AXA Insurance dac Solvency and Financial Condition Report YE2017

Customer First at AXA

In this, our second Solvency & Financial Condition Report, we have detailed important information on AXA here in Ireland. We hope you find it useful.

At AXA we aim to be here for you, how, when and where you need us, be it to meet your insurance needs for motor, home and small business insurance or when you need us following an accident or loss.

We have a long history in Ireland and have insured customers here for nearly three hundred years. Today we have over 1000 staff at locations throughout Ireland to support our customers.

Through our claims, motor breakdown and emergency home assistance services all operating 24 hours a day, our wide approved repairer network, the largest Insurance branch network in Ireland, by phone, post, email or online we aim to be there for you how, when and where you need us.

Our contact information is below, take the opportunity to put our numbers in your phone so that you have then when you need them, our claims, motor rescue and emergency home assistance helplines are available 24 hours a day.

Republic of Ireland	**www.axa.ie**
AXA Claims 24 Hour Helpline	
AXA Emergency Home Assistance	1890 24 7 365 or 00 353 1 8729 888
Roadside Assistance & Car and Key Rescue	or through your broker
Policy support and quotations	

Northern Ireland	**www.axani.co.uk**
AXA Claims 24 Hour Helpline	0345 8 28 28 23
AXA - emergency home assistance	0345 3 99 53 35
Roadside Assistance & Car and Key Rescue	0345 8 28 28 23 or 00353 1 8583200
Policy support and quotations	0345 8 28 28 22
	or through your broker

At AXA we want to treat you fairly, our branch and claims staff will be happy to assist you but if we cannot our customer care department would be happy to hear from you. You can contact us in a variety of ways;

- online on our website or at https://secureweb.axa.ie/OnlineForm/Enquiry
- by email to axacustomercare@axa.ie
- by phone to 1890 211 850 or in Northern Ireland 02890 02 01 04 or 0800 039 1970
- by post to;

  AXA Insurance, Customer Care Department, Freepost, Dublin 1 or
  AXA Insurance, Freepost BEL 2531, Belfast BTI 1BR

Further information on making sure you are being treated fairly by us and what to do if you are unhappy with how we deal with your complaint is available on our website, in your policy document and from any AXA staff member or Branch.

Thank you for choosing AXA to be your partner for Insurance.

AXA Insurance dac Solvency & Financial Condition Report

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Presentation of the information
In this Report unless stated otherwise,

(i) the “Company”, “AXA” refer to AXA Insurance dac,
(ii) “AXA SA”, AXA Group is the publicly traded parent Company of the AXA Group and refers to a société anonyme organised under the laws of France

Solvency & Financial Condition Report 2017

This report is the Solvency and Financial Condition Report (SFCR) of AXA Insurance dac for the reporting period ended December 31, 2017, pursuant to article 51 of the Directive 2009/138/EC and articles 290 to 298 of the Delegated Regulation 2015/35 and is approved by the Board of AXA Insurance dac.

Summary

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

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

/ Key Figures - FRS 101 (statutory account basis)

(In Euro million except solvency ratio data)	2017	2016
Income Statement Data		
Total Revenues	714	634
Operating income before investment results	27	11
Net investment results	17	17
Net income	37	24
Balance Sheet Data		
Total assets	1905	1769

SII available capital after foreseeable dividends	434	392
Capital Requirement Data		
Solvency Capital Requirement (SCR)	306	301
Solvency II Ratio after foreseeable dividends	142%	130%

/ Key Highlights

ACTIVITY INDICATORS	Total Revenues of €714m reflect growth of 13% relative to prior year. Total operating income (before investments) of €27m compares to €11m in 2016. Uplift in performance reflects strong earned premium partially offset by increased claims costs, higher commission and higher expenses. Total net investment results (€17m) are in line with prior year.
CAPITAL MANAGEMENT	Main transactions during the reporting year: • There were no dividend payments during the reporting year, however a foreseeable dividend of €50m has been deducted from the available capital as shown in this document.
SYSTEM OF GOVERNANCE	The Company satisfies the Central Bank of Ireland requirements to have a Risk Committee, an Audit & Compliance Committee, an Investment Committee, a Nomination Committee, a Remuneration Committee and a Reserving Committee through delegation to the following: i. AXA Insurance dac Audit and Compliance Committee ii. AXA Insurance dac Risk Committee iii. AXA Insurance dac Investment & ALM Committee iv. AXA Insurance dac Nomination Committee v. AXA Insurance dac Remuneration Committee vi. AXA Insurance dac Reserving Committee In order to preserve well-balanced governance, the Board of Directors ensures that independent directors have a major role in all Board Committees. The AXA Group is engaged in the financial protection and wealth management business on a global scale. As such, it is exposed to a very wide variety of risks – insurance risks, Health risks, financial market risks and other types of risks. As an integrated part of all business processes, Group Risk Management is responsible for the definition and the deployment of the Enterprise Risk Management (ERM) framework within AXA Group, including the operation of the Own Risk & Solvency Assessment (ORSA). This framework is based on the four following pillars, cemented by a strong risk culture: - Risk Management independence and comprehensiveness: Chief Risk Officers are independent from operations (“first line of defence”) and Internal Audit Departments (“third line of defence”). The Risk Management Department, together with Legal, Compliance, Internal Financial Control, Human Resources and Security Departments constitute the “second line of defence” whose objective is to develop, coordinate and monitor a consistent risk framework across the Group. - Shared risk appetite framework, - Systematic second opinion on key processes, and

	- Robust economic capital model. In order to manage these risks, AXA Insurance dac has put in place a comprehensive system of internal controls designed to ensure that executives are informed of significant risks in a timely and continuing basis and they have the necessary information and tools to appropriately analyse and manage these risks. These mechanisms and procedures principally include: • local corporate governance structures designed to ensure appropriate supervision and management of our business as well as clear allocation of roles and responsibilities; • management structures and control mechanisms designed to ensure that local management have a clear view of the principal risks faced and the tools necessary to analyse and manage these risks; • Local Internal Control Over Financial Reporting (ICOFR), designed to ensure the accuracy, completeness and timeliness of consolidated financial statements; and • disclosure controls and procedures designed to ensure that local executives have the necessary information to make fully informed disclosure decisions on a timely basis and that the Company's disclosures on material information (both financial and non-financial) are timely, accurate and complete. Revisions to the Consumer Protection Code, specific to insurers, put in place by the Central Bank of Ireland and Insurance Conduct of Business rules put in place by the Financial Conduct Authority in Northern Ireland also form an important element of our systems of Governance as do Corporate Governance Requirements. These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the business of AXA Insurance dac.

RISK PROFILE

AXA's economic capital model (AXA's Internal Model) offers a concrete and powerful tool to control and measure exposure to most risks, in line with the Solvency II framework.

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

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

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

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

Risks relating to the financial markets and financial position

AXA is exposed to financial market risks through its core business of financial protection i.e. insurance and the investment of reserves associated with insurance.

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

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

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

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

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

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

VALUATION	AXA Insurance dac Solvency II balance sheet is prepared as of December 31. The balance sheet is prepared in compliance with the Solvency II Regulation. Assets and liabilities are valued based on the assumption that the Company will pursue its business as a going concern. Technical provisions are recognised with respect to all insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions corresponds to the current amount that the Company would have to pay if it was to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. Other assets and liabilities are recognised in compliance with IFRS standards and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC: - Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; - Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of the Company's own credit standing).
SOLVENCY	Solvency II ratio at December 31, 2017: 142% post foreseeable dividend Solvency II ratio at December 31, 2016: 130% Solvency II ratio amounted to 142%, up 12 percentage points as compared to December 31, 2016. Available Financial Resources (AFR) increased by €43m to €434m, the main drivers of change in AFR in 2017 are Pension Scheme, retained Earnings post-dividend. Solvency Capital Requirement increased by €5 million to €306 million (net of tax), during the reporting period reflecting an updated parameterisation of the Internal Model and growth in the business.

A

A. Business and Performance

A.1 Business

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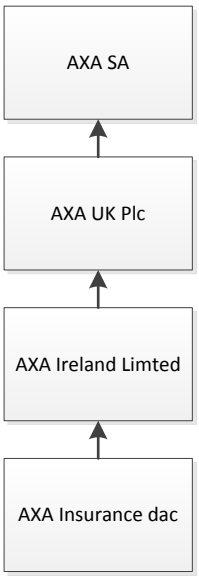
A.1 Business

/ General information

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

/ Information on the Company

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



Supervisory authority

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

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

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

AXA Group is engaged in regulated business activities on a global basis through numerous operating subsidiaries and the Group's principal business activities of insurance and asset management are subject to comprehensive regulation and supervision in each of the various jurisdictions where the Group operates. Given that the AXA Group is headquartered in Paris, France, this supervision is based to a significant extent on European Union directives and on the French regulatory system. The AXA Group's principal supervisor is the French Autorité de Contrôle Prudentiel et de Résolution ("ACPR").

Autorité de Contrôle Prudentiel et de Résolution
61, rue Taitbout – 75436 Paris Cedex, 9.

Statutory auditors

Incumbent auditors – AXA Insurance dac

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

Mark Kennedy lead partner, Fellow of the Institute of Chartered Accountants in Ireland.
Mazars were appointed on 31 May 2013.

Incumbent auditors – AXA Group

MAZARS:
61, rue Henri-Regnault – 92400 Courbevoie, represented by Messrs. Antoine Esquieu and Jean-Claude Pauly, first appointed on June 7, 2004. The current appointment is for a term of 6 years, until the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2022.
Membership in a professional body:
Mazars is registered as an independent auditor with the Compagnie Régionale des Commissaires aux Comptes de Versailles.
Alternate auditors
Mr. Lionel Gotlib: 61, rue Henri-Regnault – 92400 Courbevoie, first appointed on June 3, 2010. The current appointment is for a period of 6 years, until the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2022.

/ Major Shareholders and Related party transactions

Capital ownership

The ultimate parent of AXA Insurance dac and controlling undertaking is AXA SA, a company incorporated in France. The Company consolidates its reporting into the group financial statements of AXA SA.

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

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

/ Business Overview

PROPERTY & CASUALTY

MARKETS AND COMPETITION

In the Property & Casualty segment, AXA writes business in both Northern Ireland and the Republic of Ireland.

PRODUCTS AND SERVICES

AXA's Property & Casualty insurance operations offer a broad range of insurance products for both Personal and Commercial customers for the following lines of business;
- Private motor
- Household

- Personal property
- Commercial motor
- Commercial property
- Commercial liability

DISTRIBUTION CHANNELS

AXA distributes its Property & Casualty insurance products through a number of channels including exclusive franchisees, brokers, salaried sales forces, direct / internet sales and a banking partner.
Development of distribution channels is key to reach targeted customers and overall for the profitability of the activity.

/ Operating Highlights

SIGNIFICANT ACQUISITIONS

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

SIGNIFICANT DISPOSALS

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

A.2 Underwriting Performance

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

Gross revenues by geographical area

(in Euro million except percentages)	2017		2016	
Ireland	547	77%	472	74%
United Kingdom	167	23%	162	26%
TOTAL	**714**	**100%**	**634**	**100%**

Current year operating performance

	2017 €'000's	2016 €'000's
Gross written Premium	714	634
Net Earned Premium	653	563
Net claims Incurred	(476)	(409)
Expenses	(171)	(160)
Operating Income before Investment Results	**27**	**11**

/ Underwriting performance by product line (all lines of business)

The table below presents gross revenues by major product line:

Gross revenues by product line

(in Euro million except percentages)	2017		**2016**	
Property & Casualty	714	100%	634	100%

Gross revenues increased by €80 million (+13%) to €714m in the year driven by a combination of volumes and price partially offset by adverse exchange.

Claims Incurred (including reinsurance) increased by €68 million to €476m reflecting increased average cost on third party injury and accidental damage.

Expenses increased by €11 million to €171 million driven by costs associated with the restructuring of the business.

Operating Income before Investment Results increased by €16m to €27m due to increased premium partially offset by increased claims.

Gross revenues by product line

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

(in Euro million except percentages)	2017		**2016**	
Motor Liability & Other Motor	632	89%	564	89%
Fire and Other Property Damage	67	9%	59	9%
General Liability	12	2%	9	1%
Other	3	0%	3	0%
TOTAL	**714**	**100%**	**634**	**100%**

Gross revenues increased by €80 million (+13%) to €714 million:

- Motor premium of €632m is +€68m favourable to Prior Year reflecting favourable performance across all channels.
- Property premium of €67m is +€8m favourable to prior year reflecting positive performance.

/ Aggregate underwriting performance

Operating Income and expenses

The technical result in the year was driven by an increase in premium income and an increase in investment result. Increased premium was partially offset by increased claims costs and expenses.

Net technical result increased by €16 million to €27 million. Claims costs (net of reinsurance) increased relative to prior year as expected given growth in the portfolio.

Expense ratio decreased by 2.3 pts to 20.7% resulting from increased commission payable driven by growth in premium which more than offset increased commissions in the year.

A.3 Investment Performance

/ Net investment result

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

(In Euro million)	December 31, 2017						
	Net investment income	Net realised gains and losses	Net unrealised gains and losses	Change in investments impairment	FX	Investment management expenses	Net investment result
Investment in real estate properties	-	-	-	-	-	-	-
Debt instruments	29	31	4	-	-50	-	14
Equity instruments	4	3	-1	-1	-	-	5
Investment funds	4	1	2	-	-	-	7
Loans	-	-	-	-	-	-	
Assets backing contracts where the financial risk is borne by policyholders	1	-	-	-	-	-	1
Derivative instruments	-	-2	2	-		-	-
Other	-	-	-	-	6	-4	2
Allocated investment return	-	-	-	-	-	-	-12
TOTAL	**38**	**33**	**7**	**-1**	**-44**	**-4**	**17**

(In Euro million)	December 31, 2016						
	Net investment income	Net realised gains and losses	Net unrealised gains and losses	Change in investments impairment	FX	Investment management expenses	Net investment result
Investment in real estate properties	-	-	-	-	-	-	-
Debt instruments	28	1	-16	-	-28	-	-15
Equity instruments	4	3	-1	4	-	-	10
Investment funds	1	-	-1	-	-2	-	-2
Loans	1	-	-	-	-	-	1
Assets backing contracts where the financial risk is borne by policyholders	-	-	-	-	-	-	-
Derivative instruments	-	3	-	-	-	-	3
Other	-	-	-	-	33	-4	29
Allocated investment return							-9
TOTAL	**34**	**7**	**-18**	4	**3**	-4	**17**

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

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

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

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

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

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

/ Gains and losses directly recognised in Equity

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

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

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

During the year, net fair value movements on the AFS of €9.3m (2016: €0.5m) were recorded through Other Comprehensive Income.

/ Investments in securitisation

The Company has Asset Backed Securities for the year end 2017

At 31 December 2017 book value of €93m (2016 €85m) was held relating to asset backed securities, associated market value held for the same period was €94m (2016 €86m).

A.4 Performance of other activities

/ Net Income

Property & Casualty segment

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

/ Leasing Arrangements

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

A.5 Any other information

Not applicable

B

B. System of Governance

B.1 General information on the system of governance

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Performance Shares and International Performance Shares

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Commitments made to executive officers

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

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

Risk management system

AXA Group Internal model

Own Risk and Solvency Assessment

B.4 Internal control system

Internal control system

B.5 Internal audit function

Internal audit function

B.6 Actuarial function

Actuarial function

B.7 Outsourcing

Outsourcing arrangements

B.8 Any other information

B.1 General information on the system of governance

/ Governance

Board of Directors

Roles and Powers

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

- Organising itself such that it is able efficiently to discharge its responsibilities, including the clear, documented delegation of tasks and functions to the Chief Executive Officer and others within the AXA Group;
- Approving the appointment of Board members including Executive Directors, Non-Executive Directors and the appointment of the Executive Management Committee members and persons holding pre-approval Control Functions;
- Approving the Statutory Financial Statements of the Company;
- Helping to develop business strategy and objectives for the Company from Group Plans;
- Formally approving the strategy, business plans and other financial targets/ performance of the Company;
- Periodically reviewing the strategy, business plans and other financial targets/ performance, taking into account the regulatory perspective of the company, ensuring that it is able to efficiently to discharge its regulatory responsibilities to the Central Bank of Ireland and the FCA ,as regards its operations in Northern Ireland;
- Evaluating and reviewing the effectiveness of key controls within the Company, taking into account the regulatory perspective of the company, ensuring that it is able to efficiently discharge its regulatory responsibilities to the Central Bank of Ireland and the FCA ,as regards its operations in Northern Ireland;
- Embedding the Consumer Protection Code (issued by the Central Bank of Ireland) and the Treating Customers Fairly (issued by the FCA) effectively into the culture of the business such that consumers are consistently treated fairly;
- Ensuring compliance with the Corporate Governance Requirements for Insurance Undertakings 2015, the Fitness and Probity Standards and any other Codes or Regulations issued from time to time by the Central Bank of Ireland;
- Approving the Risk Appetite and associated limits taking into account the advice from the Risk Committee;
- Monitoring and reviewing relevant risks by;
    1. Overseeing an effective and robust control framework,
    2. Analysing the effectiveness of risk management ; and (iii) ensuring this is integrated into all aspects of decision-making; and
    3. Monitoring the risk governance framework
- Determining appropriate investment strategies and guidelines
- Monitoring and reviewing regulatory solvency by;
    I. Ensuring the internal model is appropriate , operates effectively and is embedded in all relevant key risk decision making processes;
    II. Ensuring appropriate internal model governance, including approval of the internal model policy and any major changes;
    III. Ensuring that the internal model is subject to independent review;

IV. Approving and monitoring the Own Risk & Solvency Assessment ("ORSA") process to ensure an effective implementation; and

V. Reviewing and signing off the ORSA report and public reporting ("SFCR")

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

Composition of the Board

Mr. Philip Bradley	(Chief Executive Officer - AXA Ireland)
Mr. Richard O'Driscoll	(Chairman and Independent Non – Executive Director)
Mr. Bertrand Poupart-Lafarge	(Interim Group Chief Executive Officer, AXA UK & AXA UK Group Chief Financial Officer)
Mr. Richard Whelan	(Executive Director Finance, Strategy & Planning-AXA Ireland)
Mr. Peter Hazell	(Independent Non –Executive Director)
Mr. Howard Posner	(Independent Non –Executive Director)

(Mr. Howard Posner appointed March 2017; Ms. Amanda Blanc resigned April 2018)

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

Board of Directors' Committees

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

i. AXA Insurance dac Audit and Compliance Committee

ii. AXA Insurance dac Risk Committee

iii. AXA Insurance dac Investment and ALM Committee

iv. AXA Insurance dac Nomination Committee

v. AXA Insurance dac Remuneration Committee

vi. AXA Insurance dac Reserving Committee

Executive Management Committee

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

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

Main roles and responsibilities of key functions

Internal audit function

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

This recognises two roles for internal audit:

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

b) To provide advice and assistance to management on governance, risks and controls.

The assurance provided generically covers whether:

i) The organisation has a formal governance process which is operating as intended: values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and the Group's values are preserved.

ii) Significant risks are being reported, managed and controlled to an acceptable level as determined by the Board.

Actuarial function

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management function

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

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

The minimum missions required for Risk Management teams are:

- coordinating the second line of defence locally (which covers notably Legal, IT and HR Departments) through specific governance;
- implementing risk appetite on all risks consistently with Group's risk appetite (and taking into account the requirements of the Corporate Governance Requirements for Insurance Undertakings [2015]), with strengthened reporting, risk limits and decision processes;

- performing a second opinion on key processes, such as the definition of characteristics for new products before launch, ALM studies & asset allocation and reinsurance strategy;
- on the internal capital model, Risk Management is responsible for checking the adequacy of the risk profile, implement, test and validate the internal model.

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

Other functions

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

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

/ Compensation policy

AXA's global executive compensation policy is designed to support the Group's business strategy and align the interests of its executives and other stakeholders by

(1) establishing a clear link between performance and compensation over the short, medium and long term
(2) ensuring that Group can offer competitive arrangements while avoiding potential conflicts of interest that may lead to undue risk taking for short term gain, and
(3) ensuring compliance with Solvency II regulations and any other applicable regulatory requirements.

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

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

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

Compensation Policy

AXA Group Remuneration Policy is applicable to all AXA Group companies and their employees.

The AXA Group compensation policy is designed to:

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

It follows three guiding principles:

- competitiveness and market consistency of the remuneration practices;

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

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

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

Compensation of the Executive Officers on December 31, 2017

Compensation structure

AXA broadly applies a "pay-for-performance" approach which (i) recognises achievement of defined financial and operational targets aligned with AXA's business plan (ii) promotes long-term sustainable performance by incorporating risk adjustment measures in variable compensation schemes and (iii) determines individual compensation amounts on the basis of both financial results and demonstrated individual leadership and behaviours.

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

- a fixed component which comprises guaranteed elements, such as base salary and any other fixed allowances. It takes into account the position, responsibilities, experience, market practices, technical skills and leadership competencies, and also sustained individual performance and criticality or scarcity of skills. AXA closely monitors annually, the competitiveness of the individual fixed salaries by comparing individual fixed salary with similar positions in the financial industry (insurance, asset management and banks)
- a variable component which comprises an upfront cash element (Short Term Incentive) and a deferred element which is awarded through equity based instruments or equivalent such as stock options and/or performance shares (Long Term Incentive). This variable component depends on the AXA Group's global performance, on the beneficiary's local entity performance (company or business unit, depending on the case), and on the achievement of the executive's individual objectives including demonstrated abilities for leadership. In the case of Heads of Control functions, the short term incentive pay-out is determined based on individual performance and the job holder remains independent from the Entity/Business Unit performance which they supervise.
- AXA ensures suitable balance between fixed and variable components so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow AXA to operate a fully flexible bonus policy, including the possibility of paying no variable compensation. All variable remuneration amounts are awarded in accordance with performance and there are no minimum payment guaranteed.
- The proportion of target variable is determined according to the following complementary criteria (i) internal equity with a similar job at the same level in an equivalent perimeter (ii) market practices reflected by external benchmark from an independent provider and (iii) level of seniority within the organisation.

/ Long term incentives

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

/ Performance Shares and International Performance Shares

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

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

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

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

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

/ Stock Options

Stock options are designed to align long terms interests of Group Senior Executives with shareholders through the performance of AXA share price. Stock options are valid for a maximum period of 10 years, they are granted at market value, with no discounts, and become exercisable by tranches between 3 and 5 years following the grant date.

Grant Procedure

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

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

Directors' Fees

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

/ Commitments made to executive officers

Pension

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

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

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

Key Management and Directors

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

- on December 31, 2017, there was one loan outstanding from the Company to a Board member;
- various members of the Company's Board of Directors as well as various other executive officers and directors of other AXA Group companies may, from time to time, purchase insurance, or other products or services offered by AXA in the ordinary course of its business. The terms and conditions are substantially similar to the terms and conditions generally available to the public or to AXA employees in general.

/ Assessment of the adequacy of the system of governance

The Board of Directors

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

The Audit Committee

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

B.2 Fit and proper requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

/ Risk management system

Risk management missions

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

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

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

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

1. Risk Management independence and comprehensiveness:

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

2. Shared risk appetite framework: The Chief Risk Officer is responsible for ensuring that top management reviews and approves the risks they carry in their company, understand the

consequences of an adverse development of these risks, and have action plans that can be implemented in case of unfavourable developments.

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

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

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

AXA Insurance dac Risk Management

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

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

The minimum missions required for local Risk Management teams are:

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

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

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

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

Other functions

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

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

Risk governance within AXA Insurance dac

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

1. The Risk Committee defines business objectives and capital allocation with respect to investment return and risk. It also defines the Company appetite for risks in terms of impact on its key financial indicators. The Risk Appetite is endorsed by the Board of Directors upon review by its Risk Committee with the Audit & Compliance Committee considering the effectiveness of the Company's internal control and risk management frameworks supporting it. A report on the Company's performance against the key financial indicators is presented on a regular basis to the Risk Committee, to the Audit & Compliance Committee and to the Board of Directors. The overall risk framework is governed by the Risk Committee. The membership of the Risk Committee includes a number of Board members with attendance by the CRO and the Head of Actuarial Function.

2. Four Company internal committees contribute to risk management covering the following risk categories:

   For P&C insurance risks:

   The decision process relating to the management of insurance risk is governed by the local Executive Risk Committee, chaired by the CEO. The members of the Insurance Risk Committee are members of the Executive Committee including the CRO and the Head of Actuarial Function, and several other business areas. The Committee mainly analyses and monitors the risk profile, its components and the related changes towards risk appetite limits defined; validates all launches or portfolio reviews of products or lines of businesses.

   For Financial risks:

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

   For Operational and Reputation risks:

   The Risk & Compliance Forum, a quarterly management Risk and Compliance meeting chaired by the CRO.

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

   For Capital Modelling

   See Capital Modelling Committee below

/ AXA Group Internal model

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

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

Internal model governance

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

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

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

The Group results are presented quarterly to the Management Committee.

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

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

Internal model validation

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

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

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

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

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

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

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

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

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

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

- Internal Financial Control (IFC) team are responsible for assessing the effectiveness of the internal control framework over Solvency II, on the basis of the testing of processes and controls over the available financial resources (AFR) and Solvency Capital requirement (SCR), at least annually
- Internal Model Review (IMR) team, Group team responsible for the in-depth actuarial review of the model under local teams responsibility, the conception and methodology when locally developed, and the local implementation of the Group principles when relevant. IMR controls are performed on a 3-year rolling basis.
- Both IMR and IFC are fully independent from the development, the governance and the processing of the internal model.
- Mazars have been engaged to provide a positive assurance opinion to the AXA Board of Directors on the compliance and consistency of the internal model with the Solvency II Directive requirements.

This process is supported by the local pricing and actuarial function teams.

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

/ Own Risk and Solvency Assessment

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

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

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

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

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

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

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

The ORSA report provides assessment on:

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

Board of Directors

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

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

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

Executive Committee

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

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

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

B.4 Internal control system

/ Internal control system

INTERNAL CONTROL AND RISK MANAGEMENT: OBJECTIVES

Objectives of the internal control system

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

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

These mechanisms and procedures principally include:

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

These mechanisms and procedures, taken together, constitute a comprehensive control environment that executives believe is appropriate and well adapted to the business.

Corporate governance structure

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

Management structures and controls

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

Compliance function

The Compliance function is responsible for advising the entity's management and Board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA Insurance dac.

The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risk and contribute to design solutions to mitigate those risks to which AXA Insurance dac is exposed.

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

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

The compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year to define activities for 2018.

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

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

B.5 Internal audit function

/ Internal audit function

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

The Group Internal Audit function has an audit charter to document its mission, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the relevant Audit Committee each year.

The head of the Group Internal Audit function has a direct and unfettered reporting line directly to the Audit Committee Chairman.

Group Internal Audit functionally reports through to the Global Head of Audit who reports to the Group Audit Committee Chairman.

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

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

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

B.6 Actuarial function

/ Actuarial function

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The appropriateness of the financial projections included within the ORSA process.

- Whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

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

B.7 Outsourcing

/ Outsourcing arrangements

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

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

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

Based on a self-assessment conducted as of year-end 2017, our most significant outsourced activities are operated within the AXA Group and relate to the management of investments (AXA Investment and Treasury UK)

B.8 Any other information

Not applicable

C

C. Risk Profile

C.1 Underwriting risk

Insurance risks

Risk Control and Risk Mitigation

C.2 Market risk

Market Risk Exposure

Risk Control and Risk Mitigation

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

C.3 Credit risk

Risk Control and Risk Mitigation

C.4 Liquidity risk

Liquidity position and risk management framework

C.5 Operational risk

General principles

C.6 Other material risks

Strategic risk

Reputation risk

Emerging risks

Group risk

C.7 Any other information

/ Foreword

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

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

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

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

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

/ Solvency II capital position and internal model

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

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

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

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

AXA's Internal Model is calibrated to represent the value at risk of Group Economic Value at the 99.5th percentile over a one year horizon. In other words, the Solvency Capital requirement (SCR) is the capital needed to sustain a 1 in 200 year shock, meaning the Company has less than half a percent chance of needing more capital than the SCR in any given year. It strives to include all measurable risks (market, credit, insurance and operational) and reflects AXA's unique diversified profile.

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

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

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

(in Euro million)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1	Market	104
2	Credit	19
3	Life Insurance	29
4	P&C Insurance	258
5	Operational Risk	20
6	Intangible Risk	

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	**R0110**	430
Diversification	**R0060**	-113
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	306
Capital add-ons already set	**R0210**	
Solvency capital requirement	**R0220**	306
Other information on SCR		-
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	**R0310**	-11
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

AXA Insurance dac Target Capital and Risk Sensitivity

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

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

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

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

31.12.2017		
Coverage Ratio post tax	142%	
	Post Sensitivity Coverage ratio	**Difference from actual coverage ratio**
+50bps Interest Rate	147%	5%
-50bps Interest Rate	136%	-6%
+75bps Corporate Spreads	149%	7%
+25% Equity Markets	161%	20%
-25% Equity Markets	128%	-14%

C.1 Underwriting risk

/ Insurance risks

AXA Insurance dac is primarily responsible for managing its insurance risks linked to underwriting, pricing and reserving. It is also responsible for taking appropriate actions in response to changes in insurance cycles and to the political and economic environments in which it operates.
Although the Company underwrites only P&C business, Life risks present within the risk profile of the Company derive from annuities related to the Pension scheme.
In the context of the business of AXA Insurance dac, as described in this report, AXA Insurance dac is exposed to the following main risks: Premium risk due to pricing (risk of undercharging for the potential costs of future claims and expenses of the Company), reserve risk (risk of insufficient reserves on the balance sheet of the Company to cover past claims)

/ Risk Control and Risk Mitigation

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

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

PRODUCT APPROVAL

Group Risk Management (GRM) has defined a set of procedures to approve new products launches. These procedures, that are adapted and implemented locally, foster product innovation across the Group while maintaining control over risks.
This validation framework notably relies on the results of the economic capital calculation of the AXA economic capital model and ensures that any new products undergo a thorough approval process before they are put to market.
In Property & Casualty, methods are adapted to the underwriting of risks, while maintaining the principle of local decision making based on a documented approval procedure and using the output of the economic capital model. The aim is twofold:

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

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

EXPOSURE ANALYSIS

For P&C activities, GRM has developed and deployed common models and metrics to consistently measure risks throughout the Group (in particular via its economic capital model framework). This enables Group to check that its exposure complies with risk appetite limits along the dimensions of earnings, value, capital and liquidity. These tools also contribute substantially to monitoring the major risks (claims frequency deviation, claims severity, reinsurance, pricing deviation and natural catastrophes).
This framework is included in the governance set out previously for product development control.
Concentration risk studies are developed to ensure no single-peril (i.e. windstorm, earthquake, hurricane or typhoon) might affect the company above the tolerance levels set.

REINSURANCE

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

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

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

TECHNICAL RESERVES

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

Actuaries in charge of assessing reserves notably ensure that:

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

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

C.2 Market risk

/ Market Risk Exposure

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

Description of market risks for Property & Casualty

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

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

Regarding foreign exchange risk, the implemented is to limit variations in net foreign currency-denominated assets resulting from movements in exchange rates. The purpose of the policy is to protect partially or in full the value of AXA Insurance dac net foreign-currency investments, of other key indicators such as liquidity and gearing and solvency ratios at Company level.

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

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

/ Risk Control and Risk Mitigation

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

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

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

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

Group and Local Guidance on Investments
Investment & ALM activities are advised by the Chief Investment Officer (CIO) through a delegation given by AXA Insurance dac. The CIO tracks performance of local portfolios, aiming at an optimised risk-return ratio, maintains reporting lines to the Group, and manages close relationships with Chief Risk Officer and Chief Financial Officer of AXA Insurance dac.

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

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

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

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

ALM Studies and Strategic Asset Allocation
ALM aims at matching assets with the liabilities generated by the sale of insurance policies. The objective is to define the optimal asset allocation so that all liabilities can be met with the highest degree of confidence while maximising the expected investment return while investing in accordance with the Prudent Person Principle..

ALM studies are performed by AXA Investment and Treasury with the support of internal asset managers when appropriate and a second opinion provided by the Risk Management Department.

They use methodologies and modelling tools that develop deterministic and stochastic scenarios, embedding policyholders' behaviour considerations for the liabilities, financial market evolution for the assets and taking into account existing interaction between the two. This process aims at maximising expected returns given a defined level of risk. Furthermore, a series of additional constraints are taken into account, such as Solvency II economic capital model considerations, earnings stability, protection of the solvency margin, preservation of liquidity, as well as local and consolidated capital adequacy and requirement.

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

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

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

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

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

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

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

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

Additionally, there is a centralised counterparty risk policy. GRM has established rules on authorised counterparties, minimum requirements regarding collateral, and counterparty exposure limits.
The operational risk related to derivatives is measured and managed in the context of AXA's global operational risk framework. Furthermore, execution and management of derivatives are centralised within dedicated teams, reducing AXA Group's and AXA Insurance dac operational risk.

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

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

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

C.3 Credit risk

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

- investment portfolios
- ceded risks to reinsurers resulting from reinsurance directly ceded by AXA Insurance dac
- receivables from brokers, policyholders and other relevant counterparties by AXA Insurance dac.

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

/ Risk Control and Risk Mitigation

Invested Assets

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

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

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

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

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

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

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

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

Receivables: Rating Processes and Factors

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

Quarterly Credit Risk Reporting is issued by Finance to key stakeholders, including the local CFO and CRO, and presented to local Executive Risk Committee meetings. The amount on the most recent report at December 2017 deemed to be a specific credit risk for non-recovery on Premium Debtor & Reinsurance balances is under 2 % of overall €178.5m balance on the Balance Sheet and is adequately provided for.

Other receivables

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

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

C.4 Liquidity risk

/ Liquidity position and risk management framework

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

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

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

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

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

i. AXA Insurance dac shows significant positive excess liquidity and is monitored on a quarterly basis,
ii. The main liquidity resources are the assets and the main needs are coming from claims payments.
iii. The liquidity position remains relatively stable over time

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

As of December 31, 2017 the expected profit included in future premiums as calculated in accordance with Article 260(2) of the Solvency II Regulation totalled €2.1 million.

C.5 Operational risk

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

/ General principles

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

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

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

Both quantitative and qualitative requirements are defined.

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

The quantified risk profile is a result of the quantification of 33 individual risks, including any applicable Group Mandatory scenarios and UK Transversal risks. In 2017, the AXA Insurance dac Operational Risk Profile is reasonably well spread out with all seven operational risk categories covered and the main risks being; Cyber Attack Risk, Compliance Risks (Central Bank of Ireland [CBI], Financial Conduct Authority [FCA], General Data Protection Regulations [GDPR]), Reserving process and Key Business premises Unavailable.

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

C.6 Other material risks

/ Strategic risk

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

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

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

/ Reputation risk

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

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

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

Three main objectives drive the reputation risk management approach:

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

/ Emerging risks

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

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

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

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

By seeking to develop new solutions, acting as an advisor on risk management and actively contributing to the overall debate about the issues involved, along with other major market players,

AXA Group intends to promote a better understanding and better forecasting of the emerging risks and to support sustainable development.

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

/ Group Risk

While there are benefits of being in a Group, this also impacts the AXA Insurance dac risk profile. AXA Insurance dac is exposed to Group Risk (the risk that the financial or reputational position of a firm may be adversely affected by its relationships with other entities in the same group or by the group itself) arising from its direct and indirect relationships with AXA Group and its entities. These exposures are identified and assessed through the Own Risk and Solvency Assessment process and is subject to ongoing management and monitoring through established controls such as the quarterly Non Investment Credit Risk Report.

C.7 Any other information

Not Applicable

D

D. Valuation for Solvency purposes

Basis for preparation

D.1 Assets

Fair Value Measurement

Intangible Assets

Property, Plant & Equipment held for own use

Investments and loans

Equities

Debt Instruments

Investment Funds

Derivative instruments

Cash and Cash equivalents

Deferred taxes

Leasing arrangements

D.2 Valuation of technical provisions and reinsurance recoverables

General principles

Best Estimate Liabilities

Risk Margin

Reinsurance & Special purpose vehicles recoverables

D.3 Other liabilities

Contingent liabilities

Subordinated Debt

Derivative instruments

Provisions other than technical provisions

Pension benefit obligations

Deferred taxes

Financial liabilities

Leasing arrangements

Other assets and liabilities

D.4 Alternative methods for valuation

D.5 Any other information

Basis for preparation

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

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

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

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

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

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

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

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

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

These adjustments are detailed hereafter in this section.

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

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

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

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

D.1 Assets

/ Fair Value Measurement

The table below summarises for each material class of assets, the value of the assets of the Company according to Solvency II provisions together with the values of the assets recognised and valued on a statutory account basis as at December 31, 2017:

(in Euro million)	**Fair Value** (Solvency II)	**Carrying Value** (FRS 101)	**% (Solvency II)**
Goodwill	-	-	**0.0%**
Deferred acquisition costs	-	47	**0.0%**
Intangible assets	-	-	**0.0%**
Deferred tax assets	-	-	**0.0%**
Pension benefit surplus	-	-	**0.0%**
Property, plant & equipment held for own use	27	16	**1.6%**
Investments (other than assets held for index-linked and unit-linked contracts)	**1,472**	**1,472**	**84.5%**
Investment in real estate properties	-	-	**0.0%**
Holdings in related undertakings, including participations	-	-	**0.0%**
Equities	123	123	**7.1%**
Debt Instruments	1,232	1232	**70.7%**
Investment funds	104	104	**6.0%**
Derivatives	14	14	**0.8%**
Other investments	-	-	**0.0%**
Assets held for index-linked and unit-linked contracts	**-**	**-**	**0.0%**
Loans and mortgages	**109**	109	**6.3%**
Reinsurance recoverables	**19**	19	**1.1%**
Receivables	**53**	179	**3.0%**
Cash and cash equivalents	**62**	62	**3.5%**
Other	-	-	**0.0%**
TOTAL ASSETS	**1,742**	**1,905**	**100.0%**

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

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

a) Active market: quoted price

Fair values of assets and liabilities traded on active markets are determined using quoted market prices when available. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing buyer. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

b) Active versus inactive markets – financial instruments

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

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

c) Assets and liabilities not quoted in an active market

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

- Using external and independent pricing services; or
- Using valuation techniques

External pricing services may be fund asset managers in the case of investments in funds. To the extent possible, the Company collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions.

/ No active market: use of valuation techniques

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

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

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

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

/ Use of valuation techniques in dislocated markets

The dislocation of certain markets may be evidenced by various factors, such as;

- very large widening of bid ask spreads which may be helpful indicators in understanding whether market participants are willing to transact,
- wide dispersion in the prices of the small number of current transactions,

- varying prices over time or among market participants, inexistence of secondary markets,
- disappearance of primary markets,
- closing down of dedicated desks in financial institutions,
- distress and forced transactions motivated by strong needs of liquidity or other difficult financial conditions implying the necessity to dispose of assets immediately with insufficient time to market the assets to be sold, and
- large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer).

Primary transactions' prices in markets supported by government through specific measures following the financial crisis do not represent fair value.

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

/ Intangible Assets

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

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

/ Property, Plant & Equipment held for own use

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

/ Investments and loans

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

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

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

/ Equities

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

/ Debt Instruments

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

/ Investment Funds

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

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

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

/ Deferred taxes
Please refer to section D.3.

/ Leasing arrangements

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

/ Receivables
Loans are initially recognised at cost, which is the fair value of the consideration paid for the acquisition of the investment and transaction costs directly attributable to the acquisition of the investment; and subsequently measured at amortised cost using the effective interest rate method with gains and losses recognised in the profit and loss account.

Under Solvency II, reinsurance receivables take account for reinsurance credit default. For policyholder receivables this reflects cash flow receipt within the Solvency II balance sheet.

D.2 Valuation of technical provisions and reinsurance recoverables

/ General principles

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

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

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

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

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

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

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

Euro millions	Fair Value (Solvency II)	Carrying Value (FRS 101)
Technical Provision - non life	**1,106**	**1,323**
Material lines of business		
Motor Vehicle Liability insurance - Technical Provisions	**1,007**	**1,177**
Best Estimate	960	**1,177**
Risk Margin	47	
Other Motor insurance - Technical Provisions	**32**	**52**
Best Estimate	30	52
Risk Margin	2	
Fire and Other Damage to Property insurance - Technical Provisions	**43**	**64**
Best Estimate	41	64
Risk Margin	2	
General Liability insurance - Technical Provisions	**22**	**28**
Best Estimate	21	28
Risk Margin	1	

/ Best Estimate Liabilities

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

/ Assumptions and framework

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

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

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

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

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

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

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

/ Specificities of some assumptions

Expenses

Expenses include administrative expenses, investment management expenses, claims management expenses and acquisition expenses which relate to recognised insurance and reinsurance obligations.
The assumptions underlying expenses projections are consistent with the strategy of the Company, taking into account future new business and any change in the expenses agreed by the management.
Expenses are inflated over the duration of the projection. The inflation assumption is assessed on the basis of the economic environment and the specifics of the Company, and generally varies across economic scenarios.

Boundary of an insurance or reinsurance contract

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

Reference rate curve and stochastic scenarios

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

Non-life Best Estimate Liabilities

Non-life Best Estimate Liabilities (BEL) represent expected future cash flows discounted to take into account the time value of money for non-life obligations and do not generally require stochastic projections and dynamic assumptions.
The valuation of non-life technical provisions is based on the application of a wide range of actuarial projection models, including a balanced mix of the following elements:

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

The Company applies a wide range of actuarial and statistical methods. Analyses are performed by lines of business and projections are performed using tools developed either internally or externally.
Non-life technical provisions are valued based on internally modelled run-offs projected out flows on the basis of past payment patterns adjusted whenever relevant. A number of adjustments are applied to the statutory technical provisions to determine the Solvency II technical provisions.

Unearned premium reserves

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

Under Statutory GAAP, unearned premium reserves are usually based on a prorata of premiums received related to the unexpired period of coverage plus an amount to cover deficiencies when the combined ratio based on technical reserves is higher than 100% (net of reinsurance).
Under Solvency II, such reserves result from the application of an expected combined ratio to the proportion of the premiums related to the unexpired period, even when this loss ratio is lower than 100%

/ Risk Margin

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

The non-hedgeable risks comprise:
- Property & Casualty,
- Reinsurance default risks and
- Operational risks.

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

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

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

Reinsurance & Special purpose vehicles recoverables

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

At year end 2017 AXA Insurance dac had no special purpose vehicle recoverables.

D.3 Other liabilities

The table below summarises AXA Insurance dac other liabilities under Solvency II together with a comparison on a local statutory account basis as of December 31, 2017.

(in Euro million)	Fair Value (Solvency II)	Carrying Value (FRS 101)
Contingent liabilities	-	-
Technical provisions	1,106	1,323
Provisions other than technical provisions	16	16
Pension benefit obligations	-	0
Deposits from reinsurers	-	-
Deferred tax liabilities	11	7
Derivatives	3	3
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Payables	81	81
Subordinated liabilities	20	20
Other	41	41
Total Liabilities	**1,278**	**1,490**

/ Contingent liabilities

Contingent liabilities are:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or

- Present obligations that arise from past events but for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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

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

AXA Insurance dac has no contingent liabilities as of December 31, 2017.

/ Subordinated liabilities

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

/ Derivative instruments

See section D.1

/ Provisions other than technical provisions

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

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

/ Pension benefit obligations

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

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

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

/ Deferred taxes

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

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

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

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

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

As of December 31, 2017 a net DTL position of €11.2m million has been recognised in the Solvency II balance sheet.

/ Financial liabilities

Financial liabilities relates to liabilities other than debts owed to Credit Institutions. AXA Insurance dac have no such debts as at December 31, 2017.

/ Leasing arrangements

The Company has no material leasing arrangements.

/ Other assets and liabilities

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

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

With the exception of collateral pledged (€16m), to cover derivative exposures, assets of the company are free of charges exercisable by third parties.

All other assets and debts (tangibles assets and other long term assets) are also recorded at fair value under Solvency II equating to carrying value under IFRS.

D.4 Alternative methods for valuation

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

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

D.5 Any other information

As at year end 2017 AXA Insurance dac does not use matching adjustment , volatility adjustment or transitional risk free interest rate structure.

E

E. Capital Management

E.1 Own funds

Capital Management Objectives

Information on Capital structure

Change in Capital resources in 2017

Tiering Analysis of capital

Reconciliation to IFRS shareholders' equity

E.2 Solvency capital requirement and minimum capital requirement

General principles

Solvency Capital Requirement

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

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

General information

Main differences between the Standard Formula and the Internal Model

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

E.6 Any other information

E.1 Own funds

/ Capital Management Objectives

AXA Insurance dac reviewed its capital resources and requirements on an economic basis as at the end of 2017. In performing this review, both Regulatory requirements and Management's internal objectives, including ability to meet key shareholder's requirements, have been considered.

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

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

AXA Insurance dac have in place a local Capital Management Policy and review information over the company planning horizon (generally 3-5 years).

/ Information on Capital structure

As of December 31, 2017, available financial resources totalled €434m.

The capital resources at December 31, 2017 and December 31, 2016 are presented in the table below:

(in € million)	**At December 31, 2017**	**At December 31, 2016**	**Evolution**
Share capital	42	42	0
Capital in excess of nominal value	32	32	0
Dated subordinated debt	20	20	0
Reconciliation reserve	268	225	43
Other own fund items approved by the supervisory authority as basic own funds not specified above	72	72	0
TOTAL AVAILABLE FINANCIAL RESOURCES	**434**	**392**	**43**

Reconciliation reserve represents the excess of asset over liabilities from the Solvency II balance sheet, reduced by capital items in the financial statements (share capital, capital in excess of nominal value, Capital Contributions) and net of foreseen dividends to be paid in 2018.

/ Change in Capital resources in 2017

Available Financial Resources

At December 31, 2017

(in € million)	At December 31, 2017
AFR FY 2016	**392**
Modelling changes and opening adjustments	0
Total Return	92
Others	-50
AFR FY 2017	**434**

In 2017 post tax AFR increased by €42m from €392m to €434m. The significant movements being;
+€74m movement in IFRS net assets reflecting current year result and reduction in pension deficit;
+€7m movement on discounting and market value movement (MVM) adjustments under Solvency II
+€11m Impact of unearned premium reserve (UPR) economic adjustment
- €50m foreseeable dividend

All relevant adjustments above are net of tax.

The company foresees a dividend payment of €50m in 2018 which reduces the AFR to €434m.

/ Tiering Analysis of capital

Capital by tier

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

Available own funds are split into tiers, i.e. three different buckets of capital determined according to the quality of such components as defined in the Solvency II Regulation. Eligibility limits apply to those available elements to cover respectively the Solvency Capital Requirement (SCR) or the Minimum Capital Requirement (MCR) and technical provisions.

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

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

(in Euro million)	Total	Unrestricted Tier 1	Restricted Tier 1	Tier 2	Tier3
AFR (Eligible own fund) At December 31, 2017	434	414	-	20	-
Of which ancillary	-	-	-	-	-
Of which subject to transitional measures	-	-	-	-	-

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

In accordance with the methods of calculation implemented by AXA in line with existing regulations, the AXA Insurance dac eligible financial resources to cover both its minimum capital requirement and solvency capital requirement under the current Solvency II regime amounted to €434m at December 31, 2017.

Dated and undated subordinated debts description

The company has not issued dated or undated subordinated debt. The Company received €20m of subordinated debt during 2016. (Tier 2 capital)

/ Reconciliation to IFRS shareholders' equity

As of December 31, 2017, consolidated IFRS shareholder's equity totalled €415 million. The reconciliation movements in capital resources between the IFRS Shareholders' equity and the Solvency II Available Financial Resources are presented in the table below:

€ million	At December 31, 2017
IFRS Shareholders' Equity	**415**
Best estimate liabilities and market value margin	79
Sub ordinated loan – reclass debt to equity	20
Full market value of assets	11
Foreseeable dividends	-50
Intangible assets	-41
Available Financial Resources (AFR)	**434**

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

- Intangible asset removal relates to the removal of deferred acquisition cost (DAC), re-measured through the Best Estimate Liabilities calculation.

- The adjustment of the market value of assets is related to the recognition of unrealised gain and losses of assets (real estate) recognised at cost in the IFRS Balance Sheet.

- Best Estimate Liabilities and Market Value Margin (Risk Margin) changes reflect the difference in regulations between IFRS and Solvency II in the valuation of technical provisions.

- Foreseeable dividends are included in the table above

E.2 Solvency capital requirement and minimum capital requirement

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

/ General principles

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

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

/ Solvency Capital Requirement

On November 17, 2015, AXA received approval from the College of Supervisors to use its internal model to calculate its regulatory capital under Solvency II. The Solvency II capital ratio for AXA Insurance dac was 142% as of December 31, 2017. This approved internal model is calibrated to a 99.5% VAR measure over a one year time horizon.

Total Solvency Capital Requirement (SCR) increased by €5 million to €306 million.

On December 31, 2017 the Company's solvency capital requirement was €306 million net of tax, split as follows by risk module: P&C risk €258 million, Life risk €29 million, Market risk €104 million, Credit Risk €19 million, Operational Risk €20 million. This split is before diversification and tax.

At December 31, 2017 the breakdown of the Solvency II required Capital (€306 million) by risk categories was Market 24%, Credit 4%, Life 7%, P&C 60% and Operational 5% before diversification and tax adjustment.

/ Minimum Capital Requirement

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

In accordance with the methods of calculation implemented by AXA Insurance dac in line with existing regulations, the AXA Insurance dac Minimum Capital Requirement amounted to €138 million at December 31, 2017 (up + €3 million) mainly driven by the increase in volume metric.

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

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

Not applicable

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

/ General information

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

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

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

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

/ Main differences between the Standard Formula and the Internal Model

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

The general architecture of the AXA's Internal Model consists in five main modules (Life, Market, Credit, P&C and operational risks). The Standard Formula in addition considers a separate Health risk category (not applicable for AXA Insurance dac).

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

Market risk: Interest rate implied volatility, equity implied volatility, Government spread and inflation are explicitly modelled in AXA's Internal Model. The risk of concentrations in the portfolio is included in the corporate default calculation.

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

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

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

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

Modelling techniques

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

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

Diversification

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

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

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

The overall aggregation process is based on an elliptical aggregation of the Market, Life, Credit, Property & Casualty and Operational requirements. This modular approach allows for the ranking of the main risks or sub-risks and provides a better understanding of the risks (sub-risks) and their impacts.

AXA Insurance dac also performs reverse stress scenarios. The aim of such scenarios is to exhibit combinations of Market, Credit, Life, P&C and Operational events (the shocks defined in the scenario are occurring simultaneously) that would yield the same amount as the SCR for a chosen valuation date. They allow the assessment of several impacts inherent to the internal model. They include back-testing for the correlation coefficients' accuracy. Indeed, performing such scenarios highlights potential cross and non-linearity effects. Based on this analysis AXA Insurance dac use conservative correlation coefficients.

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

Data

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

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

Not Applicable

E.6 Any other information

Not Applicable

AXA Insurance dac Quantitative Reporting Templates (QRT) YE2017

QRT

Quantitative Reporting Templates

Quantitative Reporting Templates YE 2017

Content of the submission

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

/ Quantitative Reporting Templates

The following Quantitative Reporting Templates are presented as part of the YE 2017 Solvency and Financial Condition Report of AXA Insurance dac.

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

S.02.01.02 Balance sheet

in EUR 000

		Solvency II value
Assets		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	27,221.94
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,472,468.45
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	123,087.10
Equities - listed	R0110	123,087.10
Equities - unlisted	R0120	-
Bonds	R0130	1,231,536.17
Government Bonds	R0140	516,982.38
Corporate Bonds	R0150	620,234.83
Structured notes	R0160	-
Collateralised securities	R0170	94,318.96
Collective Investments Undertakings	R0180	104,317.38
Derivatives	R0190	13,527.80
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	109,083.24
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	1,007.59
Other loans and mortgages	R0260	108,075.65
Reinsurance recoverables from:	R0270	19,395.63
Non-life and health similar to non-life	R0280	19,395.63
Non-life excluding health	R0290	19,395.63
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	7,336.26
Insurance and intermediaries receivables	R0360	35,693.01
Reinsurance receivables	R0370	1,202.16
Receivables (trade, not insurance)	R0380	8,305.10
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	61,608.65
Any other assets, not elsewhere shown	R0420	64.51
Total assets	R0500	1,742,378.93

in EUR 000		**SolvencyIIvalue**
Liabilities		C0010
Technical provisions – non-life	R0510	1,106,398.29
Technical provisions – non-life (excluding health)	R0520	1,105,502.94
TP calculated as a whole	R0530	-
Best Estimate	R0540	1,053,248.87
Risk margin	R0550	52,254.07
Technical provisions - health (similar to non-life)	R0560	895.35
TP calculated as a whole	R0570	-
Best Estimate	R0580	862.25
Risk margin	R0590	33.10
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
TP calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	15,646.49
Pension benefit obligations	R0760	389.49
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	11,265.28
Derivatives	R0790	2,665.58
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	18,788.38
Reinsurance payables	R0830	6,191.99
Payables (trade, not insurance)	R0840	55,988.55
Subordinated liabilities	R0850	20,000.00
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	20,000.00
Any other liabilities, not elsewhere shown	R0880	40,939.93
Total liabilities	R0900	1,278,273.98
Excess of assets over liabilities	R1000	464,104.95

Template S.05.01.02

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

EUR 000

in thousand EUR		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	-	1,824.00	-	544,608.07	87,434.49	0.00	63,543.95	12,203.58	-	510.56	-	1,134.75					711,259.39
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	3,048.93	-	-	-	-	-					3,048.93
Gross - Non-proportional reinsurance accepted	R0130															-	-	-
Reinsurers' share	R0140	-	-	-	6,921.67	7,664.70	-	7,039.39	1,097.23	-	-	-	186.32			-	-	22,909.31
Net	R0200	-	1,824.00	-	537,686.40	79,769.79	-0.00	59,553.49	11,106.35	-	510.56	-	948.43			-	-	691,399.01
Premiums earned																		
Gross - Direct Business	R0210	-	1,824.00	-	496,666.05	103,429.78	-0.00	59,441.45	10,628.37	-	66.16	-	1,055.09					673,110.90
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	3,048.82	-	-	-	-	-					3,048.82
Gross - Non-proportional reinsurance accepted	R0230															-	-	-
Reinsurers' share	R0240	-	-	-	6,926.75	7,553.43	-	6,951.34	1,077.34	-	-	-	176.38			-	-	22,685.23
Net	R0300	-	1,824.00	-	489,739.30	95,876.35	-0.00	55,538.93	9,551.04	-	66.16	-	878.72			-	-	653,474.49
Claims incurred																		
Gross - Direct Business	R0310	-	30.24	-	357,713.44	50,029.89	-	27,554.57	8,064.22	-	-	-	223.91					443,616.26
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	2,220.27	-	-	-	-	-					2,220.27
Gross - Non-proportional reinsurance accepted	R0330															-	-	-
Reinsurers' share	R0340	-	-	-	1,569.91	238.41	-	400.07	-	-	-	-	-			-	-	2,208.38
Net	R0400	-	30.24	-	356,143.54	49,791.48	-	29,374.77	8,064.22	-	-	-	223.91			-	-	443,628.15
Changes in other technical provisions																		
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	R0430															-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-
Net	R0500	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-
Expenses incurred	R0550	-	223.28	-	154,047.46	20,382.20	-	20,047.52	3,722.58	-	-	-	129.38			-	-	198,552.43
Other expenses	R1200																	-
Total expenses	R1300																	198,552.43

Template S.05.02.01

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

S.05.02.01 **Premiums, claims and expenses by country**

in EUR 000		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	FR				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	544,252.81	167,006.58	-	-	-	-	711,259.39
Gross - Proportional reinsurance accepted	R0120	-	-	3,048.93	-	-	-	3,048.93
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	20,402.84	2,506.47	-	-	-	-	22,909.31
Net	R0200	523,849.97	164,500.11	3,048.93	-	-	-	691,399.01
Premiums earned								
Gross - Direct Business	R0210	514,110.39	159,000.51	-	-	-	-	673,110.90
Gross - Proportional reinsurance accepted	R0220	-	-	3,048.82	-	-	-	3,048.82
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	20,205.53	2,479.70	-	-	-	-	22,685.23
Net	R0300	493,904.86	156,520.81	3,048.82	-	-	-	653,474.49
Claims incurred								
Gross - Direct Business	R0310	331,751.50	111,864.77	-	-	-	-	443,616.27
Gross - Proportional reinsurance accepted	R0320	-	-	2,220.27	-	-	-	2,220.27
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	2,327.68	-119.30	-	-	-	-	2,208.38
Net	R0400	329,423.82	111,984.07	2,220.27	-	-	-	443,628.15
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	156,781.19	41,544.38	226.86	-	-	-	198,552.43
Other expenses	R1200							-
Total expenses	R1300							198,552.43

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Total Top 5 and home country		
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-
Net	R1500	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Premiums earned								
Gross	R1510	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-
Net	R1600	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Claims incurred								
Gross	R1610	-	-	-	-	-	-	-
Reinsurers' share	R1620	-	-	-	-	-	-	-
Net	R1700	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenses incurred	R1900	-	-	-	-	-	-	**-**
Other expenses	R2500							-
Total expenses	R2600							**-**

Template S.17.01.02

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

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
in thousand EUR		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation And transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	-	801.42	-	123,776.36	20,395.03	-	11,007.79	2,745.86	-	444.40	-	461.74	-	-	-	-	159,632.59
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	442.22	3,686.58	-	354.59	69.05	-	-	-	34.53	-	-	-	-	4,586.96
Net Best Estimate of Premium Provisions	R0150	-	801.42	-	123,334.14	16,708.45	-	10,653.21	2,676.81	-	444.40	-	427.21	-	-	-	-	155,045.63
Claims provisions																		
Gross	R0160	-	60.83	-	835,963.19	9,475.83	-	29,913.40	18,548.50	-	-	-	516.77	-	-	-	-	894,478.53
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	10,335.49	77.90	-	4,395.71	-0.29	-	-	-	-0.14	-	-	-	-	14,808.66
Net Best Estimate of Claims Provisions	R0250	-	60.83	-	825,627.71	9,397.94	-	25,517.69	18,548.79	-	-	-	516.91	-	-	-	-	879,669.86
Total Best estimate - gross	R0260	-	862.25	-	959,739.55	29,870.86	-	40,921.20	21,294.36	-	444.40	-	978.51	-	-	-	-	1,054,111.12
Total Best estimate - net	R0270	-	862.25	-	948,961.85	26,106.38	-	36,170.90	21,225.60	-	444.40	-	944.12	-	-	-	-	1,034,715.49
Risk margin	R0280	-	33.10	-	46,850.37	1,813.97	-	2,458.53	1,089.88	-	-	-	41.32	-	-	-	-	52,287.17
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions - total																		
Technical provisions - total	R0320	-	895.35	-	1,006,589.92	31,684.83	-	43,379.73	22,384.24	-	444.40	-	1,019.83	-	-	-	-	1,106,398.29
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	-	-	-	10,777.70	3,764.48	-	4,750.30	68.77	-	-	-	34.38	-	-	-	-	19,395.63
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	895.35	-	995,812.22	27,920.35	-	38,629.43	22,315.47	-	444.40	-	985.45	-	-	-	-	1,087,002.66

Template S.19.01.21

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

Underwriting year	Z0020	AY

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year											In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											1,743,003.79	R0100 1,743,003.79	1,743,003.79
N-9	R0160	147,126,446.00	65,396,173.00	36,950,573.00	37,423,264.00	20,344,403.00	13,266,526.00	6,515,247.00	2,095,295.00	3,898,312.00	1,402,097.00		R0160 1,402,097.00	334,418,336.00
N-8	R0170	138,381,343.00	81,618,335.00	38,230,096.00	31,783,586.00	23,142,245.00	16,523,037.00	9,752,409.00	2,620,144.00	1,094,710.00			R0170 1,094,710.00	343,145,905.00
N-7	R0180	127,097,219.00	90,587,149.00	38,430,711.00	29,764,980.00	23,052,880.00	16,013,298.00	5,229,911.00	4,340,108.00				R0180 4,340,108.00	334,516,256.00
N-6	R0190	111,391,026.00	69,487,958.00	37,907,511.00	38,506,814.00	21,927,410.00	19,178,574.00	13,898,056.00					R0190 13,898,056.00	312,297,349.00
N-5	R0200	105,483,579.00	65,012,982.00	48,854,407.00	37,090,818.00	32,853,932.00	20,315,597.00						R0200 20,315,597.00	309,611,315.00
N-4	R0210	104,478,346.00	73,514,185.00	46,516,773.00	32,319,224.00	29,245,870.00							R0210 29,245,870.00	286,074,398.00
N-3	R0220	116,490,490.00	72,554,581.00	49,084,681.00	45,587,372.00								R0220 45,587,372.00	283,717,124.00
N-2	R0230	106,894,646.00	71,388,405.00	52,501,421.00									R0230 52,501,421.00	230,784,472.00
N-1	R0240	103,238,936.00	69,962,769.00										R0240 69,962,769.00	173,201,705.00
N	R0250	100,974,032.00											R0250 100,974,032.00	100,974,032.00
												Total	R0260 341,065,035.79	2,710,483,895.79

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year											Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											5,223,539.40	R0100 5,200,482.91
N-9	R0160	-	-	-						4,577,422.00	3,925,123.00		R0160 3,908,485.00
N-8	R0170	-	-						4,401,710.00	4,508,287.00			R0170 4,489,885.00
N-7	R0180	-						12,387,187.00	9,228,675.00				R0180 9,189,579.00
N-6	R0190						36,624,671.00	26,317,136.00					R0190 26,198,574.00
N-5	R0200					55,249,682.00	36,347,892.00						R0200 36,187,560.00
N-4	R0210				80,820,068.00	51,164,656.00							R0210 50,934,283.00
N-3	R0220			128,368,962.00	95,317,971.00								R0220 94,896,536.00
N-2	R0230		181,619,815.00	152,749,696.00									R0230 152,056,342.00
N-1	R0240	279,764,574.00	197,839,311.00										R0240 196,933,870.00
N	R0250	315,906,885.00											R0250 314,481,368.00
												Total	R0260 894,476,964.91

Template S.23.01.01

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

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	42,079,232.00	42,079,232.00			
Share premium account related to ordinary share capital	R0030	32,393,682.00	32,393,682.00			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	268,066,562.00	268,066,562.00			
Subordinated liabilities	R0140	20,000,000.00			20,000,000.00	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	71,565,472.00	71,565,472.00			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	434,104,948.00	414,104,948.00		20,000,000.00	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320	0.00				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00				
Other ancillary own funds	R0390	0.00				
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	434,104,948.00	414,104,948.00		20,000,000.00	
Total available own funds to meet the MCR	R0510	434,104,948.00	414,104,948.00		20,000,000.00	
Total eligible own funds to meet the SCR	R0540	434,104,948.00	414,104,948.00		20,000,000.00	
Total eligible own funds to meet the MCR	R0550	434,104,948.00	414,104,948.00		20,000,000.00	
SCR	R0580	305,725,048.00				
MCR	R0600	137,576,272.00				
Ratio of Eligible own funds to SCR	R0620	1.42				
Ratio of Eligible own funds to MCR	R0640	3.16				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	464,104,948.00
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	50,000000
Other basic own fund items	R0730	146,038,386.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	268,066,562.00
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,843,011.00
Total Expected profits included in future premiums (EPIFP)	R0790	1,843,011.00

Template S.25.03.21

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

Solvency Capital Requirement - for undertakings on Full Internal Models

In EUR 000

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1	Market	103,912,640.21
2	Credit	19,219,910.43
3	Life Insurance	29,114,918.31
5	P&C Insurance	257,948,867.27
7	Operational Risk	20,219,891.83
6	Intangible Risk	-

Calculation of Solvency Capital Requirement		
Total undiversified components	R0110	430,416,228.05
Diversification	R0060	- 113,436,847.81
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	-
Solvency capital requirement excluding capital add-on	R0200	305,725,048.28
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	305,725,048.28
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	- 11,254,331.95
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
S.28.01.01
In EUR 000
Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	151,295,959.00

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	862,249	1,824,000
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	948,961,845	537,686,396
Other motor insurance and proportional reinsurance	R0060	26,106,382	79,769,788
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	36,170,899	59,553,486
General liability insurance and proportional reinsurance	R0090	21,225,595	11,106,350
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	444,399	510,561
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	944,123	948,426
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	

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

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

Overall MCR calculation

		C0070
Linear MCR	R0300	151,295,959.00
SCR	R0310	305,725,048.00
MCR cap	R0320	137,576,272.00
MCR floor	R0330	76,431,262.00
Combined MCR	R0340	137,576,272.00
Absolute floor of the MCR	R0350	
Minimum Capital Requirement	R0400	137,576,272.00