Assurant Group Limited Single Group Solvency and Financial Condition Report

Period ended 31 December 2020

ASSURANT®

Contents

I Terms and Acronyms

Term	Definition
AGIL	Assurant General Insurance Limited
AGL	Assurant Group Limited, the UK holding company of Assurant General Insurance Limited and Assurant Life Limited. The supervised insurance holding company under Solvency II.
AGL Group, the Group	Assurant Group Limited and its subsidiaries
ALL	Assurant Life Limited
ARCC	Audit, Risk and Compliance Committee of Assurant Group Limited group
Assurant Europe Group or AEG	AGL, TWGE and their respective subsidiaries and their related branches
AEI	Assurant Europe Insurance N.V.
AEL	Assurant Europe Life Insurance N.V.
Assurant, Inc. or AIZ	Assurant, Inc., the ultimate parent and controlling party of both AGL and TWGE
Board	The board of directors of AGL, AGIL and ALL
Brexit	The exit of the UK from the EU
CAE	Chief Audit Executive of Assurant, Inc.
DNB	Dutch National Bank
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ELC	European Leadership Committee
ESC	Extended Service Contracts
EU	European Union
FCA	Financial Conduct Authority in the UK
GAAP	Generally Accepted Accounting Practices
IAS	Internal Audit Services
KFH	A Key Function Holder (KFH) is one which has been identified by the PRA because of their influence within the system of governance
LGI	London General Insurance Company Limited
LGL	London General Life Company Limited
LSG	Lifestyle Services Group Limited, an intermediary and insurance administration company within the Group
MCR	Minimum Capital Requirement, calculated as per the Solvency II Directive
MI	Management information
MPI	Mobile Phone Insurance
MRICL	Multi-Risk Indemnity Insurance Company Limited, a reinsurer of the Group
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority in the UK
RMF	Risk Management Framework
RSR	Regular Supervisory Report or "the Report"
SCR	Solvency Capital Requirement, calculated as per the Standard Formula set out in the Solvency II Directive
SFCR, Report	Solvency and Financial Condition Report
SIF	Senior Insurance Function
SMF	Senior Manager Function: A SMF is one which has been identified by the PRA as having ‘significant influence’ on the management and conduct of a firm’s regulated activities. These are identified in a firm’s Governance Map.

SoG	System of Governance
Solvency II or SII	The Solvency II Regulations of the EU as implemented in the UK by the PRA
Standard Formula	The Standard Formula calculation of solvency capital requirements for firms not using an internal model or partial internal model as set out in the Solvency II Directive
TWGE	TWG Europe Limited, the UK holding company of LGI, LGL, AEI and AEL
TWGE Group	TWGE and its subsidiaries, including LGI and LGL

II Introduction

AGL is a UK based insurance holding company. As the parent of two of Assurant's UK based insurance companies, AGIL and ALL, AGL is supervised on a group basis by the PRA. AGL also owns directly, and indirectly, several other regulated insurance intermediaries and unregulated non-insurance companies. Together these companies are referred to in this document as AGL Group or the Group.

AGIL and ALL are regulated by the FCA and PRA. Both are subject to SII regulations and are at times referred to in this document as the "SII insurance firms". The Group has no other entities that are subject to SII on a solo basis.

This SFCR has been prepared under the requirements of the SII regulations as implemented in the UK by the PRA, which became effective from 1 January 2016.

The SFCR covers insurance and non-insurance business undertaken by AGL as well as its two SII insurance firms, AGIL and ALL. AGL Group has obtained a waiver from the PRA allowing the preparation of a single group SFCR rather than being required to prepare individual SFCRs for AGL, AGIL and ALL. The information in this SFCR contains all the information that would otherwise have been included in the individual SFCRs. Unless specifically stated, references in this document to the AGL Group should be assumed to apply equally to the SII insurance firms AGIL and ALL.

Assurant, Inc., the ultimate parent company, owns two other insurance entities in the UK, LGI and LGL and two insurance entities in the Netherlands, AEI and AEL. These are reported separately as part of the TWGE Group SFCR and are not included in this SFCR.

The SFCR includes the public quantitative reporting templates at Appendix F of this document.

III Summary

AGL Group is part of Assurant in the UK and Europe, Assurant Europe group. AEG is a leading provider of automotive protection and mobile device solutions, with a focus on helping connected customers keep their lives running smoothly. AEG is part of the International business unit of Assurant, Inc. AIZ is a leading global provider of housing and lifestyle solutions that support, protect and connect major consumer purchases. Anticipating the evolving needs of consumers, Assurant partners with the world's leading brands to develop innovative products and services and to deliver an enhanced customer experience. As a group headed globally by a Fortune 500 company, Assurant partners with clients who are leaders in their industries to provide consumers with a range of protection products and services, and is among the market leaders in mobile device solutions; extended service contracts; vehicle protection services; renters insurance and lender placed homeowners insurance.

AGL, TWGE and their respective subsidiaries in the UK and EU are part of AEG.

The AGL Group is a leading provider of mobile and consumer electronics protection operating in the UK.

Products	Programme Solutions	Services
As people become more dependent on connectivity and technology, we design, create, and manage various products that meet consumer needs within a connected and mobile life. Our product philosophy is to continually innovate and deliver the type of solutions that meet consumers ever changing needs. All our products are distributed by well-known brands throughout the UK and across Europe.	Assurant can create tailor-made product and service programmes across a range of consumer markets to offer an end-to-end packaged solution.	Our propositions to clients are highly flexible and can range from a full "turn-key" solution through to an individual outsourced service. No two businesses are the same and we believe that offering flexibility to suit our clients' needs, has always been, and will continue to be paramount to a successful business relationship.

What we offer:		
• Mobile Device Protection • Extended Warranty • Digital Secure • Airport Lounge Access • Mobile Security • Protection Accessories	• Connected Living • "The Hubb" • Lifestyle Bundles	• Sales Support and Consultancy • Outsourced Customer Servicing • Fraud Investigation • Supply Chain Management • Brokering • Underwriting

Performance for the period

For the year ended 31 December 2020, AGL Group made an underwriting loss of £1,988,000 (2019: profit £2,544,000) under UK GAAP. AGIL made an underwriting loss of £522,000 (2019: profit £2,592,000) and ALL an underwriting loss of £1,466,000 (2019: profit £82,000) under UK GAAP.

Further details are provided in Section A.

Risk Management

As a provider of insurance products and services to a variety of corporate and individual clients, risk management is an integral part of AGL Group's business processes.

The risk strategy is owned by the Board, and it is the Board's responsibility to ensure that the business strategy and risk strategy do not diverge. The Risk Function has responsibility to report divergence to the

Audit, Risk and Compliance Committee ("ARCC") together with the appropriate recommendations, including risk mitigation, which could include reassessing risk appetite.

AGL Group employs a comprehensive Risk Management Framework that includes a full range of policies, procedures, measurement, reporting and monitoring techniques to ensure that the risk exposures that arise from operating the Group's business are appropriately managed.

All employees are required to follow the Risk Management Framework and risk management policies and procedures.

The Risk function is responsible for overseeing implementation of the risk strategy and challenging the risks inherent within the business strategy.

The main risks AGL Group, AGIL and ALL are exposed to are underwriting risk followed by credit risk due to counterparty default.

Capital and Solvency

AGL Group, AGIL and ALL calculate their solvency capital requirement ("SCR") using the Standard Formula. Own funds, including the calculation of technical provisions, are calculated based on the valuation requirements set out in the SII Directive.

The capital positions of AGL Group and the two SII insurance firms are summarised below:

As at 31 December 2020	AGL Group	AGIL	ALL
£'000			
Available Own Funds	162,204	93,300	6,794
Eligible Own Funds to meet the MCR	129,377	93,300	6,794
Eligible Own Funds to meet the SCR	157,460	93,300	6,794
SCR	63,840	54,413	3,338
Solvency Ratio %	**247%**	**171%**	**204%**

As at 31 December 2019	AGL Group	AGIL	ALL
£'000			
Available Own Funds	137,490	87,930	7,614
Eligible Own Funds to meet the MCR	107,309	87,930	7,614
Eligible Own Funds to meet the SCR	137,490	87,930	7,614
SCR	71,971	59,599	3,187
Solvency Ratio %	**191%**	**148%**	**239%**

AGL Group, AGIL and ALL maintained own funds more than their SCR and MCR requirements for the full year.

The difference between available and eligible own funds relates to the quantitative restrictions applied under the SII Directive to the amount of Tier 2 and Tier 3 capital that is eligible to meet the SCR and MCR. Further detail is given in Section E.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the single group SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in section B1 of this document on page 25, confirms that, to the best of their knowledge:

a) Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue to comply and will continue to comply in future.

By Order of the Board

Claude Sarfo-Agyare

Chief Financial Officer

29 April 2021

Independent Auditors' Report

Report of the external independent auditors to the Directors of Assurant Group Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2020, ('**the Narrative Disclosures subject to audit**'); and
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit**').
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Assurant General Insurance Limited and Assurant Life Limited ('**the Company Templates subject to audit**')

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report**'.

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Statement of Directors' Responsibilities**');

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications.

Basis for opinion

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

Conclusions relating to going concern

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

- Obtained the directors' Going Concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory Solvency coverage and liquidity position in the forward looking scenarios considered which have been driven from the Company's ORSA;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of Covid-19); and
- Enquired and understood the actions taken by the directors to mitigate the impacts of Covid-19, including review of Board minutes and attendance of all Audit, Risk and Compliance Committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

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

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

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

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide 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 made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to publish a Single Group SFCR.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

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

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the PRA Rulebook applicable to Solvency II firms, the Solvency II regulations, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as the PRA Rulebook applicable to Solvency II firms and the Solvency II Regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase the capital position of the Company, management bias in accounting estimates, judgmental areas such as the assumptions used to determine the valuation of the insurance contract liabilities. . Audit procedures performed included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with, reports to and meetings with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board and its key sub-committees;
- Identifying and testing journal entries, which included journal entries posted by unexpected or unusual users and unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance contract liabilities;
- Testing of significant one-off transactions; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

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 the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

Chartered Accountants

12 Hardman Square

Manchester

29 April 2021

A Business and performance

A.1 Business

Undertakings included in the SFCR

This is the single Group SFCR for AGL Group. It covers the business of AGL Group on a consolidated group basis, with AGL as the supervised parent company, and individually for the two UK incorporated insurance firms AGIL and ALL.

		Legal Form	Principle activity
Supervised Group Parent:	Assurant Group Limited	Private limited company	Holding company
SII Firms:	Assurant General Insurance Limited PRA firm reference number: 212375	Private limited company	General insurance
	Assurant Life Limited PRA firm reference number: 202760	Private limited company	Life insurance

Unless otherwise stated the information in this document should be understood to refer to the AGL Group, AGIL and ALL.

Regulator

AGL Group (on a group basis), AGIL and ALL are supervised by the PRA in the UK. AGIL and ALL are also regulated by the FCA in the UK. PRA and FCA contact details are below:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA
0207 601 4878

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS
0800 111 6768

Auditor

This SFCR and the financial statements of AGIL and ALL are audited by PricewaterhouseCoopers LLP who can be contacted on:

PricewaterhouseCoopers LLP, Chartered accountants, and statutory auditor
1 Hardman Square
Manchester
M3 3EB

Shareholder

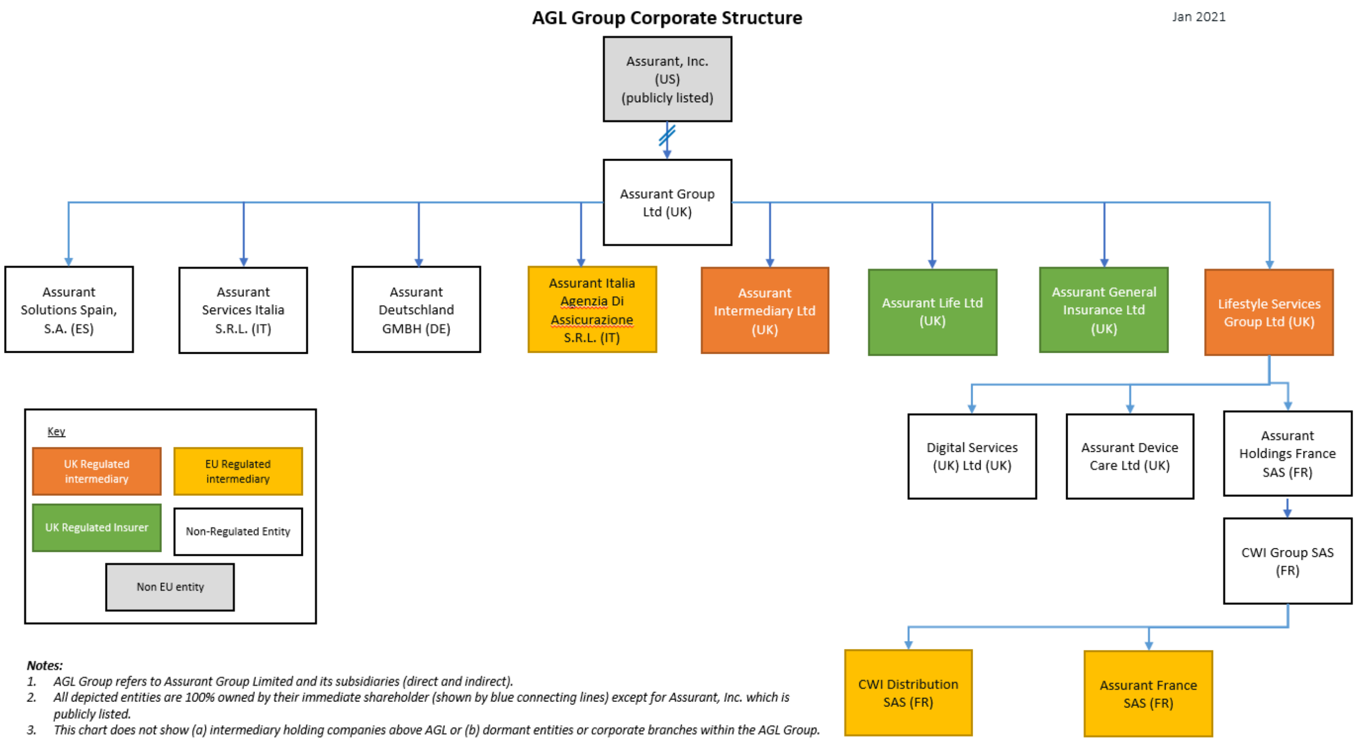
AGL directly holds 100% of the issued share capital and voting rights of AGIL and ALL.

AGL's immediate parent undertaking is Solutions Cayman, a company registered in the Cayman Islands which is jointly owned by Solutions Holdings and ABI International, both of which are registered in the Cayman Islands. Solutions Cayman holds 100% of the issued share capital and voting rights of AGL.

The ultimate parent undertaking is Assurant, Inc., a public company listed on the New York Stock Exchange, registered in Delaware, United States of America.

AGL Group Structure

The scope of the Group included in this SFCR for the purposes of providing consolidated SII and financial statement information is shown in the table below:



Assurant Direct Limited (ADL) is also part of the AGL Group due to common control (Not included in AGL Group structure chart above). ADL is a service company whose ultimate parent is Assurant, Inc. but is not a subsidiary of AGL. Due to common management at board of directors' level, between AGL and ADL, and the underwriting and service relationships between AGL and ADL, AGL is treated as exerting dominant influence over ADL and therefore ADL is included in AGL's supervised group. The impact of ADL's inclusion in AGL's supervised group is not material.

Lines of Business and Geographical Areas

AGL Group is a mixed business of insurance underwriting, claims management and insurance administration, which it operates through companies based in the UK and Europe. Its clients are largely business clients. The AGL Group provides extended warranty, Connected Living Device insurance and blended insurance and non-insurance “lifestyle” products.

AGL Group operates two UK insurance companies, AGIL and ALL. AGL Group operates a number of insurance service companies providing insurance administration services to corporate clients and insurance intermediary services, offering general insurance products and services to UK brokers and independent financial advisors.

In addition, to the above, AGL Group continues to operate a small number of creditor insurances programmes, offering unemployment, disability, death, and critical illness cover. These programmes were underwritten by both AGIL and ALL, depending on the length of the policy term.

The majority of AGL Group’s operations are based in the UK and France and the table below shows a subset of the main operating entities. These entities are regulated by the PRA and/or FCA and by the relevant supervisor where applicable for non-UK jurisdictions.

Legal Entity	Country of incorporation and branches	Principal activity	Major lines of business
European Parent Company			
• Assurant Group Limited	• United Kingdom	• European holding company	• N/a
SII insurance entities			
• Assurant General Insurance Limited	• United Kingdom Branches: • France • Italy • Germany • Spain	• General Insurance underwriter	• Fire and Other Property Damage • Income Protection • Miscellaneous Financial Loss
• Assurant Life Limited	• United Kingdom Branches: • Italy • Germany • Spain	• Life Insurance underwriter	• Health SLT • Other Life

Legal Entity	Country of incorporation and branches	Principal activity	Major lines of business
Insurance intermediary entities			
• Lifestyle Services Group Limited	• United Kingdom Branches: • Netherlands	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant Intermediary Limited	• United Kingdom	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant Direct Limited	• United Kingdom	• Intermediary and administrator for products underwritten by AGIL and other underwriters	
• CWI Distribution	• France	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
• Assurant France	• France	• Intermediary and administrator for products underwritten by AGIL and other underwriters.	
Other material service companies			
• Assurant Services Italia S.r.l.	• Italy	• Service contracts covering mobile device repair, replacement, and upgrade programmes.	

Other group entities not included above do not have a material impact on AGL solvency and capital position.

Assurant Services Italia S.r.l. (ASITA), issues service contracts through an Italian company, which has some insurance properties which are not insurance contracts for Italian regulatory purposes. Prior to 2020 this business was treated as Insurance for Solvency II, and AGL Group calculated Solvency II technical provisions for ASITA's clients and held underwriting risk in the Group Solvency Capital Requirement (SCR). From year end 2020 ASITA's products are no longer treated as Insurance for the AGL Group Solvency II reporting. No restatement of 2019 year end comparatives in this SFCR have been made as the ASITA business was not material in the year.

As listed above AGIL and ALL operated branches in France, Spain, Germany and Italy. Following the changes to the business post Brexit, as described below, such branches are now inactive and will be, or have already been, formally closed and de-registered by the end of 2021.

ALL's remaining EU business transferred to another Assurant Insurer in the year.

Significant events during the reporting period

UK exit from the European Union "Brexit"

Assurant is committed to providing clients and policyholders in the UK and Europe with its full suite of innovative risk management solutions including insurance and non-insurance related products. Currently, we have market presence within Germany, France, Spain, Italy, other EU countries and the UK and we contract with customers within these local markets. Assurant's global expertise is delivered in a culturally sensitive way; aligned to the consumer's need within their local market.

In readiness for the UK's exit from the EU, AEG established new European non-life and life insurers to underwrite new policies and renew existing policies for both existing EU and new EU clients of AEG.

Accordingly, AEI and AEL were established in The Netherlands in 2018 and received an insurance licence from the DNB in 2020. From June 2020 AEI has underwritten all new policies and renewed existing policies for both existing EU and new EU clients of AEG's UK insurers. Both AEI and AEL are owned by fellow Assurant company TWGE, and are not part of the AGL Group.

In 2020, AEG completed a Part VII transfer to move existing EU business out of its UK insurers and into the new European insurers. The move from the existing insurers has been managed with minimal operational risk and disruption to customers, clients and AEG related undertakings' employees.

Following completion of the Part VII transfers, AGIL and ALL only underwrite policies in the UK.

COVID 19

As a global organisation, Assurant has actively monitored the developments of the evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values.

The Company has demonstrated resilience, both operationally and financially, throughout the COVID-19 crisis.

The COVID-19 crisis has affected the UK and EU workforce. The AGL Group faced an unprecedented challenge in terms of its ability to provide ongoing customer policy and claims administration services through its related undertakings and other third-party providers. Work from home protocols were quickly established for the majority of staff and at third party contact centre providers and remain in place. For those employees that need to work in Assurant facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per UK Government requirements and the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Business volumes reduced as a direct result of declining economic activity in 2020. Assurant also experienced challenges in servicing customer claims through certain channels as business partners were forced to close down and lifestyle product claims cost increased where repair options were restricted and more claims were settled by replacement or in cash. With further lockdowns in place in 2021 these risks to performance are expected to continue.

The COVID-19 crisis saw increasing credit spreads which adversely affected the market valuation of the AGL Group's corporate bond portfolio although values subsequently returned to previous levels later in the year. The Group worked with its investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impact and ensure they remained within the Group's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport and leisure, as being at risk of downgrade and this continues to be monitored.

The Group's receivables may be adversely affected if significant clients default; however, the majority are large listed financial services firms. Reinsurance exposures are mostly covered by appropriate collateral in place and hence the risk is not considered material.

A.2 Underwriting Performance

Consolidated financial statement information in this SFCR is presented on a UK GAAP basis.

AGIL and ALL prepare financial statements under UK generally accepted accounting principles. No consolidated financial statements are prepared for the AGL Group as AGL has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the AGL Group are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to “financial statements” below should be understood to refer to audited UK GAAP financial statements in respect of AGIL and ALL and to unaudited UK GAAP financial statements in respect of AGL Group.

The underwriting performance of AGL Group, AGIL and ALL by material SII line of business as reported in the financial statements is set out below:

AGL Group Year ended 31 December 2020 £'000	Fire & Other Damage to Property	Other	General Business Technical Account	Long Term Business Technical Account	Total
Net written premiums	209,492	1,208	210,700	(35)	210,665
Net premiums earned	214,396	1,646	216,042	(35)	216,007
Net movement in long term business provision	-	-	-	297	297
Net claims incurred including claims management expenses	(132,785)	(399)	(133,184)	(44)	(133,228)
Net operating expenses	(82,898)	(482)	(83,380)	(1,684)	(85,064)
Net underwriting result	**(1,287)**	**765**	**(522)**	**(1,466)**	**(1,988)**

AGIL Year ended 31 December 2020 £'000	Fire & Other Damage to Property	Other	General Business Technical Account
Net written premiums	209,492	1,208	210,700
Net premiums earned	214,396	1,646	216,042
Net claims incurred including claims management expenses	(132,785)	(399)	(133,184)
Net operating expenses	(82,898)	(482)	(83,380)
Net underwriting result	**(1,287)**	**765**	**(522)**

ALL Year ended 31 December 2020 £'000	Health Insurance	Other Life Business	Long Term Business Technical Account
Net written premiums	(7)	(28)	(35)
Net premiums earned	(7)	(28)	(35)
Net movement in long term business provision	15	282	297
Net claims incurred including claims management expenses	55	(99)	(44)
Net operating expenses	(495)	(1,189)	(1,684)
Net underwriting result before equalisation	**(432)**	**(1,034)**	**(1,466)**
Other expenses attributed to the long-term business account			(227)
Tax and investment income attributed to the long-term business account			436
Statutory balance on the long-term business account			**(1,257)**

AGL Group Year ended 31 December 2019 £'000	Fire & Other Damage to Property	Other	General Business Technical Account	Long Term Business Technical Account	Total
Net written premiums	235,720	2,270	237,989	(59)	237,931
Net premiums earned	238,588	4,060	242,647	(59)	242,589
Net movement in long term business provision	-	-	-	628	628
Net claims incurred including claims management expenses	(145,984)	(905)	(146,888)	50	(146,838)
Net operating expenses	(91,413)	(1,884)	(93,297)	(537)	(93,834)
Net underwriting result before equalisation	**1,191**	**1,271**	**2,462**	**82**	**2,544**

AGIL Year ended 31 December 2019 £'000	Fire & Other Damage to Property	Other	General Business Technical Account
Net written premiums	225,124	2,008	227,131
Net premiums earned	224,896	2,856	227,752
Net claims incurred including claims management expenses	(135,796)	(362)	(136,158)
Net operating expenses	(87,771)	(1,231)	(89,002)
Net underwriting result	**1,329**	**1,263**	**2,592**

ALL Year ended 31 December 2019 £'000	Health Insurance	Other Life Business	Long Term Business Technical Account
Net written premiums	(15)	(44)	(59)
Net premiums earned	(15)	(44)	(59)
Net movement in long term business provision	123	505	628
Net claims incurred including claims management expenses	129	(79)	50
Net operating expenses	(286)	(251)	(537)
Net underwriting result	**(48)**	**131**	**82**
Other expenses attributed to the long-term business account			393
Tax and investment income attributed to the long-term business account			43
Statutory balance on the long-term business account			**518**

The analysis of the long-term business technical account for AGL Group and ALL excludes investment income and tax charges/credits that are attributed to long-term business for the purposes of statutory reporting.

For purposes of the consolidation, commission and other expenses paid by the SII insurance entities to other AGL Group intermediary and service companies have not been eliminated from the underwriting result and so the figures are in line with those reported in the reporting templates S.05.01 and S.05.02 in Appendix F. The equivalent commission and fee income in the intermediary and service companies and their own expenses e.g. staff wages, sub-broker commissions, overheads etc. are reported as other income and expenses and noted in section A.4 below.

Analysis of premium, claims and expenses by full SII line of business are included in templates S.05.01 for AGL Group, AGIL and ALL in Appendix F.

Results and performance

Consolidated

The underwriting performance of the two SII insurers is discussed below.

AGIL

Gross written premiums decreased by 1.1% to £297,439,000 from £300,803,000 compared to 2019. The reduction in written premiums was mainly due to the transfer of EU related policies to AEI on 2 November 2020 and due to the effects of COVID-19 as multiple lockdowns in the UK and EU region meant lower consumer spending and hence lower insurance sales. This reduction was somewhat offset by an increase of £12,499,000 attributable to a pan-European mobile device solutions contract which grew significantly during the year. This contract is fully reinsured to a third party, and hence outward reinsurance premiums associated with this contract also grew by the same amount. AGIL has also seen a decrease in revenues from other lifestyle product contracts in the UK and EU.

The Company's net earned premiums decreased by 5.1% to £216,042,000 from £227,752,000 in 2019. This reduction was primarily as a consequence of multiple COVID-19 lockdowns imposed in the UK and EU during the year. The loss ratio increased from 60.3% in 2019 to 62.6% in 2020 driven by change in the mix of the claims and increase in the cost of fulfilling claims as a direct result of price increases and shortage of device parts in global markets. The Company's net operating expenses decreased by 6.6% to £81,896,000 from £87,727,000 due to lower commissions paid further to reduction in business during the year offset by an increase in cost recharges from AEG entities.

ALL

Gross written premiums cancellations during the year amounted to £7,000 compared to £33,000 the year before. This is due to a reduction in the level of cancellations in the EU creditor insurance business and occurred prior to the Part VII transfer in November 2020.

In the current year the Company has made a loss on ordinary activities before tax of £1,694,000 compared to a profit of £475,000 in the prior year. This is mainly due to the recognition of a provision for corporate expenses relating to claims fulfilment in the run off of ALL and reflected the arms length nature of the transaction, which was subsequently transferred to AEL on 2 November 2020.

Analysis by geography

All general insurance business is underwritten in Europe and all risks are located in Europe. All long-term business underwritten by ALL is underwritten in Europe and all risks are located in Europe.

An analysis of premium, claims and expenses by material country of risk location is provided in the template P.05.02 in the appendices.

A.3 Investment Performance

AGL Group's investment portfolio is a mix of longer-term government and corporate bonds as well as short-term investments in collective investment undertakings, being money market liquidity funds and other short-term cash deposits. In addition to the investments held to support capital required and technical provisions in AGIL and ALL, the Group may also hold surplus working capital relating to the non-insurance businesses in short term deposits. All investments are made subject to the Group's agreed financial risk policies.

AGIL holds investments in collateralised securities, backed by personal loans and mortgages and by commercial mortgages. Within the Group, ADL holds a trading equity investment in an unlisted entity. During the year this was written down to nil.

Interest income is reducing as higher yielding investments purchased in the past have matured and been replaced with more recently issued bonds with lower yields as a result of the prolonged general low yield environment.

AGL Group As at 31 December 2020 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	180	12	104	296
Corporate Bonds	1,598	(150)	1,305	2,753
Collateralised Securities	-	-	-	-
Collective Investment Undertakings	84	-	-	84
Cash & Deposits	188	-	-	188
Loans and mortgages	109	-	-	109
Equity - Unlisted	-	(9,202)	-	(9,202)
Other	-	-	-	-
Total investment income	**2,160**	**(9,340)**	**1,409**	**(5,770)**

AGIL As at 31 December 2020 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	160	12	100	272
Corporate Bonds	1,598	(150)	1,305	2,753
Collateralised Securities	-	-	-	-
Collective Investment Undertakings	38	-	-	38
Cash & Deposits	(4)	-	-	(4)
Loans and mortgages	358	-	-	358
Total investment income	**2,150**	**(138)**	**1,405**	**3,417**

ALL As at 31 December 2020 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	20	-	3	23
Corporate Bonds	-	-	-	-
Collective Investment Undertakings	-	-	-	-
Cash & Deposits	1	-	-	1
Loans and mortgages	69	-	-	69
Total investment income	**90**	**-**	**3**	**93**

AGL Group As at 31 December 2019 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	138	2	31	171
Corporate Bonds	1,699	17	1,886	3,602
Collateralised Securities	13	-	(6)	7
Collective Investment Undertakings	184	-	-	184
Cash & Deposits	16	-	-	16
Loans and mortgages	101	-	-	101
Equity - Unlisted	-	-	-	-
Other	-	-	-	-
Total investment income	**2,151**	**19**	**1,911**	**4,081**

AGIL As at 31 December 2019 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	108	2	31	141
Corporate Bonds	1,699	17	1,886	3,602
Collateralised Securities	14	-	(7)	7
Collective Investment Undertakings	119	-	-	119
Cash & Deposits	(2)	-	-	(2)
Loans and mortgages	306	-	-	306
Total investment income	**2,244**	**19**	**1,910**	**4,173**

ALL As at 31 December 2019 £'000	Interest income / (expense)	Realised gains / (losses)	Unrealised gains / (losses)	Total
Government Bonds	29	-	-	29
Corporate Bonds	-	-	-	-
Collective Investment Undertakings	2	-	-	2
Cash & Deposits	1	-	-	1
Loans and mortgages	77	-	-	77
Total investment income	**109**	**-**	**-**	**109**

Investment expenses include fees payable to the investment fund manager and an allocation of costs of the AGL Group treasury function:

Investment expenses £'000	AGL Group	AGIL	ALL
Year ended 31 December 2020	199	199	-
Year ended 31 December 2019	196	196	-

A.4 Performance of other activities

AGL Group has a significant amount of non-insurance business including commission income from acting as intermediary for third party insurers, fees for providing insurance and claims administration services and revenue and other fee income in respect of non-insurance products. These fees are generated by the Group's intermediary entities and service companies and are not part of the activity of the insurance firms.

AGIL and ALL do not have any sources of material non-insurance income. Non-insurance expenses primarily relate to realised and unrealised foreign exchange gains, which are recognised in the non-technical account in the financial statements. Both insurance firms have net assets denominated in Euros and made gains on the decrease in the value of British Pound Sterling against the Euro in the year.

Year ended 31 December 2020 £'000	AGL Group	AGIL	ALL
Commission and fee income external	107,445	-	-
Commission income from other group companies	49,652	-	-
Operating expenses	(123,707)	358	321
Non-insurance result	**33,390**	**358**	**321**

Year ended 31 December 2019 £'000	AGL Group	AGIL	ALL
Commission and fee income external	117,215	-	-
Commission income from other group companies	53,127	-	-
Operating expenses	(135,830)	181	(366)
Non-insurance result	**34,512**	**181**	**(366)**

The above expenses exclude amortisation of goodwill and intangibles arising on consolidation of the group.

AGL Group recognises finance Leases for Solvency II purposes for principle office locations in each of the footprint countries. These arrangements are on standard commercial leases.

AGIL and ALL do not have any leasing arrangements in place.

A.5 Any other disclosures

In 2020, AEG completed a Part VII transfer to move existing EU business out of its UK insurers and into the new European insurers.

AGIL transferred net insurance assets amounting to £2,285,000 in exchange for £5,199,000 of consideration to AEI resulting in a gain on disposal of £2,914,0000.

ALL transferred net insurance assets transferred that were equal to that of the net insurance liabilities resulting in no gain or loss on disposal.

B System of governance

B.1 General information on the system of governance

Governance Framework Overview

AGL Group's system of governance sits within the overarching system of governance of Assurant Europe Group which operates a robust internal governance framework across all of its entities, countries and lines of business. The framework is organised in a manner relevant to business activities and size, factoring in specific local legal and / or regulatory requirements as necessary.

Board and management committees exist to direct, control and oversee activities in key areas such as:

- Strategy and business plans (setting, execution and monitoring thereof);
- Audit, risk, and compliance; and
- Day-to-day business activities and performance including:
    - Financial performance;
    - Sales and client management;
    - Customer experience;
    - Risk management;
    - Solvency and capital
    - Reserving;
    - People and culture;
    - Data governance;
    - Investments and treasury; and
    - Technology.

During 2020, the governance framework for the AGL Group was organised through the following key bodies:

Board

Structure and Membership

Although each entity has a separately constituted board of directors, Assurant Europe Group operates a combined operating board structure with common directors across its core UK entities to enable aligned oversight and supervision of the Assurant Europe Group. The Board, with support from its Committee, oversees the whole of the Assurant Europe Group, except where reserved matters and /or specific local legal and / or regulatory requirements dictate otherwise.

The Board is composed of an appropriate combination of Executive Directors, Group Non-Executive Directors and a sufficient number and quality of Independent Non-Executive Directors who between them have sufficient breadth of understanding of the business to provide effective challenge.

During 2020, the Board was composed as listed in the table below. All directors held office for the whole year.

Director	Role	Approved Function
Colin Martin Kersley	INED	SMF9 – Chairman
Stuart Edward Purdy	INED	SMF10 - Chair of the Risk Committee SMF11 - Chair of Audit Committee
Christian Wesley Formby Hernandez	Executive	SMF1 - Chief Executive Officer
Claude Kwasi Sarfo-Agyare	Executive	SMF2 - Chief Finance Officer
Michael John Carter	Executive	SMF7 – Group Entity Senior Manager
Ricardo Jesus Morales-Gomez	GNED	SMF7 - Group Entity Senior Insurance Manager

Role and Responsibilities of the Board

The overriding collective role of the Board is to promote the long-term sustainable success of the Group, generating value for its stakeholders through effective governance and assumption by the Board of direct responsibility in the following key areas:

a) Establishment of purpose, values, and strategy, ensuring alignment with the desired culture.
b) Ensuring the necessary resources are in place to enable agreed objectives to be met and measuring performance against such objectives.
c) Leadership within a framework of prudent and effective controls which enable risk to be assessed and managed.
d) Engagement with shareholders and other stakeholders.

Executive Directors have an intimate knowledge of the business, whereas Non-Executive Directors bring a wider perspective; with relevant skills and experience of best practices they have a key role in constructively and independently challenging the Board and helping to develop strategy and business plans.

Non-Executive Directors also scrutinise the performance of the Executive Directors in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information, and that financial controls and systems of risk management, are rigorous and robust.

Board Committees

To increase efficiency, the Board has a board-level committee, the Audit, Risk and Compliance Committee, which is responsible for discharging governance responsibilities in respect of audit, risk, internal control and compliance.

The ARCC is composed solely of Independent Non-Executive Directors, one of whom acts as Chair. Formal and regular meetings are held which include regular reports from Risk, Compliance, External Audit, Internal Audit, Actuarial and Finance.

As per its Terms of Reference, the ARCC's key responsibilities include:

a) Monitoring and reviewing the effectiveness of the internal audit function.
b) Overseeing relationships with external auditors (including their effectiveness and independence) and assessing the integrity of the annual report and accounts.
c) Overseeing the solvency and capital position.
d) Overseeing the whistleblowing and fraud investigation process.
e) Ensuring compliance with legal and regulatory requirements.
f) Overseeing the effectiveness and appropriateness of the risk management and internal control frameworks.
g) Reporting to the Board on how it has discharged its responsibilities.

Management Committees

As explained above, Assurant Europe Group operates a management committee structure to ensure appropriate oversight and control of performance, activity and risks within the business.

The management committee structure is led by the ELC which is responsible (except where specific local legal and / or regulatory requirements dictate otherwise) for managing and overseeing the day to day business and affairs of the Assurant Europe Group in accordance with the agreed strategy and the authority delegated to it by the Board.

The ELC is chaired by the President and is composed of all Executive Directors plus other senior managers nominated by the President to represent certain business units, geographies, and functional areas. Formal and regular meetings are held and relevant outputs are reported to the Board regularly via the President.

As per its Terms of Reference, the ELC's key responsibilities include:

a) Development and execution of strategy and business plans, and monitoring of performance thereof.
b) Ensuring that activities are consistent with the strategy, risk tolerance/appetite and policies approved by the Board.
c) Reporting to the Board (via the President) on how it has discharged its responsibilities.
d) Oversee business functions, ensuring that the business has the necessary resources to meet its objectives.

e) Monitoring the financial position, ensuring that applicable legal and regulatory requirements (including as to capital and solvency) are met.
f) Overseeing business development and new business opportunities.
g) Overseeing client relationships and customer experience.
h) Setting and overseeing the management governance framework.

The ELC has established a number of management sub-committees and forums to assist it in completing the roles and responsibilities assigned to it by the Board. Each committee and forum has a core membership consisting of relevant senior managers and, in general, committees and forums are chaired by the relevant Senior Manager Function (SMF) holder. Each sub-committee and forum is delegated with authority from the ELC to perform certain roles and responsibilities assigned to it within Terms of Reference set by the ELC. The sub-committees and forums are accountable to the ELC but do not relieve the ELC of any of its responsibilities.

Assessment of the adequacy of the system of governance

AGL Group's system of governance is periodically reviewed by the Board in accordance with EIOPA guidelines on system of governance. Such reviews take into account the nature, scale and complexity of the business both at individual and at group level, as well as the structure of the group. The scope, findings and conclusions of such reviews are documented and reported to the Board with suitable feedback loops in place to ensure that any follow-up actions are undertaken and recorded.

Based upon the most recent internal review, the Board has assessed AGL Group's system of governance to be adequate and appropriate to the nature, scale and complexity of the risks inherent in the business.

Material changes in governance structure

There were no material changes to the governance structure during 2020.

Key Functions

A Fit and Proper Person framework is followed to ensure functions are led by appropriately skilled people. In addition to the directors listed in the previous section, the following officers have also been approved by the appropriate UK regulatory bodies as at 31 December 2020 and all are subject to Assurant Europe Group's Fit and Proper Policy.

A complete list of SMF holders is shown below:

Name	Approved Function
C W Formby-Hernandez	SMF1 - Chief Executive Function
C Sarfo-Agyare	SMF2 - Chief Finance Function
M J Schofield	SMF4 – Chief Risk Function
C T Holmes	SMF5 – Internal Audit Function
M J Carter	SMF7 - Group Entity Senior Insurance Manager

R Morales-Gomez	SMF7 - Group Entity Senior Insurance Manager
C M Kersley	SMF9 – Chair of the Governing Body
S E Purdy	SMF10 – Chair of the Risk Committee SMF11 - Chair of the Audit Committee
R Weddell	SMF16 – Compliance Oversight SMF17 – Money Laundering Reporting Officer (ALL only)
C Woolnough M Davies	SMF18 – Other Overall Responsibility
P M O'Callaghan	SMF18 – Other Overall Responsibility (AGIL only)
W T Diffey	SMF20 – Chief Actuarial Officer
G A Davies	SMF23 – Chief Underwriting Function
C W Formby-Hernandez	Responsible for Insurance Distribution

The detailed responsibilities of each SMF Holder are documented in Management Responsibilities Maps for each insurer within the AGL Group which are reviewed and approved by the Board on a regular basis. This ensures that each SMF Holder has the necessary authority and operational independence to carry out their role. On an annual basis, as part of the Business Planning process, each SMF Holder will ensure that they have the necessary resources to deliver on their responsibilities. The Business Plan is reviewed and approved by the Board annually.

SMF Holders and External audit have direct access to the Audit Risk & Compliance Committee and the Board to share any concerns they may have about the governance framework.

Remuneration Policy

The ELC oversees remuneration policies and procedures for all staff below Executive level. Executive incentive plans and remuneration policies are governed at an Assurant, Inc. level by people with knowledge of relevant UK laws and regulations. For this reason, there is no UK based Remuneration Committee.

Assurant Europe Group places great value upon the contributions, skills and expertise of its employees and recognises the need to attract and retain the best talent to drive business performance. The remuneration policy not only helps to attract and retain employees but also ensures that the Group has employees with the right skills and qualifications. It also recognises the importance of aligning incentives to encourage appropriate decision making and alignment with the business' objectives and risk management strategy.

Assurant Europe Group's remuneration policy and practices seek to provide incentives to employees that are within the risk tolerance limits of the business and could undermine the effective risk management of the Group and culturally aligned to our values. It is therefore necessary to provide for requirements on remuneration for the purposes of the sound and prudent management of the business and establish remuneration arrangements.

Variable remuneration is performance related; the total amount of the variable remuneration is based on a combination of the assessment of performance of the business and the individual. The performance of the business always outweighs the performance on the individual to ensure appropriate variable remuneration decision making is made.

There are a number of variable remuneration schemes which cover both short and long-term incentive plans. The scheme periods and deferral in respect of the short-term schemes are in line with the short-term nature of the insurance liabilities the business writes or are linked to client contracts. Each variable remuneration scheme has a different scope of employees and performance measurements. Variable remuneration schemes are aligned to the nature of the role and key responsibilities. Employees are only eligible to participate in either; Head Office bonus, STIP or SIP and one long term incentive scheme i.e. ALTEIP. Below is a summary of the variable remuneration schemes.

Employees are only eligible to participate in one of the short-term incentive plans. Variable remuneration as a percentage of total direct compensation shall not exceed 100% of salary.

The deferral periods for the awards are considered to be appropriate and proportionate to the nature of the Assurant business and to the length of the risk profile described above.

Non-European based Directors receive no variable remuneration based directly on the performance of Assurant Europe Group, their remuneration being linked to the performance of the wider Assurant, Inc. group.
Non-Executive Directors receive no variable remuneration.

Transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

There were no material transactions with the shareholders of AGL Group in 2020.

B.2 Fit and proper requirements

Assurant Europe Group must be able to demonstrate that it employs people who are fit and proper for the professional discharge of the responsibilities allocated to them, to assist in driving the appropriate culture in the business to minimise risk and to ensure sound and prudent management of the business.

Assurant Europe Group acknowledges that fitness and propriety across the business is essential for commercial reputation and customer confidence as well as regulatory compliance. This is ensured by operating consistent procedures during recruitment, and ongoing employment, to be satisfied that an individual:

- will be open and honest in their dealings and is able to comply with the requirements imposed upon them (honesty, integrity, and reputation)
- has the necessary knowledge, skills, and experience to carry out the function they are to perform (competence and capability)
- is financially sound (financial soundness).

The Group operates a robust recruitment process and carries out the appropriate due diligence on all candidates. Anyone who is being assessed to perform in a SMF or Key Function Holder ("KFH") role is subject to a rigorous review of their fitness and propriety against the role requirements. All assessments with a fit and proper requirement are supported by an HR professional.

The following supporting evidence for every appointment is maintained: CV, Role Profile, and interview notes. For a prospective candidate to be passed as 'fit and proper', in addition to comprehensive interviews, additional checks include: credit checks, checks from the Disclosure and Barring Service (DBS) or Disclosure Scotland, or Access Northern Ireland, proof of qualifications, two references covering at least five years' previous employment; and self-certification regarding Conflicts of Interest.

For appointments for role-holders based outside of the UK, similar checks are carried out locally which are aligned to appropriate legislation.

If the results of any screening are ambiguous and/or give cause for concern, the matter is raised with the prospective candidate to obtain a satisfactory explanation. Concerns are escalated to, and discussed with, the Senior European Compliance Officer, or the Chief Risk Officer. If screening concerns cannot be satisfactorily resolved, any offer of employment is withdrawn.

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

Risk Management System

AGL Group employs an enterprise wide approach to its Risk Strategy in order to embed a comprehensive and consistent risk management methodology. The objective of AGL Group's Risk Strategy is to establish a rigorous Risk Management Framework to ensure that the principles of good risk management are embedded throughout Assurant.

To this end, the management of the organisation at all levels is required to be risk aware and understand that Risk Management is part of all employees responsibilities in delivering the business objectives in an efficient and effective manner in line with an agreed and established risk appetite and enterprise vision and values.

Risk Strategies

AGL Group adopts a number of risk management strategies to ensure that the group's Risk Appetite is not exceeded. The choice of strategy varies depending on the nature of the risk and related circumstances. These strategies include:

- Risk acceptance: the AGL Group Board accepts risks that fall within the boundaries/limits defined in the risk appetite framework. Any risk falling outside the specified limits or boundaries is reviewed to ascertain if the risk appetite requires updating or if an exception should be granted.
- Risk reduction/minimisation: these activities generally relate to control and mitigation activities, and therefore this strategy may include, any or all of the following, the design of new process or accounting controls, contracting controls, changes in product design, improvement in a set of Terms and Conditions, or other changes designed to control and/or mitigate risk.

- Risk transfer: risk is transferred principally through reinsurance agreements. These may include, but are not limited to stop loss, excess of loss, quota share, or other such treaties. Other types of risk transfer can also be considered.
- Risk Avoidance: where an activity is outside the risk appetite of the AGL Group, AGL will seek to avoid exposure to that type of risk.

Process

AGL Group works within the three lines of defence model and reinforces the requirement for first line management of risk, with oversight and challenge from the second line risk and compliance functions and third line internal audit function:

Enabling Risk Culture	Oversight	Board and Executive	• Establishes risk appetite and strategy • ARCC - Approves risk framework and challenges risk management function	Risk Management Framework and Process Alignment
	3rd Line of Defence	Internal Advisory Services (Internal Audit)	• Provides independent assurance on the effectiveness of first and second line of defence functions	
	2nd Line of Defence	Risk Management Function Compliance Function Actuarial Function	• Design, interpret and develop overall risk management framework • Overview of AGL Group Risk Registers • Ownership of ORSA Process and Output • Monitor controls in place against key risks • Challenges risk mitigation and acceptance • Reports on Risk exposures, Issues, mitigations and resolutions • Actuarial Function Report; Underwriting / Reinsurance opinions under Solvency 2	
	1st Line of Defence	Business / Functions	• Executive Risk Owners • Owner of the risk management process • Identifies, manages, and mitigates risks • Identifies, manages, and reports on Issues	

AGL Group has implemented a robust governance structure around Risk Management that is proportionate to the scale and complexity of the group.

Business areas are responsible for completing a Risk and Control Self-Assessment or RCSA which contributes to the Risk Register of the business. They update the risk registers on a periodic basis defined in the risk register process, using measurement techniques specified in Assurant's Risk Management Framework.

Management are given authority to manage risks to within the agreed risk appetite. The monitoring processes and controls that operate over the organisation will be complementary to the processes and controls used by the Risk organisation and its committees.

Own Risk and Solvency Assessment

The risk management processes, and systems of the AGL Group are combined and there are no separate processes for its insurance entities. This includes the annual ORSA process. AGL Group has obtained a waiver from the PRA allowing a single group ORSA process. This process covers all the necessary requirements for each SII insurance firm within the group, had it been performed on a standalone basis.

The ORSA is completed and approved by the board annually and ad hoc ORSA's are completed when required in line with the ORSA policy.

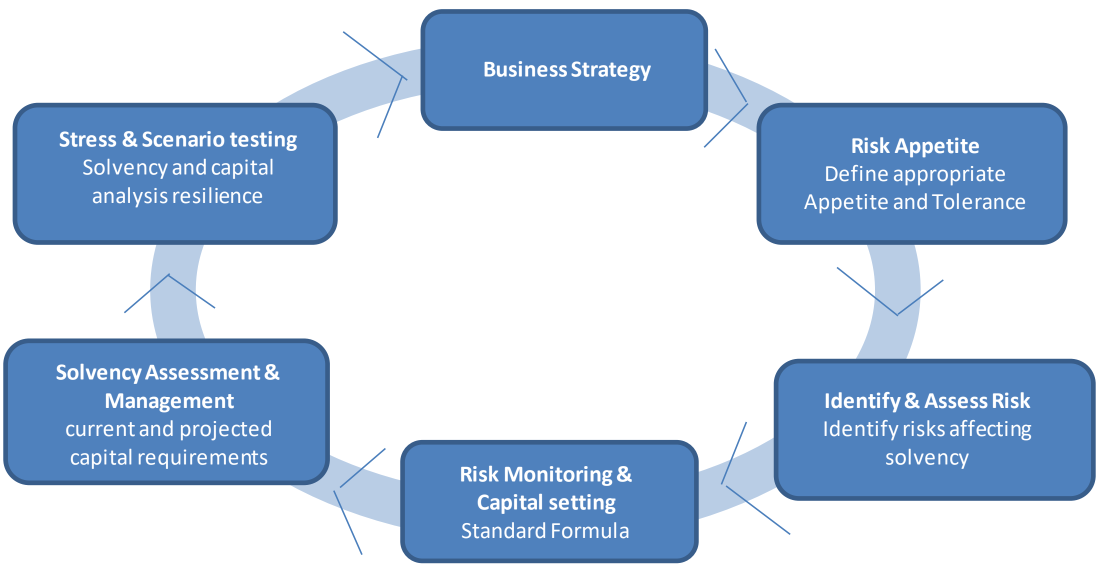
The ORSA is not separate to the Risk Management Framework ("RMF"), but an integral tool to describe the whole risk to the business and, by implication, the ability of the business to meet the funding requirements of its overall business plans including its on-going liabilities now and into the future.

The ORSA is a forward-looking analysis of the AGL Group's insurance entities' short and long-term risks, which is updated regularly to ensure sufficient own-funds to meet the entities' existing and future liabilities, through a combination of risk, capital and solvency projections.

In general, the "ORSA process" is one of coordinating with many areas of the business to ensure that the information, data and calculations are available for reporting through to the Results and ensuring that key stakeholders are available to review and comment on the ORSA outputs.

The process is owned and operated by the Risk Function, which has access and continuing understanding and control of many of the key elements that make up the ORSA.

ORSA Process



B.4 Internal control system

AGL Group's internal control system is designed to provide reasonable assurance that its reporting is reliable and compliant with applicable laws and regulations, and its operations are effectively controlled.

AGL Group uses a three lines of defence principle. AGL Group's general efforts to promote, foster and facilitate an organizational culture of sound and ethical business practices is the responsibility of the first line of defence, i.e. business management. Second line of defence functions help, support, and challenge the business management to meet that responsibility. Internal audit will provide independent assurance and is the third line of defence. AGL Group's internal control system and three lines of defence model is further elaborated in policies, procedures and guidelines.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of risk management processes, practices and internal control systems. In practise the oversight and management of these systems necessarily involves participation of the Board, the ARCC, senior management, Risk, Finance, Compliance, Legal, business managers, various management committees and Internal Audit. Primary responsibility for ensuring day-to-day oversight of the internal control system lies with the relevant Senior Manager Functions (SMFs) and Key Function Holders.

AGL Group promotes the importance of appropriate internal controls by:

- ensuring that all personnel are aware of their role in the internal control system;
- ensuring a consistent implementation of the internal control systems across the company; and
- establishing monitoring and reporting mechanisms for decision making processes. The Risk Management and Controls section above includes a brief description of the internal control systems relating to the risk function.

Compliance

AGL Group operates within a financial services' regulatory regime in the UK. The regulators define the standards required within the business via their rules and guidance, which cover key areas around customer protection and sustainability – with expectations that these principles are embedded in the culture of the business, driven from the top of the organisation and managed via robust governance frameworks. All AGL Group employees are required to have an awareness of the requirements on them within their role to ensure the business meets the standards required in both letter and spirit, with some Senior Management having specific responsibilities, accountabilities and obligations to the regulators.

Good compliance standards and risk management helps the business build trust with customers, and other stakeholders, and promotes a culture where positive individual behaviours ensure the customer is at the heart of the systems and controls which enable good customer outcomes and the identification/mitigation of poor practice.

AGL Group's Compliance function's purpose is to ensure that the Group meets the regulatory requirements in the jurisdictions in which it does business. Through engagement with the business leaders and a variety of activities and processes to identify, assess, control, measure, mitigate, monitor and report compliance risks across the Group as a part of its oversight and administration of the

Compliance Plan, the Compliance function ensures a strong regulatory compliance culture within the Group.

The function operates independently from the business and is part of AGL Group's second line of defence, which specifically provides advice on regulatory requirements and assurance regarding the effectiveness of first line controls. It is led by the Chief Compliance Officer, who reports directly to the International Compliance Officer of the parent group and has direct access to the Board and ARCC in order to assist with management of any conflicts of interest. The Chief Compliance Officer, provides regular updates on the Compliance monitoring activity to the ELC and the Board (via the ARCC).

The Compliance function also owns and develops AGL Group's relationships with key regulators, including the FCA and PRA, which includes taking a forward-looking view to manage regulatory change.

B.5 Internal audit function

Reporting directly to the Assurant Chief Audit Executive ("CAE") and to the ARCC, the Internal Audit Services ("IAS") function, led by the Head of Internal Audit for Europe (HoIA), is responsible for regularly assessing the adequacy of the internal controls system of AGL Group and its subsidiaries, including AGIL and ALL, and reporting the findings to the Board (via the ARCC).

The bi-annual audit plan is prepared and submitted to the ARCC every six months for review and confirmation. Upon confirmation, IAS distributes the plan to Executive business leaders and executes the plan during the course of the audit plan period. Additionally, at IAS' discretion or at the request of the ARCC, or management, other unannounced audits may be completed.

IAS personnel report directly and solely to the Chief Audit Executive ("CAE") of Assurant, Inc. and the CAE reports directly to the Chair of the Assurant, Inc. Audit Committee; and administratively to Assurant's Chief Financial Officer.

The Internal Audit Charter defines the framework for the activities of the internal Audit function and is approved by the Assurant, Inc. Audit Committee.

The internal audit reporting structure and the Charter allow IAS to be independent of the functions audited; and it provides IAS full, free, and unrestricted access to all operations, records, property, and personnel. Additionally, it provides the authority to allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.

Initially the entire risk universe is considered during annual audit planning and subsequent revisions to plan, the highest-risk items are included as risk-based audits. Certain processes, while not rising to a level of significant risk, are still included on a cyclical basis to ensure breadth of coverage over a span of time.

Secondly, risks associated to the audit are identified and their mitigation evaluated via an assessment of the design and operational effectiveness of key internal controls, information systems, governance, risk management, and financial reporting supplemented where necessary by a programme of testing, creating audit programs for every project.

Audit plan activities typically conclude with some form of communication (audit report, memo, or other testing result) addressed to appropriate management of not only the results of the activities, but also management’s action plans for remediation and/or improvement. Depending on the scope of the engagement these actions could be in the area of risk management, controls, or corporate governance with action plans obtained from appropriate management which are tracked by IAS until final completion as part of the IAS issues follow-up process.

Senior management have the opportunity to provide responses to audit findings, which are included in the final report, when that format is used to communicate results. The completed reports are made available to executive leadership, the ARCC and the AIZ Audit Committee.

B.6 Actuarial function

The actuarial function is responsible for calculating the technical provisions and claims reserves for the Group, as well as calculating the SCR, MCR and ORSA capital on a regular basis. In addition to these key responsibilities, the actuarial function is also responsible for reviewing and calculating the appropriateness of insurance product pricing and contributing to the corporate governance committees / forums, capital initiatives and regulatory returns where appropriate.

The function is led by the Chief Actuary. The Chief Actuary has the knowledge and experience, is appropriately qualified, and has the appropriate level of skill necessary to perform this function in accordance with applicable professional and technical standards.

The Chief Actuary coordinates the calculation of technical provisions, provides the Actuarial Function Report and provides opinions on the underwriting policy and reinsurance arrangements, and contributes to the effectiveness of the risk management system.

The Chief Actuary also provides quarterly and annual reports to the Board, via the ARCC, detailing the methodology, assumptions, and results of their work for approval, as well as fulfilling the 2nd line responsibilities of the role for the Actuarial Function Report. ARCC is responsible for challenging those assumptions and ensuring that they are appropriate and not unduly influenced by management. The Chief Actuary also has access to the independent non-executives to escalate any issues or concerns.

B.7 Outsourcing

AGIL and ALL operate as part of the overall AGL Group that is supervised on a group basis by the PRA. AGIL and ALL have no employees and all services are provided by other Assurant Europe Group companies. The Board of AGL, the European group parent, and of AGIL and ALL are the same and as such these are not considered to be outsourced arrangements.

Many of the Group’s processes are part of wider Assurant, Inc. global activities and staff working and employed in the European business have responsibilities for the European organisation but also report up through the global enterprise structures. Similarly, there are employees of the Global enterprise who perform activities on behalf of the European business. These processes include IT services.

Where such activities relate to critical functions, including Internal Audit and Risk where the SIMFs are employees of the Assurant, Inc. group as described in the previous sections, those employees are also directly responsible to the Board for activities performed on behalf of the business and are therefore also not deemed to be outsourced arrangements.

The Group regularly makes use of third-party organisations to provide goods and services to the business in various areas. From time to time, the Group will choose to source services from third parties or from group companies that would normally be provided internally by the Group itself.

The rationale for this choice is frequently reviewed to make the business more efficient and/or bring innovation and new ideas into the business. However, while the Group can engage a third party to provide the service, the Group retains responsibility for ensuring that appropriate performance and quality standards are both set and achieved by the provider and that the services by design and performance deliver fair customer outcomes.

The Outsourcing policy sets out the standards and controls required for selection of providers of this type of arrangement as well as the requirements for ongoing management of these relationships to ensure adequate oversight and governance of performance of the services.

The Group Outsourcing policy ensures that the Group only outsource services and processes where the risks associated with the relationship and provision of services can be appropriately managed and the service provider (third party or intra-group) can meet our required customer and regulatory obligations and mitigate any risk exposure in the areas of concentration risk and operational risk. Furthermore, any consideration of outsourcing a function or activity will be subject to detailed consideration and a detailed business case requiring executive committee approval before proceeding.

Critical and key functions that are outsourced:

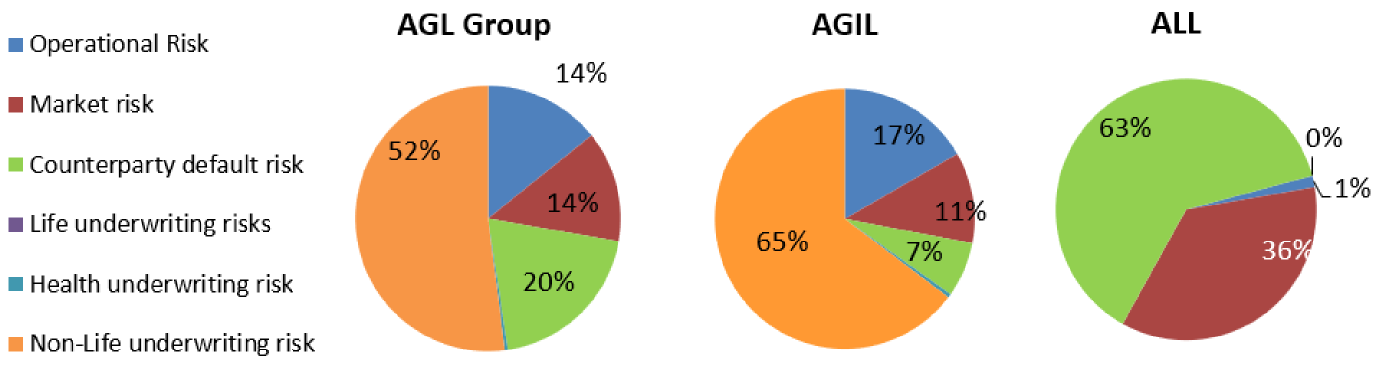
Name of Provider	Outsourced function	Jurisdiction	Person responsible
Assurant, Inc.	Investment Management Services	UK, US	V Lipovetsky
Aberdeen Asset Managers Limited	Investment Management Services	UK	L Hickmore
Teleperformance Romania	Administration and Claims Management	EU	B E Diaconescu

B.8 Any other disclosures

None.

C Risk management

The main risks AGL Group, AGIL and ALL are exposed to are underwriting risk followed by credit risk due to counterparty default. The charts below show the distribution of the SCR required for the Group and each SII insurer by risk module (excluding the diversification effects between the risk modules).



Each risk type is considered below in turn.

C.1 Underwriting risk

Underwriting Risk is defined as the financial and contractual risks involved when writing or administering insurance policies. Unmitigated, the risk exposure would have a large, material impact on the total risk exposure of the AGL Group.

Measures used to assess underwriting risk

Premium Risk, the risk that premiums are not sufficient to cover actual claims costs and expenses and to provide AGL Group with an appropriate return for the risk taken:

- Expected premiums, claims and expenses (commissions and other acquisition costs, costs to service policyholders and fulfil claims and overheads) are projected three years ahead as part of the annual operating plan and forecast process. Variances between forecast and actual results are reviewed monthly by the senior management team and quarterly by the Board and actions identified and assigned.
- The impact of the 3-year plan on the AGL Group's, AGIL's and ALL's future solvency and economic capital position is modelled through the annual ORSA process.
- All new business proposals are assessed by the Pricing team against target returns on capital and approved by a committee which includes representatives from Risk or Compliance.

Reserve Risk, the risk that claims reserves are insufficient to cover the actual costs of claims that have been incurred:

- In calculating the estimated cost of unpaid claims, AGL Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. Reserves were adjusted during the COVID-19 pandemic in 2020 to ensure that they were adequate to meet expected claims.

- The run-off of historic claims reserves is reported to the ARCC annually and the cost of any potential reserve increase is included in the annual ORSA process.

Underwriting risk exposure is also assessed and quantified in AGL Group's Standard Formula solvency capital requirement calculation which is completed quarterly.

Material underwriting risks

Non-Life and Health Not Similar to Life Techniques

- AGL Group issues non-life insurance policies through AGIL.
- Fluctuation in the frequency and severity of insured events, both relating to policies that were underwritten in the period and to unexpired policies from previous periods, present the most material elements of underwriting risk for the AGL Group.
- Non-life business includes property policies (covering loss, theft and accidental damage), extended warranty contracts (covering mechanical breakdown) and creditor policies (covering sickness, disability and unemployment), where the actual experience could vary significantly from that anticipated when the policy was originally priced. New creditor policies are no longer written.
- In respect of non-life contracts, the business underwritten is short tail compared to other general insurance businesses. Claims are reported and decisions made quickly, especially for Connected Living Device and other property insurance claims. Speed of payment of claims reduces the uncertainty surrounding the ultimate claim amounts and reduces the exposure to Reserve risk.
- The lockdowns across the UK and Europe in response to the COVID-19 pandemic led to a reduction in sales due to closure of shops and a change in the claims profile, with a higher proportion of claims relating to accidental damage as opposed to loss and theft.

Life and Health Similar to Life Techniques Business:

- ALL issued creditor policies, classified as Life business, of up to 10 years in length at the point of sale where the actual experience could vary significantly from that anticipated when the policy was originally priced. Following the Part VII transfer in November 2020, ALL currently has a small no of in-force policies or outstanding claims.

Risk management

AGL Group's underwriting and reserving policies applies to all companies within the AGL Group. In general, the risk appetite of AGL Group is to limit the time period for exposure on underwriting risk to less than one year. Where we accept risk beyond one year, this will be in exchange for a higher anticipated financial return.

AGL Group has a range of contractual mitigations included within contracts. These allow for AGL Group to re-price contracts for new business and renewals and therefore reduce underwriting risk in different scenarios including unexpected financial performance, change of product or processes by the client, impact of regulatory change or change in the supply chain market environment.

Due to the nature of the primary business lines insured, it is continually necessary to scan the horizon for emerging risks with regards to changes in customer behaviour and changes in technology. AGL Group's commercial contracts contain controls to protect against any future change in the landscape.

Concentration of underwriting risk

AGL Group's and insurance firms' policies are not exposed to significant insurance concentration risk of location. AGL Group does therefore not have any material exposure to catastrophe risk.

Risk mitigations

AGL Group can seek to use reinsurance treaties to limit underwriting exposure where it exceeds the limits set out in its Reinsurance policy. Any reinsurance treaty or negotiation of terms on existing treaties needs to comply with the requirements of the policy.

Two distinct types of reinsurance may be utilised:

- as a mechanism for sharing risks with individual client groups for certain products as part of the relevant commercial relationship ("Client-based Reinsurance"); and,
- for the purposes of broader risk and capital management ("Risk Management Reinsurance").

AGL Group will consider any level of risk transfer as is appropriate to the situation.

AGL Group does not normally seek to utilise risk mitigation techniques other than reinsurance. Should situations arise where other risk mitigation techniques are considered or present a significant opportunity these will be subject to a full business case review and approval as set out in the policy.

AGL Group shall only utilise reinsurance where it provides effective risk transfer and risk mitigation in AGL's solvency capital requirement calculations.

C.2 Market risk

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, and financial instruments.

Measures used to assess market risk

AGL Group is exposed to market risk and exposures are monitored by the Treasury and Investment Forum and overseen by the ARCC. The factors that are likely to affect market risk include, but are not limited to, large fluctuations in, or changes to, interest rates, volatility in foreign exchange markets, sudden inflation/deflation, recession, conflict (war, terrorist attack), and political instability.

Management of the AGIL and ALL investment portfolios is outsourced to the investment managers, which operate within the agreed mandates set in accordance with the risk appetite and subject to the prudent person principle. The AGL Group Treasury function is responsible for monitoring the activities of the investment managers, as well as monitoring and reporting on performance. Material deviations from the mandate or expected risk appetite are escalated through the AGL Group system of governance and to the Board (via the ARCC) if appropriate.

The risk associated with AGL Group's, AGIL's and ALL's investment portfolios are modelled through the annual ORSA process. Market risk exposure is also assessed and quantified in AGL Group's Standard Formula solvency capital requirement calculation which is completed quarterly.

Material market risks

AGL Group does not seek market risk as a means to increase revenue or profit. Market risk is a necessary aspect of managing the solvency of the business. AGL Group is tolerant of market risk as a mechanism to fund policy liabilities and contribute to the growth of surplus and maintenance of capital requirements.

Included within market risk are:

Interest Rate Risk	The fair value of AGL Group's portfolio of fixed income securities is inversely correlated to changes in the market interest rates. Therefore, if interest rates fall, the fair value of the portfolio would tend to rise and vice versa.
Currency Risk	Following the transfer of European business out of the AGL Group in November, AGL Group operates only in the UK and therefore its exposure to currency risk is minimal. AGL Group has some currency risk arising from its non-insurance business.
Spread Risk	Spread risk does present a material risk to the business but is closely managed by the use of a suitably diverse investment portfolio.
Property Risk	AGL Group, AGIL and ALL had no exposure to property risk in the year ended 31 December 2020.
Equity Risk	Assurant Direct Limited, a fellow company that is included in the supervised group due to having common management as AGL Group, holds a strategic equity trade investment. AGIL and ALL had no exposure to equity risk in the year ended 31 December 2020.

Risk management

The investment portfolio is structured so that asset quality is a primary feature. As a result, the portfolio is limited to Government Bonds, Sovereign and Sub-Sovereign debt, Collateralised Securities, and investment grade Corporate Bonds which are actively traded.

Investments are required to be above investment grade (BBB-) at purchase. Those that fall below investment grade subsequently are investigated with subject matter experts and the costs of early exit are assessed against the risk of default.

The Board utilises Assurant Asset Management and Aberdeen Asset Management Limited to manage the investment portfolios of ALL and AGIL respectively. AGL Group's requirements for the management of its investment portfolio are stipulated in the Investment Management Agreement with the appointed investment managers.

The investment portfolio mandate reflects AGL Group's risk appetite to mitigate spread risk, and investments are diversified by industry, allocation, and quality. The investment managers are given parameters against which they are measured quarterly.

Market risk to the investment portfolio is considered in real time. Risks to the value of investments are discussed quarterly with the investment managers.

Market prices of the assets held were affected by Covid-19 during 2020 with widening of credit spreads in Q2 leading to a reduction in market value. There were also a small number of downgrades of issues held in the investment portfolio. In line with process, these were individually discussed with the asset managers and appropriate action taken. No defaults were experienced in the portfolio and the market value returned to previous levels during Q3 2020.

Equity risk arises due to a trading investment by Assurant Direct Limited in an unlisted company. The investment is strategic in nature and not held for speculative reasons or as part of the Group's general investment portfolio. The valuation of the investment is reviewed at least annually and at 31 December 2020 was valued at £Nil.

Operational and structural currency risk is managed within AGL Group by broadly matching assets and liabilities by currency. Following the portfolio transfer, little currency risk remains in the insurers, however some is retained within AGL Group due to it having non-insurance European business.

Concentration of market risk

Concentration of market risk arises when too much exposure is held in assets which respond to similar risk factors. As noted above, AGL Group seeks to diversify its market risk exposure and thereby limits concentration of market risk.

Prudent Person Principle

AGL Group's investment practices incorporate the principle of 'Prudent Person'. Accordingly the Board requires that the investment manager appointed to manage the investment portfolio only invests in assets and financial instruments whose risks AGL Group can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs performed as part of the ORSA.

Risk mitigation techniques used for market risk

AGL Group does not use any derivatives or other specific risk mitigation instruments to manage its market risk exposure.

C.3 Credit risk

AGL Group, AGIL and ALL are exposed to credit risk via:

- default or delay in payments due upon cash;
- reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries; and
- default or delay of repayment of loans and receivables.
- AGIL and ALL are also exposed to credit risk in respect of amounts from other group companies.

AGL Group considers the credit risk of holding assets in interest bearing investments as part of market risk. Refer to the market risk section above for further information.

Measures used to assess credit risk

Exposures to all counterparties are analysed each quarter and assessed and quantified in AGL Group's Standard Formula solvency capital requirement calculation. The output from the resulting analysis is presented to the ARCC, detailing any material changes from the previous period.

Material credit risks

AGL Group's maximum exposure to credit risk is represented by the values of financial assets included in the balance sheet at any given point in time. See also section D1 for details of the financial assets for AGL Group, AGIL and ALL at the reporting period end.

Stress tests were run as part of the Covid-19 analysis to look at potential defaults however no material defaults have been seen to date.

Risk management

AGL Group holds cash balances with a number of banks within Europe but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. This includes holding cash in highly liquid money market funds with next day access which AGL Group treats as a counterparty exposure.

Cash holdings must be held in counterparties classified as investment grade or above by the main ratings agencies of Moody's, Fitch and/or S&P.

Third party reinsurers are required to be credit scored at 'A' (or equivalent) by two out of three of the main rating agencies (Fitch, Moody's or S&P) or be SII regulated in the UK or EU, and in compliance with their solvency capital requirements, in order to be accepted unless appropriate collateral is provided to mitigate the exposure.

AGL Group extends payment terms to clients and will have significant amounts due from clients from time to time.

Concentration of credit risk

Balances for the UK Connected Living Device insurance programmes with UK banking clients generally represent the biggest credit exposures outside of cash holdings, but these can vary significantly, not only from client to client, but from time to time. As AGL Group has a number of UK banks who are clients as well as providing the Group, AGIL and ALL with banking services, concentration of credit risk is also monitored across asset classes.

Investments in structured entities - collateralised securities and money market funds

AGL Group invests in collateralised securities and funds managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments.

The use of these products allows the AGL Group to broaden the diversification of its investment portfolio in a cost-efficient manner.

Risk mitigation techniques used for credit risk

AGL Group does not use any specific risk mitigation techniques in respect of credit risk.

C.4 Liquidity risk

Liquidity risk is defined as the risk that AGL Group will have insufficient liquid assets available to meet liabilities as they fall due.

Measures used to assess liquidity risk

Liquidity risk is managed by AGL Group's Treasury management team. Future working capital and regulatory capital requirements are forecast monthly. The AGL Group Board conducts stress testing scenarios to examine the effect on liquidity levels of various adverse business conditions.

Material liquidity risk

AGL Group's exposure to liquidity risks is related to its ability to convert and access its assets, and in particular its deposits and cash and cash equivalents, its bond portfolio, and its collective investment fund (money market) holdings.

The AGL Group bond portfolio primarily comprises a mixture of UK government securities and corporate bonds with investment grade ratings. All the securities are in active markets and should be convertible into cash within 5 working days.

Investments in collective investment undertakings are in highly liquid money market funds with next day access.

Deposits other than cash equivalents comprise short term, up to 30-day bank deposits which are accessible in shorter timescales if necessary. Early access would only result in the loss of more favourable interest returns.

Risk management

AGL Group holds significant cash balances with a number of banks but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. Bank cash holdings must follow the liquidity and concentration requirements set out in the Risk Policy.

AGL Group seeks to maintain assets in classes which can be realised into cash easily with minimal impact on asset valuation. All investible assets should be readily realisable and convertible into cash within 5 working days.

Concentration of liquidity risk

AGL Group has taken action to diversify its asset portfolio, accurately forecast cash flow and future liabilities and maintain access to funding from its US parent in order to mitigate liquidity risk.

ALL holds a significant proportion of its assets in timed deposits. This does give rise to a concentration of liquidity risk should there be an issue with the deposit taker. The timed deposit is held with a large bank with a credit rating and thus the risk is thought to be low. As few live policies or claims reserves remain in ALL, the cash is held to pay expenses and for capital only which again leads to low liquidity risk.

Risk mitigation techniques used for liquidity risk

AGL Group does not use any specific risk mitigation techniques in respect of liquidity risk.

Expected Profit in Future Premium

As required by Article 260(2) of the SII Directive, AGL Group calculated the amount of expected profit in future premiums included in the calculation of best estimate technical provisions.

At the end of the reporting period the amount of expected profit in future premiums was as below:

Expected profit in future premiums £'000	AGL Group	AGIL	ALL
As at 31 December 2020	11,347	11,347	-
As at 31 December 2019	3,649	3,649	-

C.5 Operational risk

AGL Group is exposed to operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. In particular, this includes the failure of key outsourcing arrangements, business disruption, fraud, and loss of key management.

This definition also includes legal risk and reputational risk, as the Group considers reputational risk critical to its franchise and therefore has adopted this broad definition of operational risk.

Measures used to assess operational risk

Operational risks are captured through AGL Group's risk reporting processes as part of the Risk Management Framework.

In assessing capital required in respect of operational risk the Standard Formula SCR uses earned premium and reserves as a proxy for exposure to operational risk.. The impact of operational risk on the business is also assessed through the stress and scenario testing carried out as part of the ORSA process.

Material operational risk

AGL Group provides products to many individuals through direct brands, through networks of indirect dealers and under clients' own branding. It is critical to the success of the business, and in order to retain existing clients and attract new clients, that client and customer expectations in terms of service and product performance are met and that customer service is central to the operation. Service levels and other key indicators in both the customer contact centres and claims fulfilment supply chain are monitored closely by management to ensure that they continue to be met and that any issues that arise are dealt with. AGL Group also continues to innovate new products and enhancements to existing products to improve and add value to the offering to clients and their customers.

Clients may be lost due to failure to meet service levels but also clients review and put contracts to a competitive tender process periodically (usually between 3 to 5 years depending on the length of the original contract) where service and product quality are key factors. Failure to meet the expectations of both clients and their customers or competitor action during a tender period could result in the loss of that client and have a material impact on the business. Loss of a material client is included in the ORSA Stress and Scenario testing.

As a result of the Covid-19 pandemic, much of the operations have moved to working from home, increasing the reliance on IT systems and risk of fraud and cyber attacks. The change in working location has been managed well across the enterprise with local considerations reflected in the actions undertaken. This position is continually monitored with the focus being to protect customers and employees.

Risk management

AGL Group has established policies, processes, and controls to manage and mitigate its key operational risks.

The process through which AGL Group's operational risk universe is determined, and subsequent estimates of frequency and severity are assessed is captured in the Operational Risk Policy. This process safeguards the ongoing improvement of the control environment and ensures that operational risk is identifiable and mitigated as the Group continues to grow.

Risk mitigation techniques used for operational risk

AGL Group has a comprehensive insurance programme that provides protection against the majority of material operational risks e.g. property cover, business interruption etc. There are no other specific risk mitigation techniques applied in respect of operational risk.

C.6 Other material risks

Climate Change

Climate change spans other risk types but can be roughly attributed to a changing planet, regulation, technology changes and consumers preferences. Assurant has risk mitigating practices in place in order to deal effectively with these changes. The impact of climate change continues to be monitored.

COVID 19

AGL Group is part of the Assurant, Inc. group. As a global organisation, Assurant has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values.

COVID-19 has caused disruption to the AGL Group in terms of business volumes due to temporary closure of shops and distributer outlets. At the start of the outbreak a number of scenarios impacting across the risk profile were considered. Whilst the pandemic affected the risk profile by means of reduced business volumes, changes in claims profile and movements in market values of investments, these were managed effectively.

Assurant implemented a ban on business travel and established work-from-home protocols for employees who were able to do so. For those employees that need to work in our global facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Centres for Disease Control and the World Health Organisation, to safeguard our employees.

Communication throughout this time of uncertainty has been paramount. In addition to communicating with our employees, Assurant has been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure we do the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, Assurant also has been active in maintaining our support within local communities by delivering on its charitable contributions and commitments.

Brexit

AGL Group transferred all European business to an Assurant owned EU insurer in November 2020 in order to continue servicing of policies in the event that there was no continued passporting of insurance services from the UK to the EU at the Brexit date. This portfolio transfer completed within the Brexit transition period and means that the profile of the insurance business of AGL Group has changed; all AGIL policies now cover UK business and ALL has few underwriting risks as the majority of its policies were transferred as part of this arrangement.

C.7 Stress testing and sensitivity analysis

Stress and scenario testing are fundamental parts of AGL Group’s risk framework and is conducted via an annual process with the results documented in the Own Risk and Solvency Assessment (ORSA) process. Stress testing is based on a specific set of stresses applied to the business that quantify impact on the P&L and regulatory solvency that cover the spectrum of risk types to which the group is exposed. The stress test results focus on the impact on:

1. Own funds;
2. Impact on SCR;
3. Resulting solvency margin.

Furthermore, stress testing provides comfort in the assessment of the SCR, ensuring that it remains appropriate and suitable against plausible stressed situations, by not fully exhausting capital above policy holder protection levels.

The 2020 analysis shows that the most significant plausible yet severe stress for the AGL group is a 10% increase in loss ratio. Management and the Board consider this stress significant but plausible and supports the focus on ongoing monitoring of loss ratio for the business.

The test assumed that there was a 10% increase in loss ratio in year one and that management actions brought the loss ratio back in line with plan for subsequent years. The impact on profit leads to a reduction in own funds of around £14m in year one with the solvency ratio being lower than plan in the following years due to the lower year one profit.

AGL Group manages its solvency ratio above 100% and uses the results of the stress testing to aid an appropriate level of buffer i.e. capital in excess of the requirement to be held. This is a key element of AGL Groups's capital management process. As such AGL Group is able to withstand each of the stresses and scenarios identified above over a 1-year time horizon.

Reverse Stress Testing (RST) considers extreme situations that could render AGL Group's business unviable and works backwards, analysing the triggers and associated controls that would mitigate against such an event.

AGL Group has a number of management actions that can be implemented to address adverse situations.

C.8 Any other disclosures

There are no other matters to be disclosed.

D Valuation for solvency purposes

AGIL and ALL prepare financial statements under UK generally accepted accounting principles ("UK GAAP"). No consolidated financial statements are prepared for the group as AGL Group has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the AGL group are consolidated in the financial statements of the ultimate parent undertaking Assurant, Inc., which are publicly available.

Reference to "financial statements" below should be understood to refer to audited UK GAAP financial statements in respect of AGIL and ALL and to unaudited UK GAAP financial statements in respect of AGL Group.

Individual assets and liabilities are recognised and valued separately unless a legal right of set-off exists and the assets and liabilities will be settled on a net basis.

All valuations are made on the basis that AGL Group, AGIL and ALL are going concerns. The Directors have considered the impact of COVID-19 on the operations and going concern assertion.

D.1 Assets

The material classes of assets shown on the SII Balance sheets, the SII values and values for the corresponding assets shown in the corresponding proforma or audited financial statements are summarised in the table below:

	Solvency II Balance Sheet			**Financial Statements**		
As at 31 December 2020 £'000	AGL Group	AGIL	ALL	AGL Group	AGIL	ALL
Goodwill & Intangible Assets	-	-	-	6,187	-	-
Deferred acquisition costs	-	-	-	655	391	-
Deferred tax assets	3,332	-	-	930	126	-
Property, plant & equipment held for own use	5,245	-	-	3,723	-	-
Investments, comprising:	**109,620**	**101,016**	**2,628**	**108,573**	**99,983**	**2,613**
Bonds comprising:	79,549	77,181	2,368	78,502	76,148	2,353
Government Bonds	12,389	10,021	2,368	12,284	9,931	2,353
Corporate Bonds	66,294	66,294	-	66,218	66,217	-
Collateralised securities	866	866	-	-	-	-
Equities - unlisted	-	-	-	-	-	-
Collective Investments Undertakings	29,910	23,835	260	29,910	23,835	260
Deposits other than cash equivalents	161	-	-	161	-	-
Loans and mortgages	3,950	12,564	2,671	3,950	12,564	2,671
Reinsurance recoverables	(547)	(547)	-	864	864	-
Deposits to cedants	-	-	-	-	-	-
Insurance and Intermediaries receivables	42,265	16,339	20	64,345	16,339	20
Reinsurance receivables	-	-	-	-	-	-

Receivables (trade, not insurance)	22,351	2,785	1,049	9,398	2,785	1,049
Cash and cash equivalents	50,807	16,807	2,028	50,807	16,807	2,028
Other assets	24,776	751	16	33,175	1,784	31
Total assets	**261,799**	**149,715**	**8,412**	**282,607**	**151,643**	**8,412**

	Solvency II Balance Sheet			Financial Statements		
As at 31 December 2019 £'000	AGL Group	AGIL	ALL	AGL Group	AGIL	ALL
Goodwill & Intangible Assets	-	-	-	10,310	-	-
Deferred acquisition costs	-	-	-	11,858	11,362	0
Deferred tax assets	1,850	-	-	1,642	756	-
Property, plant & equipment held for own use	7,667	-	-	2,245	-	-
Investments, comprising:	**110,885**	**78,415**	**4,705**	**104,174**	**77,354**	**4,670**
Bonds comprising:	78,392	73,717	4,675	77,296	72,656	4,640
Government Bonds	14,481	9,807	4,675	10,276	5,636	4,640
Corporate Bonds	63,043	63,043	-	67,021	67,021	-
Collateralised securities	868	868	-	-	-	-
Equities - unlisted	9,202	-	-	3,586	-	-
Collective Investments Undertakings	23,139	4,698	30	23,139	4,698	30
Deposits other than cash equivalents	152	-	-	152	-	-
Loans and mortgages	3,942	12,206	2,602	3,942	12,206	2,602
Reinsurance recoverables	2,942	2,875	66	11,370	11,304	66
Deposits to cedants	-	-	-	-	-	-
Insurance and Intermediaries receivables	111,969	63,520	17	111,968	63,520	17
Reinsurance receivables	-	-	-	-	-	-
Receivables (trade, not insurance)	3,143	2,653	981	3,143	2,653	981
Cash and cash equivalents	29,220	5,308	2,458	29,220	5,308	2,458
Other assets	20,037	1,879	328	26,221	3,632	363
Total assets	**291,655**	**166,857**	**11,157**	**316,094**	**188,095**	**11,157**

Goodwill and Intangible Assets

On the SII balance sheet goodwill and intangible assets are valued at zero.

In the financial statements, goodwill represents the excess of acquisition costs over the net fair value of identifiable assets acquired and liabilities assumed in a business combination. The cost of the acquisition is the amount of cash paid and the fair value of other purchase consideration. Other intangible assets are initially recognised at cost.

Goodwill and other intangibles are amortised in the financial statements over the expected useful economic lives and tested for impairment at least annually.

Deferred acquisition costs

The table above includes deferred acquisition costs, which are shown as a separate asset in the financial statements. In the financial statements acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Acquisition costs are deferred to the extent that they are recoverable out of future revenue margins and are amortised in accordance with the pattern of emergence of future related margins.

Under SII deferred acquisition costs are valued at zero.

Deferred tax assets

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised on the same basis for SII and in the financial statements. However, valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to a reduction in the overall deferred tax assets.

The deferred tax assets arise due to net operating losses brought forward from prior years for tax purposes that are available to offset against future taxable profits. AGL Group reviews the likelihood of recovery of the deferred tax assets based on the expected profitability over the business planning horizon and with due regard to known changes in respect of the relevant tax regulation over that period.

Deferred Tax reduced in the year, therefore there is no requirement to disclose any absorption requirements in future profits on a Solvency II basis.

Property, plant, and equipment held for own use

Property, plant, and equipment is held at depreciated cost in the financial statements. For SII, property, plant, and equipment, with the exception of property leases, has been valued at zero as the Group does not consider it material or proportionate to expend resource in maintaining records of the items' market values.

A Solvency II adjustment is made for leases for material property occupations as a recognition of right of use assets.

Investments and Loans and mortgages

AGL Group measures its investments at fair value on the SII balance sheet. The Group uses an exit price for its fair value measurements. An exit price is defined as the amount received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If listed prices or quotations are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use, as inputs, market based or independently sourced parameters. All investments are valued based on quoted prices. A consistent valuation method was applied across all investments.

The difference between the SII value of investments in the table above is due to a difference in the classification of accrued investment income, which is recognised in investments for SII and Other assets in the financial statements.

Unlisted Equities

AGL Group’s unlisted equities are held at fair value on the SII balance sheet. In the financial statements the investments are held at the lower of cost and net realisable value.

Reinsurance recoverable

Reinsurance recoverables are valued according to the SII technical provision principles as explained in Section D2.

Deposits to cedants, insurance and Intermediaries receivables and reinsurance receivables

Receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value which is not considered to be materially different to cost.

Other Assets

Prepaid expenses and advance commissions represent the deferral of expenses paid for accounting purposes until they have been deemed to be consumed. In the SII balance sheet these assets are valued at zero unless the Group has a contractual ability to recover all or part of the asset from the third party in result of the termination of the arrangement. Where the group has such ability, the assets are recognised at the contractual amount recoverable less any allowance for impairment. These assets are recognised at amortised cost in the financial statements.

As noted above under “Investments and Loans and mortgages”, accrued investment income is reported as part of Other Assets in the financial statement but is included in the valuation of the related investment for SII reporting.

Any other assets are valued at fair value that is not considered to be materially different to the amortised cost basis as recorded per the financial statements.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.2 Technical provisions

Results

AGL Group's technical provisions by material line of business as at 31 December 2020 are set out in reporting templates 12.01.02 Life and Health SLT Technical Provisions (for AGL and ALL) and also 17.01.02 Non-Life Technical Provisions (AGL and AGIL).

Following the Part VII transfers in November 2020, the technical provisions for EU business in AGIL and ALL were transferred to Assurant's new Dutch Insurers. As a result the total technical provisions for AGL Group, AGIL and ALL have reduced in the year.

The negative TP in AGL is driven by the negative TP in AGIL. The negative TP is in the Solvency II line of business "Fire & Other Damage to Property". This lines of business exhibit high profitability and long contract boundaries, which leads to significant negative premium provision, which outweighs the relatively small (but positive) claims provision.

ALL has a very small number of UK policies remaining and therefore holds no material technical provisions as at year end 2020.

As at 31 December 2020 £'000	Income Protection	Fire & Other Damage to Property*	Misc. Financial Loss	Total Non-Life	Other Life	Health (Similar to life)	Total
AGL Group							
Gross best estimate	23	(2,000)	110	(1,867)	-	-	(1,867)
Reinsurance recoverable	-	(548)	-	(548)	-	-	(548)
Net best estimate	23	(1,452)	110	(1,319)	-	-	(1,319)
Risk margin	1	3,007	5	3,013	-	-	3,013
Total technical provisions	24	1,555	115	1,694	-	-	1,694
AGIL							
Gross best estimate	23	(3,040)	110	(2,907)			(2,907)
Reinsurance recoverable	-	(548)	-	(548)			(548)
Net best estimate	23	(2,492)	110	(2,359)			(2,359)
Risk margin	1	3,007	5	3,013			3,013
Total technical provisions	24	515	115	654			654
ALL							
Gross best estimate					-	-	-
Reinsurance recoverable					-	-	-
Net best estimate					-	-	-
Risk margin					-	-	-
Total technical provisions					-	-	-

As at 31 December 2019 £'000	Income Protection	Fire & Other Damage to Property*	Misc. Financial Loss	Total Non-Life	Other Life	Health (Similar to life)	Total
AGL Group							
Gross best estimate	357	33,579	2,786	36,722	918	453	38,093
Reinsurance recoverable	(134)	(1,124)	(1,617)	(2,875)	(46)	(21)	(2,942)
Net best estimate	224	32,454	1,169	33,847	873	432	35,151
Risk margin	49	5,011	132	5,192	15	8	5,215
Total technical provisions	273	37,466	1,301	39,039	888	440	40,367
AGIL							
Gross best estimate	357	20,026	1,984	22,367			22,367
Reinsurance recoverable	(134)	(1,124)	(1,617)	(2,875)			(2,875)
Net best estimate	224	18,902	366	19,492			19,492
Risk margin	49	4,139	80	4,268			4,268
Total technical provisions	273	23,041	447	23,760			23,760
ALL							
Gross best estimate					918	453	1,371
Reinsurance recoverable					(46)	(21)	(66)
Net best estimate					873	432	1,305
Risk margin					15	8	23
Total technical provisions					888	440	1,328

*direct and proportional reinsurance

Bases, methods, and main assumptions

Under Solvency II, liabilities must be valued at the amount for which they could be transferred between knowledgeable parties.

Technical Provisions are defined as the sum of a best estimate and a risk margin. The best estimate is the probability weighted mean average of all future cash-flows and the risk margin is the cost of providing the solvency capital requirement necessary to support the liabilities.

The liabilities valued in the technical provisions are those associated with existing contracts at the valuation date. Under Solvency II, contracts must be valued if there is a legal obligation to provide cover even if this is before the commencement date of the policy which is different to the approach under UK GAAP.

The non-life business of AGL and AGIL is split into homogeneous risk groupings referred to as model points. These homogeneous risk groups split the business by currency, cover, underlying product and sometimes client.

The technical provisions for each model point are calculated using a cash-flow model. This is carried out by predicting the expected cash-flow for each model point separately for each future year until all existing contracts have expired.

Expenses are projected as for the cash flow projections and allocated between model points and currency and between earned and unearned exposure.

The best estimate is calculated separately for premium provisions and claim provisions. Premium provisions are established in respect of unearned exposure and claims provisions are established in respect of earned exposure.

Gross cash-flows are calculated separately from reinsurance cash flows to recognise if there are significant differences in the timing of these cash flows.

The best estimates are calculated separately for each material currency.

The assumptions underlying the calculation of the technical provisions are derived based on the assumption that AGL and AGIL will continue to write new business, and that ALL will not write any new business.

The yield curve is required in order to discount future cash flows. This enables future cash flows to be evaluated in present-value terms. The present value of future liability cash flows must be evaluated as part of the best estimate liabilities calculation. The yield curve, which is used in the discounting process, represents a risk-free curve.

The risk-free rate of return is the theoretical interest rate that could be earned on an absolutely risk-free investment over a specified period of time. In practice, there is no such thing as an absolutely risk-free investment, as even the most secure investments carry a very small amount of risk. Typically, government bond yields offer a good approximation to a risk-free rate of return. The risk-free rate of return varies according to the term and currency of an investment.

A different risk-free yield curve is required for each currency, in order to reflect the different cost of borrowing in different currencies.

The yield curve is defined based on the zero-coupon swap rates which are currently available in the market. Hence the yield curve assumptions are based on “up-to-date and credible information and realistic assumptions” and are consistent with Article 77 of the Solvency II Directive.

The most material AGL and AGIL assumptions are those relating to the loss assumptions and the future earned premium. The loss assumptions are outputs from the existing claims reserving process and the future earned premium assumptions are reconciled with the financial statements.

During the year, the company has reassessed the contract boundary on certain contracts and hence has resulted in adjustments to the balances in the table below.

The most material ALL assumption is the expense assumption, as there are very few policies or insurance liabilities remaining.

The material assumptions used in the calculation of the Technical Provisions are presented annually to the ARCC for approval by the Board.

Level of uncertainty

There are several areas of uncertainty in the calculation of the AGIL Technical Provisions which make up the largest part of the Technical Provisions.

Claims reserving is carried out using standard actuarial methods of projecting the paid (or known) claims to estimate the ultimate claim experience. These methods are generally based on the assumption that the future experience will develop in the same way as historic experience. There is uncertainty in the actual future development patterns, for example due to changes in handling processes such as innovative ways to settle a claim as fast as possible.

Since the majority of the business in AGIL is property related there is the key uncertainty of the severity of claims and the additional costs associated with this. The evolution of products such as electrical parts in electrical appliances may result in higher settlement amounts. The frequency and severity assumptions are derived using historic data and reviewed by the Reserving Forum prior to use in the calculation of the Technical Provisions.

The AGIL expense loading is calculated as a proportion of premium. The expenses and premiums in the business plan are compared to derive an expense loading (as a percentage of premium). This yields an estimated expense cashflow for the technical provisions. The key area of uncertainty is the delivery of expense savings, and the emergence of other unexpected costs that are not accounted for in the business plan.

Uncertainty in respect of other business is not material.

Differences between Solvency II and the valuation bases for financial statements

During 2018 it was decided to transition the valuation methodology and basis for ALL for UK GAAP to adopt Solvency II as the basis of preparation for the accounts. This was undertaken in order to simplify the accounts and to aid the users of the accounts. As a result, there are no significant differences between the Solvency II and the UK GAAP valuation bases for the ALL legal entity at the year end 2019. There are very few policies remaining at year end 2020, and therefore are no technical provisions in the Solvency II or UK GAAP balcne sheets.

The most material assumptions used in the calculation of the Solvency II best estimates are based on existing Assurant processes which are the same as those used in the preparation of the proforma and audited financial statements.

The methodology for the calculation of the premium provision for the non-life business, in AGIL and the rest of the Group, under Solvency II is fundamentally different to that used in the financial statements. The Premium provision is based on the probability weighted average of future cash flows related to policies within contract boundaries whereas UK GAAP unearned premium reserve is an allocation of premium income to the remaining time to expiry of the insurance contracts already issued. Though not directly comparable the main difference arises due to the recognition of future profit on issued policies and expected profit in future premiums.

Claims Provision

The calculation of the Solvency II best estimate claims provision is based closely on the UK GAAP valuation. Under Solvency II additional adjustments are made to allow for Events Not in Data (ENIDs), an estimate for unknown liabilities not yet captured by the actuarial estimates and discounting.

Risk Margin

For Solvency II risk margin is calculated using a cost of capital approach which involves calculating the cost of holding the SCR per SF calculation at each future time period until the technical provisions at the reporting date have run off. The amounts are then discounted back to the current time period. The calculation excludes new business and market risk.

No Risk Margin is recognised under UK GAAP.

Discounting

Under Solvency II the best estimate technical provisions are discounted but are undiscounted under UK GAAP.

The main differences between technical provisions as shown in the financial statements and the Solvency II technical provisions are shown in the table below:

All lines of business As at 31 December 2020 £'000	AGL Group Unaudited	AGIL Audited	ALL Audited
Technical provisions per financial statements*	**15,947**	**6,086**	**-**
Remove Non SII Technical Provisions	(9,861)	-	
Contract boundary adjustment	(9,942)	(11,202)	
Adjustment to best estimate premium provision	(204)	(204)	
Difference in expense assumptions	-	-	
Allowance for lapses	-	-	
Adjustment to best estimate claims reserves	2,763	2,919	
Discounting	66	2	
Risk Margin	3,013	3,013	
Miscellaneous & FX	(88)	40	
Technical provisions per Solvency II balance sheet	**1,694**	**654**	**-**

All lines of business As at 31 December 2019 £'000	AGL Group Unaudited	AGIL Audited	ALL Audited
Technical provisions per financial statements*	**45,904**	**29,355**	**1,328**
Contract boundary adjustment	2,519	1,248	
Adjustment to best estimate premium provision	(14,741)	(14,386)	
Events not in data	908	611	
Difference in expense assumptions	4,043	2,414	
Allowance for lapses	(1,991)	(1,384)	
Adjustment to best estimate claims reserves	(93)	(93)	
Discounting	123	1,508	
Risk Margin	5,192	4,268	
Miscellaneous & FX	(1,497)	219	
Technical provisions per Solvency II balance sheet	**40,367**	**23,760**	**1,328**

* unearned premium reserve less deferred acquisition costs plus claims reserves and claims equalisation reserve, net of reinsurance.

Matching Adjustment

AGL Group (Including AGIL and ALL) has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

Volatility adjustment

AGL Group (Including AGIL and ALL) has not used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Transitional risk-free interest rate-term structure

AGL Group (Including AGIL and ALL) has not applied the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.

Transitional deductions

AGL Group has not applied the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance

Reinsurance recoverables represent the net discounted cash flow expected to be received from AGL Group's reinsurers. AGL Group utilises several reinsurance treaties, primarily of a quota share nature, in order to share risk by ceding back to a client's captive or to remove risks underwritten that are outside of the group's appetite.

Material changes in the relevant assumptions made in the calculation of technical provisions

No material changes have arisen in the assumptions made in the calculation of technical provisions in the period.

D.3 Other liabilities

Solvency II Other Liabilities As at 31 December 2020 £'000	AGL Group	AGIL	ALL
Insurance creditors, reinsurance creditors, trade payables and other financial liabilities	46,577	43,887	1,520
Subordinated loan notes included in basic own funds	33,332	-	-
Other liabilities	42,392	12,421	98
Total Other Liabilities	**122,301**	**56,308**	**1,918**

Solvency II Other Liabilities As at 31 December 2019 £'000	AGL Group	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	54,679	37,551	2,030
Subordinated loan notes included in basic own funds	33,309	-	-
Other liabilities	41,639	14,739	119
Total Other Liabilities	**129,627**	**52,290**	**2,149**

Financial Statements Other Liabilities As at 31 December 2020 £'000	AGL	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	40,436	43,887	1,520
Subordinated loan notes included in basic own funds	33,332	-	-
Other liabilities	42,854	11,515	98
Total Other Liabilities	**116,622**	**55,402**	**1,618**

Financial Statements Other Liabilities As at 31 December 2019 £'000	AGL	AGIL	ALL
Insurance creditors, reinsurance creditors and trade payables.	47,011	37,551	2,030
Subordinated loan notes included in basic own funds	33,309	0	0
Other liabilities	43,066	14,592	119
Total Other Liabilities	**123,386**	**52,144**	**2,149**

Deferred tax liabilities

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are recognised on the same basis for SII and in the financial statements. However, valuation differences between SII and the financial statements, upon which the tax is calculated, for technical provisions and in respect of other assets and liabilities give rise to differences between the amounts reported.

The deferred tax liability in the AGL Group proforma consolidated financial statements relates to deferred tax recognised in respect of goodwill and intangibles arising on consolidation that are being amortised to the UK GAAP profit and loss account over those assets' useful economic lives of up to 10 years. As the assets only arise on consolidation, they are not taxable and therefore give rise to a timing difference. Under SII the goodwill and intangible assets are valued at zero and therefore no deferred tax timing difference arises.

Deferred tax liabilities in the AGL Group SII balance sheet arise due to the tax impact of the other SII valuation adjustments.

Subordinated loans included in basic own funds

AGL Group has issued subordinated loan notes to an intermediate parent company, outside of the European supervised group.

The loan notes are valued under SII at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. When valuing liabilities, no adjustment to take account of the own credit standing of the issuer is made. In the financial statements the loan notes are valued at amortised cost.

The subordinated loan notes qualify as Tier 2 basic own funds. Further details of the notes and the repayment during the year are given in Section E.1.

Insurance and Intermediary Payables, Trade Payables and Other Liabilities

For SII, liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. When valuing liabilities, no adjustment to take account of the own credit standing of the issuer is made. In the financial statements, liabilities are valued at amortised cost.

There are no material differences between the valuation bases, methods and main assumptions used by AGL Group, AGIL or ALL for the valuation for solvency purposes and those used for the valuation in the relevant financial statements. The small differences in respect of Other Liabilities relates to reinsurance deferred acquisition costs which are valued at zero for SII (refer also to disclosure in respect of deferred acquisition costs in D.1.)

Other liabilities included above relate to accruals, deferred income and other amounts payable that have not been categorised as insurance or trade payables for the purpose of reporting.

AGL Group, AGIL and ALL have no material liabilities under finance leases.

AGL Group, AGIL and ALL have no liabilities related to defined benefit pension schemes.

Changes to the recognition and valuation bases

There have been no material changes to the recognition and valuation bases in the reporting period.

D.4 Alternative methods for valuation

No alternative methods of valuation have been used.

D.5 Any other disclosures

There are no material differences between the valuation bases for the consolidated information provided for AGL Group and those used for the solo entity information for AGIL and ALL.

E Capital management

E.1 Own funds

Capital Management Policy

The AGL Group internal capital target is to hold the Pillar 1 SCR, or the requirement identified during the ORSA process if higher, plus a Board approved buffer. Separate buffers are set for AGL Group, AGIL and ALL. The buffers to be held are set annually, having regard to the results of stress tests applied to projections over the three-year planning period. The Board will also consider whether any subordinated loans should be re-paid, or dividend made to remit any surplus capital above the target to AGL's parent or to release capital out of the insurance firms for use elsewhere in the group.

AGL Group's, AGIL's and ALL's capital positions are formally assessed quarterly, and reported to the ARCC, to ensure that own funds continue to meet the targets set.

Own funds

Available own funds for AGL Group, AGIL and ALL comprise:

As at 31 December 2020 £'000	AGL Group	AGIL	ALL
Tier 1	125,540	93,300	6,794
Tier 2	33,332	-	-
Tier 3	3,332	-	-
Available Own Funds	**162,204**	**93,300**	**6,794**

As at 31 December 2019 £'000	AGL Group	AGIL	ALL
Tier 1	102,330	87,930	7,614
Tier 2	33,309	-	-
Tier 3	1,851	-	-
Available Own Funds	**137,490**	**87,930**	**7,614**

Tier 1 own funds have three components: share capital, share premium and the reconciliation reserve. The reconciliation reserve comprises retained earnings and other distributable reserves as per the financial statements adjusted for SII valuation differences.

Only AGL Group has any Tier 2 own funds that are made up of subordinated loans issued to ABI International, an intermediate holding company of AGL Group. The loans are subordinate to the claims of policyholders of the Group, available to absorb losses, have a minimum term of at least 10 years and no contractual repayment within the first 5 years. Interest is payable annually. No principal or interest is repayable if AGL Group is in breach of the group SCR or if payment would result in a breach. The change in value in the year arises on the revaluation of the Euro denominated loan.

Tier 3 capital comprises deferred tax assets relating to timing differences and unutilised tax losses that are expected to be recovered against future taxable profits.

Available own funds for AGL Group increased by £24,714,000 during the year due to the favourable performance of the group as described in Section A leading to an increase in net assets. AGIL available own funds were £5,370,000 higher than prior year. ALL available own funds were £820,000 below prior year.

The amount of Tier 2 and Tier 3 own funds that are eligible to be set against the SCR is restricted to 50% of that requirement.

Eligible own funds for AGL Group, AGIL and ALL comprise:

As at 31 December 2020 £'000	AGL Group	AGIL	ALL
Tier 1	125,540	93,300	6,794
Tier 2	31,920	-	-
Tier 3	-	-	-
Eligible Own Funds	**157,460**	**93,300**	**6,794**

As at 31 December 2019 £'000	AGL Group	AGIL	ALL
Tier 1	102,330	87,930	7,614
Tier 2	33,309	-	-
Tier 3	1,851	-	-
Eligible Own Funds	**137,490**	**87,930**	**7,614**

The total amount of Tier 2 and Tier 3 available own funds that are eligible against the SCR are restricted to 50% of the SCR, giving rise to the difference between eligible and available own funds. The reduction in AGL'S SCR in the year has resulted in an increase in the amount of Tier 2 and Tier 3 own funds which are restricted. In general Eligible own funds for AGL Group have increased during the year as described above.

The Eligible own funds for AGIL and ALL are the same as available own funds.

MCR Eligible Own Funds by Tier As at 31 December 2020 £'000	AGL Group	AGIL	ALL
Tier 1	125,540	93,300	6,794
Tier 2	3,837	-	-
Tier 3	-	-	-
Eligible Own Funds	**129,377**	**93,300**	**6,794**

As at 31 December 2019 £'000	AGL Group	AGIL	ALL
Tier 1	102,330	87,930	7,614
Tier 2	4,979	-	-
Tier 3	-	-	-
Eligible Own Funds	**107,309**	**87,930**	**7,614**

Eligible own funds for AGL Group to meet the MCR are £129,377,000 in 2020 (2019 107,309,000).

The main differences between equity as shown in the proforma or audited financial statements and the excess of assets over liabilities as calculated for solvency purposes are shown in the table below:

As at 31 December 2020 £'000	AGL Group	AGIL Audited	ALL Audited
Equity per financial statements	**148,783**	**88,901**	**6,794**
Valuation of goodwill and intangibles	(5,353)	-	-
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	4,127	5,431	-
Other valuation differences	(11,237)	-	-
Deferred tax adjustment	2,030	(1,032)	-
Excess of assets over liabilities for solvency purposes	**138,350**	**93,300**	**6,794**

As at 31 December 2019 £'000	AGL Group	AGIL Audited	ALL Audited
Equity per financial statements	**122,763**	**83,614**	**7,614**
Valuation of goodwill and intangibles	(8,966)	-	-
Difference between the valuation of technical provisions on a UK GAAP basis and under Solvency II	6,350	5,912	-
Other valuation differences	(1,718)	(692)	-
Deferred tax adjustment	343	(903)	-
Excess of assets over liabilities for solvency purposes	**118,720**	**87,930**	**7,614**

Other valuation differences relate to differences between assets and liabilities valued on a Solvency II basis or on a financial statements basis as discussed in sections D.1 and D.3.

AGL Group own funds are calculated on an accounting consolidation basis. There are no items included in AGL Group own funds that are issued by an undertaking other than AGL, the group insurance holding company.

No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability.

Neither AGL Group's nor the SII firms' own funds are subject to transitional arrangements and none have ancillary own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR for AGL group, AGIL and ALL as at 31 December 2020 are:

As at 31 December 2020 £'000	AGL Group	AGIL	ALL
Market Risk	10,661	7,107	384
Counterparty Default Risk	15,687	4,300	672
Non-Life Underwriting Risk	41,075	40,624	-
Life Underwriting Risk	-	-	-
Health Underwriting Risk	288	288	-
Sum of risk modules	**67,711**	**52,319**	**1,056**
Diversification between risk modules	(12,960)	(6,983)	(202)
Basic SCR	**54,751**	**45,336**	**854**
Operational Risk	9,089	9,077	12
Standard Formula SCR	**63,840**	**54,413**	**866**
MCR	**19,185**	**15,847**	**3,338**

As at 31 December 2019 £'000	AGL Group	AGIL	ALL
Market Risk	11,464	6,106	579
Counterparty Default Risk	20,486	11,632	675
Non-Life Underwriting Risk	45,317	41,796	-
Life Underwriting Risk	246	-	246
Health Underwriting Risk	436	426	19
Sum of risk modules	**77,949**	**59,960**	**1,519**
Diversification between risk modules	(15,327)	(9,238)	(417)
Basic SCR	**62,622**	**50,722**	**1,103**
Operational Risk	9,349	8,877	25
Standard Formula SCR	**71,971**	**59,599**	**1,128**
MCR	**24,894**	**19,301**	**3,187**

AGL Group, AGIL and ALL SCRs are all calculated using the Standard Formula and no undertaking specific parameters or simplifications are used.

The AGL Group SCR is calculated on an accounting consolidation basis ("method 1") and relates to fully consolidated insurance undertakings, insurance holding companies and other ancillary service undertakings only. There are no components of the AGL Group SCR arising from other entities.

The MCR has been calculated using the linear calculation as set out in the SII Directive and noted in the accompanying QRTs.

Details of the SCR and MCR calculations, including the MCR inputs and floor, are provided in QRTs S.25.01 and S.28.01 in Appendix F.

AGL Group's SCR has reduced by £8,131,000 in the year, primarily due to the Part VII transfer in November 2020. This has resulted in lower underwriting and counterparty default risk due to the group transferring out all EU Policies. This is seen in the reduced SCR of both AGIL and ALL.

ALL's SCR is below the MCR, and therefore SCR movements do not affect ALL's capital requirement. The MCR is at the absolute floor required by the SII regulation, which is based in Euros, and only changes when the Eurosterling rates that firms are required to apply in the calculation change, which occurs annually.

AGL Group, AGIL and ALL make no adjustment for the Loss Absorbing Capacity of Deferred Tax in the SCR calculation.

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

Neither the AGL Group, AGIL nor ALL make use of the duration-based equity risk sub-module in the calculation of the SCR.

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

The Standard Formula is used in the calculation of the AGL Group SCR and the solo SCRs for AGIL and ALL.

E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

During the year there were no instances of non-compliance with either the SCR or MCR for AGL Group, AGIL or ALL.

E.6 Any other disclosures

COVID-19

As described in Section A.1, there are various risks that may arise due to the disruption caused by COVID19. Management is monitoring the impacts of these on the Group's and SII insurers' capital position and plans.

Tier 2 Capital

Following the year end 2020, the AGL Group has refinanced the subordinated loans which comprise all of the Tier 2 own funds. From April 2021 the loans will no longer be classified as Tier 2 capital, resulting in a reduction of the own funds of the AGL Group.

The table below shows in the change to the Solvency position of the AGL Group following the declassification of the loans. The Solvency Ratio will reduce from 247% to 202%.

As at 31 December 2020	AGL Group Year End 2020	AGL Group Proforma Post Declassification
£'000		
Tier 1	125,540	125,540
Tier 2	33,332	-
Tier 3	3,332	3,332
Available Own Funds	**162,204**	**128,872**
Restriction	(4,744)	-
Eligible Own Funds to meet the SCR	**157,460**	**128,872**
SCR	63,840	63,840
Solvency Ratio %	**247%**	**202%**

There is no other material information to disclose regarding the capital management of the AGL Group, AGIL or ALL.

F. Appendices

Public Group QRTs – Assurant Group Limited, Assurant General Insurance Limited, Assurant Life Limited