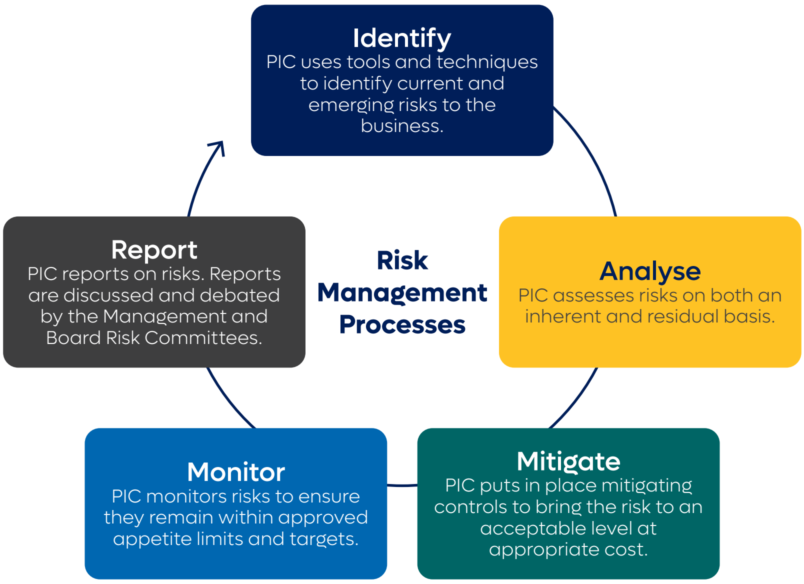
PIC should minimise risks which:

- are not aligned with the business strategy or the stakeholder expectations; or
- are beyond the capabilities and capacity of PIC's people, processes and technology to manage.

B. System of Governance (unaudited) continued

B.3.4 Risk management system
PIC's risk management system outlines the risk management processes and tools to identify, assess, mitigate, monitor and report risks throughout PIC as shown below. We use this for all risk types and it is a continuous process, incorporating regular monitoring, stress and scenario testing and deep dive reviews which are reported through relevant Committees to support the decision-making processes of the business.

PIC also tracks and monitors a range of emerging and developing risks that may impact its business model and strategy to assess whether any new risks need to be more extensively assessed and formally managed, including additional controls and monitoring.



B.3.5 Own Risk and Solvency Assessment
The purpose of the ORSA is to provide an assessment of the current risk profile of the business and the forward-looking risks to the successful execution of PIC's strategic objectives over the business planning horizon. This includes risks to all elements of PIC's Risk Management Framework including quantifiable risk such as solvency and liquidity and non-quantifiable risks such as conduct and reputational risks. It includes a forward-looking assessment of the appropriateness of the firm's capital requirements from the Internal Model based on the risk profile.

Quantifiable and material risks over the coming year which are mitigated through holding capital are measured using PIC's Internal Model, which is used to determine the appropriate SCR for the business to manage the impact of these risks. Those quantifiable and material risks for which capital is not held as part of their risk mitigation treatment, or which are expected to occur beyond the 12-month horizon of the SCR calculation, are not included within PIC's Internal Model. Instead, these are measured by considering their impact as part of the stress and scenario testing and discussed in risk and solvency reports such as the ORSA.

B.3.6 Capital risk appetite buffer
PIC's capital risk appetite is subject to annual review to ensure it remains appropriate for the risk profile of the business, based on the current and future projected operating environment. The Board determines its own view of the amount of capital it believes the business needs to hold (as a buffer above SCR) which is informed by a number of factors including stress and scenario testing. The Board's assessment of the capital buffer held over the regulatory capital requirement serves to:

- provide an extra layer of security to policyholder benefits;
- provide an extra layer of security to debt investors;
- safeguard the franchise value for equity investors;
- act as a buffer against quantitative risks and absorb short-term balance sheet volatility, such as from credit spreads, or interest, inflation or exchange rate movements;
- act as a buffer against qualitative risks that do not readily lend themselves to statistical quantification but for which capital is an appropriate risk mitigant; and
- ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets.

B. System of Governance (unaudited) continued

B.3.7 Internal Model governance

The BRC is responsible for the oversight of the Internal Model and providing recommendations to the Board with respect to its calibration and any proposed changes. These duties are supported by the Management Risk Committee which is chaired by the CRO.

To ensure that the Internal Model is, and continues to be, suitable for the assessment of risk and capital, the Company has implemented a governance framework through its Internal Model Policy and supporting policies and procedures. These cover:

- model use: to provide assurance that the model is widely used in the business and plays an important role in the system of governance and decision-making processes;
- model change: where changes to the Internal Model are required, these are implemented in a controlled manner with appropriate oversight and governance;
- model data: controls are applied to ensure the data used by the Internal Model is accurate, complete and appropriate;
- expert judgements: where judgements are required in the model, then these are informed by relevant internal and/or external experts and supported with robust justification, considering the range of plausible assumptions and their impacts and limitations;
- model documentation: the Internal Model documentation outlines the data, methodology, assumptions and judgements within the model, including highlighting the circumstances where the model does not work effectively. This allows management to determine whether the output is reasonable and reliable for its different uses; and
- model validation: the Model Risk and Validation team within the Risk Function provides independent assurance that the Internal Model remains fit for purpose and compliant with all applicable rules through a risk-based cycle of reviews. These reviews use a range of quantitative and qualitative validation tools documented in the Internal Model validation procedure such as profit and loss attribution and back-testing against experience. The annual validation plan and annual consolidated validation report are agreed with the BRC.

In March 2023, the PRA approved updates to PIC's Internal Model change policy. This included allowing an annual reset of the accumulated minor model changes as permitted by the PRA's Supervisory Statement SS12/16. There have been no other material changes to the Company's Internal Model governance over 2023.

B.4 Internal control system

PIC's internal control framework is designed to provide reasonable assurance that the Company's activities are focused on ensuring that its objectives are achieved in an effective and efficient manner and with due regard to managing risk including conduct risk. The daily control activities include approvals, reconciliations, management reviews, appropriate measurements applicable to each business area, physical access controls, compliance with agreed limits and compliance with operating principles/instructions and procedures. The control activities should be proportionate to the risks stemming from the controlled activities and processes.

The Board takes responsibility for ensuring the implementation of a comprehensive framework of controls across the Company. This is supported by relevant and regular monitoring processes to confirm that key policy objectives are met. Each Committee works with management to establish procedures and controls providing an appropriate control environment and supporting the key processes for which the Committee is responsible.

B.4.1 Compliance

The operation of the Company's internal control framework is supported by the Company's Compliance Function. The Compliance Function sits with the General Counsel of the Company, who reports to the CEO.

The role of the Compliance Function within the three lines of defence model is to provide regulatory oversight and advice to the first line business units and the Board in respect of regulatory and/or control risks that may be inherent in PIC's business decisions/activities.

Together with the other assurance functions, the Compliance Function is responsible for monitoring and regularly assessing the adequacy and effectiveness of the systems, controls and procedures at PIC, and for advising and assisting the business in carrying out regulated activities to ensure compliance with its obligations under the regulatory system.

The Compliance Monitoring programme forms part of the annual Integrated Assurance programme.

B.5 Internal Audit Function

B.5.1 Roles and responsibilities

The purpose of PIC's Internal Audit ("IA") Function is to provide independent, objective assurance and consulting services which are designed to add value and improve PIC's operations. The mission of IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. IA helps PIC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The primary role of IA is to support the Board and executive management to protect the assets, reputation and sustainability of PIC, by providing independent and objective assurance, advice and insight.

B. System of Governance (unaudited) continued

IA governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and guidance for effective Internal Audit in the financial services sector, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

The Chief Internal Audit Officer ("CIAO") will report periodically to senior management, the Board and the Audit Committee regarding the IA function's conformance to the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

B.5.2 Independence and objectivity of the Internal Audit Function

The CIAO will ensure that the IA Function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content. If the CIAO determines that independence or objectivity may be impaired, in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year;
- performing any operational duties for PIC or its affiliates;
- initiating or approving transactions external to the IA Function; and
- directing the activities of any PIC employee not employed by the IA Function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the CIAO has or is expected to have roles, responsibilities, or both, that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined;
- make balanced assessments of all available and relevant facts and circumstances; and
- take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The CIAO will confirm to the PIC Board and Audit Committee, at least annually, the organisational independence of the IA Function.

The CIAO will disclose to the PIC Board, Audit Committee, or both, any interference and related implications in determining the scope of internal auditing, performing work and communicating results.

B.5.3 Authority and resources of the Internal Audit Function

IA is authorised to have full, complete, free and unrestricted access to all parts of PIC's activities, records, physical properties and personnel as necessary to discharge its responsibilities including free and unrestricted access to the Board, Management Risk Committee and Audit Committee. IA will either be represented on, or have full access to minutes of and presentations to, all the major management-level committees (e.g. the Executive Committee), so as to keep abreast of the Company's strategic direction, developments and risk and control breakdowns. IA expects timely assistance from all staff to help it fulfil its role and responsibilities.

B.6 Actuarial function

The responsibilities relating to the Company's Actuarial Function are split between a Line 1 Actuarial Finance Function, led by the Chief Actuary, and a Line 2 Actuarial Assurance Function, led by the Actuarial Function Holder ("AFH").

The Line 1 Chief Actuary is responsible for the calculation of the technical provisions, including making recommendations to the Board and Board Committees in relation to the assumptions, methodologies, data and models to be used. The Chief Actuary also provides leadership and advice to management across PIC on actuarial aspects of other matters arising in the course of the Company's business, such as new business pricing.

The Line 2 AFH fulfils the statutory role with reporting responsibilities to the PRA in relation to the Actuarial Function. The AFH reports to the Company's Chief Risk Officer and has direct access to the Board, Audit and Risk Committees.

B. System of Governance (unaudited) continued

The AFH team operates independently from the Line 1 teams responsible for the development of the underlying models, methodologies and assumptions and the operation of these on a day-to-day basis to produce technical provisions, capital requirements, new business pricing and associated management information. The AFH provides oversight over these activities and provides independent opinions to the Board and Board Committees on: the adequacy of the technical provisions; the underwriting policy; the adequacy of reinsurance arrangements; and contributing to the effective implementation of the risk management systems, in particular to modelling risk in respect of the SCR, MCR and ORSA calculations.

B.7 Outsourcing

The PIC Third Party and Outsourcing Policy defines the governance structure, roles and responsibilities and segmentation model used to risk assess and manage third party suppliers across the full lifecycle of such relationships. The policy contains an overview of the PIC risk assessment process and the approach taken to align risk levels with treatment standards and controls. This includes pre-contract due diligence controls and legal agreement contents as well as post-contract requirements for, ongoing due diligence, supervision arrangements, periodic risk assessment and the management of changes.

For third party suppliers in scope, the policy applies equally to any externally or internally (intra-group) outsourced activity and is compliant with relevant regulatory expectations.

Under the PIC segmentation model, critical third party services, those material to the support of an Important business service, or those determined to be material outsourcing, are subject to the highest level of pre- and post-contract controls and monitoring; this includes any required regulatory notification, performance and relationship reviews, regulatory compliance reviews, operational resilience reviews, and risk and control assessments.

The policy and the associated controls have been updated as appropriate to align to the PRA regulations for outsourcing and third party risk management (PRASS2/21) from January 2022.

While PIC has a number of outsource providers, it always has responsibility for the services they provide.

The material functions which are outsourced are administration of policies, investment management, custodian services and certain IT related services.

The following key functions and activities have been outsourced to external third party providers:

- policyholder, payroll and administration services;
- custodian and investment accounting;
- trade management;
- asset management;
- IT support; and
- actuarial support services.

The Group's service company, PSC, provides all staff and certain services to PIC under the terms of an intra-group outsourcing services agreement.

PIC maintains sufficiently qualified staff to monitor the provision of these services and to carry out control checks and provide reports on their performance to the relevant Board Committee.

Depending on the function outsourced, the relevant Board Committee must approve the outsourcing, or any material change to the outsourcing, of critical, important or material functions or activities.

In addition, all proposals for outsourcing, and material changes to the outsourcing, of critical, important or material functions or activities are reviewed by the Board Risk Committee which will recommend approval or otherwise to the Board.

PIC's Compliance, Risk and Internal Audit Functions also carry out reviews throughout the year both of the outsource providers and also of the internal department that monitors the providers.

B.8 Any other information

Adequacy of systems of governance

The Board continues to believe that the systems of governance operated by the Group and Company remain appropriate given the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile (unaudited)

Overview of the Group's risk profile

The Group focuses on insuring the liabilities of UK defined benefit pension schemes and its purpose is to pay the pensions of its current and future policyholders by providing secure and stable retirement incomes through leading customer service, comprehensive risk management and excellence in asset and liability management.

The Group's solvency position is exposed to volatility and movements in the markets in which PIC operates. The principal drivers of this volatility are movements in credit spreads, credit default and downgrade experience, rates (including interest rates, inflation and foreign exchange rates), longevity experience and counterparty default experience. The Group is expected to maintain solvency levels above the SCR, and an additional buffer approved by the Board to manage the market volatility.

The Solvency Capital Requirement for both PICG and PIC was £3,890 million as at 31 December 2023 (31 December 2022: £3,199 million), as measured by the Group's Internal Model.

In order of relative size of contribution to the Solvency Capital Requirement, the most important risks to the Company are as shown below (pre-diversification):

2023

Market risk (including credit risk)	**76%**
Insurance risk	**9%**
Operational risk	**7%**
Expense risk	**6%**
Counterparty default risk	**2%**

2022

Market risk (including credit risk)	**74%**
Insurance risk	**11%**
Operational risk	**7%**
Expense risk	**6%**
Counterparty default risk	**2%**

Changes to Group's risk profile

SII reform

On 1 January 2016, the solvency regime applicable to the UK insurance sector, known as Solvency II, came into force. Solvency II was intended to harmonise insurance regulation across the then EU member states. The regime takes a risk-based approach to solvency requirements that aims to ensure the protection of policyholders and the financial stability of the insurance industry. The UK withdrew from the EU on 31 January 2020. At that point, the EU law version of Solvency II was retained in UK legislation. On 17 November 2022, HM Treasury set out the UK Government's final reform package for a new UK Solvency regime ("Solvency UK"). The reforms included a reduction in the size of the risk margin, increased investment flexibility within the matching adjustment, and a reduction in the current reporting and administrative burden on firms.

The risk margin reform was implemented for reporting from 31 December 2023 onwards, reducing PIC's risk margin at that point by £619 million. PRA policy covering Internal Models and transitional measures was published on 28 February 2024, with further policy on reporting and disclosures published on 29 February 2024. We expect the final policy on the matching adjustment reforms in June 2024, with those reforms expected to take effect from 30 June 2024, and the remaining Solvency UK reforms due to come into effect from 31 December 2024.

Exposure to insurance special purpose vehicles

The Group does not have any exposure to insurance special purpose vehicles as defined in Article 211 of the Solvency II Directive.

Exposure to off-balance sheet positions

The Group does not have any material exposure arising from off-balance sheet positions.

C. Risk Profile (unaudited) continued

Prudent person principle
The prudent person principle is embedded within the Company's investment strategy and set out in the Company's policies and procedures. In accordance with the principle, the Company only invests in assets and instruments:

- where the Company can properly identify, measure, monitor, manage, control and report risks;
- that ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- that are appropriate to the nature and duration of insurance liabilities (for assets covering the technical provisions); and
- that are in the best interest of policyholders and beneficiaries (for assets covering the technical provisions).

Compliance with the Company's policies is managed through the risk framework described in section B. (System of Governance).

C.1 Market risk
Market risk is the risk of changes in the value of assets and liabilities caused by market movements, downgrades and defaults.

C.1.1 Market risk exposure, measurement and mitigation
The Company is exposed to market risk because of fluctuations in values of asset and liabilities which are influenced by one or more external factors. These include changes and volatility in interest rates, credit spreads, inflation expectations, currency exchange rates, property prices, fund values, and the market risk implications of climate change.

Credit risk is a material risk to the Company and is described separately in section C.5.

The Group's hedging strategy is set by the Board and a management Committee meets weekly to oversee and manage interest rate, inflation and foreign exchange risks in line with the hedging strategy and within clearly defined limits. The Group manages market risk through an asset liability management framework that has been developed to closely match the investment portfolio's duration and income to its obligations under insurance contracts.

Capital is held to further protect the Company against crystallisation of market risks. Stress testing of the solvency position is conducted to ensure a suitable solvency buffer is maintained.

C.1.1.1 Interest rate risk
Interest rate risk arises from the mismatch between assets and liabilities which are discounted at the risk-free rate. Interest rate swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.

C.1.1.2 Inflation risk
Inflation risk arises from index-linked nature of the liabilities. Inflation swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum. Bilateral assets and bonds are also used to improve inflation matching where contractual features of the assets include inflation linkages.

C.1.1.3 Currency risk
Currency risk arises from the mismatch between the currencies of assets and liabilities. Currency forwards and swaps are entered into to reduce currency risk on financial assets invested in non-sterling-based debt securities.

C.1.1.4 Credit spread risk
The Company is exposed to changes in credit spreads on its asset portfolio, principally through its holding of fixed income assets. The use of cash flow matching and the recognition of matching adjustment partially mitigates this risk. Credit spread risk is an integral part of the business model of the Company.

C.1.1.5 Property risk
The Company accepts property risks directly through investment in equity release mortgages and real estate assets (including Build-to-Rent). Significant due diligence is undertaken for property construction projects, including an assessment of third parties (e.g. construction contractors). Property risk inherent in equity release mortgages is mitigated through underwriting criteria, maximum loan to value ratios, and legal requirements such as for properties to be insured. Short-term investment property risk is mitigated by entering into long-term lease arrangements. The Group performs regular reviews of both the movement in the property market specific to these properties and the financial status of the tenants.

In addition, the Company has indirect exposure to the property market within the corporate bond portfolio, for example through investments in social housing and student accommodation. The credit rating (and therefore value) of these bonds may be impacted by property risk events.

C.1.2 Market risk measurement
The Company uses a variety of stresses and appetite metrics to measure market risk:

- stresses to interest rate, inflation and currency e.g. term structure shifts, volatility, slope and convexity;
- stresses to asset price e.g. property and funds;
- changes in realised and/or implied inflation; and
- portfolio sensitivities

C. Risk Profile (unaudited) continued

These parameters are monitored regularly with significant changes included in management information reported to the Company.

The impact of certain scenarios on the reported Solvency II ratio is shown below for a range of market and on-market risks. The sensitivities are shown on a non-cumulative basis, i.e. only the indicated item is varied relative to the base Solvency II ratio shown.

	2023	2022 (Restated*)
As reported	**211%**	226%
100 bps increase in interest rates[1]	**15%**	17%
100 bps reduction in interest rates[1]	**(18)%**	(13)%
100 bps increase in credit spreads[1]	**16%**	20%
100 bps reduction in credit spreads[1]	**(12)%**	(5)%
10% increase in house price index	**0%**	0%
10% decrease in house price index	**0%**	0%
20% credit downgrade[2]	**(10)%**	(14)%
5% reduction in base mortality[3]	**(2)%**	(4)%

* The solvency ratio is now reported at a consolidated Group level and as such has been presented for PICG. Comparatives have also been restated to reflect the IFRS 17 (previously IFRS 4) tax impact on sensitivities.

All sensitivities reflect the impact of the TMTP being notionally recalculated in both the base and stress positions.

Notes:
1 For the interest rate and credit spread sensitivities, due to the nature and size of the impacts the notional recalculation of the TMTP contributes significantly to the asymmetry of the results.
2 Shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be immediately traded back to the original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity depends upon the market levels of spreads and the asset mix of the portfolio at the balance sheet date.
3 Equivalent to a 0.4-year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

C.1.3 Market risk concentration
The Company manages market risk through concentration limits for asset classes including property, equities and funds, as well as particular aspects of property risks (e.g. construction risk). Concentration of the equity release mortgage portfolio by geography is monitored to manage exposure to location-specific property market shocks and environmental risks.

C.2 Underwriting risk
Underwriting risk, classified internally as insurance risk, is the risk that mortality experience of the Company's policyholders is lighter than assumed, thus requiring pensions to be paid for a longer period than anticipated, resulting in a higher than expected cost to the Company.

C.2.1 Underwriting risk exposure, management and mitigation
In order to help minimise this risk and also uncertainty arising through future longevity experience, PIC adopts an active approach to reinsuring these risks where it is economic to do so. This reinsurance can be classified into two broad categories: longevity-only reinsurance; and quota share (or 'funded') reinsurance, which are discussed below. PIC also chooses to retain a small amount of longevity risk. The approach to setting assumptions for this portion of the book is also described below.

C.2.1.1 Longevity-only reinsurance
This provides longevity cover in respect of certain policyholders. Under these contracts, the Company has committed to pay the reinsurer a fixed line of cash flows for specified sets of liabilities relating to members/former members of particular pension schemes. The reinsurer undertakes to reimburse the actual cost of claims to the Company. Separately, there is also a reinsurance fee for which the Company is liable. Settlement of the contract is on a net basis. These contracts also transfer the contingent longevity risk relating to any eligible dependants of relevant policyholders.

C.2.1.2 Quota share (or 'funded') reinsurance – longevity reinsurance via the transfer of assets
Under such contracts, in return for an initial single premium, the reinsurer agrees to reimburse the actual cost of future claims to the Company in respect of an agreed set of policyholders. These contracts also transfer the contingent risks relating to eligible dependants of relevant policyholders.

The Company monitors the levels of its counterparty risk and actively seeks to reinsure with a range of providers to help mitigate its exposure to any one such entity.

C.2.1.3 Unreinsured longevity
Actuarial assumptions are made to derive the overall best estimate longevity assumptions. One aspect is to establish assumptions for the 'current' or 'initial' rates of mortality, which are set by applying appropriate mortality factors to each individual member/policyholder. Individual variations are subject to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and place of residence.

C. Risk Profile (unaudited) continued

The other aspect is the allowance for future improvements in mortality. The pattern in which mortality is expected to improve over time is an important but complex assumption for cash flow and liability calculations. This is regularly reviewed in the light of a number of factors including evolving methodologies for these projections together with views from industry and professional bodies on the factors driving mortality change.

C.2.1.4 Risk arising from a specific insurance contract

The Company considers, as part of its risk management process, the risk attached to each new contract accepted and the mitigation of such risk.

C.3 Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's internal control processes are supported by multi-level governance activities, the maintenance of a central risk register, the ORSA process, scenario and stress testing, and independent Internal Audit review of the Operational Risk Framework and its activities.

All material operational risk types are actively managed through a defined control framework and includes first line owned activities and actions overseen and challenged by the second line.

C.3.1 Third party risk

The Company has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. There is a formal Third Party and Outsourcing Framework which contains clear requirements with regard to the onboarding, relationship management and offboarding of third parties, supported by a specialised third party management system.

C.3.2 Model risk

Given PIC's business model, there is considerable use made of financial models and associated output throughout a range of actuarial and financial reporting processes which expose the business to risk though inappropriate use or poor design. From an operational risk perspective, extensive controls exist to mitigate risks related to model design, integration, operation and change management. This is supported by a specific Model Risk Framework and associated Board approved policies which provides direction and guidance in this respect. Model risk is overseen by a specialist team within the wider Risk Function.

C.3.3 Cyber risk

Cyber risk is the risk of electronic information security breaches or loss of digital assets. This includes losses arising from internal employees acting carelessly or maliciously with electronic forms of data as well as external threat actors who may target our electronic information and digital assets. Control gaps creates risks that threat actors (attackers) can exploit to harm our information and data assets. PIC, or any of it its critical third parties, could be subject to a cyber-attack by a threat actor (attacker) using advanced tools, methods, and access paths to harm or disable our systems, network, and sensitive/critical data. A cyber incident could lead to significant loss or corruption of critical and/or sensitive information assets with regulatory fines, and reputational damage.

There are a range of technical and process controls that are employed to help mitigate cyber risk including but not limited to:

- antivirus, malware, phishing, end point, server and firewall protection controls;
- security operations centre and security incident and event management;
- vulnerability scanning and patching;
- ongoing third party penetration tests;
- backup and restoration processes supported with offsite data centres and tape retention;
- network segmentation;
- incident management team, Business Continuity and Disaster Recovery Procedures; and
- crisis management team with lessons learned and continuous improvement activities.

C.3.4 Conduct risk

The Company is primarily exposed to conduct risk through its interactions with, and obligations to, its retail customers. Given the demographic of the policyholder base, many policyholders are likely to exhibit characteristics of vulnerability. This requires the Company to support their additional needs where possible such as offering alternative contact channels and methods of communication. Conduct risk is mitigated through extensive controls such as staff training, policies and procedures, quality assurance and contractual service level agreements.

C.3.5 Emergency and business continuity plans

Emergency and business continuity plans ("BCP") have also been established to counter adverse occurrences and ensure operational resilience. These plans are tested at regular intervals and the results of these tests are linked closely to the operational risk scenario assessment process. Separate BCP scenarios are also identified and assessed as part of the overall BCP process and drive management actions where identified.

C. Risk Profile (unaudited) continued

There is an annual operational risk scenario review process in place to examine potential risk impacts caused by both internal and external events. Various scenarios are assessed by appropriate first line subject matter experts, based upon the Operational Risk taxonomy and challenged by the Risk Team. Management mitigation actions that are identified as part of this activity are approved through the risk governance process.

C.4 Expense risk

This is the risk that the Company's expenses are higher than expected. This includes investment management expenses and policy maintenance expenses. Expenses are managed through an internal budgeting and monitoring process and through careful oversight of external investment managers and other outsourced service providers.

C.5 Credit risk

Counterparty default risk, classified internally as credit risk, is the risk of changes in the value of credit risk sensitive instruments due to movements in mark-to-market value, downgrades or defaults.

C.5.1 Credit risk exposure

The Company is primarily exposed to credit risk through its investment in debt securities. A significant proportion of the asset portfolio is comprised of corporate and government bonds and private debt held to back annuity liabilities. Credit risk also arises in respect of derivative contracts and reinsurance arrangements to the extent that there is the potential for the counterparties to default on their obligations.

C.5.2 Credit risk management and mitigation

The Company manages exposure to credit risk by maintaining a comprehensive due diligence and governance process for assessing and selecting appropriate credit risks to acquire. Counterparty risk is controlled through establishment of collateral agreements and master netting agreements on interest rate and currency swaps. Minimum credit quality requirements are applied when selecting derivative and reinsurance partners to transact with and exposure limits are determined based on credit ratings and projected exposure to losses on default. To manage the credit risk the Company maintains, the credit portfolio and exposure to counterparties are monitored on a regular basis, and capital is held to further protect against crystallisation of credit risk. Some reinsurance contracts will also have collateral arrangements to manage risk.

C.5.3 Credit risk concentration

The Company manages credit concentration risk by placing concentration limits for various characteristics (e.g. sectors, credit rating, geographical) and on exposures to individual counterparties. Capital is held to protect against the additional potential impact of concentrations within the portfolio in an adverse credit scenario.

C.6 Liquidity risk

Liquidity risk is the risk that the Company may not have cash or liquid assets available at the right times to be able to pay its obligations in a timely manner, without incurring excessive cost.

C.6.1 Liquidity risk exposure

Liquidity risk may arise if derivative contracts to manage foreign exchange, inflation and interest rates require liquid assets to be posted as collateral at short notice, or a large proportion of deferred policyholders opt to take transfer values. Liquidity risk also arises if there is a lack of marketability for investments resulting in an inability to sell certain assets should the Company desire to exit holdings for any reason.

C.6.2 Liquidity risk management and mitigation

PIC manages the most common sources of liquidity risk as follows:

- Posting collateral: PIC's risk policies define a minimum proportion of assets to be held in cash, gilts and highly liquid corporate bonds, which can be posted as collateral on derivative contracts. This ensures that PIC would be able to meet demands from derivative counterparties under extreme market scenarios.
- Liability payments: Projected cash flows for all new pensioner liabilities taken on are determined as a part of the new business origination process. This is used to identify appropriate assets which provide matching cash flows at an acceptable price. The projected cash flows are updated regularly, and assumptions are updated at least annually, considering factors such as mortality experience and how this affects the required cash flows in the future.

  PIC's risk policies also define a minimum amount of unencumbered cash available to meet pension liability outgoings and business expenses over the following three months.
- Termination of policies: PIC typically manages this risk by ensuring a suitable timeframe between policy termination and the requirement to pay back the scheme, and that a range of different assets can be passed back to the scheme on termination.

C.6.3 Liquidity risk concentration

The Company manages liquidity concentration risk by placing concentration limits on the amount of cash on deposit with individual counterparties, and on the holdings in individual liquidity funds.

C. Risk Profile (unaudited) continued

C.7 Any other information

C.7.1 Stress and scenario testing

PIC performs stress and scenario testing ("SST") (including reverse stress testing) on a rolling basis throughout the year. PIC performs SST for a range of purposes including risk management, business planning and day-to-day decision making.

The purpose of SST is to assess the range of impacts on PIC's key business and risk metrics on the business (both immediate stressed and over the business planning period). It is a key tool in PIC's risk management system and it forms part of the annual ORSA process, allowing senior management and the Board to understand how PIC's metrics may respond to relevant adverse scenarios, and subsequently what management actions can be taken (either before or after an event) to alleviate the impacts. SST also supports PIC in reviewing the effectiveness of pre-emptive risk mitigation and post-stress management actions.

C.7.2 Climate change risk

PIC considers climate change a cross-cutting risk, which could drive significant increases in risk across PIC's risk profile. These increases in risk could include:

- increased market risk due to asset impairments;
- increased operational risk due to operational disruption as a result of physical climate risk events;
- increased reputational risk arising from failure to enact or evidence long-term climate actions, leading to increased cost of capital and/or reduced new business volumes; and
- increased regulatory risk due to failure to comply with fast-moving regulatory environment.

PIC is continually assessing how its business may be impacted by climate change risk. Importantly, PIC has developed its risk management approach to identify, manage and report climate related risks to the Board Risk Committee, and ultimately the Board. For systems and processes, PIC includes adaptation or operational disruption caused by physical and transition risk associated with climate change in risk analysis and has actively started engaging with external providers. For the assets it invests in, PIC accepts that some transition risk is inherent in doing business and aim to minimise the physical risk in the portfolio. PIC has performed sensitivity analysis to further understand the impacts that physical and transitional climate change risk could have on the balance sheet.

PIC produces a Climate Report, which outlines the approach to managing risks arising from climate change across four key areas: strategy, metrics and targets, risk management and governance, in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

D. Valuation for Solvency Purposes

Balance sheet: PICG
2023

31 December 2023	Section reference	Solvency II value £m	Adjustment £m	Statutory Accounts value £m
Property, plant and equipment	D.1.2.1	40	–	40
Investment property	D.1.2.2	–	663	663
Holdings in related undertakings	D.1.2.2	445	(445)	–
Bonds	D.1.2.3	35,371	–	35,371
Collective investments undertakings	D.1.2.4	4,078	27	4,105
Derivative assets	D.1.2.5	25,487	–	25,487
Total Investments		65,421	245	65,666
Loans and mortgages	D.1.2.6	9,906	(463)	9,443
Reinsurance recoverables	D.1.2.7	2,325	(4)	2,321
Other assets	D.1.2.8	186	(177)	9
Deferred tax asset	D.1.2.9	7	315	322
Receivables	D.1.2.10	63	(18)	45
Cash and cash equivalents	D.1.2.11	499	233	732
Own shares held directly	D.1.2.12	31	(31)	–
Total Assets S.02.01		78,438	100	78,538
Technical provisions	D.2.1	38,742	2,464	41,206
Derivative liabilities	D.3.1	28,566	–	28,566
Financial liabilities other than debts owed to credit institutions	D.3.2	2,264	–	2,264
Insurance and other payables	D.3.3	223	(9)	214
Deferred tax liability	D.1.2.9	380	(380)	–
Subordinated debt instruments	D.3.4	1,680	140	1,820
Total Liabilities S.02.01		71,855	2,215	74,070
Excess of Assets over Liabilities/Equity		6,583	(2,115)	4,468

31 December 2022	Section reference	Solvency II value £m	Adjustment £m	Statutory Accounts value (restated*) £m
Property, plant and equipment	D.1.2.1	4	1	5
Investment property	D.1.2.2	–	244	244
Holdings in related undertakings	D.1.2.2	308	(308)	–
Bonds	D.1.2.3	30,864	–	30,864
Collective investments undertakings	D.1.2.4	4,017	16	4,033
Derivative assets	D.1.2.5	22,451	–	22,451
Total Investments		57,644	(47)	57,597
Loans and mortgages	D.1.2.6	5,627	(200)	5,427
Reinsurance recoverables	D.1.2.7	1,140	(480)	660
Other assets	D.1.2.8	105	(97)	8
Deferred tax asset	D.1.2.9	6	351	357
Receivables	D.1.2.10	14	65	79
Cash and cash equivalents	D.1.2.11	905	192	1,097
Own shares held directly	D.1.2.12	20	(20)	–
Total Assets S.02.01		65,461	(236)	65,225
Technical provisions	D.2.1	32,516	1,197	33,713
Derivative liabilities	D.3.1	25,348	–	25,348
Insurance and other payables	D.3.3	188	(21)	167
Deferred tax liability	D.1.2.9	142	(142)	–
Subordinated debt instruments	D.3.4	1,388	234	1,622
Total Liabilities S.02.01		59,582	1,268	60,850
Excess of Assets over Liabilities/Equity		5,879	(1,504)	4,375

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance Contracts".

D. Valuation for Solvency Purposes continued

Balance sheet: PIC
2023

31 December 2023	Section reference	Solvency II value £m	Adjustment £m	Statutory Accounts value £m
Holdings in related undertakings	*D.1.2.2*	**445**	**(5)**	**440**
Bonds	*D.1.2.3*	**35,371**	**–**	**35,371**
Collective investments undertakings	*D.1.2.4*	**4,078**	**–**	**4,078**
Derivative assets	*D.1.2.5*	**25,487**	**–**	**25,487**
Total Investments		**65,381**	**(5)**	**65,376**
Loans and mortgages	*D.1.2.6*	**9,906**	**–**	**9,906**
Reinsurance recoverables	*D.1.2.7*	**2,325**	**(4)**	**2,321**
Other assets	*D.1.2.8*	**187**	**(187)**	**–**
Deferred tax asset	*D.1.2.9*	**–**	**317**	**317**
Receivables	*D.1.2.10*	**59**	**(27)**	**32**
Cash and cash equivalents	*D.1.2.11*	**489**	**–**	**489**
Total Assets S.02.01		**78,347**	**94**	**78,441**
Technical provisions	*D.2.1*	**38,742**	**2,464**	**41,206**
Derivative liabilities	*D.3.1*	**28,566**	**–**	**28,566**
Financial liabilities other than debts owed to credit institutions	*D.3.2*	**2,264**	**–**	**2,264**
Insurance and other payables	*D.3.3*	**174**	**(38)**	**136**
Deferred tax liability	*D.1.2.9*	**380**	**(380)**	**–**
Subordinated debt instruments	*D.3.4*	**1,680**	**140**	**1,820**
Total Liabilities S.02.01		**71,806**	**2,186**	**73,992**
Excess of Assets over Liabilities/Equity		**6,541**	**(2,092)**	**4,449**

31 December 2022	Section reference	Solvency II value £m	Adjustment £m	Statutory Accounts value (restated*) £m
Holdings in related undertakings	*D.1.2.1*	308	(4)	304
Bonds	*D.1.2.3*	30,864	–	30,864
Collective investments undertakings	*D.1.2.4*	4,017	–	4,017
Derivative assets	*D.1.2.5*	22,451	–	22,451
Total Investments		57,640	(4)	57,636
Loans and mortgages	*D.1.2.6*	5,627	–	5,627
Reinsurance recoverables	*D.1.2.7*	1,140	(480)	660
Other assets	*D.1.2.8*	105	(103)	2
Deferred tax asset	*D.1.2.9*	–	352	352
Receivables	*D.1.2.10*	15	(3)	12
Cash and cash equivalents	*D.1.2.11*	902	–	902
Total Assets S.02.01		65,429	(238)	65,191
Technical provisions	*D.2.1*	32,516	1,197	33,713
Derivative liabilities	*D.3.1*	25,348	–	25,348
Insurance and other payables	*D.3.3*	202	(37)	165
Deferred tax liability	*D.1.2.9*	142	(142)	–
Subordinated debt instruments	*D.3.4*	1,388	234	1,622
Total Liabilities S.02.01		59,596	1,252	60,848
Excess of Assets over Liabilities/Equity		5,833	(1,490)	4,343

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance Contracts".

D. Valuation for Solvency Purposes continued

D.1. Assets

Consolidation approach

The PICG consolidated balance sheet has been prepared under the default accounting consolidation method. This differs to the IFRS consolidation method as follows:

Type of subsidiary	Solvency II method	IFRS method
Insurance undertakings, Insurance holding companies and ancillary service companies	Full consolidation under Solvency II valuation rules	Full consolidation under IFRS valuation rules
Other undertakings (primarily investment property vehicles)	Included within a single line 'Holdings in related undertakings' under Solvency II valuation rules	Full consolidation under IFRS valuation rules if entity is controlled by PIC or PICG or equity accounted in a single line in the IFRS balance sheet

Where undertakings are fully consolidated, all of the consolidated entities' intra-group balances and transactions are eliminated in full.

Under IFRS, Investments in joint ventures that are managed at fair value as part of a portfolio of financial investments, and are unrelated to the Group's core insurance business, are classified as collective investment scheme financial investments. Under Solvency II, they are classified as 'Holdings in related undertakings'.

The presentation and valuation differences between the Solvency II and IFRS balance sheets are analysed below.

D.1.1 Asset recognition and derecognition (PIC and PICG)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if either the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset are transferred to another party. Regular purchases and sales of financial assets are accounted for at the trade date. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled. There is no difference between IFRS and Solvency II in terms of recognition and derecognition of financial instruments.

D.1.2 Asset valuation basis

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, counterparty and broker valuations and option pricing models. These assessments are based largely on observable market data. If material differences in valuation arise these are described in the relevant sections below.

D.1.2.1 Property plant and equipment

Property, plant and equipment on the Solvency II balance sheet is held in relation to right of use assets arising from leases entered into by PSC. The Group's leases consist of office buildings and office equipment required to enable it to carry out its operations. Right of use assets are valued for Solvency II purposes on the same basis as IFRS, on the grounds of materiality.

Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. A right of use asset is depreciated on a straight-line basis over the lease term and is regularly reviewed for impairment.

Valuation difference in Group of £1 million in 2022 was in relation to intangible assets recognised under IFRS. Intangible assets are not permissible assets under Solvency II, giving rise to a valuation difference between the SII basis and the IFRS statutory accounts.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value	**40**	**–**	4	–
Valuation differences	**–**	**–**	1	–
Statutory Accounts value	**40**	**–**	5	–

D. Valuation for Solvency Purposes continued

D.1.2.2 Investment property/Holdings in related undertakings

The Group's holdings in investment properties are not for occupation by the Group, but are held for rental income and capital appreciation. All properties are located in the United Kingdom and are held via the Group's investment entities. Both PIC and PICG recognise these entities as holdings in related undertakings on the SII balance sheet. PIC also recognises these entities as holdings in related undertakings on its IFRS balance sheet, whereas PICG consolidates the entities' assets and liabilities into the IFRS balance sheet. Holdings in related undertakings are valued using the adjusted equity method which equates to the net assets value on a Solvency II basis.

Investment properties are carried at fair value. In the early period of construction of an investment property, If there are circumstances where fair value is not reliably measurable, the investment property is measured at construction cost until fair value becomes reliably measurable. Construction cost is used as proxy for fair value on the basis of materiality.

Refer to D.4 for more details.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value of holdings in related undertakings	**445**	**445**	308	308
Consolidation differences	**223**	**–**	(60)	–
Valuation differences	**(5)**	**(5)**	(4)	(4)
Statutory Accounts value of Investment properties (PICG)/Holdings in related undertakings (PIC)	**663**	**440**	244	304

The consolidation difference of £223 million (2022: £(60) million) relates to the other net assets of the investment property entities that are presented under other lines in the Statutory Accounts.

A valuation difference of £(5) million (2022: £(4) million) arises due to intra-group liabilities of investment entities being valued excluding changes in own credit risk under Solvency II.

D.1.2.3 Bonds

Bonds on the SII balance sheet includes the Group's and Company's investments in government and corporate bonds, private investments and collateralised securities. These are valued for Solvency II purposes on the same basis as the IFRS financial statements.

The fair value of government and corporate bonds is determined by reference to their quoted bid price at the reporting date.

The fair values of the Group's and the Company's private debt are determined as the present value of future cash flows, discounted at a rate based on yields for comparable quoted bonds. Further details of the valuation method are provided in D.4.

The Group's and Company's investments in collateralised securities are measured at fair value, determined by reference to their quoted market price.

D.1.2.4 Collective investment undertakings

The fair value of collective investment undertakings is determined by reference to their quoted bid price at the reporting date where available.

Fair values of unlisted collective investments are based on fund manager valuations which are derived from the fair value of the underlying assets in the fund.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value of collective investment undertakings	**4,078**	**4,078**	4,017	4,017
Consolidation differences	**27**	**–**	16	–
Statutory Accounts value	**4,105**	**4,078**	4,033	4,017

On a Solvency II basis, investments in subsidiaries that are not consolidated and presented as holdings in related undertakings give rise to the consolidation difference within the Group.

D.1.2.5 Derivative assets

Derivative financial instruments are measured at fair value on both the SII balance sheet and the IFRS statutory balance sheet.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of foreign exchange forward contracts, futures and swaps is based on market prices, where available. For swaps, market prices are calculated using discounted cash flow techniques based on adjusted market data such as composite curves derived from a number of market counterparties.

D. Valuation for Solvency Purposes continued

D.1.2.6 Loans and mortgages
This asset class contains equity release mortgages, private investments and reverse repurchase agreements.

The fair value of equity release mortgages is determined on a mark-to-model basis. For more details see section D.4.3.

The fair value of private investments is estimated as the present value of future cash flows, discounted at a rate based on yields for comparable quoted bonds, adjusted (where applicable) for illiquidity and idiosyncratic risk. The credit spreads used to derive the discount rates for the private investments portfolio ranged from 0.0% to 6.5% (2022: 0.0% to 6.4%). Further details of the valuation method are provided in D.4.

Fair value of reverse repurchase agreements is based on the discounted cash flows expected to be paid, using an observable market interest rate.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value	**9,906**	**9,906**	5,627	5,627
Consolidation differences	**(463)**	**–**	(200)	–
Statutory Accounts value	**9,443**	**9,906**	5,427	5,627

The consolidation differences within the Group in the above table relate to loan holdings in related undertakings that are eliminated under IFRS consolidation methodology.

D.1.2.7 Reinsurance recoverables
As this asset is directly related to regulatory technical provisions, the valuation is discussed in the technical provisions section D.2.

	Group & Company 2023 £m	Group & Company 2022 (restated*) £m
Solvency II value	**2,325**	1,140
Valuation differences	**(10)**	(458)
Presentation differences	**6**	(22)
Statutory Accounts value	**2,321**	660

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

There are several differences in the approaches used by IFRS and Solvency II in calculating technical provisions, liabilities and the associated reinsurance recoverables and assets. The primary differences relate to the inclusion of a risk margin under Solvency II regulations whereas IFRS has a risk adjustment and Contractual Service Margin as well as differences in the valuation rate of interest applied and expense assumptions. Further differences are due to the presentation of certain reinsurance receivable and reinsurance payable balances in reinsurance recoverables under IFRS.

D.1.2.8 Other assets
This asset class contains prepayments.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value	**186**	**187**	105	105
Valuation differences	**10**	**–**	6	–
Presentation differences	**(187)**	**(187)**	(103)	(103)
Statutory Accounts value	**9**	**–**	8	2

Insurance related prepayments of £187 million (2022: £103 million) are presented within technical provisions under IFRS. Prepayments are carried at cost as proxy for fair value due to their short term nature. The valuation difference of £10 million (2022: £6 million) within PICG relates to the removal of the Group's service company prepayments which are reported in IFRS, but are written off under Solvency II.

D.1.2.9 Deferred tax asset and liability
Deferred tax is provided on temporary differences between the carrying amount of asset and liabilities for Solvency II reporting purposes, and the amounts used for taxation purposes.

	Group 2023 £m	**Company 2023 £m**	Group 2022 (restated*) £m	Company 2022 (restated*) £m
Solvency II value deferred tax asset	**7**	**–**	6	–
Solvency II value deferred tax liability	**(380)**	**(380)**	(142)	(142)
Valuation differences	**695**	**697**	493	494
Statutory Accounts value deferred tax assets	**322**	**317**	357	352

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

D. Valuation for Solvency Purposes continued

Deferred tax valuation differences arise primarily due to differences between the carrying value of technical provisions under IFRS and Solvency II.

D.1.2.10 Receivables

Receivable assets are measured on a Solvency II basis at the values for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. This is equivalent to the value for IFRS accounting purposes.

	Group 2023 £m	**Company 2023 £m**	Group 2022 (restated*) £m	Company 2022 (restated*) £m
Solvency II value	**63**	**59**	14	15
Consolidation differences	**9**	**–**	68	–
Presentation differences	**(27)**	**(27)**	(3)	(3)
Statutory Accounts value	**45**	**32**	79	12

* 31 December 2022 comparatives for valuation difference and statutory value have been restated following the Group's adoption of IFRS 9 "Financial Instruments".

On a Solvency II basis, investments in subsidiaries that are not consolidated and presented as holdings in related undertakings, give rise to the consolidation difference within the Group of £9 million (2022: £68 million) in the above table.

Presentation differences arises with regard to SII reinsurance receivables because they are recognised within the reinsurance recoverables under IFRS, but as insurance receivables under Solvency II.

D.1.2.11 Cash and cash equivalents

The fair value of cash and cash equivalents represents their cash value in current terms. All deposits are redeemable within three months and consequently no discounting adjustment is made at period end.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value	**499**	**489**	905	902
Consolidation differences	**233**	**–**	192	–
Statutory Accounts value	**732**	**489**	1,097	902

On a Solvency II basis, those investments in subsidiaries that are not consolidated and presented as holdings in related undertakings give rise to the consolidation difference within the Group in the above table.

D.1.2.12 Own shares directly held

These assets are treated as a deduction from equity in the IFRS financial statements of PICG. For regulatory purposes, they are held as an asset and are marked to model in accordance with Solvency II regulations, using an estimate of the valuation of PICG as a whole. Also, in accordance with Solvency II regulations, the amounts are deducted from the available Own Funds figure.

	Group 2023 £m	**Company 2023 £m**	Group 2022 £m	Company 2022 £m
Solvency II value	**31**	**–**	20	–
Valuation differences	**(31)**	**–**	(20)	–
Statutory Accounts value	**–**	**–**	–	–

D.2 Technical provisions

PIC only writes one line of business, i.e. bulk annuities in relation to UK defined benefit pension schemes. The Company's insurance contracts are a mixture of 'buy-in' policies, where the policyholder is the pension scheme and the insured liabilities cover defined benefits within the scheme, and 'buyout' policies, where the policyholder is an individual.

All the Company's insurance liabilities represent contracts that provide immediate annuities for current pensioners and deferred annuities for members who have not yet reached pensionable age. Annuities are payable for the life of the policyholder, and in some cases a reversionary annuity is paid to the surviving spouse, or other dependants, after the death of the main member.

Annuities, in deferment and in payment, can be: level; subject to fixed increases; inflation linked; or a mixture of the three. In many cases, the increases applied are also subject to defined caps and floors, also known as limited price indexation or LPI. The insurance liabilities also include a limited number of member options, such as the option to commute part of the pension for a tax-free cash lump sum on vesting, the option to transfer deferred benefits to another pension scheme and the option to take early or late retirement. In these cases, the options are generally set on a basis which is broadly financially neutral to the Company. There are no other material options and guarantees such as guaranteed annuity options.

Further detail is provided on S.12.01 within Appendix B.

D. Valuation for Solvency Purposes continued

D.2.1 Technical provisions on regulatory solvency basis

The following table summarises the technical provisions of the Group and the Company as at 31 December 2023 on the regulatory solvency basis. The equivalent figures for 31 December 2022 are also shown.

	Group & Company 2023 £m	Group & Company 2022 £m
Best estimate liabilities		
• Liabilities gross of reinsurance	**38,432**	31,824
• Value of reinsurance recoverables	**(2,325)**	(1,140)
• Net-of-reinsurance liabilities	**36,107**	30,684
Risk margin ("RM")	**328**	900
Transitional measures deduction	**(18)**	(208)
Total net technical provisions	**36,417**	31,376
Add back value of reinsurance recoverables	**2,325**	1,140
Total gross technical provisions	**38,742**	32,516

Technical provisions, before the transitional measures deduction, represent the value of policyholder obligations if these were to be transferred to a third party in an arm's length transaction at the valuation date. The technical provisions comprise a best estimate liability, determined using a matching adjustment or volatility adjustment where appropriate, and a risk margin reduced by the transitional measures deduction.

The total technical provisions, gross of reinsurance, as at 31 December 2023 were £38,742 million (2022: £32,516 million).

There are no additional technical provisions maintained by the Group outside PIC.

	Group & Company 2023 £m	Group & Company 2022 (restated*) £m
Solvency II value	**38,742**	32,516
Valuation differences	**2,634**	1,302
Presentation differences	**(170)**	(105)
Statutory Accounts value	**41,206**	33,713

* 31 December 2022 comparatives for valuation difference and statutory value have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

There are several differences in the approaches used in calculating the IFRS 17 and Solvency II technical provisions and liabilities. The primary differences relate to:

- the inclusion of a risk adjustment and contractual service margin under IFRS 17 – these are not applicable under Solvency II;
- the inclusion of a risk margin (net of TMTP) under Solvency II regulations – this is not applicable under IFRS 17; and
- differences in the expense assumptions and in the valuation rate of interest applied.

These items are covered in more depth in section D.2.8 below.

D.2.2 Valuation methods and assumptions for the solvency valuation

The principal methods and assumptions used in the valuation of the technical provisions for solvency purposes are as follows:

Valuation methodology for best estimate liabilities ("BEL")

For the vast majority of the business, the best estimate liability is calculated as the present value of future annuity and other benefit payments plus an allowance for future expenses. This calculation involves projecting each individual policy for its expected natural lifetime and discounting the resultant cash flows to the valuation date at the valuation discount rate.

For a very small proportion of the best estimate liabilities, approximate methods are used which are appropriate to the nature of the liabilities in question.

Valuation discount rate

The discount rate used is derived from the basic risk-free rate, which is based on the prescribed Solvency II swaps rates. For the majority of the business in force, this is increased by use of a matching adjustment as described in section D.2.3.

D. Valuation for Solvency Purposes continued

Mortality and demographic assumptions

The base mortality assumptions as at 31 December 2023, inherent in the projected cash flows used in the valuation of insurance contract liabilities, are set with reference to the S3 series of mortality tables published by the Continuous Mortality Investigation ("CMI"), a research body with strong links to the Institute and Faculty of Actuaries in the UK.

Adjustments are applied to the S3 mortality rates according to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and postcode. In addition, an adjustment is made to allow for the risk of anti-selection.

The assumption for future improvements to mortality is modelled using the CMI 2022 model, with adjustments. The model is parameterised with a long-term improvement rate of 1.75% for both males and females.

Adjustments are applied according to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and postcode. In addition, an adjustment is made to allow for the risk of anti-selection.

Assumptions are also made in respect of the take-up rates on policyholder options, such as the option to take a pension contribution lump sum payment on vesting and certain early retirement options. For policyholder options where the observed take-up rates are low and/or the financial impact is broadly neutral, no assumptions are applied in the actuarial valuation.

In addition, other less material assumptions are required for items such as the age difference between main members and spouses and proportions married, in cases where the relevant information is not available from the valuation data.

Inflation assumptions

Assumptions for expected future Retail Price Index ("RPI") inflation are based on a curve derived from market prices of inflation-linked swap contracts. Assumptions for expected Consumer Price Index ("CPI") inflation are based on the RPI curve less a stepped deduction. The projected liabilities for annuities linked to RPI or CPI use these curves.

The most common type of LPI-linked benefit is LPI(0,5), under which increases are capped at 5.0% and floored at 0.0%, but a range of other types of LPI exist. These are not regarded as 'options' in the sense that neither the policyholder nor the Company can elect to change the benefit, but are simply a special form of indexation. However, an option-based methodology is required to allow for the reserving and capital impacts of the caps and floors. PIC uses a mark-to-model approach to derive appropriate inflation curves for each LPI type to allow for the inherent optionality, as there is currently no deep and liquid market in appropriate swap contracts.

Expense assumptions

The following items are factored into the calculation of the liabilities:

- internal costs of maintaining the existing insurance contracts;
- fees payable to third party administrators engaged to manage payments due under the in-force policies;
- fees due to reinsurers;
- investment management expenses; and
- certain specific project costs.

These include an estimate of the impact of future inflation where this is applicable. No allowances are included for expected expenses incurred by the Company in relation to the generation of new business.

Risk margin (unaudited)

The risk margin is determined as the amount in addition to best estimate liabilities that would be required by a hypothetical third party (the "reference undertaking") to take on the Company's insurance obligations. This would provide an amount of eligible Own Funds equal to the capital necessary to support those obligations over their future lifetime assuming that all risks considered to be hedgeable had been eliminated.

The risk margin is calculated by estimating the solvency capital requirement in respect of risks considered to be non-hedgeable (the "reference SCR") of the reference undertaking in each future year over the period in which the in-force business runs off. A cost-of-capital calculation is then performed using a prescribed rate applied to each future year's estimated reference SCR, with the results discounted at the basic risk-free rate. With effect from 31 December 2023, following changes in the UK's application of Solvency II regulation, the risk margin calculation has been amended so that a risk tapering ('lambda') factor is also applied to the projection of the reference SCR and the prescribed rate used for the cost-of capital calculation has been reduced from 6.0% per annum to 4.0% per annum. These changes in the Solvency II regulation reduced the risk margin by around two-thirds.

The principal drivers underlying the estimate of the undertaking's reference SCR are insurance risk, counterparty credit risk (with respect to reinsurance contracts and other material exposures), expense risk, and residual economic risk relating to inflation volatility, specifically LPI and the basis risk between RPI and CPI, and certain operational risks. Insurance risk is assessed by considering separately the risk of mis-estimation of base mortality rates, future mortality improvement rates and other, less material influences on future demographic experience, and allowing for the mitigation afforded by existing reinsurance arrangements.

The projection of the reference SCR over the lifetime of the business is carried out by approximate means allowing for the expected changes in the size and relative impacts of the respective risk drivers as the in-force business continues to mature.

Transitional measures deduction on technical provisions (unaudited)

PIC uses a transitional measures deduction on technical provisions in its Solvency II balance sheet. The TMTP allows companies to smooth the transition from the previous regulatory regime to the Solvency II approach, for example in having to set up the risk margin. Prior to 31 December 2023, a restriction was applied such that the TMTP did not result in the overall financial resources requirements (i.e. technical provisions and capital requirements) for all business under Solvency II being less than that under Solvency I. This restriction is referred to as the Financial Resources Requirements ("FRR") Test. In January 2024, the PRA confirmed that PIC does not need to perform the FRR Test in the formal recalculation of the TMTP as at 31 December 2023, or for any recalculations required until 31 December 2024, subject to certain conditions continuing to be met. Therefore, the TMTP recalculated as at 31 December 2023 does not reflect the FRR Test. The TMTP is expected to amortise to zero over a 16-year period starting from 1 January 2016. Since the start of Solvency II, there have been six recalculations of the TMTP, four due to the biennial recalculation requirement (as at 31 December 2017, 31 December 2019, 31 December 2021 and 31 December 2023), and two (as at 31 December 2020 and 30 June 2022) reflecting particular economic circumstances and the impact on PIC's risk profile.

Uncertainty in the valuation of technical provisions

The best estimate liabilities are calculated using data and assumptions which reflect the Company's best estimate of the position as at the valuation date. However, there are a number of uncertainties in the valuation. In particular:

- A key assumption is the rate of future policyholder mortality, which is expressed as a combination of a base mortality rate (reflecting the current observed experience) and a rate of future mortality improvements. Changes in these assumptions could have a material impact on the BEL calculation.
- For deferred annuity policyholders, there is uncertainty about the extent to which certain options will be taken up prior to or at retirement. The most important option is the commutation of part of the pension benefit for a lump sum. While this take-up has been reasonably stable in the past, there remains uncertainty as to whether future take-up rates will be as expected.
- The discount rate used in the valuation is determined allowing implicitly for an assumed level of future defaults arising in relation to the supporting assets. The allowance, which is set having regard to factors stipulated by the PRA, may not be a good representation of the actual level of defaults arising in practice, and variations in experience (positive or negative) will arise as a result.
- A significant proportion of the annuity benefits escalate in line with defined inflation indices. A range of indices applies, including CPI and LPI linkages, and assumptions have to be made as to how these indices will evolve going forward.
- The expenses allowed for in the valuation are based on the Company's view of its likely expense outgoings required to manage the in-force business. Variations in these expense levels and in the impact of inflation of these expense levels also introduce uncertainty.

In addition, projection of the run-off over time of the reference SCR used in the risk margin calculation requires a significant degree of judgement, given the length and nature of PIC's annuity liability cash flows.

D.2.3 Use of matching adjustment

In December 2015, PIC was granted permission by the PRA to apply a matching adjustment in relation to the value of its insurance liabilities. Following an update to the matching adjustment application in 2020, PIC made another application in June 2022, which was approved by the PRA in October 2022.

As at 31 December 2023, all of the business in force (aside from an immaterial net of reinsurance amount of Euro-denominated liabilities and one small scheme awaiting transfer to the matching adjustment fund) was eligible for use of the matching adjustment, with over 99.9% of the net modelled business held within the matching adjustment fund and valued using the matching adjustment. A small percentage of the liabilities, amounting to less than 0.1% of the total net modelled liabilities was held outside the matching adjustment fund. No business was valued using the volatility adjustment.

The assets used comprise a mixture of UK government bonds and UK and overseas corporate bonds, together with a relatively small amount of cash and cash equivalents, loans and mortgages (including structured equity release mortgages) and property assets. In addition, the assets include derivatives designed to transform overseas cash flows to sterling, and to transform floating rate cash flows to fixed rates. All of the assets, once transformed through the use of appropriate derivatives, meet the requirements of Article 77b(1) of the Solvency II Directive.

PIC holds all assets and liabilities for which the matching adjustment applies in a clearly ring-fenced fund, the matching adjustment fund ("MA Fund"). The matching adjustment calculation relies on close matching of the asset cash flows and the liability cash flows in this fund. In making this assessment, the liability cash flows are the gross-of-reinsurance best estimate liability cash flows for the business taken from the Company's liability projection model. The matching asset cash flows are the aggregate of the cash flows on each individual asset adjusted for the default component of the 'fundamental spread' to allow for the credit risks retained by the Company plus the projected cash flows in respect of reinsurance recoverables calculated using the Company's liability projection model.

D. Valuation for Solvency Purposes continued

The initial matching adjustment is calculated as the difference between two annual effective internal rates of return, i.e. (a) the flat discount rate which, if applied to the gross liability cash flows, would equate these to the aggregate value of the matching assets; and (b) the flat rate which, if applied to the gross liability cash flows, would equate these to the value of those liability cash flows calculated using the basic risk-free rate curve. In making this assessment, the value of non-market assets is determined using models developed by the Company and the value of reinsurance recoverables is determined at the basic risk-free rate.

The matching adjustment is then further adjusted for the cost-of-downgrade component of the fundamental spread.

The assets in the MA Fund used in the matching adjustment calculation can be summarised as follows:

	Group & Company 2023 £m	Group & Company 2022 £m
Government bonds	**14,902**	11,515
Corporate bonds	**17,643**	16,809
Derivative assets	**6,773**	5,099
Loans and mortgages	**9,066**	5,289
Collateralised securities	**219**	219
Collective investment undertakings	**395**	929
Cash and cash equivalents	**289**	571
Total assets	**49,287**	40,431
Derivative liabilities	**(10,844)**	(8,316)
Repurchase agreement liabilities	**(1,141)**	–
Net value of assets	**37,302**	32,115

PIC maintains close control of the asset and liability cash flow matching in order to ensure that at all times it can meet the requirements of Article 77(b)(1)(c) of the Solvency II Directive. In addition, PIC monitors the asset and liability matching of the MA Fund against the three specific tests identified in regulatory requirements. As at 31 December 2023, all of the test results were within the required limits (as was the case as at 31 December 2022).

The impact of not applying the matching adjustment but instead valuing the liabilities using the basic risk-free curve would have been as follows. Note that under this scenario the volatility adjustment ("VA") is assumed not to apply to any liabilities (as was the case as at 31 December 2022) and it is assumed that there is no change to the TMTP. The figures presented include the effect of removing the matching adjustment on the credit taken for the loss absorbing capacity of deferred taxes in the SCR.

Impact of matching adjustment

31 December 2023	**Including matching adjustment £m**	**Excluding matching adjustment £m**	**Impact of not applying matching adjustment £m**
Technical Provisions (gross of reinsurance)	**38,742**	**45,741**	**6,999**
Basic Own Funds	**8,210**	**2,961**	**(5,249)**
Eligible Own Funds to meet SCR	**8,210**	**2,517**	**(5,693)**
SCR	**3,890**	**9,241**	**5,351**
Excess assets over SCR	**4,320**	**(6,724)**	**(11,044)**
Eligible Own Funds to meet MCR	**6,725**	**(73)**	**(6,798)**
MCR	**973**	**2,311**	**1,338**
Excess assets over MCR	**5,752**	**(2,384)**	**(8,136)**

D. Valuation for Solvency Purposes continued

31 December 2022	Including matching adjustment £m	Excluding matching adjustment £m	Impact of not applying matching adjustment £m
Technical Provisions (gross of reinsurance)	32,516	38,760	6,244
Basic Own Funds	7,210	2,527	(4,683)
Eligible Own Funds to meet SCR	7,210	2,218	(4,992)
SCR	3,199	7,423	4,224
Excess assets over SCR	4,011	(5,205)	(9,216)
Eligible Own Funds to meet MCR	5,982	89	(5,893)
MCR	800	1,856	1,056
Excess assets over MCR	5,182	(1,767)	(6,949)

D.2.4 Use of volatility adjustment

In December 2015, PIC was granted permission by the PRA to apply a volatility adjustment in relation to the value of its insurance liabilities.

As detailed in section D.2.3, as at 31 December 2023, less than 0.1% (2022: 0.1%) of the total net modelled liabilities were held outside the MA Fund. These were not eligible for valuation using the VA.

The impact of not applying the VA to the liabilities is therefore £nil as at 31 December 2023 (£nil as at 31 December 2022).

Impact of volatility adjustment

31 December 2023	**Including VA £m**	**Excluding VA £m**	**Impact of not applying VA £m**
Technical Provisions (gross of reinsurance)	**38,742**	**38,742**	**–**
Basic Own Funds	**8,210**	**8,210**	**–**
Eligible Own Funds to meet SCR	**8,210**	**8,210**	**–**
SCR	**3,890**	**3,890**	**–**
Excess assets over SCR	**4,320**	**4,320**	**–**
Eligible Own Funds to meet MCR	**6,725**	**6,725**	**–**
MCR	**973**	**973**	**–**
Excess assets over MCR	**5,752**	**5,752**	**–**

31 December 2022	Including VA £m	Excluding VA £m	Impact of not applying VA £m
Technical Provisions (gross of reinsurance)	32,516	32,516	–
Basic Own Funds	7,210	7,210	–
Eligible Own Funds to meet SCR	7,210	7,210	–
SCR	3,199	3,199	–
Excess assets over SCR	4,011	4,011	–
Eligible Own Funds to meet MCR	5,982	5,982	–
MCR	800	800	–
Excess assets over MCR	5,182	5,182	–

D. Valuation for Solvency Purposes continued

D.2.5 Use of transitional measures adjustment (unaudited)

PIC does not apply any adjustment to the risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC.

In December 2015, PIC was granted permission to apply a transitional measure on technical provisions. PIC calculated the TMTP as at 31 December 2015 as £1,355 million. As noted in section D.2.2, PIC has been granted permission to recalculate the TMTP on six occasions, most recently as at 31 December 2023. Allowing for this recalculation, the TMTP as at 31 December 2023 is £18 million (2022: £208 million).

The impact of not applying the TMTP would have been as follows. Under this scenario, the MA is assumed to continue to apply.

Impact of TMTP

31 December 2023	**Including TMTP £m**	**Excluding TMTP £m**	**Impact of excluding TMTP £m**
Technical provisions (gross of reinsurance)	**38,742**	**38,760**	**18**
Basic Own Funds	**8,210**	**8,196**	**(14)**
Eligible Own Funds available to meet SCR	**8,210**	**8,196**	**(14)**
SCR	**3,890**	**3,894**	**4**
Excess assets over SCR	**4,320**	**4,302**	**(18)**
Solvency II ratio based on SCR	**211%**	**210%**	**(1%)**
Eligible Own Funds available to meet MCR	**6,725**	**6,711**	**(14)**
MCR	**973**	**974**	**1**
Excess assets over MCR	**5,752**	**5,737**	**(15)**
Solvency II ratio based on MCR	**691%**	**689%**	**(2%)**

31 December 2022	Including TMTP £m	Excluding TMTP £m	Impact of excluding TMTP £m
Technical provisions (gross of reinsurance)	32,516	32,724	208
Basic Own Funds	7,210	7,054	(156)
Eligible Own Funds available to meet SCR	7,210	7,054	(156)
SCR	3,199	3,251	52
Excess assets	4,011	3,803	(208)
Solvency II ratio based on SCR	225%	217%	(8%)
Eligible Own Funds available to meet MCR	5,982	5,830	(152)
MCR	800	813	13
Excess assets	5,182	5,017	(165)
Solvency II ratio based on MCR	748%	717%	(31%)

D.2.6 Reinsurance

PIC seeks to limit its exposure to longevity risk by entering into reinsurance arrangements with third party reinsurers. As at 31 December 2023, approximately 85% (as measured by best estimate benefit liabilities) of the longevity risk was reinsured (2022: 87%).

PIC has entered into two types of reinsurance arrangements:

- Longevity swap arrangements, whereby PIC pays the reinsurer a fixed agreed stream of annuity benefit cash flows, together with a defined reinsurance fee, and the reinsurer pays PIC annuity benefits based on the actual mortality experience of the lives in question. All of the longevity swap arrangements are similar in nature. PIC has entered into these arrangements with 11 reinsurers. The total net value of the longevity swap arrangements, excluding the fees payable to the reinsurers, was £(1,183) million as at 31 December 2023 (2022: £(756) million).
- Quota share (or 'funded') reinsurance arrangements whereby in return for an upfront single premium, PIC will receive from the reinsurer a percentage share of a defined subset of the annuity liabilities paid out in future. PIC has entered into these arrangements with three reinsurers. The total value of the quota share reinsurance arrangements was £3,550 million as at 31 December 2023 (2022: £1,908 million).

D. Valuation for Solvency Purposes continued

The value of the amounts recoverable from reinsurance is calculated using the same projection model and assumptions (other than the discount rate) that are used for the gross best estimate liabilities, by projecting both the payments due to reinsurers and the payments expected from reinsurers, in each case calculated on a policy-by-policy basis. The value of reinsurance recoverables is calculated by discounting the projected payments at the basic risk-free rate.

The value of the reinsurance recoverables is reduced by a counterparty default adjustment of £52 million (2022: £21 million), which is calculated by applying an assumed probability of default to an estimated loss given default (for each reinsurer), allowing for an assumed rate of recovery, measured over the lifetime of the reinsurance contracts in question.

In addition, there is a recoverable amount of £9 million (2022: £10 million) in respect of a small tranche of annuities where PIC has undertaken inwards reinsurance.

Therefore, the total value of the reinsurance recoverables asset is £2,325 million (2022: £1,140 million). PIC does not have any arrangements with special purpose vehicles in respect of its gross or net liabilities.

D.2.7 Review of valuation methods and assumptions

PIC regularly reviews its valuation assumptions and methodology for its technical provisions to ensure that they are fit for purpose and meet the requirements of Section 3.1 of Chapter III of the Solvency II Delegated Acts.

For year end 2023, PIC updated several valuation assumptions. The most material changes related to assumptions for policyholder longevity, the proportion of lives having an eligible second live on death, cash commutation take-up rates, expense assumptions (including project costs), and the modelling of inflation (including LPI). In addition, the valuation assumptions were updated to reflect current market expectations of future interest and inflation rates, and to reflect changes to the prescribed fundamental spread assumptions underlying the derivation of the matching adjustment.

PIC also updated the methodology used to calculate its risk margin, adopting changes to the prescribed cost of capital and the addition of the new ‘lambda’ parameter, as per the statutory instrument published by HM Treasury and laid before Parliament on 8 December 2023.

D.2.8 Valuation methods and assumptions for the financial statements

Apart from the valuation discount rate and expenses, the methods and assumptions used to estimate the present value of future cash flows for the purposes of the new IFRS 17 financial statements are derived from the same best estimate assumptions that are used in the valuation for solvency purposes. Uncertainty about the amount and timing of the cash flows from non-financial risk is covered by the Risk Adjustment, which replaces the prudential margins used for those risks under previous IFRS 4 rules. This is calculated using a ‘value at risk’ approach to represent the probability (set at the 85th percentile) that the fulfilment cash flows could increase by the risk adjustment over the next 12 months. For the purpose of the financial statements, the contractual service margin represents unearned profits that the Company expects to earn as it provides services over the lifetime of the in-force business, and is valued using market conditions at contract inception. These initial market conditions are used to calculate subsequent updates to the CSM resulting from changes in fulfilment cash flows related to future service. PIC is satisfied that the basis used meets the relevant requirements of IFRS 17.

The valuation discount rate has been set by considering the yield on a portfolio of assets (a “reference portfolio”) that reflects the characteristics of the liabilities. The yield is then adjusted to remove the impact of credit risk and any remaining features that are not relevant to the liabilities using a “top down” approach. The assets that PIC holds in the MA Fund, as well as assets expected to be used to meet liability cash flows in future, represent a reasonable reference portfolio for the IFRS 17 discount rate.

The credit risk adjustment in the valuation discount rate has been set with reference to historical average default rates and allows for expected recovery rates in the event of default.

Expenses for the purpose of valuing fulfilment cash flows in the financial statements are restricted to those expenses that are directly attributable in selling and fulfilling obligations under insurance contracts only, including performing investment activity.

D. Valuation for Solvency Purposes continued

The following table shows the transition from the technical provisions used in Own Funds under Solvency II to the insurance contract liabilities used within IFRS net assets presented in the Company's financial statements. The equivalent figures as at 31 December 2022 are shown for comparison.

Reconciliation between Solvency II and IFRS insurance contract liabilities

	Group & Company 2023 £m	Group & Company 2022 (restated*) £m
Solvency II technical provisions (gross of reinsurance)	**38,742**	32,516
Less:		
– Value of best estimate reinsurance recoverables on SII basis	**(2,325)**	(1,140)
Solvency II technical provisions (net of reinsurance)	**36,417**	31,376
Less:		
– Risk margin	**(328)**	(900)
– Transitional measures deduction	**18**	208
Solvency II best estimate liability (net of reinsurance)	**36,107**	30,684
Add:		
– Impact of valuation discount rate (net of reinsurance)	**(110)**	(156)
– Impact of expenses and other reserving differences (net of reinsurance)	**(384)**	(246)
– Deferred acquisition costs	**–**	(13)
– Other insurance and reinsurance net receivables and payables	**(177)**	(68)
– IFRS estimates of present value of future cash flows (reinsurance)	**572**	(319)
IFRS estimates of present value of future cash flows (gross of reinsurance)	**36,008**	29,882
Add:		
– Gross risk adjustment	**1,228**	1,069
– Gross contractual service margin	**3,970**	2,762
IFRS insurance contract liabilities (gross of reinsurance)	**41,206**	33,713

* 31 December 2022 comparatives for valuation difference and statutory value have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

D.3 Other liabilities

Other liabilities at 31 December reflect derivative liabilities, financial liabilities, deferred tax and accounting accruals and creditors.

Other than the liabilities noted below, other liabilities are valued at fair value for the purposes of solvency rules, which is equivalent to the IFRS values in the Group's and Company's financial statements. There are no significant estimates or judgements in the valuation of these liabilities.

D.3.1 Derivative liabilities

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of foreign exchange forward contracts, futures and swaps are based on market prices, where available. For swaps, market prices are calculated using discounted cash flow techniques based on adjusted market data such as composite curves derived from a number of market counterparties. Whilst derivative contracts may not be readily tradeable, the valuations are based on market observable inputs. The value of overall derivative assets and liabilities is the same under IFRS as under Solvency II.

D.3.2 Financial liabilities other than debts owed to credit institutions

This represents repurchase agreements and cash collateral liabilities. Repurchase agreements are valued based on the discounted cash flows expected to be paid, using an observable market interest rate. Cash collateral relates to collateral pledged on derivative contracts.

D.3.3 Insurance and other payables

This represents amounts payable, at fair value, relating to sundry business creditors and accruals, current taxation payments due and reinsurance fees payable. These items are payable within 12 months. Due to the short timescales, no discounting has been applied. Obligations under funding agreements are removed from regulatory values as the full value of the funding amount is subject to SII regulations.

Also included within insurance and other payables is the Group's lease liability. Under IFRS, a lease liability is initially measured as the value of expected future lease payments, discounted using the Group's incremental borrowing rate, and is subsequently measured at amortised cost using the effective interest method. Lease liabilities for Solvency II are valued in line with IFRS on the grounds of materiality. Further information on lease arrangements is disclosed in D.3.5.

D. Valuation for Solvency Purposes continued

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Solvency II value	**223**	**174**	188	202
Consolidation differences	**29**	**–**	16	–
Presentation differences	**(38)**	**(38)**	(37)	(37)
Statutory Accounts value	**214**	**136**	167	165

On a Solvency II basis, those investments in subsidiaries that are not consolidated and presented as holdings in related undertakings give rise to the consolidation difference within the Group of £29 million (2022: £16 million) in the above table.

Presentation differences are due to insurance payables being presented under technical provisions and reinsurance payables within reinsurance recoverables under IFRS.

D.3.4 Subordinated debt instruments

For regulatory purposes, the subordinated debt instruments issued by the Company are valued in accordance with Article 75 of Directive 2009/138/EC, making no adjustment to take account of the own credit standing of the Company. This differs from the valuation used for IFRS accounting purposes, where the subordinated debt instruments are valued at amortised cost.

In addition, the subordinated debt instruments are treated as liabilities for the purposes of IFRS accounting. Whilst for the purposes of regulatory accounting they are shown on the balance sheet (S.02.01) within liabilities, they form a part of the Own Funds of the Company (S.23.01) and the Group (S.23.01).

Further detail on the subordinated debt instruments, including the issue amounts and the maturity dates, is provided in section E.1.4.

	Group & Company 2023 £m	Group & Company 2022 £m
Solvency II value	**1,680**	1,388
Valuation differences	**140**	234
Statutory Accounts value	**1,820**	1,622

The valuation differences arise because the subordinated debt is measured at amortised cost for IFRS purposes and at fair value under Solvency II. Fair value is calculated by discounting projected cash flows at the prevailing risk-free rate and the Company's credit spread at inception.

Restricted Tier 1 notes (included in Own Funds)

In 2019, PIC issued £450 million of new RT1 loan notes with a fixed coupon of 7.375% paid semi-annually in arrears beginning on 25 January 2020. The notes are perpetual with the first call date in 2029 at the discretion of the issuer. The interest rate is reset on 25 July 2029 and every five years thereafter. The RT1 notes are treated as equity capital and interest payments arising are recognised in equity upon payment under IFRS, and as Restricted Tier 1 Own Funds for Solvency II purposes. A deduction is made in the valuation of Own Funds available to take account of projected foreseeable dividends in respect of the RT1 notes. At 31 December 2023 this value was £11 million (2022: £11 million).

D.3.5 Leases and contingent liabilities

During the year, PIC exercised an option to terminate an existing office lease in 2024 and has also entered into a 15-year lease for a new office building, commencing in December 2023. The new lease includes an option to extend for a period of five years as well as an option to terminate after ten years. The right of use asset and lease liability have been calculated on the basis that the lease will terminate in December 2033, as the Group is not reasonably certain that the lease period will extend beyond this point.

At 31 December 2023, the Group recognised a right of use asset of £40 million (2022: £4 million) and a corresponding lease liability of £40 million (2022: £9 million).

The Group does not have any material liabilities in respect of contingent liabilities.

D.3.6 Employee benefits

The Company pays expenses to a service company owned by the Group holding company, which funds employee benefits.

There are no defined benefit obligations in connection with any past or present employees.

D. Valuation for Solvency Purposes continued

D.4. Alternative methods for valuation

The Group and the Company use alternative valuation methods, as defined in the Solvency II regulations, to determine the fair values of certain investments as explained in section D.1. Given the methodology used below is the same as the one used to value the investments for IFRS purposes, no differences arise between IFRS and Solvency II values.

The details of these alternative valuation methods are provided below; the values shown represent the fair value for the assets where alternative methods for valuation have been used.

D.4.1 Property (other than for own use) – £663 million PIC and PICG (2022: £244 million PIC and PICG)

D.4.1.1 Investment property

Investment properties are held indirectly through investment entities and included in the Solvency II balance sheet within holdings in related undertakings line on an adjusted equity basis. The investment entities are fully consolidated in the PICG statutory balance sheet, with Investment properties presented as a separate line item. In the PIC plc individual statutory balance sheet, Investment properties are included within holdings in related undertakings. Fair value of the properties is determined annually by professional external valuers using the Royal Institution of Chartered Surveyors guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

Fair values generally are determined based on a valuation approach which applies investment yield to the rental income. The investment yield is derived from available transactional evidence of similar rental units considering the property-specific factors such as its location, the unexpired term, current rent, size of the unit and other factors. In some circumstances, a combination of valuation approaches is used for a single property, applying a discounted cash flow approach for the long-term lease element (where the long-term cash flows are with a single lessee counterparty, similar in nature to a private loan), with the residual value of the property at the end of the lease determined using an investment yield approach.

The external valuers also consider changes in market conditions and the status of the tenants in determining whether a full physical inspection is required each year. Irrespective of such considerations, each property is fully inspected periodically as part of the valuation process. The cost of additions and renovations is capitalised and considered when estimating fair value.

D.4.1.2 Leasehold assets and leasehold liabilities

For Solvency II values, IFRS carrying values are used as a proxy for the fair value on the grounds of materiality. A right of use asset and a lease liability are recognised at the lease commencement date. Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. A right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

A lease liability is initially measured as the value of expected future lease payments, discounted using the Group's incremental borrowing rate. The incremental borrowing rate is determined using the yield on the Group's external borrowing, adjusted to reflect the terms of the lease. Lease liabilities are measured at amortised cost using the effective interest method.

D.4.2 Unlisted bonds (direct investment) – £8,353 million PIC and PICG (2022: £6,561 million PIC and PICG)

Under both IFRS and Solvency II, the fair value of unlisted bonds is determined using discounted cash flow techniques on a mark-to-model basis. The models consider the anticipated future cash flows expected to be derived from the assets and discount them to reflect the timing of payments and the likelihood of default given the relative seniority of the holding in order of repayment. The discount rate is derived from yields for comparable quoted bonds, adjusted, where applicable, for illiquidity and idiosyncratic risk.

D.4.3 Equity release mortgages – £1,124 million PIC and PICG (2022: £1,013 million PIC and PICG)

The fair value of equity release mortgages is determined on a mark-to-model basis. The fair value of each individual mortgage is calculated using a discounted cash flow model, in which the future cash flows are projected using a number of unobservable inputs including mortality, morbidity, interest rates and property prices. These cash flows are discounted at a rate equivalent to the risk-free rate based on the swap curve plus an equivalent spread. The equivalent spread is calculated separately for each mortgage at the date of the initial advance for that mortgage.

Under the terms of the equity release mortgages, a guarantee is provided that when a property is sold on the event of death or move into long-term care and the mortgage repaid, the amount repayable will be capped at the sale value of the underlying property after deducting reasonable costs of selling the property. The value of the 'No Negative Equity Guarantee' has been calculated using option pricing techniques in which an explicit house price growth assumption is used.

These assets are included in the loans and mortgages section of the S.02.01 balance sheet presented in Appendix B.

D.4.4 Own shares held directly – PICG £31 million (2022: £20 million)

This is determined using a modelled valuation of the Group, determined with the assistance of third party valuation specialists.

D.5 Any other information

There is no other material information to disclose regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own Funds

E.1.1 Objectives, policies and processes

The objectives, policies and processes employed by the Group and Company to manage its Own Funds are set out in its Capital Management Policy, which is approved by the Company's Board.

As a part of this, the Board ensures that a Medium Term Capital Plan is prepared on an annual basis for approval as part of the overall business planning cycle. The Medium Term Capital Plan covers at least a five-year period, and includes consideration of the need for further Own Funds, the type of Own Funds, repayment of any Own Funds and dividend and distribution policy.

The Company's regulatory Solvency II ratio (measured as its eligible Own Funds divided by its Solvency Capital Requirement) is a key metric in the management of the financial position of the Company and the Group.

	Group		Company	
	2023	2022	**2023**	2022
Own Funds £m	**8,221**	7,236	**8,210**	7,210
SCR £m	**3,890**	3,199	**3,890**	3,199
Solvency II surplus £m	**4,331**	4,037	**4,320**	4,011
Solvency II ratio %	**211%**	226%	**211%**	225%

The Board has a risk appetite limit and tolerance for the Company's solvency level, and monitors this regularly. During times of market volatility or stress, the regularity of these meetings is increased. If the solvency ratio is above our risk appetite and within our solvency tolerances, no formal action is required. However, if the solvency ratio moves out of our approved tolerances then the Board is notified and a range of actions is available to return the business to within tolerances; these actions will vary depending on the circumstances. As our Solvency II ratio gets closer to our minimum risk appetite we would expect the significance of the management actions taken to increase.

As a part of its day-to-day management of the Company's solvency position, management employ solvency monitoring techniques and measurements which are run at a minimum weekly, or more often where required. Management are also able to employ various techniques to manage its capital and solvency, including (but not limited to):

- managing the type and volume of new business written;
- reinsurance of existing business;
- risk mitigation techniques;
- hedging strategies to manage key exposures such as credit risk, interest rate risk or inflation risk;
- asset management strategy; and
- seeking further external debt or equity capital.

The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities of the UK pension risk transfer market, whilst paying regular dividends to shareholders, based on the current and future projected capital position of the business. The implications for solvency, leverage and liquidity are all considered when considering the appropriateness of dividend payments.

E. Capital Management continued

E.1.2 Structure of basic Own Funds by tier

Further information is available at S.23.01.

The amount of Own Funds of the Group and Company classified by tier is:

	Group				Company			
2023	**Tier 1 £m**	**Tier 2 £m**	**Tier 3 £m**	**Total £m**	**Tier 1 £m**	**Tier 2 £m**	**Tier 3 £m**	**Total £m**
Ordinary share capital	**2**	**–**	**–**	**2**	**1,226**	**–**	**–**	**1,226**
Share premium account	**873**	**–**	**–**	**873**	**524**	**–**	**–**	**524**
Reconciliation reserve	**5,222**	**–**	**–**	**5,222**	**4,336**	**–**	**–**	**4,336**
Restricted Tier 1 debt	**444**	**–**	**–**	**444**	**444**	**–**	**–**	**444**
Subordinated liabilities	**–**	**1,680**	**–**	**1,680**	**–**	**1,680**	**–**	**1,680**
Amount of basic Own Funds available and eligible to cover SCR	**6,541**	**1,680**	**–**	**8,221**	**6,530**	**1,680**	**–**	**8,210**
Eligibility deduction in Tier 2 Own Funds	**–**	**(1,485)**	**–**	**(1,485)**	**–**	**(1,485)**	**–**	**(1,485)**
Amount of basic Own Funds eligible to cover MCR	**6,541**	**195**	**–**	**6,736**	**6,530**	**195**	**–**	**6,725**

	Group				Company			
2022	Tier 1 £m	Tier 2 £m	Tier 3 £m	Total £m	Tier 1 £m	Tier 2 £m	Tier 3 £m	Total £m
Ordinary share capital	2	–	–	2	1,226	–	–	1,226
Share premium account	873	–	–	873	524	–	–	524
Reconciliation reserve	4,529	–	–	4,529	3,628	–	–	3,628
Restricted Tier 1 debt	444	–	–	444	444	–	–	444
Subordinated liabilities	–	1,388	–	1,388	–	1,388	–	1,388
Amount of basic Own Funds available and eligible to cover SCR	5,848	1,388	–	7,236	5,822	1,388	–	7,210
Eligibility deduction in Tier 2 Own Funds	–	(1,228)	–	(1,228)	–	(1,228)	–	(1,228)
Amount of basic Own Funds eligible to cover MCR	5,848	160	–	6,008	5,822	160	–	5,982

Tier 1 notes

The Company's and the Group's Tier 1 capital consists of £450 million, 7.375% reset perpetual Restricted Tier 1 contingent convertible notes issued on 25 July 2019. The notes are callable on 25 July 2029 (the first call date) and every 5 years after the first call date. If not called, the coupon is reset at a fixed rate of the prevailing five-year benchmark gilt yield plus 6.658% on the first call date and on each fifth anniversary of the first call date thereafter. The notes are perpetual securities with no fixed maturity date. Optional cancellation of coupon payments is at the discretion of PIC and mandatory cancellation is upon the occurrence of certain conditions. Upon the occurrence of certain trigger events, the notes are irrevocably converted into ordinary shares at the prevailing conversion price.

The issue is treated as equity under IFRS reporting. The interest payments are recognised in equity upon payment as dividends. Under Solvency II, the notes are classified as RT1 Own Funds. Foreseeable coupon payments are deducted in calculating the eligible Own Funds amount.

Tier 2 capital

The notes represent direct, unsecured and subordinated obligations of the Company, and are classified as qualifying dated Tier 2 securities for the purposes of regulatory capital requirements.

The Tier 2 instruments are valued in accordance with Article 75 of the Solvency II Directive, being fair value, excluding changes in own credit risk, and therefore at a different value than that used in the Company's IFRS financial statements. Increase in the risk-free rate in the period, together with issue of £500 million Tier 2 notes, offset by a repurchase of £300 million of notes, led to an increase in the value of the subordinated debt of £292 million (2022: decrease £220 million).

E. Capital Management continued

The Company and Group's Tier 2 capital

Issue Date	Issue amount £m	% of par value	Coupon %	Redemption date	Solvency II value 2023 £m	Solvency II value 2022 £m
03/07/14	300*	99.107	6.5	03/07/24	**207**	302
23/11/16	250*	98.916	8.0	23/11/26	**45**	228
20/09/18	350	99.693	5.625	20/09/30	**322**	308
07/05/20	300	99.554	4.625	07/05/31	**259**	246
21/10/20	400	99.129	3.625	21/10/32	**321**	304
13/11/23	500	99.688	8.0	13/11/33	**526**	–
Total Tier 2 capital					**1,680**	1,388

* The Solvency II values of loan notes maturing in 2024 and 2026 have reduced to £207 million and £45 million respectively following their partial redemption. Par amounts decreased to £203m and £47m respectively.

There are no items of ancillary Own Funds at 31 December 2023 (2022: nil).

E.1.3 Reconciliation of opening and closing Own Funds

E.1.3.1 Reconciliation of opening and closing Own Funds: PICG

	Tier 1				**Tier 2**	
2023	**Share capital £m**	**Share premium £m**	**Reconciliation reserve £m**	**Tier 1 Restricted capital £m**	**Subordinated Debt £m**	**Total £m**
At start of year	**2**	**873**	**4,529**	**444**	**1,388**	**7,236**
Issued in year	**–**	**–**	**–**	**–**	**526**	**526**
Redeemed	**–**	**–**	**–**	**–**	**(300)**	**(300)**
Movements in year	**–**	**–**	**693**	**–**	**66**	**759**
At end of year	**2**	**873**	**5,222**	**444**	**1,680**	**8,221**

	Tier 1				Tier 2	
2022	Share capital £m	Share premium £m	Reconciliation reserve £m	Tier 1 Restricted capital £m	Subordinated debt £m	Total £m
At start of year	2	873	3,772	444	1,608	6,699
Movements in year	–	–	757	–	(220)	537
At end of year	2	873	4,529	444	1,388	7,236

There was no additional share capital raised during the year (2022: no additional share capital raised during the year).

£500 million of Tier 2 notes were issued and £300 million repurchased in 2023 (2022: no subordinated debt raised or repurchased during the year).

Further analysis of the reconciliation reserve is set out in section E.1.6.

E. Capital Management continued

E.1.3.2 Reconciliation of opening and closing Own Funds: PIC

	Tier 1				Tier 2	
2023	**Share capital £m**	**Share premium £m**	**Reconciliation reserve £m**	**Tier 1 Restricted capital £m**	**Subordinated debt £m**	**Total £m**
At start of year	**1,226**	**524**	**3,628**	**444**	**1,388**	**7,210**
Issued in year	**–**	**–**	**–**	**–**	**526**	**526**
Redeemed	**–**	**–**	**–**	**–**	**(300)**	**(300)**
Movements in year	**–**	**–**	**708**	**–**	**66**	**774**
At end of year	**1,226**	**524**	**4,336**	**444**	**1,680**	**8,210**

	Tier 1				Tier 2	
2022	Share capital £m	Share premium £m	Reconciliation reserve £m	Tier 1 Restricted capital £m	Subordinated debt £m	Total £m
At start of year	1,226	524	2,867	444	1,608	6,669
Movements in year	–	–	761	–	(220)	541
At end of year	1,226	524	3,628	444	1,388	7,210

There was no additional share capital raised during the year (2022: no additional share capital raised during the year).

£500 million of Tier 2 notes were issued and £300 million repurchased in 2023 (2022: no subordinated debt raised or repurchased during the year).

E.1.4 Restrictions to Own Funds and capital tiering

No restrictions have been made to the amounts of basic Own Funds which can be used to cover the Company's SCR requirement.

For the purposes of MCR coverage, the amount of Tier 2 basic Own Funds which can be used to cover MCR has been restricted to £195 million (2022: £160 million) or 20% of the MCR amount. In the event that any Tier 3 basic Own Funds items were held by the Group, no Tier 3 basic Own Funds could be used to provide MCR coverage.

E.1.5 Reconciliation of Own Funds to IFRS Equity

The following differences exist between Equity as shown in the Company's IFRS financial statements at the reporting date, and Own Funds under regulatory classifications:

	Group		Company	
	2023 £m	2022 (restated*) £m	**2023 £m**	2022 (restated*) £m
Equity per IFRS financial statements	**4,468**	4,375	**4,449**	4,343
Add: Reclassification of subordinated debt as Tier 2 capital for regulatory purposes, included at regulatory value	**1,680**	1,388	**1,680**	1,388
Deferred tax liability arising from subordinated debt revaluation[1]	**(35)**	(59)	**(35)**	(59)
Adjustment of subordinated debt value between IFRS and regulatory value[1]	**140**	234	**140**	234
Adjustment for RT1 accrued interest[1]	**(11)**	(11)	**(11)**	(11)
Contractual service margin[1]	**3,970**	2,762	**3,970**	2,762
Increase in technical provisions under regulatory rules[1]	**(1,506)**	(1,565)	**(1,506)**	(1,565)
Decrease in reinsurance recoverable and other assets under regulatory rules[1]	**(140)**	195	**(132)**	201
Increase in deferred tax liability under regulatory rules[1]	**(345)**	(83)	**(345)**	(83)
Own Funds per regulatory requirements	**8,221**	7,236	**8,210**	7,210

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance Contracts".

Items marked with a '1' above, which totals £2,073 million for PICG (2022: £1,473 million) and £2,081 million for PIC (2022: £1,479 million), form part of the regulatory reconciliation reserve (see E.1.6 below). There are no restrictions on the availability and transferability of Own Funds within the Company or the Group.

E. Capital Management continued

E.1.6 Constituents of reconciliation reserve

The reconciliation reserve at 31 December is formed of the following elements:

2023	Group £m	Company £m
IFRS retained earnings per financial statements	2,070	2,195
Capital contribution reserve per financial statements	–	60
Capital reduction reserve per financial statements	1,055	–
Other reserves per financial statements	55	–
Differences between IFRS rules and Solvency II rules (marked with '1' in table E.1.5)	2,073	2,081
Treasury shares per financial statements	(31)	–
Reconciliation reserve at 31 December 2023	**5,222**	**4,336**

2022	Group (restated*) £m	Company (restated*) £m
IFRS retained earnings per financial statements	1,967	2,089
Capital contribution reserve per financial statements	–	60
Capital reduction reserve per financial statements	1,055	–
Other reserves per financial statements	54	–
Differences between IFRS rules and Solvency II rules (marked with '1' in table E.1.5)	1,473	1,479
Treasury shares per financial statements	(20)	–
Reconciliation reserve at 31 December 2022	4,529	3,628

* 31 December 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".

E.2 SCR and MCR (unaudited)

E.2.1 Components of SCR

The Group and Company quantify their exposure to different types of risk using their Internal Model, which was approved for use by the PRA in December 2015. A major model change was approved by the PRA in December 2017 relating to the treatment of longevity and inflation risk and in December 2020 relating to equity release mortgages.

No adjustment to the SCR has been made by the PRA, in respect of the third subparagraph of Article 51(2) of Directive 2009/138/EC.

As at 31 December 2023, PICG's and PIC's SCR amounted to £3,890 million (2022: £3,199 million), and its MCR amounted to £973 million (2022: £800 million), being 25% of the SCR.

The principal movements in these items arise from:

- the run-off of required capital for the in-force insurance business;
- an increase in the volume of business in force, due to new insurance contracts written during 2023;
- the impact of changes in economic conditions over the year, in particular a narrowing of credit spreads which reduced capital requirements;
- the impact of changes in the investment mix used by the Company to support its insurance liabilities; and
- the impact of changes made in respect of the modelling of credit risk, hedging risk and other smaller items.

PIC uses an internal model agreed with the PRA to calculate its SCR. It does not apply the standard formula in the business.

The split of the SCR by risk category as at 31 December 2023 is as follows:

	2023 £m	2022 £m
Risk capital before diversification:		
• Market risk	4,057	3,340
• Counterparty credit risk	98	93
• Insurance risk	502	484
• Expense risk	320	272
• Operational risk	359	313
Total before diversification	**5,336**	4,502
Diversification benefit	(1,041)	(935)
Loss absorbing capacity of deferred tax ("LACDT")	(405)	(368)
Total diversified SCR after LACDT	**3,890**	3,199

E. Capital Management continued

E.2.1.1 Loss absorbing capacity of deferred tax

The total SCR for the Company has been adjusted for LACDT. At 31 December 2023 the amount of the adjustment was £405 million (2022: £368 million). LACDT is a deferred tax benefit, reflecting the tax relief that would be available following a loss equal to the SCR.

LACDT support arises from the following sources:

- deferred tax liabilities included in the Solvency II Own Funds of the Company, largely arising from differences between Solvency II Own Funds and IFRS equity; and
- carry back, as the UK tax regime permits carry back of trading losses against tax due in respect of profits made in the current and previous tax years.

E.2.2 Key inputs for the calculation of the MCR

The Minimum Capital Requirement has been calculated as follows:

- Step 1. The higher amount of 2.1% of the value of best estimate liabilities net of reinsurance recoverables or 25% of the Solvency Capital Requirement.
- Step 2. The lower amount of the result from Step 1 and 45% of the Solvency Capital Requirement.

The result of this calculation at year end was that the MCR equals 25% of the SCR (2022: 25%).

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

This section is not applicable to PIC and PICG. PIC and PICG do not use the duration-based equity risk sub-module (2022: not applicable)

E.4 Difference between the Standard Formula and any Internal Model used (unaudited)

E.4.1 Use of the Internal Model

The primary purpose of the Internal Model is to calculate the solvency capital requirement under Solvency II for PIC and PICG. The PRA has approved the use of a full Internal Model covering all of the risks set out in section E.4.2.

The Internal Model is also widely used in, and plays an important role in, PIC's systems of governance. PIC expects to use the Internal Model in all decision making where capital is a relevant factor. If decisions are made without the use of the Internal Model, and capital is a relevant factor, then each decision is logged along with a justification for why the Internal Model was not used.

Each executive is required to provide an annual attestation either confirming that, in their area, the Internal Model, or suitable approximation, has been used in all relevant decision making or else justifying why the Internal Model was not used. The attestations are subject to oversight by the Risk Function. PIC uses its Internal Model within the key business processes outlined below:

Key business processes	Responsible oversight committee
Strategy and business planning	Board
New business and reinsurance	Investment and Origination Committee
Risk management	Risk Committee
Asset Liability management	Investment and Origination Committee
Performance management	Remuneration Committee
Financial reporting	Audit Committee

E.4.2 Internal Model calculation methodology

PIC uses the same risk measure and time horizon as set out in Article 101(3) of the Solvency II Directive, namely the value at risk of basic Own Funds subject to a confidence level of 99.5% over a one-year period.

Like the Standard Formula, PIC's Internal Model uses a modular approach. Five key risk modules are modelled, with some being further divided into several sub-risks as appropriate to reflect PIC's risk exposures most accurately:

- Market: The risk of loss arising from adverse changes to the market value of PIC's assets. The most material sub-risk within Market Risk is Credit Risk which can arise from reductions in the market value of credit sensitive investments due to changes in credit spreads, credit rating transitions and defaults.
- Insurance: The risk of loss arising from adverse changes in the value of policy benefits from demographic experience. The most material sub-risk within Insurance Risk is Future Mortality Improvement Risk, reflecting the risk of policyholders living longer than expected because of higher future mortality improvements.
- Counterparty: The risk that a reinsurance or derivative counterparty fails to meet its financial obligations to PIC in a timely manner, resulting in loss or the need for PIC to recapture amounts previously reinsured or invested.
- Expense: The risk of loss arising from adverse changes to PIC's expected expense base.
- Operational: The risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. PIC's definition of operational risk includes legal and reputational risks and excludes risks arising from strategic decisions of the Board.

E. Capital Management continued

A variety of quantitative and qualitative methods are used to derive the 1-in-200 stresses for each risk which are then used to calculate the SCR.

For market risks, PIC primarily uses a variety of statistical methods, where the stress calibrations are generated by fitting probability distributions to historical data series.

The 1-in-200 stresses for other risk modules are primarily driven by scenario analysis, which is heavily informed by expert judgement because of limited historical data. Internal and external experts are used as appropriate to set and validate these expert judgements.

The 1-in-200 stresses for each risk (or sub-risk) are then used to calculate the change in Own Funds to derive the standalone SCR for the given risk (or sub-risk).

The sub-risks and overall risk modules are then aggregated, allowing for diversification between the risks. This aggregation process is primarily achieved using a variance-covariance approach, although other methods (i.e. a copula) are used for some sub-risks. Suitable consideration is given to any non-linearity between risks as part of the aggregation process.

An end-piece adjustment is applied to the overall SCR to reflect the LACDT.

E.4.3. Nature and appropriateness of data used within the Internal Model

PIC uses a variety of data sources in its Internal Model, both internal and external. Some of this data is used directly in the calibration of the stresses for each risk, whilst other data is used post the risk calibration process within the calculation of the SCR.

Internal data used by PIC includes:

- policyholder data and relevant PIC specific historical experience for helping with calibrating some insurance risk and expense risk stresses;
- the operational risk register for setting some operational risk scenarios; and
- internal investment data for assisting with the calibration of some market risks.

External data used by PIC includes:

- market and investment data sourced from Moody's, Merrill Lynch and Bloomberg for calibrating some Market Risk stresses;
- population and mortality data from the Office for National Statistics to feed into some insurance risk calibrations; and
- scientific research and forecasts from a variety of sources for informing some insurance risk stresses.

All data used for the Internal Model is governed by PIC's general Data and Information Management Policy, and PIC's Internal Model Data Policy more specifically. These policies set out minimum requirements for controls and standards required to ensure that the data used by PIC in the Internal Model is of a suitably high standard, and as such can be deemed to be complete, accurate and appropriate.

E.4.4 Comparison of the Company's Internal Model with the Standard Formula (unaudited)

The following table compares the SCR calculated on the Standard Formula basis and using the Company's Internal Model.

	Internal Model with matching adjustment FY2023 £m	Standard Formula with matching adjustment FY2023 £m
Market risk	4,057	4,785
Insurance risk	502	281
Operational risk	359	359
Expense risk	320	241
Counterparty credit risk	98	43
Benefit of diversification	(1,041)	(425)
Loss absorbing capacity of deferred tax	(405)	(419)
Solvency Capital Requirement	**3,890**	**4,865**

E. Capital Management continued

	Internal Model with matching adjustment FY2022 £m	Standard Formula with matching adjustment FY2022 £m
Market risk	3,340	3,979
Insurance risk	484	276
Operational risk	313	164
Expense risk	272	204
Counterparty credit risk	93	75
Benefit of diversification	(935)	(414)
Loss absorbing capacity of deferred tax	(368)	(388)
Solvency Capital Requirement	3,199	3,896

Of note, the Standard Formula was originally calibrated with respect to an average European insurance entity. As PIC is a UK specialist insurance provider, the Company's business is not well represented by the Standard Formula. Using a risk capital model that does not represent the risks to the business does not incentivise good risk management, with actions being taken to optimise a position under a formula rather than aligned to the risks.

In particular, the design and calibration of the Standard Formula is not deemed appropriate to reflect PIC's internal view of its main risk drivers – market risk, including inflation risk and basis risk, and insurance risk, particularly the allowance for the risks associated with mortality improvements. PIC's Internal Model adopts a more granular approach to determining the capital requirements for both of these major risks as well as incorporating additional risks such as those associated with taking on liabilities with inflation-linked benefits.

For PIC's less important risks, the Internal Model calibration is also more bespoke than the Standard Formula. For operational risk, the capital is based on an assessment of the actual operational risks compared with the Standard Formula which is a function of premium income received in the previous year, which can bear little relationship to where operational risks may arise. For counterparty credit risk, PIC uses a bespoke stochastic model allowing for all risk mitigants it deploys to manage such risks. For expense risk, PIC again has a bespoke calibration reflecting the key source of expense risk such as investment management fees and policy maintenance costs.

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

Both PIC and PICG have been fully compliant with both the MCR and the SCR throughout 2023 and up to the date of approval of this report.

E.6 Any other information (unaudited)

Future changes to Internal Model

On 27 March 2024 the PRA approved a major model change application for the calculation of the Solvency Capital Requirement in respect of credit risk, effective from the date of approval.

Appendix A – Glossary of terms

Annuities
A type of insurance policy that pays out regular amounts of benefit to the policyholder for the remainder of insured individual's lifetime and, in certain cases, that of their spouse and/or dependants. The payments may commence immediately ("immediate annuity") or may be deferred to commence from a future date, such as the date of retirement ("deferred annuity"). Immediate annuities and deferred annuities may be purchased for an individual and his or her dependants or on a bulk purchase basis for groups of individuals.

Best Estimate Liability ("BEL")
The best estimate liability ("BEL") represents the value of future liability and expense cash flows. It is based on realistic assumptions with no prudent margins (other than in the default and downgrade assumptions stipulated for the calculation of the valuation discount rate) and is calculated using well-established actuarial and statistical methods.

Buy-in
An annuity policy bought by trustees that is an asset of the scheme and helps manage their ongoing liabilities. The trustees and scheme remain in place and the administration stays the responsibility of the trustees.

Buyout
Annuities bought in bulk, covering all the scheme's liabilities. The scheme typically winds up and members become PIC policyholders. We also take on responsibility for ongoing administration alongside payment of policyholders' pensions.

Consumer Price Index ("CPI")
The Consumer Price Index ("CPI") is published by the Office for National Statistics. It measures the average change from month to month in the prices of goods and services purchased by most households in the UK.

CPIH
The CPIH is identical to the CPI, with the exception of inclusion of owner occupiers' housing costs and Council Tax.

Internal Model
A risk management system developed by PIC to analyse its overall risk position, to quantify risks and to determine the capital required to meet those risks. PIC has obtained appropriate approval from the PRA to use its Internal Model to calculate its solvency capital requirement under Solvency II.

International Financial Reporting Standards ("IFRS")
International Financial Reporting Standards ("IFRS"), also known as International Accounting Standards. The accounting framework used by the Group and Company in their statutory accounts.

Limited Price Index ("LPI")
The Limited Price Index ("LPI") is a pricing index used to calculate increases in components of scheme pension payments in the UK. Usually the lesser of the annual increase in the Retail Price Index (or Consumer Price Index) and 5%, although the percentage limit can vary.

Loss Absorbing Capacity of Deferred Tax ("LACDT")
Loss absorbing capacity of deferred tax ("LACDT"). A reduction to the capital requirements to allow for tax losses that may arise as a result of a shock event.

Matching adjustment
The matching adjustment is an upward adjustment to the risk-free rate where insurers hold certain long-term assets with cash flows that match the liabilities. It reflects the fact that long-term buy-and-hold investors are not exposed to spread movements in the same way that short-term traders of such assets are.

Own Funds
Own Funds represent the equity base of the Company under the Solvency II regime. Own Funds can be classified as 'basic Own Funds' and 'ancillary Own Funds', and are structured into Tiers (Tier 1, Tier 2 and Tier 3) which broadly represent the quality and permanency of the capital.

Own Risk and Solvency Assessment ("ORSA")
Own Risk and Solvency Assessment ("ORSA"). The name given to the entirety of the processes and procedures employed by an insurer to identify, assess, monitor, manage and report the short- and long-term risks it faces or may face and to determine the capital necessary to ensure that the insurer's overall solvency needs are met at all times.

Appendix A – Glossary of terms continued

Quantitative Reporting Template ("QRTs")
Quantitative Reporting Templates ("QRTs") are quarterly and annual solvency returns submitted to the national regulator.

Retail Price Index ("RPI")
The Retail Price Index ("RPI") is an older measurement of inflation that is still published because it is used to calculate cost of living and wage escalation.

Risk Margin ("RM")
Life insurance companies hold technical provisions (reserves) calculated on actuarial bases to ensure they have sufficient funds available to pay their technical liabilities when they fall due. The technical provisions comprise a BEL and an RM. The RM calculation, which is prescribed under the Solvency II regulations, is intended to represent the amount that a notional third party, a reference undertaking, would require in order to take over the liabilities and have sufficient capital to support them over their future lifetime.

Standard formula
A risk-based mathematical formula used by insurers to calculate their solvency capital requirement under Solvency II. The standard formula is intended for use by most EU insurers, although they may use an Internal Model instead, subject to regulatory approval.

Solvency and Financial Condition Report ("SFCR")
Solvency and Financial Condition Report ("SFCR") is a public disclosure report which is required to be published annually by all insurers and will contain detailed quantitative and qualitative elements.

Solvency Capital Requirement ("SCR")
Solvency Capital Requirement ("SCR") represents the capital that the Company needs to hold in order to be able to survive a 1-in-200-year risk event over the 12 months following the balance sheet date. PIC calculates its SCR using a Company-specific model (the Internal Model) which has been approved by the PRA. The main components of the SCR for PIC are market risk and insurance risk, but the internal model also covers counterparty default risk, expense risk and operational risk.

Technical Provisions
Life insurance companies hold technical provisions (reserves) calculated on actuarial bases to ensure they have sufficient funds available to pay their technical liabilities when they fall due. Under the Solvency II framework, these represent the sum of BEL, RM and the TMTP.

Transitional Measures on Technical Provisions ("TMTP")
Transitional Measures on Technical Provisions ("TMTP"). PIC uses a transitional measures deduction on technical provisions in its Solvency II balance sheet. The TMTP allows companies to smooth the transition from the previous regulatory regime to the Solvency II approach, for example in having to set up the risk margin. The TMTP only applies in respect of business that was in force at 31 December 2015. This will decrease linearly to zero over 16 years, but may be recalculated to allow for material changes in the risk profile for the Company, subject to regulatory approval.

Valuation adjustment
Valuation adjustment is the umbrella name for adjustments made to the fair value of a derivatives contract to take into account funding, credit risk and regulatory capital costs.

Volatility adjustment
The volatility adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II.

Appendix B – Index of QRTs attached

The following QRTs are required to be included in the SFCR:

Pension Insurance Corporation plc

QRT REF	QRT NAME
S.02.01	Balance sheet
S.05.01	Premiums, claims and expenses
S.12.01	Life and Health SLT Technical Provisions
S.22.01	Impact of long-term guarantees measures and transitionals
S.23.01	Own Funds
S.25.03	SCR – for undertakings on Full Internal Models
S.28.01	MCR – Only life or only non-life insurance or reinsurance activity

Pension Insurance Corporation Group Limited

QRT REF	QRT NAME
S.02.01	Balance sheet
S.05.01	Premiums, claims and expenses
S.22.01	Impact of long-term guarantees measures and transitionals
S.23.01	Own Funds
S.25.03	SCR – for undertakings on Full Internal Models
S.32.01	Undertakings in the scope of the group

The appendices to the SFCR are presented in GBP sterling.

Rounding convention

The SFCR is presented in pounds sterling rounded to the nearest million which is consistent with the presentation in the IFRS financial statements. The QRTs are presented in pounds sterling rounded to the pound. Rounding differences of +/- one unit can occur.

Appendix B continued

S.02.01
Pension Insurance Corporation plc
Balance sheet

		2023 Solvency II value C0010
	Assets	
R0010	Goodwill	0
R0020	Deferred acquisition costs	0
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	**Investments (other than assets held for index-linked and unit-linked contracts)**	**65,380,208,533**
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	444,916,672
R0100	*Equities*	0
R0110	Equities – listed	0
R0120	Equities – unlisted	0
R0130	*Bonds*	**35,370,595,692**
R0140	*Government Bonds*	*17,151,653,247*
R0150	*Corporate Bonds*	*17,957,073,854*
R0160	*Structured notes*	*0*
R0170	*Collateralised securities*	*261,868,590*
R0180	*Collective Investments Undertakings*	4,077,867,801
R0190	*Derivatives*	25,486,828,368
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	**Loans and mortgages**	**9,905,781,440**
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	9,905,781,440
R0270	**Reinsurance recoverables from:**	**2,324,696,355**
R0280	*Non-life and health similar to non-life*	
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding health and index-linked and unit-linked*	2,324,696,355
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	2,324,696,355
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	35,544,976
R0380	Receivables (trade, not insurance)	24,979,153
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of Own Fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	489,156,477
R0420	Any other assets, not elsewhere shown	187,085,737
R0500	**Total assets**	**78,347,452,671**

Appendix B continued

S.02.01 (continued)
Pension Insurance Corporation plc
Balance sheet

		2023 Solvency II value C0010
	Liabilities	
R0510	**Technical provisions – non-life**	**0**
R0520	**Technical provisions – non-life (excluding health)**	**0**
R0530	*Technical provisions calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	**Technical provisions – health (similar to non-life)**	**0**
R0570	*Technical provisions calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	**Technical provisions – life (excluding index-linked and unit-linked)**	**38,741,603,294**
R0610	**Technical provisions – health (similar to life)**	**0**
R0620	*Technical provisions calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	**Technical provisions – life (excluding health and index-linked and unit-linked)**	**38,741,603,294**
R0660	*Technical provisions calculated as a whole*	0
R0670	*Best Estimate*	38,431,577,535
R0680	*Risk margin*	310,025,759
R0690	**Technical provisions – index-linked and unit-linked**	**0**
R0700	*Technical provisions calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0730	Other technical provisions	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	380,383,277
R0790	Derivatives	28,565,862,225
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	2,263,703,650
R0820	Insurance & intermediaries payables	494,696
R0830	Reinsurance payables	25,343,799
R0840	Payables (trade, not insurance)	149,167,253
R0850	**Subordinated liabilities**	**1,679,842,919**
R0860	*Subordinated liabilities not in Basic Own Funds*	0
R0870	*Subordinated liabilities in Basic Own Funds*	1,679,842,919
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	**71,806,401,112**
R1000	**Excess of assets over liabilities**	**6,541,051,559**

S.05.01
Pension Insurance Corporation plc
Premiums, claims and expenses by line of business

	Life	Line of Business for: life insurance obligations Other life insurance C0240	Total C0300
	Premiums written		
R1410	Gross	6,949,226,646	**6,949,226,646**
R1420	Reinsurers' share	1,331,795,673	**1,331,795,673**
R1500	**Net**	**5,617,430,973**	**5,617,430,973**
	Premiums earned		
R1510	Gross	6,949,226,646	**6,949,226,646**
R1520	Reinsurers' share	1,331,795,673	**1,331,795,673**
R1600	**Net**	**5,617,430,973**	**5,617,430,973**
	Claims incurred		
R1610	Gross	2,260,844,264	**2,260,844,264**
R1620	Reinsurers' share	79,128,096	**79,128,096**
R1700	**Net**	**2,181,716,167**	**2,181,716,167**
	Changes in other technical provisions		
R1710	Gross	-7,493,011,078	**-7,493,011,078**
R1720	Reinsurers' share	-1,661,039,600	**-1,661,039,600**
R1800	**Net**	**-5,831,971,478**	**-5,831,971,478**
R1900	**Expenses incurred**	**238,154,979**	**238,154,979**
R2500	**Other expenses**		
R2600	**Total expenses**		**238,154,979**

Appendix B continued

S.12.01
Pension Insurance Corporation plc
Life and Health SLT Technical Provisions

			Other life insurance		
		C0060	Contracts without options and guarantees C0070	Contracts with options or guarantees C0080	Total (Life other than health insurance, incl Unit-linked) C0150
R0010	**Technical provisions calculated as a whole**				**0**
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole				**0**
	Technical provisions calculated as a sum of BE and RM				
	Best Estimate				
R0030	**Gross Best Estimate**		38,431,577,535		**38,431,577,535**
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		2,376,234,586		**2,376,234,586**
R0050	*Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses*		2,376,234,586		**2,376,234,586**
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		2,324,696,355		**2,324,696,355**
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re – total		**36,106,881,179**	**0**	**36,106,881,179**
R0100	**Risk Margin**	328,238,493			**328,238,493**
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole				**0**
R0120	*Best estimate*				**0**
R0130	*Risk margin*	-18,212,734			**-18,212,734**
R0200	**Technical provisions – total**	**38,741,603,294**			**38,741,603,294**

Appendix B continued

S.22.01
Pension Insurance Corporation plc
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	38,741,603,294	18,212,734			6,999,169,991
R0020	Basic Own Funds	8,209,847,132	-13,659,550			-5,248,585,323
R0050	Eligible Own Funds to meet Solvency Capital Requirement	8,209,847,132	-13,659,550			-5,692,585,323
R0090	Solvency Capital Requirement	3,890,193,393	4,553,183			5,346,243,154
R0100	Eligible Own Funds to meet Minimum Capital Requirement	6,724,513,883	-13,431,891			-6,802,653,961
R0110	Minimum Capital Requirement	972,548,348	1,138,296			1,336,560,789

S.23.01
Pension Insurance Corporation plc
Own Funds

	Basic Own Funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total C0010	Tier 1 unrestricted C0020	Tier 1 restricted C0030	Tier 2 C0040	Tier 3 C0050
R0010	Ordinary share capital (gross of own shares)	**1,226,384,310**	1,226,384,310		0	
R0030	Share premium account related to ordinary share capital	**523,426,034**	523,426,034		0	
R0040	Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	**0**	0		0	
R0050	Subordinated mutual member accounts	**0**		0	0	0
R0070	Surplus funds	**0**	0			
R0090	Preference shares	**0**		0	0	0
R0110	Share premium account related to preference shares	**0**		0	0	0
R0130	Reconciliation reserve	**4,335,792,665**	4,335,792,665			
R0140	Subordinated liabilities	**1,679,842,919**		0	1,679,842,919	0
R0160	An amount equal to the value of net deferred tax assets	**0**				0
R0180	Other Own Fund items approved by the supervisory authority as basic Own Funds not specified above	**444,401,204**	0	444,401,204	0	0
	Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds					
R0220	Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds	**0**				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	**0**	0	0	0	
R0290	**Total basic Own Funds after deductions**	**8,209,847,132**	6,085,603,009	444,401,204	1,679,842,919	0
	Ancillary Own Funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	**0**				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic Own Fund item for mutual and mutual – type undertakings, callable on demand	**0**				
R0320	Unpaid and uncalled preference shares callable on demand	**0**				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**0**				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**0**				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**0**				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**0**				
R0370	Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**0**				
R0390	Other ancillary Own Funds	**0**				
R0400	**Total ancillary Own Funds**	**0**			0	0
	Available and eligible Own Funds					
R0500	**Total available Own Funds to meet the SCR**	**8,209,847,132**	6,085,603,009	444,401,204	1,679,842,919	0
R0510	**Total available Own Funds to meet the MCR**	**8,209,847,132**	6,085,603,009	444,401,204	1,679,842,919	
R0540	**Total eligible Own Funds to meet the SCR**	**8,209,847,132**	6,085,603,009	444,401,204	1,679,842,919	0
R0550	**Total eligible Own Funds to meet the MCR**	**6,724,513,883**	6,085,603,009	444,401,204	194,509,670	
R0580	**SCR**	**3,890,193,393**				
R0600	**MCR**	**972,548,348**				
R0620	**Ratio of Eligible Own Funds to SCR**	**211%**				
R0640	**Ratio of Eligible Own Funds to MCR**	**691%**				
	Reconciliation reserve	**C0060**				
R0700	Excess of assets over liabilities	**6,541,051,559**				
R0710	Own shares (held directly and indirectly)	**0**				
R0720	Foreseeable dividends, distributions and charges	**11,047,346**				
R0730	Other basic Own Fund items	**2,194,211,548**				
R0740	Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	**0**				
R0760	**Reconciliation reserve**	**4,335,792,665**				

Appendix B continued

S.25.03
Pension Insurance Corporation plc
Solvency Capital Requirement – for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	10310I	Interest rate risk – interest rate down more onerous	0
2	10320I	Interest rate risk – interest rate up more onerous	520,537,870
3	10600I	Property Risk	0
4	10700I	Spread risk – if matching adjustment impact not identified	2,985,681,529
5	10900I	Currency risk	5,015,653
6	11010I	Other market risk – inflation risk	234,429,537
7	11020I	Other market risk – implied volatility risk	316,775,716
8	11030I	Other market risk – RPI/CPI basis risk	19,892,559
9	11090I	Other market risk – funds risk	1,257,097,412
10	19900I	Diversification within market risk	-1,282,591,152
11	20120I	Type 1 counterparty risk – external reinsurance	69,168,756
12	20190I	Type 1 counterparty risk – asset counterparty	29,091,407
13	30210I	Longevity risk – longevity mis-estimation	118,217,312
14	30220I	Longevity risk – longevity trend	425,431,840
15	30290I	Longevity risk – other longevity risks	335,130,850
16	30299I	Longevity risk – longevity diversification	-376,400,782
17	30600I	Expense risk	474,447,642
18	39900I	Life underwriting risk diversification	-154,750,446
19	70100I	Operational risk	358,556,897
20	80300I	Loss-absorbing capacity of deferred tax	-405,065,124

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	4,930,667,474
R0060	Diversification	-1,040,474,081
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	**3,890,193,393**
R0210	Capital add-ons already set	0.00
R0220	**Solvency capital requirement**	**3,890,193,393**

	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	-405,065,124
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	1,440,267,942
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	2,449,925,451
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0460	Net future discretionary benefits	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

	Calculation of loss absorbing capacity of deferred taxes	LAC DT C0130
R0640	**Amount/estimate of LAC DT**	**-405,065,124**
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	-376,700,829
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	0
R0670	Amount/estimate of LAC DT justified by carry back, current year	-28,364,295
R0680	Amount/estimate of LAC DT justified by carry back, future years	0
R0690	Amount/estimate of Maximum LAC DT	-1,073,814,629

Appendix B continued

S.28.01
Pension Insurance Corporation plc
Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0020	Net (of reinsurance) written premiums in the last 12 months C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

Linear formula component for life insurance and reinsurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/SPV) total capital at risk C0060
R0210	Obligations with profit participation – guaranteed benefits		
R0220	Obligations with profit participation – future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	36,106,881,179	
R0250	Total capital at risk for all life (re)insurance obligations		

		MCR components	
		Non-life activities C0010	Life activities C0040
R0010	MCRNL Result		
R0200	MCRL Result		758,244,505

Overall MCR calculation		C0070	C0070
R0300	Linear MCR		**758,244,505**
R0310	SCR		3,890,193,393
R0320	MCR cap		**1,750,587,027**
R0330	MCR floor		**972,548,348**
R0340	Combined MCR		**972,548,348**
R0350	Absolute floor of the MCR		3,494,640
R0400	**Minimum Capital Requirement**		**972,548,348**

Appendix B continued

S.02.01
Pension Insurance Corporation Group Limited
Balance sheet

		2023 Solvency II value C0010
	Assets	
R0010	Goodwill	0
R0020	Deferred acquisition costs	0
R0030	Intangible assets	0
R0040	Deferred tax assets	6,619,555
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	39,978,895
R0070	**Investments (other than assets held for index-linked and unit-linked contracts)**	**65,380,219,476**
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	444,927,615
R0100	*Equities*	0
R0110	Equities – listed	0
R0120	Equities – unlisted	0
R0130	*Bonds*	*35,370,595,692*
R0140	*Government Bonds*	17,151,653,247
R0150	*Corporate Bonds*	17,957,073,854
R0160	*Structured notes*	0
R0170	*Collateralised securities*	261,868,590
R0180	*Collective Investments Undertakings*	4,077,867,801
R0190	*Derivatives*	25,486,828,368
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	**Loans and mortgages**	**9,905,781,440**
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	9,905,781,440
R0270	**Reinsurance recoverables from:**	**2,324,696,355**
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding health and index-linked and unit-linked*	2,324,696,355
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	2,324,696,355
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	35,544,976
R0380	Receivables (trade, not insurance)	27,988,996
R0390	Own shares (held directly)	30,767,680
R0400	Amounts due in respect of Own Fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	498,684,278
R0420	Any other assets, not elsewhere shown	187,762,104
R0500	**Total assets**	**78,438,043,757**

Appendix B continued

S.02.01 (continued)
Pension Insurance Corporation Group Limited
Balance sheet

		2023 Solvency II value C0010
	Liabilities	
R0510	**Technical provisions – non-life**	**0**
R0520	**Technical provisions – non-life (excluding health)**	**0**
R0530	*Technical provisions calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	**Technical provisions – health (similar to non-life)**	0
R0570	*Technical provisions calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	**Technical provisions – life (excluding index-linked and unit-linked)**	**38,741,603,294**
R0610	**Technical provisions – health (similar to life)**	**0**
R0620	*Technical provisions calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	**Technical provisions – life (excluding health and index-linked and unit-linked)**	**38,741,603,294**
R0660	*Technical provisions calculated as a whole*	0
R0670	*Best Estimate*	38,431,577,535
R0680	*Risk margin*	310,025,759
R0690	**Technical provisions – index-linked and unit-linked**	**0**
R0700	*Technical provisions calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0730	Other technical provisions	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	380,383,277
R0790	Derivatives	28,565,862,225
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	2,263,703,650
R0820	Insurance & intermediaries payables	494,696
R0830	Reinsurance payables	25,343,799
R0840	Payables (trade, not insurance)	197,417,086
R0850	**Subordinated liabilities**	1,679,842,919
R0860	*Subordinated liabilities not in Basic Own Funds*	0
R0870	*Subordinated liabilities in Basic Own Funds*	1,679,842,919
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	**71,854,650,944**
R1000	**Excess of assets over liabilities**	**6,583,392,813**

Appendix B continued

S.05.01
Pension Insurance Corporation Group Limited
Premiums, claims and expenses by line of business

	Life	Line of Business for: life insurance obligations Other life insurance C0240	Total C0300
	Premiums written		
R1410	Gross	6,949,226,646	**6,949,226,646**
R1420	Reinsurers' share	1,331,795,673	**1,331,795,673**
R1500	**Net**	**5,617,430,973**	**5,617,430,973**
	Premiums earned		
R1510	Gross	6,949,226,646	**6,949,226,646**
R1520	Reinsurers' share	1,331,795,673	**1,331,795,673**
R1600	**Net**	**5,617,430,973**	**5,617,430,973**
	Claims incurred		
R1610	Gross	2,260,844,264	**2,260,844,264**
R1620	Reinsurers' share	79,128,096	**79,128,096**
R1700	**Net**	**2,181,716,167**	**2,181,716,167**
	Changes in other technical provisions		
R1710	Gross	-7,493,011,078	**-7,493,011,078**
R1720	Reinsurers' share	-1,661,039,600	**-1,661,039,600**
R1800	**Net**	**-5,831,971,478**	**-5,831,971,478**
R1900	**Expenses incurred**	**242,004,754**	**242,004,754**
R2500	**Other expenses**		
R2600	**Total expenses**		**242,004,754**

Appendix B continued

S.22.01
Pension Insurance Corporation Group Limited
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	38,741,603,294	18,212,734	0	0	6,999,169,991
R0020	**Basic Own Funds**	8,221,420,705	-13,659,550	0	0	-5,248,585,323
R0050	**Eligible Own Funds to meet Solvency Capital Requirement**	8,221,420,705	-13,659,550	0	0	-5,692,585,323
R0090	**Solvency Capital Requirement**	3,890,193,393	4,553,183	0	0	5,346,243,154

S.23.01
Pension Insurance Corporation Group Limited
Own Funds

	Basic Own Funds before deduction for participations in other financial sector	**Total C0010**	Tier 1 unrestricted C0020	Tier 1 restricted C0030	Tier 2 C0040	Tier 3 C0050
R0010	Ordinary share capital (gross of own shares)	**2,157,119**	2,157,119		0	
R0020	Non-available called but not paid in ordinary share capital at group level	**0**				
R0030	Share premium account related to ordinary share capital	**873,213,835**	873,213,835		0	
R0040	Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	**0**	0		0	
R0050	Subordinated mutual member accounts	**0**		0	0	0
R0060	Non-available subordinated mutual member accounts at group level	**0**				
R0070	Surplus funds	**0**				
R0080	Non-available surplus funds at group level	**0**				
R0090	Preference shares	**0**		0	0	0
R0100	Non-available preference shares at group level	**0**		0	0	0
R0110	Share premium account related to preference shares	**0**		0	0	0
R0120	Non-available share premium account related to preference shares at group level	**0**				
R0130	Reconciliation reserve	**5,221,805,628**	5,221,805,628			
R0140	Subordinated liabilities	**1,679,842,919**		0	1,679,842,919	0
R0150	Non-available subordinated liabilities at group level	**0**				
R0160	An amount equal to the value of net deferred tax assets	**0**				0
R0170	The amount equal to the value of net deferred tax assets not available at the group level	**0**				
R0180	Other items approved by supervisory authority as basic Own Funds not specified above	**444,401,204**	0	444,401,204	0	0
R0190	Non available Own Funds related to other Own Funds items approved by supervisory authority	**0**				
R0200	Minority interests (if not reported as part of a specific Own Fund item)	**0**				
R0210	Non-available minority interests at group level	**0**				
R0220	Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds	**0**				
	Deductions	**0**				
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	**0**				
R0240	Whereof deducted according to art 228 of the Directive 2009/138/EC	**0**				
R0250	Deductions for participations where there is non-availability of information (Article 229)	**0**				
R0260	Deduction for participations included by using D&A when a combination of methods is used	**0**	0	0	0	0
R0270	*Total of non-available Own Fund items*	**0**	0	0	0	0
R0280	**Total deductions**	**0**	0	0	0	0
R0290	**Total basic Own Funds after deductions**	**8,221,420,705**	6,097,176,582	444,401,204	1,679,842,919	0
	Ancillary Own Funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	**0**				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic Own Fund item for mutual and mutual – type undertakings, callable on demand	**0**				
R0320	Unpaid and uncalled preference shares callable on demand	**0**				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**0**				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**0**				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**0**				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**0**				
R0370	Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**0**				
R0380	Non available ancillary Own Funds at group level	**0**				
R0390	Other ancillary Own Funds	**0**				
R0400	**Total ancillary Own Funds**	**0**			0	0

Appendix B continued

S.23.01 continued
Pension Insurance Corporation Group Limited
Own Funds continued

		Total C0010	Tier 1 unrestricted C0020	Tier 1 restricted C0030	Tier 2 C0040	Tier 3 C0050
	Own Funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – Total	**0**				
R0420	Institutions for occupational retirement provision	**0**				
R0430	Non regulated entities carrying out financial activities	**0**				
R0440	*Total Own Funds of other financial sectors*	**0**	0	0	0	0
R0450	**Own Funds when using the D&A, exclusively or in combination of method 1**					
R0450	Own Funds aggregated when using the D&A and combination of method	**0**				
R0460	Own Funds aggregated when using the D&A and combination of method net of IGT	**0**	0	0	0	0
R0520	**Total available Own Funds to meet the consolidated group SCR (excluding Own Funds from other financial sector and from the undertakings included via D&A)**	**8,221,420,705**	6,097,176,582	444,401,204	1,679,842,919	0
R0530	**Total available Own Funds to meet the minimum consolidated group SCR**	**8,221,420,705**	6,097,176,582	444,401,204	1,679,842,919	
R0560	**Total eligible Own Funds to meet the consolidated group SCR (excluding Own Funds from other financial sector and from the undertakings included via D&A)**	**8,221,420,705**	6,097,176,582	444,401,204	1,679,842,919	0
R0570	**Total eligible Own Funds to meet the minimum consolidated group SCR**	**6,736,087,456**	6,097,176,582	444,401,204	194,509,670	
R0590	**Consolidated Group SCR**	**3,890,193,393**				
R0610	**Minimum consolidated Group SCR**	**972,548,348**				
R0630	**Ratio of Eligible Own Funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	**211%**				
R0650	**Ratio of Eligible Own Funds to Minimum Consolidated Group SCR**	**693%**				
R0660	**Total eligible Own Funds to meet the group SCR (including Own Funds from other financial sector and from the undertakings included via D&A)**	**8,221,420,705**	6,097,176,582	444,401,204	1,679,842,919	
R0670	**SCR for entities included with D&A method**	**0**				
R0680	**Group SCR**	**3,890,193,393**				
R0690	**Ratio of Eligible Own Funds to SCR including other financial sectors' Own Funds and capital requirements**	**211%**				
	Reconciliation reserve	**C0060**				
R0700	Excess of assets over liabilities	**6,583,392,813**				
R0710	Own shares (held directly and indirectly)	**30,767,680**				
R0720	Foreseeable dividends, distributions and charges	**11,047,346**				
R0730	Other basic Own Fund items	**1,319,772,158**				
R0740	Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	**0**				
R0750	Other non available Own Funds					
R0760	**Reconciliation reserve**	**5,221,805,628**				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) – Life Business					
R0780	Expected profits included in future premiums (EPIFP) – Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	**0**				

Appendix B continued

S.25.03
Pension Insurance Corporation Group Limited
Solvency Capital Requirement – for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	103101	Interest rate risk – interest rate down more onerous	0
2	103201	Interest rate risk – interest rate up more onerous	520,537,870
3	106001	Property Risk	0
4	107001	Spread risk – if matching adjustment impact not identified	2,985,681,529
5	109001	Currency risk	5,015,653
6	110101	Other market risk – inflation risk	234,429,537
7	110201	Other market risk – implied volatility risk	316,775,716
8	110301	Other market risk – RPI/CPI basis risk	19,892,559
9	110901	Other market risk – funds risk	1,257,097,412
10	199001	Diversification within market risk	-1,282,591,152
11	201201	Type 1 counterparty risk – external reinsurance	69,168,756
12	201901	Type 1 counterparty risk – asset counterparty	29,091,407
13	302101	Longevity risk – longevity mis-estimation	118,217,312
14	302201	Longevity risk – longevity trend	425,431,840
15	302901	Longevity risk – other longevity risks	335,130,850
16	302991	Longevity risk – longevity diversification	-376,400,782
17	306001	Expense risk	474,447,642
18	399001	Life underwriting risk diversification	-154,750,446
19	701001	Operational risk	358,556,897
20	803001	Loss-absorbing capacity of deferred tax	-405,065,124

	Calculation of Solvency Capital Requirement	C0100
R0110	**Total undiversified components**	**4,930,667,474**
R0060	Diversification	-1,040,474,081
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	**3,890,193,393**
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	**3,890,193,393**

	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	-405,065,124
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	1,440,267,942
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	2,449,925,451
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0460	Net future discretionary benefits	0
R0470	Minimum consolidated group solvency capital requirement	972,548,348

	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	
R0510	*Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions*	
R0530	*Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	

S.32.01
Pension Insurance Corporation Group Limited
Undertakings in the scope of the Group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country C0010	Identification code of the undertaking C0020	Type of code of the identification of the undertaking C0030	Legal name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non-mutual) C0070	Supervisory authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for Group solvency calculation C0230	Yes/No C0240	Date of decision if Article 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	5493007PY8C1S8BSNK41	1 – LEI	PIC ERM 1 Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300Q8BH2WRUKFLA05	1 – LEI	PIC Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	549300R4HHJMZHQB8G02	1 – LEI	Pension Services Corporation Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	549300UN2IF0TWMZYC35	1 – LEI	Pension Insurance Corporation Group Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	0	2 – Non-mutual		0%	0%	0%		1 – Dominant	0%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	549300X7DQTBRJ1NIK13	1 – LEI	PIC Real Estate GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46	1 – LEI	Pension Insurance Corporation plc	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	M31AVDIX8NY21MAUQF46GB00006	2 – Specific code	Senior Living Investment Partners Limited Partnership	99 – Other	0	2 – Non-mutual		99%	99%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00007	2 – Specific code	Senior Living Investment Partners (General Partner) Limited	99 – Other	0	2 – Non-mutual		49%	49%	49%		2 – Significant	49%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00008	2 – Specific code	PIC Real Estate (Cedar) GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00009	2 – Specific code	PIC Real Estate (Cedar) Nominee Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00010	2 – Specific code	PIC Real Estate (Cedar) LP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

Appendix B continued

S.32.01 (continued)
Pension Insurance Corporation Group Limited
Undertakings in the scope of the Group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country C0010	Identification code of the undertaking C0020	Type of code of the identification of the undertaking C0030	Legal name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non-mutual) C0070	Supervisory authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for Group solvency calculation C0230	Yes/No C0240	Date of decision if Article 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	M31AVDIX8NY21MAUQF46GB00011	2 – Specific code	PIC Real Estate (Ruskin Square) LP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00012	2 – Specific code	PIC LSQ Holdco LLP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00013	2 – Specific code	PIC AR SQR LLP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00014	2 – Specific code	PIC LSQ Buildco 1 LLP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	M31AVDIX8NY21MAUQF46GB00015	2 – Specific code	PIC SO SQR LLP	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICBOWBCKGP	2 – Specific code	PIC Bowback GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICBOWBCKNOM	2 – Specific code	PIC Bowback Nominee Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICBOWBCKPART	2 – Specific code	PIC Bowback Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	PICBOWBCKUT	2 – Specific code	PIC Bowback Unit Trust	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICGPAFRSTPART	2 – Specific code	PIC Real Estate Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICNEWVICGP	2 – Specific code	PIC New Victoria GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICNEWVICNOM	2 – Specific code	PIC New Victoria Nominee Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICNEWVICPART	2 – Specific code	PIC New Victoria Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	PICNEWVICUT	2 – Specific code	PIC New Victoria Unit Trust	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICOEGP	2 – Specific code	PIC One Eastside GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

Appendix B continued

S.32.01 (continued)
Pension Insurance Corporation Group Limited
Undertakings in the scope of the Group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country C0010	Identification code of the undertaking C0020	Type of code of the identification of the undertaking C0030	Legal name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non-mutual) C0070	Supervisory authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for Group solvency calculation C0230	Yes/No C0240	Date of decision if Article 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	PICOENOM	2 – Specific code	PIC One Eastside Nominee Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICOEPART	2 – Specific code	PIC One Eastside Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	PICOEUT	2 – Specific code	PIC One Eastside Unit Trust	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICPROPGP	2 – Specific code	PIC Properties GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICPROPPART	2 – Specific code	PIC Properties Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICWILTRNGP	2 – Specific code	PIC Wiltern GP Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICWILTRNNOM	2 – Specific code	PIC Wiltern Nominee Limited	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	PICWILTRNPART	2 – Specific code	PIC Wiltern Limited Partnership	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	PICWILTRNUT	2 – Specific code	PIC Wiltern Unit Trust	99 – Other	0	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

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