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AXA XL Insurance Company UK Limited

An AXA S.A. Company

Solvency and Financial Condition Report

Year Ended

31 December 2025

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Directors' Statement

The Board of Directors acknowledge their responsibility for ensuring that this Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the Solvency II rules as defined by the Prudential Regulatory Authority. The Board confirms that there is a written Solvency II Public Disclosure and Private Reporting Policy in place to ensure the ongoing appropriateness of any information disclosed. The Board is satisfied that:

(a) throughout the financial year in question, AXA XL Insurance Company UK Limited has complied in all material respects with the requirements of the Prudential Regulatory Authority rules as applicable to the Company.

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply, and will continue to comply in future.

By order of the Board

Signed by:
Sean McGovern
F2CC8CCAA4BD464...

S McGovern

Chief Executive Officer

26 March 2026

DocuSigned by:
Mark Cummings
1DCC2422FB624E1...

M Cummings

Director

26 March 2026

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Independent Auditors' Report to the Directors

Report of the independent external auditor to the Directors of AXA XL Insurance Company UK Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2025**:**

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2025 **('the Narrative Disclosures subject to audit**'); and
- Company templates IR.02.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21 and IR.28.01.01, ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Solvency and Financial Condition Report'**.

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

- The 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.04.02 and IR.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of AXA XL Insurance Company UK Limited as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)), including ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and 'ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 30 September 2027*;*
- verifying the accuracy and reasonableness of management's analysis by testing the inputs, assessing key assumptions and checking the clerical accuracy of the models used;
- evaluating the solvency and liquidity position of the Company by reviewing base case solvency and liquidity projections for the Company as well as stress scenarios and forecast analysis prepared by management;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and made enquiries as to any subsequent events that may have a material impact on the business; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 September 2027**.**

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed,

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we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules.

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

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant elements of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the relevant laws and regulations related to elements of the provisions of PRA rules, company law and tax legislation, and the financial reporting framework. Our consideration of other laws and regulations that may have a material effect on the relevant elements of the SFCR included authorisation conditions and regulatory requirements of the regulators of the regulated business carried out by the Company which include the PRA and the Financial Conduct Authority ('FCA').

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- We understood how AXA XL Insurance Company UK Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the regulatory bodies, reviewed minutes of the Board and its committees and gained an understanding of the Company's approach to governance.

- We assessed the susceptibility of the relevant elements of the Company's Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the valuation of gross Solvency II Technical Provisions.

Our audit procedures included:

  - Reviewing accounting estimates for evidence of management bias. We assessed if there were any indicators of management bias in the valuation of Solvency II Technical Provisions, which included the support of our actuaries;

  - Evaluating the business rationale for significant and/or unusual transactions; and

  - In addition, we performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees at the Company level; enquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA and the PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Engagement Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms, we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of AXA XL Insurance Company UK Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DocuSigned by:

Ernst & Young LLP

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Ernst & Young LLP

London

27 March 2026

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Summary

Unless otherwise stated, all amounts in this report are presented in thousands of Pound Sterling (£'000), with Sterling being the Company's reporting currency in the Financial Statements. This may result in a limited number of immaterial rounding differences in the report.

AXICL UK and AXA XL

The principal activity of AXA XL Insurance Company UK Limited ("AXICL UK" or the "Company") is the transaction of general (re)insurance business. The Company is domiciled in the United Kingdom and is a member of AXA XL, a division of the AXA S.A. group of companies. AXICL UK writes its business through offices in the UK and other AXA XL offices internationally. AXA XL through its subsidiaries is a global (re)insurance group of companies and other enterprises situated around the world.

AXA will publish its Group Solvency and Financial Condition Report in May 2026, and a copy will be available on the AXA website (https://www.axa.com/). Any references to AXA group refer to AXA S.A. together with its direct and indirect subsidiaries.

Business and performance

The strategy of the Company is to provide AXA XL (the "Division") with a UK platform outside of the Lloyd's of London market and to pursue sustainable growth through commercial Property, Casualty and Specialty lines of business. AXICL UK's focus remains on disciplined underwriting and targeted growth utilising the benefits of our significant presence in the markets the Company operates in, and the footprint and client base of both the Division and regional synergies with AXA S.A. entities.

By utilising effective distribution channels, the Company continues to offer a suite of products and services to meet the evolving needs of its clients, and during 2025 contributed to AXA Group's 'Unlock the Future' strategy. Further details of which can be found on the AXA Group website here. The Company is an important part of AXA's business model to underwrite UK based commercial risks and partner with our clients.

The Company operates primarily in the UK, but also writes business in North and South America, Middle East, Africa and the Asia-Pacific region.

Gross written premiums of £1,317m (2024: £1,314m) have remained stable compared to the prior year. Driven by favourable new business performance seen predominantly on Energy Property, Life, Accident & Health, and International Financial Lines. Partially offset due to non-renewal of accounts on Wholesale Property & Casualty, against a backdrop of negative rate and tough market conditions impacting most lines of business.

The company reported a £60m profit on ordinary activities before taxation for the year (2024: profit £29m). The financial performance of the Company in 2025 reflected stable premium levels, benign large loss and CAT activity offset by adverse attritional loss experience and adverse prior years development on Aerospace, International Property and Motor. The Company was positively impacted by investment returns of £46m (2024: £16m) driven by favourable investment income and unrealised investment gains in the year as a result of the decrease in the interest rates impacting bond market values.

Further details of the Company's business and performance are provided in Section A below. Please also refer to AXA's Annual Report for the year ended 31 December 2025 for additional information on AXA S.A.'s performance. A link to AXA's 2025 Annual Report is here.

System of governance

The Board and management are committed to effective corporate governance and have established a comprehensive framework for the Company's operations. The key component of this framework is the Board, which has ultimate responsibility for the implementation and maintenance of an effective corporate governance framework, and the various Board and management committees through which the Board discharges its legal and fiduciary responsibilities.

The Board is responsible for the internal control framework and the Company operates a 'Three Lines of Defence' model where (1) the business, (2) risk management and compliance and (3) independent (internal and external) audit work together to ensure that risk management is effective.

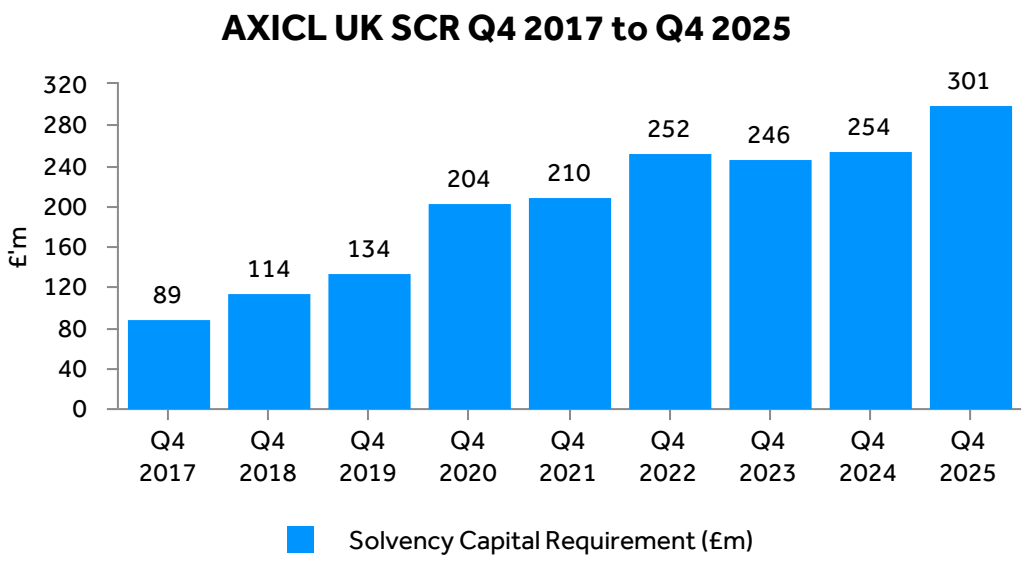
The risk management framework determines risk appetites and risk limits, establishes risk policies, identifies and manages the risks to the Company's objectives and monitors the capital requirements. This risk management framework establishes the Own Risk and Solvency Assessment (ORSA) activities that are carried out throughout the year with oversight by the Board. The Company is supported by a number of Group-wide processes provided by risk management "Centres of Excellence" in the achievement of its risk management objectives.

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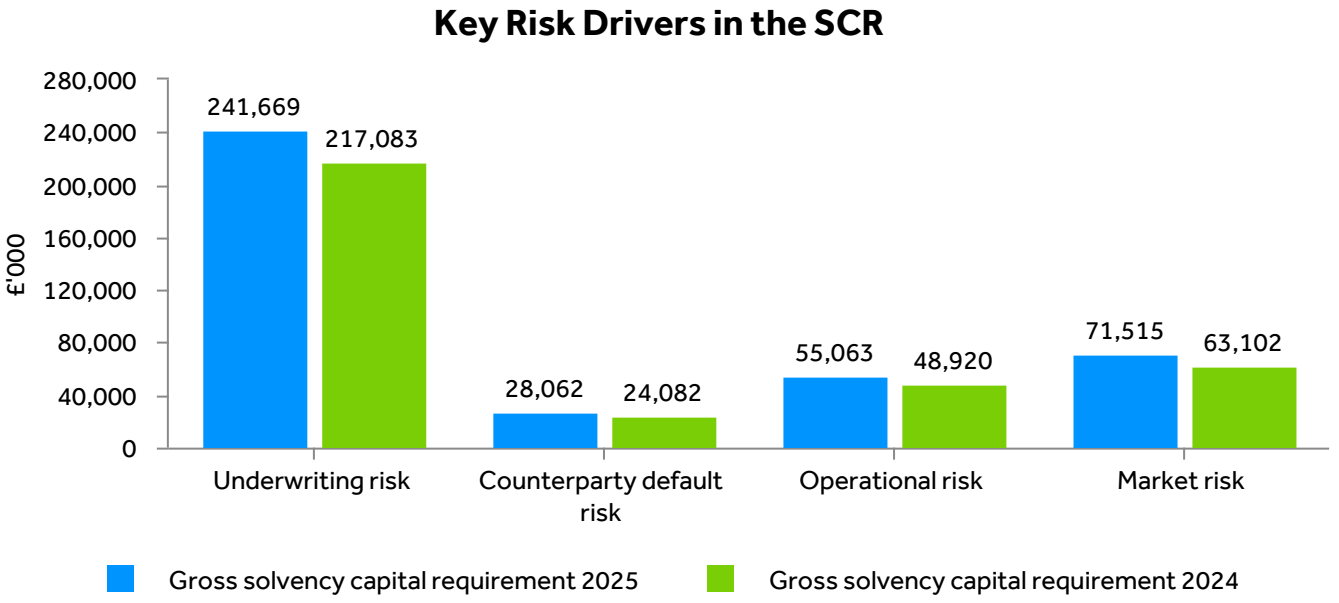
Further details of the Company's Systems of Governance are provided in Section B below.

Risk profile

The Solvency Capital Requirement ("SCR") has continued to increase since Q4 2017 as a result of increased business volumes written onto the Company. A summary of the rising SCR amounts since 2017 are shown in the chart below:



The main SCR modules for 2025 and 2024 are shown below (excluding diversification):



The risk profile of AXICL UK, as a non-life insurance company, is dominated by underwriting risk. Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- Business planning and forecasting exercises;
- Underwriting processes (including guidelines and escalation authorities);
- Reserving and claims processes;
- Risk assessment processes;

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- The use of Realistic Disaster Scenarios and other scenarios; and
- Independent underwriting peer reviews.

Underwriting risk is made up of Premium, Reserve and Catastrophic risk. Premium risk is driven by the volume of business earned during the year or expected to be earned in the next 12 months and also what lines of business the company will write. Reserve risk is purely driven by the claims provision of the technical provision and the Catastrophic risk is made up of all the Natural or Man-Made risk that the company has insured. See section E2.2 for further breakdown.

Underwriting risk is mitigated through the purchase of reinsurance, controls over the Actuarial function, rating adequacy, underwriting authorities and guidelines, and the new product process.

Counterparty risk arises from balances AXICL UK is owed from reinsurance providers, premium debtors and cash held. The increase is due to a increase in Reinsurance balances on the Solvency II balance sheet.

Operational risk is driven by the gross claims reserves, as the standard formula mandates a 3% shock to reserves.

Market risk is driven primarily by interest rate, spread risk and currency risk. Interest rate risk occurs from both investments held and claims liabilities and has decreased due to changes in technical provisions payment patterns. Increases in spread risk are due to increases in investment assets during the year. The increase in Currency risk is driven by exposure to USD.

Further information on each separate category of risk can be found in detail in Section C below including a description of the measures used to assess these risks and a description of the material risks which AXICL UK is exposed to.

The Company considers its exposure to Climate Risk as significant and categorises this exposure in three main areas:

- Physical Risks - weather related Catastrophe events;
- Transition Risks - financial risks which could arise from moving to a lower-carbon economy; and
- Liability and Litigation Risks - which might arise as parties who have suffered loss or damage from climate change, and then seek to recover losses.

Valuation for solvency purposes

The Company is required to measure its assets and liabilities according to the Valuation, Technical Provisions and Technical Provisions - Further Requirements Parts of the PRA Rulebook for Solvency II firms. Following Brexit and the UK's decision to leave the European Union, the European Solvency II Directive and its associated rules, regulations and guidelines no longer apply although there are similarities between the regulations with both regimes looking for the insurance industry to adopt dynamic risk-based approaches based on economic principles that measure assets and liabilities to appropriately align insurers' risks with the capital they hold to safeguard policyholders.

An analysis of the valuation of non-technical assets and liabilities in the Solvency II balance sheet, together with the recognition and valuation bases applied, is provided in Sections D.1 and D.3.

Section D.2 discloses the value of technical provisions as well as a description of the bases, methods and main assumptions used for their valuation for solvency purposes.

Differences between Shareholder's Equity and Solvency II Own Funds	**2025**	**2024**
	£'000	**£'000**
Shareholder's equity as shown in the financial statements	375,766	356,037
Solvency II valuation differences on:		
Assets	(1,237,704)	(1,321,126)
Gross Technical provisions	1,141,247	1,129,100
Other liabilities	170,734	265,361
Solvency II Basic Own Funds	450,043	429,372
Ancillary Own Funds	100,000	—
Solvency II Total Own Funds	550,043	429,372

The prior-year comparative figures have been re-presented to ensure consistency with current year's presentation. This involved moving ceded technical provisions from technical provisions into assets.

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Valuation differences on assets

Valuation differences on assets relate primarily to deferred acquisition costs not existing under Solvency II and insurance and reinsurance receivables not yet due being included in the valuation of technical provisions under Solvency II. No differences exist in the valuation of investments for the purposes of Solvency II as they are already valued on a market consistent basis under UK Generally Accepted Accounting Practice ("UK GAAP").

Valuation differences on technical provisions

Differences exist between the valuation of technical provisions and reinsurance recoverables under Solvency II and UK GAAP. Solvency II requires the technical provisions ("claims provisions" plus "premium provisions") to be a best estimate of the current liabilities relating to insurance contracts, plus a risk margin. The best estimate liabilities are calculated as the discounted best estimate of all future cash flows relating to claim events prior to the valuation date, as well as the discounted best estimate of all future cash flows relating to future exposure arising from policies that the insurer is obligated to at the valuation date.

Valuation differences on other liabilities

Valuation differences to other liabilities relate primarily to deferred acquisition costs payable (relating to reinsurance ceded) not existing under Solvency II and insurance and reinsurance payables not yet due being included in the valuation of reinsurance recoverables under Solvency II. There are no other contingent liabilities that require recognition as liabilities on the Solvency II balance sheet.

There were no material changes to the entity's valuation for solvency purposes over the reporting period.

The Company does not use the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or transitional deductions on technical provisions.

Capital management

The Company's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators;
- maintain financial strength to support new business growth;
- match the profile of its assets and liabilities, taking account of the risks inherent in the business.

The Company operates within the Division's overall capital management process which is aligned to performance objectives and ensures that the Division is focused on the creation of value for shareholders. Several sources of capital are available to the Company and consideration is given to all sources of capital including reinsurance, when assessing its deployment and use of capital.

AXICL UK is subject to insurance solvency requirements (Solvency II as applicable in the UK) which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. In accordance with these rules, the Company has embedded in its Capital Management Policy the necessary tests to ensure continuous and full compliance with such regulations.

The Solvency II rules as applicable in the UK adopts a more dynamic risk-based approach and implements a non-zero failure regime. This is based on economic principles that measure assets and liabilities to appropriately align insurers' risks with the capital they hold to safeguard policyholders.

As part of the framework, the Company is required to calculate and meet a Solvency Capital Requirement ("SCR") which is calibrated to meet obligations over a twelve months' time horizon with a confidence level of 99.5%. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II requirements as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

The Company monitors against each of these key capital requirements and held Solvency II Total Own Funds of £550m at 31 December 2025 (2024: £429m).

On the 10th December 2025 AXICL UK received permission from the PRA under s.138BA(2)(b) of the Financial Services and Markets Act 2000 (the "Act") to include an amount of £100m as ancillary own funds. A signed letter of credit was provided by Sumitomo Mitsui Banking Corporation (SMBC) to the value of £100m on the 15th December 2025. This has been included within the AXICL UK Total Own Funds as at 31st December 2025. Ancillary funds are classed as Tier 2 Capital and must be less than 50% of the SCR.

The Board monitors the capital requirements of the Company and seeks to maintain an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company holds a board approved buffer above the SCR of £95m and represents a 1 in 20 year modelled risk event (2024: £99m) and

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maintains Tier 1 capital above 110% of the SCR.

There is no restriction to the own funds eligible to meet the SCR. The Ancillary Own funds are not eligible to meet the Minimum Capital Requirement ("MCR").

	2025	2024
	£'000	£'000
SCR	300,655	254,409
MCR	76,094	74,598
Total eligible own funds to meet the SCR	550,043	429,372
Total eligible own funds to meet the MCR	450,043	429,372
	%	%
Ratio of Eligible own funds to SCR	**182.9 %**	**168.8 %**
Ratio of Eligible own funds to MCR	**591.4 %**	**575.6 %**

The Company met all of the SCR and MCR compliance requirements during the reporting period.

The increase in SCR year on year is circa £46m and the main drivers are:

- Non Life CAT Risk - driven by increases in Man Made Fire (£21m);
- LACDT - We are no longer utilising the benefit of tax on future profits (£10m);
- Market Risk - driven by increases in Spread and Currency Risks (£8m).

Significant Business or other events

Geopolitical risk and conflict

Ongoing geopolitical instability and uncertainty in regions across the world continues to affect economic and global financial markets, and has exacerbated ongoing economic challenges such as higher inflation, lower growth, and global supply-chain disruption. This includes but is not limited to the Russian invasion of Ukraine and recent conflicts in the Middle East.

The Directors continue to monitor these situations closely to identify potential exposures arising out of underwriting, impacts on investments, operational issues including potential cyber-attacks, impacts from sanctions, and the potential expansion or changes to the conflicts. From a claims perspective, AXICL UK still has some exposure to losses arising out of the Russian invasion of Ukraine from its Aviation classes, and some uncertainty remains about several factors including the outcome of the conflict, loss expectancy, exposures, sanctions and any challenge to event aggregation for reinsurance recoveries.

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A. Business and Performance

A.1. Business

A.1.1 Name and legal form of the undertaking

AXA XL Insurance Company UK Limited is incorporated in the United Kingdom and is a company limited by shares. The registered office is:

20 Gracechurch Street
London
EC3V 0BG
United Kingdom
Telephone: +(44) 020 7626 0486

A.1.2 Supervisory authorities

UK Regulators

Prudential Regulation Authority ("PRA")
20 Moorgate
London EC2R 6DA
United Kingdom
Telephone: +(44) 20 3461 4444

Financial Conduct Authority ("FCA")
12 Endeavour Square
London E20 1JN
United Kingdom
Telephone: +(44) 20 7066 1000

Group Supervisor

Autorité de Contrôle Prudentiel et de Résolution ("ACPR")
4, place de Budapest
CS 92459
75436 PARIS CEDEX 09
France
Telephone: +(33) 1 49 95 40 00

A.1.3 External auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY
United Kingdom
Telephone: +(44) 20 7951 2000

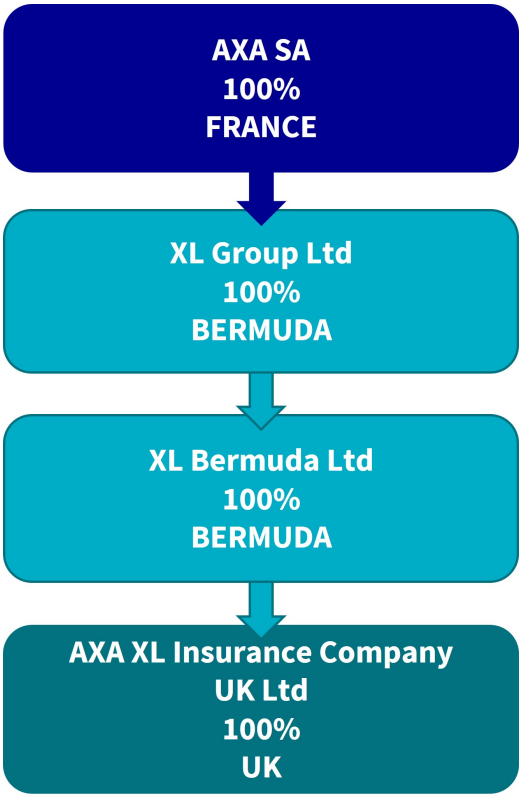
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A.1.4 Company holders and position within legal structure of the Group

The Company's immediate parent is XL Bermuda Limited, a company incorporated in Bermuda, which holds 100% of the ownership interest and voting rights.

The Company's ultimate parent and controlling undertaking is AXA S.A., a company incorporated in France. The Company consolidates its reporting into the group financial statements of AXA S.A.

AXICL UK's position within the legal structure of the AXA SA Group can be seen from the structure chart below. The country of incorporation and percentages of ownership are included:



A.1.5 Related undertakings

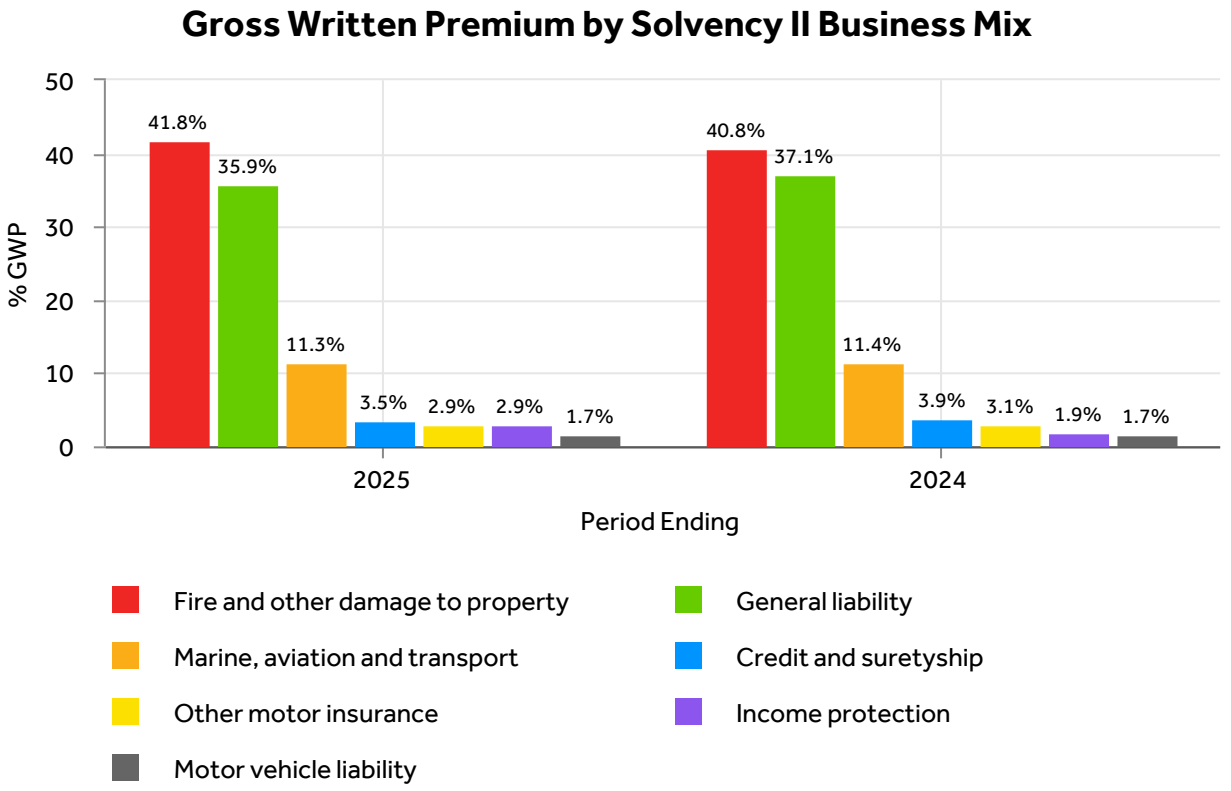
AXICL UK has no investments in related undertakings.

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A.1.6 Material lines of business and geographical areas

The Company is domiciled in the United Kingdom and predominantly writes business in the United Kingdom.

Gross Written Premium by line of business and geography are presented below:



Gross Written Premiums by business mix

	2025	2024	Variance
Retail P&C	45 %	45 %	— %
Wholesale P&C	21 %	22 %	(1)%
Specialty	17 %	17 %	— %
Aero, Energy & Marine	15 %	14 %	1 %
North America P&C	2 %	2 %	— %
	100 %	**100 %**	— %

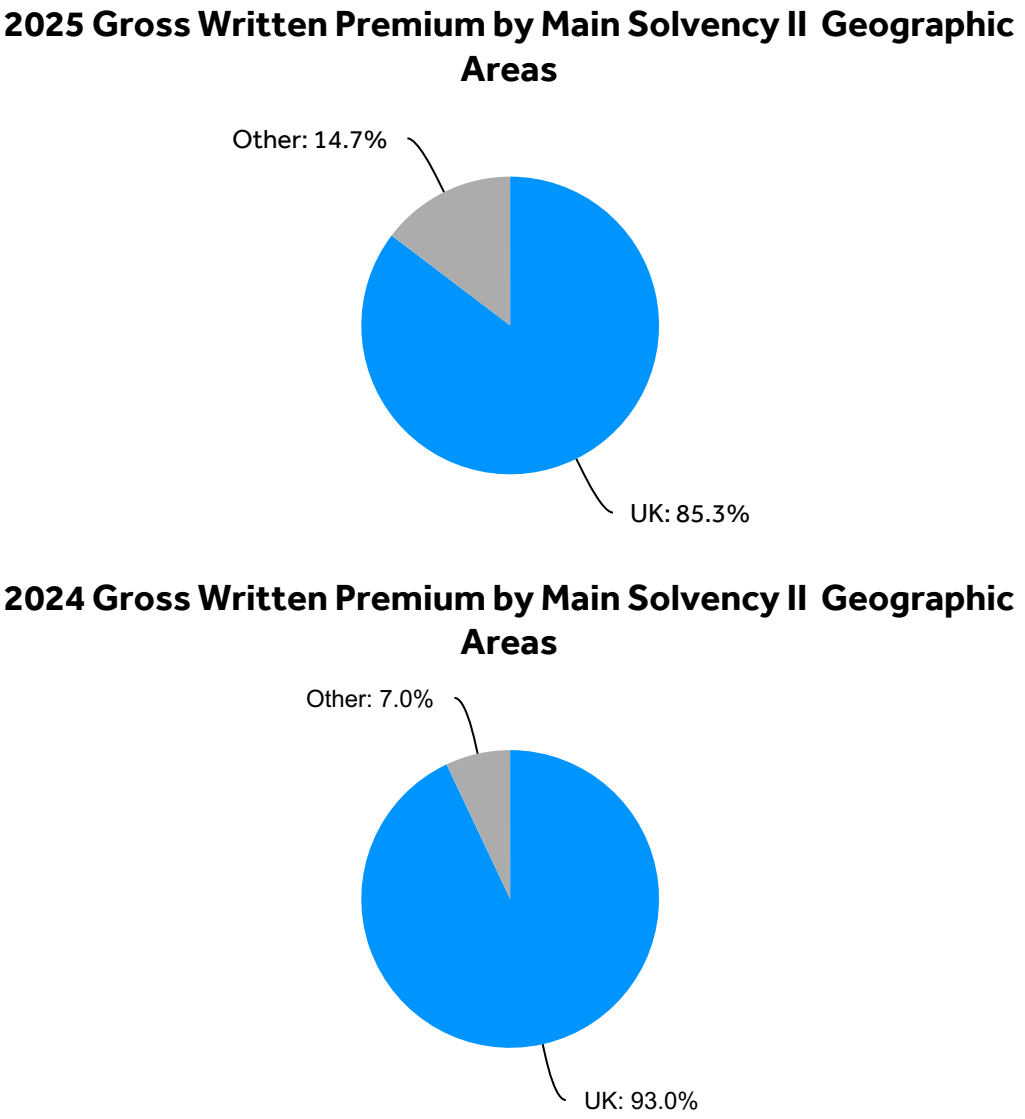
AXA XL manages its business units on a geographical and product basis with consideration towards legal entities. These groupings are mapped into Solvency II lines of business for regulatory reporting purposes. The target operating model for AXA XL has dual accountability for regions and the legal entities within those regions. Whilst AXA XL leadership will define the global strategy, the UK region (referred to as "UK & Lloyd's") will have primary accountability for the Profit & Loss account, headcount and the budget of entities within the region, which includes AXICL UK.

Underwriting business units are now grouped as follows:

- UK Speciality (17%): Includes Fine Art, Specie, Accident & Health, Crisis Management, Equine & Livestock, Political Risk, Credit & Bond, International Financial Lines for Mergers & Acquisitions & Cyber and Structured Risk Solutions
- UK Wholesale (21%): Property and Casualty
- UK Retail (45%): Property, Casualty, Construction, Motor and Parametric, and International Financial Lines for Professional Indemnity ("PI")
- Aerospace, Energy and Marine (15%)

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- North America (2%): Incoming global program business and other Non-UK business



A.1.7 Significant events in the last reporting year

Despite the ongoing geopolitical conflicts, the company has no significant events to report this year.

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A.2. Underwriting performance

A.2.1 Underwriting performance: Current year

Since the Company prepares its financial statements in accordance with UK GAAP, the underwriting performance information provided in this section is on a UK GAAP basis unless otherwise stated.

The table below provides the 2025 and 2024 key performance indicators on a UK GAAP basis:

	2025	2024
	£'000	£'000
Gross Written Premium	1,316,978	1,314,168
Net earned premium	308,630	293,251
Loss ratio	60.4 %	62.6 %
Combined ratio	93.1 %	93.6 %

Gross written premiums of £1,317m (2024: £1,314m) have remained stable compared to the prior year. Growth has occurred through favourable new business performance seen predominantly on Energy Property, Life, Accident & Health, and International Financial Lines offset by non-renewal of accounts on Wholesale Property & Casualty, against a backdrop of negative rate and tough market conditions impacting most lines of business.

The tables below provide the 2025 and 2024 Gross Written Premiums and Net Earned Premiums on a Solvency II Line of Business basis:

2025

	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	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Written Premiums	22,359	38,415	149,406	549,795	472,870	45,777	38,356	1,316,978
Net Earned Premiums	8,687	12,833	35,437	114,772	119,201	5,445	12,255	308,630
Net Claims Incurred	9,348	13,848	24,403	42,383	72,452	1,110	7,947	171,491
Expenses Incurred	3,507	2,567	20,022	34,546	46,566	175	6,555	113,938
Underwriting Performance	(4,168)	(3,582)	(8,988)	37,843	183	4,160	(2,247)	23,201

2024

	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	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Written Premiums	22,471	40,115	150,212	536,049	488,150	51,676	25,495	1,314,168
Net Earned Premiums	8,857	14,064	36,339	117,319	102,721	4,046	9,905	293,251
Net Claims Incurred	5,491	11,849	21,041	57,376	52,120	853	8,014	156,743
Expenses Incurred	2,311	5,816	15,773	45,313	58,350	1,591	(12,927)	116,228
Underwriting Performance	1,055	(3,601)	(475)	14,630	(7,749)	1,602	14,818	20,280

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The tables below provides the 2025 and 2024 Gross Written Premiums and Net Earned Premiums performance as produced by geographical areas.

2025

	UK	India	USA	Puerto Rico	South Africa	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross Written Premiums	1,123,964	23,772	10,635	8,239	6,401	143,966	1,316,977
Net Earned Premiums	260,314	6,109	2,518	2,044	1,911	35,733	308,629
Net Claims Incurred	145,519	3,242	1,392	1,104	945	19,289	171,491
Expenses	97,240	2,057	920	713	554	12,455	113,939
Underwriting Performance	17,555	810	206	227	412	3,989	23,199

2024

	UK	India	USA	South Africa	Singapore	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross Written Premiums	1,221,981	14,280	13,189	11,977	9,854	42,888	1,314,168
Net Earned Premiums	275,898	2,891	865	2,738	2,028	8,831	293,251
Net Claims Incurred	150,389	1,383	1,492	775	123	2,582	156,743
Expenses	108,075	1,263	1,166	1,059	872	3,793	116,228
Underwriting Performance	18,858	220	204	185	152	662	20,280

A.3. Investment performance

The Company was positively impacted by investment returns of £46m (2024: £16m) driven by favourable investment income and unrealised investment gains in the year as a result of the decrease in the interest rates impacting bond market values.

The Company holds investment grade fixed and variable income portfolios denominated in a variety of currencies, which broadly correspond to the respective liabilities of the Company. Assets representing capital of the Company, which are not matched to specific liabilities, are generally held in GBP..

The investment strategy was aligned to AXA XL's investment strategy, with the proportion of Government Bonds being reduced and replaced with Corporate Bonds with more favourable returns, and alternative investments made as opportunities arise. The Company will continue to maintain diversified and actively managed portfolios with exposure to a broad range of sectors.

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A.3.1 Investment performance during the reporting period

Net income and expenses arising from investments by asset class during the reporting period were as follows:

Solvency II Asset Class	Net investment return 2025 £'000	Net investment return 2024 £'000
Bonds		
Government Bonds	3,590	(616)
Corporate Bonds	22,388	16,890
Collateralised securities	16,535	1,688
Collective Investments Undertakings	2,559	(40)
Cash	2,332	(279)
Investment management expenses	(1,542)	(1,352)
	45,862	16,291

Below are components of the net investment return:

	2025	2024
Investment income	£000	£000
Income from other investments	25,915	23,135
Gains on realisation of investments	1,580	1,361
Investment expenses and charges		
Investment management expenses	(1,542)	(1,352)
Interest on overdraft	(1,637)	(1,770)
Losses on realisation of investments	(287)	—
Unrealised gains on investments	24,663	8,830
Unrealised losses on investments	(2,830)	(12,883)
Net investment results	45,862	17,321

An investment gain of £46m in the year (2024: gain £16m) is driven by income from other investments.

A.3.2 Gains and losses recognized directly in equity

All investment gains and losses are recognized in the income statement.

A.3.3 Investments in securitisation

The Company invested in other asset backed securities with a market value of £224.0m at 31 December 2025 (2024: £191.4m) comprising consumer asset backed securities.

A.4. Performance of other activities

	2025 £'000	2024 £'000
Loss on foreign exchange	(9,480)	(7,987)
Other (charges) / income	2,098	1,545
	(7,382)	(6,442)

The Company has no material finance or operating leases.

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A.5. Any other information

There is no other material information regarding the business and performance of the undertaking.

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B. System of Governance

B.1. General information on the system of governance

This section provides details of the Company's Board and management structure along with roles, responsibilities and Committees.

The Company's governance framework begins with the Board and the Board Committees (for further information see below).

The Board is comprised of a mixture of executive and non-executive directors. The names of the persons who are directors of the Company as at the date of this report are:

	Executive Directors	Non-Executive Director
S McGovern	Chief Executive Officer	
M Cummings	Chief Financial Officer	
M Gosselin	Chief Underwriting Officer	
M O'Connor		Non-Executive Chair of the Board
M Cantor-Grable		Senior Independent Director and Chair of the Board Claims & Reserves Committee
P Bishop		Non-Executive Director and Chair of the Audit Committee
C Richmond		Non-Executive Director and Chair of the Board Risk & Compliance Committee
J Lejeune		Non-Executive Director
B Poupart-Lafarge		Non-Executive Director
N Williams		Non-Executive Director

Board meetings are held at least quarterly with additional meetings held as required. Detailed Board reports are prepared and circulated in advance of meetings, addressing all major areas of the Company's operations, encompassing underwriting performance, financial results, risk management, compliance, claims and reserving.

Material Changes in the Governance Structure

During the year, updates were made to the Terms of Reference for the Board, Board Risk & Compliance Committee ("BRCC") and Audit Committee.

- The Terms of Reference for the Board were updated to ensure appropriate materialities with respect to credit related matters reserved for the Board.
- The Terms of Reference for the Audit Committee were updated to provide clarity on its responsibility for oversight of climate and sustainability reporting.
- The Terms of Reference of the BRCC were updated to reflect the BRCC's role in reviewing and challenging the Company's important business services ("IBS"), impact tolerances for each IBS and the Company's annual operational resilience self-assessment and recommending them to the Board for approval.

During the year, the new role of Senior Independent Director ("SID") of the Company was created. The SID's key responsibilities include providing a sounding board for the Board Chair and serving as an intermediary for the other directors when necessary, deputising for the Board Chair, leading the annual evaluation of the Board Chair and, alongside the Board Chair, being instrumental in overseeing executive succession planning.

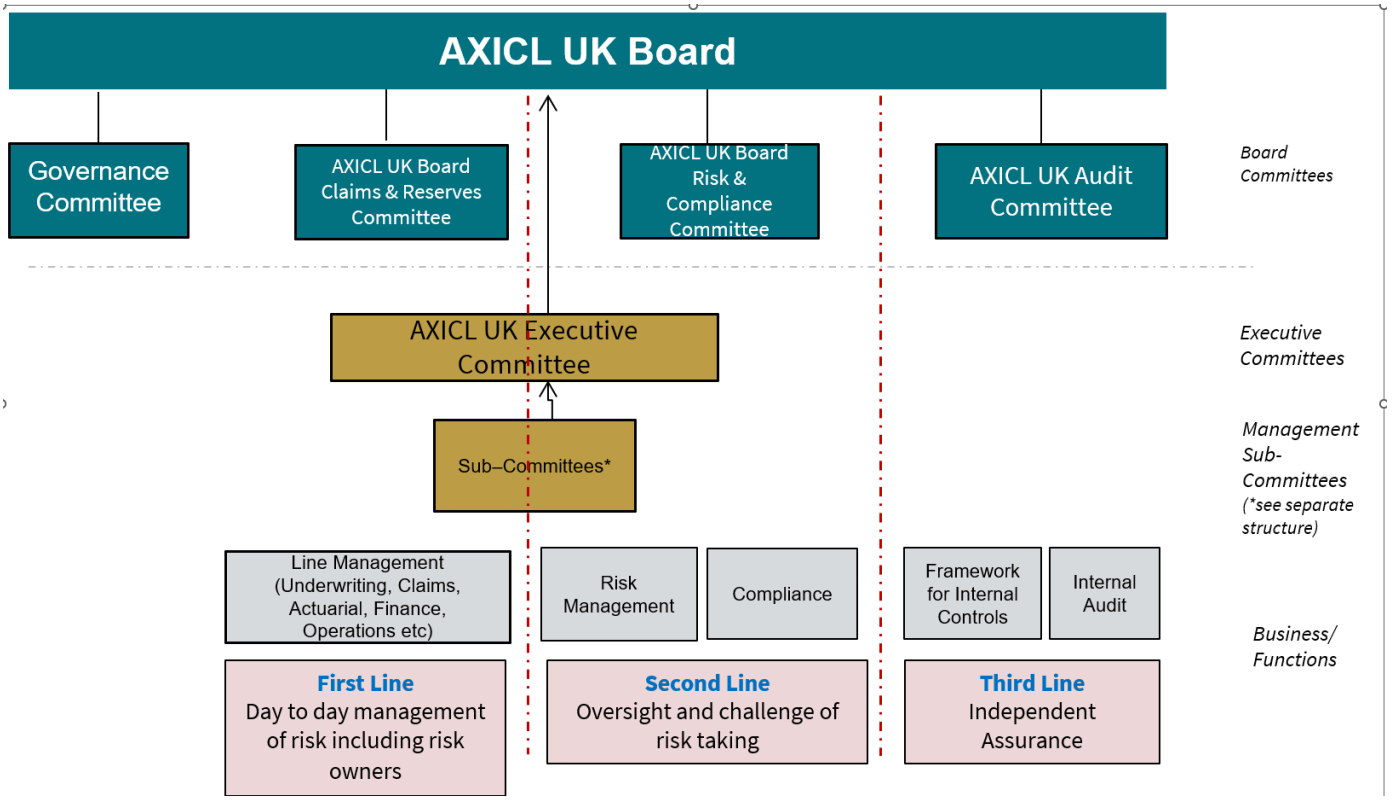
Changes in Board membership in 2025 and up to the date of this report were as follows:

- Nigel Hinshelwood resigned from the role of Chair of the Board and Non-Executive Director on 21 February 2025;
- Mary O'Connor joined the Board as Chair of the Board and Non-Executive Director of the Company on 27 August 2025;
- Marcia Cantor-Grable acted as interim Chair of the Board from 22 February 2025 until 26 August 2025 inclusive, and was appointed to the newly created role of SID with effect from 27 August 2025.

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Governance structure

The Governance structure of the Company is set out below.



The Board seeks to ensure that the operations of the Company are conducted within a framework of prudent and effective controls that enables effective risk management and conformity with the applicable legal and regulatory requirements. The Board sets the risk appetites for the Company. Management are responsible for monitoring risks against risk appetite and for escalating any risks that breach risk appetite to the Board.

The Board recognises the need for strong organisational governance to ensure there is effective oversight of the management of the business, that senior management exercise their responsibilities appropriately, and that robust internal systems and controls are in place.

The Board comprises a balance of members of the executive management team and non-executive Directors. It meets at least four times a year and its key responsibilities include approval of the strategy and risk appetite of the Company.

In addition, the Board has four Board committees, the Governance Committee, the Board Risk and Compliance Committee ("BRCC"), the Board Claims and Reserves Committee ("BCRC") and the Audit Committee ("AC"). Supplementing the governance structure is the Executive Committee ("ExCo"). There are various management committees which report to the ExCo.

The Company undertakes a thorough strategic planning process considered within the overall strategy of the AXA XL division and overseen by the Board. The ExCo is responsible for implementing the Company's strategy, and for the on-going oversight and management of the risks associated with the strategy.

The ExCo is responsible for ensuring there is a governance framework in place to support the delivery of the Company's strategic plan by the business. The Company undertakes regular Board effectiveness and Governance reviews to ensure the governance framework is effective and appropriate.

The Board is satisfied that the Company's system of governance is appropriate and effective, taking into account the nature, scale and complexity of the risks inherent in the Company's business.

Internal controls

The Company operates a 'Three Lines of Defence' approach to ensure effective and robust day to day governance is in place. The Operational line, or the 'first line of defence', starts with the employees, who are tasked with identifying and managing risk on a day to day basis as part of their roles. They are supported by the 'second line of defence', which is made up of oversight functions - specifically Risk Management including Internal Control, Internal Financial Control & Compliance. These functions have responsibility for overseeing and challenging day to day management, control and

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reporting of risks. The Risk oversight functions are independent of management and individuals with responsibility for taking on risk exposures. The Internal Audit Function provides the 'third line of defence' which provides independent assessment of the effectiveness of the Company's system of internal control and reports to the Audit Committee.

The Company is also part of AXA XL division's Internal Control Programme which addresses internal controls across 30 macro-processes covering all AXA XL departments and processes, as well as having an Internal Financial Control Framework looking at key controls around financial reporting. The internal control framework considers the controls in place across processes to meet control objectives and manage key risks within the process. For the UK, controls have been added to supplement those in place across AXA XL where management of the risk and control objective takes place locally. The controls are subject to Design and Operational Effectiveness Testing based on a cycle.

Audit Committee

The Audit Committee ("AC") consists of non-executive directors and is attended by members of senior management. The purpose of the AC is to assist the Board of Directors of the Company oversight of the:

1.1 Adequacy and effectiveness of the internal control and risk management frameworks.

1.2 Financial and climate and sustainability reporting processes, including the integrity of the associated publicly reported disclosures.

1.3 Effectiveness, performance and independence of the internal and external auditors.

Board Claims and Reserves Committee

The BCRC consists of non-executive directors and is attended by members of senior management. Key responsibilities of the BCRC include recommending to the Board the Company's booked reserves; reviewing the reserving methodology and process of establishing the Company's reserves; reviewing and challenging the assumptions made by the Chief Actuary and his/her team and the uncertainties underlying outstanding claims; having a clear understanding of the key risks and significant issues associated with the loss reserving process; overseeing the governance of the setting of the Company's Technical Provisions; reviewing reserve movements, claims trends and potential large losses; and overseeing and challenging the Actuarial and Claims functions.

Board Risk and Compliance Committee

The BRCC consists of non-executive directors and is attended by members of senior management. Key responsibilities of the BRCC include advising the Board in relation to material risk issues relating to, or arising from, the Company's strategy, risk appetite and tolerances; providing review and challenge to the risk management framework including risk strategy, risk appetite, stress testing, oversight arrangements, material transactions, risk culture and oversight of the executive management of risk; reviewing and challenging the Company's operational resilience framework, including the IBS and impact tolerances; overseeing and challenging the Risk Management and Compliance functions and the management of compliance and risk management; and overseeing compliance with legal and regulatory requirements.

Governance Committee

The Governance Committee consists of non-executive directors. It considers matters of governance, board composition and succession planning, appointment of senior management function holders, corporate culture and values, and remuneration on behalf of the Board of Directors.

Executive Committee

The role of the ExCo and its sub-committees is to support the CEO and ultimately the Board in the effective management of the Company.

The ExCo has responsibility for managing and overseeing the execution of the strategy of the Company in line with the agreed business plan and applicable legal and regulatory requirements; and the management of risk and performance in line with that strategy and the agreed risk appetite.

Key Functions

The Company's risk management, compliance, internal audit and actuarial functions are the key functions in its system of governance (Key Functions). Holders of Key Functions are authorised to operate free from influences which may compromise their ability to undertake their duties in an objective, fair and independent manner.

Each of these Key Function holders:

- Operates under the ultimate responsibility of, and reports to the Board or Board Committee as appropriate;
- Cooperates with the other functions, where appropriate, in carrying out their roles;

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- Is able to communicate, at their own initiative, with any staff member and have the necessary authority, resources and expertise and have unrestricted access to all relevant information necessary to carry out their responsibilities; and
- Promptly reports any major problem in their area of responsibility to the Board.

There should be as much independence between functions as possible and the individuals carrying out the internal audit function do not assume any responsibility for any other function.

The Company has written policies in place in relation to risk management, internal audit, compliance and the actuarial function and further information on these functions is contained within sections B.3 (Risk Management), B.4.2 (Compliance function), B.5 (Internal Audit) and B.6 (Actuarial Function). The implementation of Key Functions within the Company is explained below.

As well as the required key functions, the Board has designated underwriting, finance and claims as functions which are of specific importance to the sound and prudent management of the Company. The underwriting and finance functions report directly to the Board. The claims and actuarial functions report into the BCRC, the risk management and compliance functions report into the BRCC, whilst Internal Audit reports to the Audit Committee. Under the requirements of the Senior Managers and Certification Regime, all key function holders hold Senior Management Functions.

The heads of the underwriting, finance, claims, risk management, actuarial and compliance functions are members of the ExCo.

Remuneration policy and practices

Remuneration Principles

The AXA XL Division of AXA Group, of which the Company is a part, maintains a Remuneration Policy, the purpose of which is to outline how the Company ensures that the setting of remuneration is appropriate and transparent, and promotes sound and effective risk management within approved risk tolerance limits. The Company formally adopted the AXA XL Division Policy and has operated in conformity with it since 2019. The Remuneration Policy contains a multi-tiered governance and compliance structure including oversight at the AXA Group, AXA XL Division and Company levels. Together, the AXA Group and AXA XL Remuneration Policies are designed to support AXA Group and AXA XL's long-term business strategy and to align the interests of its employees and other stakeholders, by:

- Establishing a clear link between performance and remuneration over the short, medium and long term;
- Ensuring that the Company can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain; and
- Ensuring compliance with Solvency II rules as applicable in the UK and any other applicable regulatory requirements.

AXA XL's Remuneration Policy follows four main guiding principles:

- Competitiveness and market consistency of the remuneration practices;
- Fairness, based on individual and collective performance in order to ensure remuneration is reflecting employee's individual quantitative and qualitative achievements and impact;
- Internal equity based on remuneration policies and procedures designed to ensure that employees are paid equitably based on criteria such as role, experience, education, skills, contribution or impact only; and do not discriminate on the basis of gender or other factors; and
- Achievement of AXA Group and AXA XL'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 balance of fixed and variable compensation is consistent with competitive market practice in the insurance industry. Variable pay for senior leaders of independent control functions is not aligned with the performance of the businesses they oversee and is designed to avoid conflicts of interest while appropriately balancing risk and reward.

An overview of the arrangements that are in place are as follows:

- Fixed Remuneration - The fixed component is comprised of base salary and any other fixed allowances. Fixed remuneration primarily reflects the relevant organizational responsibility, professional experience, technical and

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leadership skills required of the role, criticality or scarcity of skills as well as the individual's capability to sustainably perform the duties of the role.

- Short-Term Incentives - Individual bonus awards are determined based on an assessment of both business and individual performance. Business performance is linked to key performance indicators established at the beginning of the year whilst individual performance is assessed through a robust performance management process. Staff have a bonus target amount typically expressed as a percentage of base pay. Individual bonuses are not guaranteed and pay-outs are capped at 200% of individual target, which prevents employees from taking excessive risks to obtain an excessive pay-out.

- Long-Term Incentive Plan - Long-term incentive awards are reserved for those who perform at a high level, with the recipient's anticipated future contributions, individual potential and unique skills taken into consideration. Grants of long-term incentives are based on the criticality of the job within the organization, the criticality of the individual in the current job and potential for the future, and the sustainability of the individual contribution.

Supplementary Pension Schemes

The Company's remuneration program does not include any supplementary pension or early retirement schemes for members of the Board or its other Key Function holders.

Termination Payments

AXA XL ensures that termination payments are correlated to performance achievement and termination payments for Identified Staff beyond mandatory payments under national labour law may be subject to deferrals.

Material related party transactions

We actively monitor all related party transactions. The material transactions with shareholders, persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body include the intra-group reinsurance arrangements. XL Catlin Services SE ("XLCSSE"), a divisional service company, recharges administrative, support and staff costs to AXICL UK.

B.2. Fit and proper requirements

B.2.1 Qualifications of the Board and Key Function Holders

The Board regularly considers the qualifications necessary for its members. In this regard, the Board believes that its members should be persons with superior business judgement and integrity, who have knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the business, operations or activities, and who have distinguished themselves in their chosen fields of endeavour. In addition, the Board believes its members should have the talent and vision to provide oversight and direction in the areas of strategy, operating performance, corporate governance, risk management and culture in order to protect the interests of the shareholder and the policyholder whilst maintaining the highest standards of ethical business conduct. The Company supports these objectives through an ongoing program of Board training. The Board believes that each of its Directors contributes a strong background and set of skills to enable the Board to meet its responsibilities and that Key Function and Senior Management Function holders possess the skills, knowledge and expertise to carry out their regulatory obligations.

The Board considers diversity among other factors in assessing the skills and characteristics of Director candidates and the Board as a whole. This consideration includes a broad evaluation of diversity of viewpoints, skills, experience and other demographics represented on the Board as a whole. This discussion and evaluation of diversity occurs at the Governance Committee with recommendations made to the Board.

B.2.2 Recruitment process

All permanent recruitment within the Company is undertaken in line with the standard AXA XL recruitment process.

Human Resources (HR) undertake, on an outsourced basis, a series of checks in relation to a candidate after an offer has been communicated to them. The offer of employment is made subject to the satisfactory completion of detailed relevant background checks. These checks are commensurate to the seniority of the position and if the checks are not completed to the Company's satisfaction or the candidate provides false or misleading information, the Company reserves the right to withdraw the contract. For Senior Management Functions, Key Function Holders and Certification Regime positions these checks include:

- Criminal record check
- Right to work check

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- Address search
- Credit check
- Civil litigation
- Bankruptcy search
- Employment history and references
- Education check (academic qualifications)
- Identity check
- Prior directorships search
- Professional membership and qualifications
- Gap search (any gap in activities such as employment gaps)
- Global Sanctions & Enforcement
- International Financial Regulatory Body Search

For appointments of Senior Management Functions and Certification staff in the UK as part of the Senior Managers and Certification Regime (SM&CR), HR liaise with Compliance in relation to necessary regulatory approvals and notifications as well as obtaining the information necessary for the approval, including a regulatory reference where required. All SM&CR appointments are required to complete a Fit and Proper questionnaire prior to their start date.

B.2.3 Code of conduct

The Company operates a Compliance & Ethics Code & Supplement (the Code) that all employees must adhere to. The Code sets out AXA Values: Customer First, Integrity, Courage and One AXA and the high standards of ethical behaviour and compliance that are expected of all employees. Areas covered include Treating Customers Fairly and Professionally, Data Protection and responsible use of Personal Data, Protection of Health and Safety, Prevention of Money Laundering, Financial Terrorism and breaching of International Sanctions and Protection of Free Competition. The Code also includes the Division's Speak Up/Whistleblowing policy and processes which is supplemented by a specific UK Whistleblowing policy.

The Code applies to all employees, officers and directors, including the independent directors on the Company's Board. The Company seeks to work with business partners and others who share our values and standards and expect them to behave consistently with the provisions in the Code. On an annual basis, all employees are asked to complete and to submit an annual acknowledgement stating that they are aware and have complied (or to report any potential deviations) with the Code.

On a regular basis, the Company rolls out FCA Conduct Rules training to in scope staff. Conduct rules are intended to improve standards of individual behaviour and aims to improve individual accountability and awareness of conduct across the Company.

B.2.4 Fit & Proper Reassessment

All employees are subject to a performance appraisal process, which evaluates, on an ongoing basis, employee's continued fitness for their roles and responsibilities and identifies any necessary training and development needs.

Certified and Senior Management Function staff are subject to an annual fitness and propriety assessment. The assessment includes: completion of a fitness and propriety assessment questionnaire by the employee, Human Resources, Compliance and the employee's Line Manager. Every two years full background checks are completed by a third-party provider, so far as permitted by law, which include financial, civil and criminal checks.

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

B.3.1 Risk Management Framework (RMF)

The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength and liquidity. This is managed by the Risk Management function, an integrated part of all business processes, who define and deploy the RMF.

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The risk management framework (in particular the policies and appetites) is reviewed at least annually by the CRO and more frequently if required. The results of the review and action plans arising are shared with the BRCC and the Board of the Company.

The aim of the RMF is to:

- Support business objectives and strategy;
- Obtain management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support the Company's Risk Management standing; and
- Support regulatory risk management requirements.

The Risk Monitoring Committee ("RMC") and its sub-committees meet regularly and oversee the implementation and embedding of the RMF and monitoring of Company performance against risk appetite. The RMC has responsibility for overseeing the preparation of the ORSA and makes recommendations and escalates any issues to the Executive and the Board and its Committees, related to risk and capital management. The RMC ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the RMC and support understanding of the risk profile.

Risk Management Strategy

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. To support the Board, the Company has an appointed CRO, and established an RMC to oversee more detailed risk management activity and monitoring against the Board approved risk appetites.

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

The Company's strategy involves taking on risk in order to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- Retaining risk within an approved risk appetite that is consistent with the Company's strategic objectives, with appropriate levels of capital with excess held by the Company;
- Managing a diversified portfolio of underwriting and financial markets risks;
- Managing excessive aggregation risk via a limit framework;
- Exercising consistency and transparency of risk management and control across the Company;
- Risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- Risk reporting to the RMC, the Board and other stakeholders (e.g. regulators).

Risk Appetite Framework (RAF)

The Company's RAF is a key dimension of the risk management strategy and mirrors the AXA Group RAF. The RAF distinguishes between 'Risk Appetite Statements' which apply to multiple risk types, and 'Risk Appetite Exposures' which apply to single risk types. The RAF is used to provide governance for setting new monitoring requirements, as well as reviewing and updating existing risk appetite statements, tolerances and limits, so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. natural catastrophes (NAT CAT), RDS that cross multiple lines of business etc.), liquidity standards, tolerance to specific investment related risks and operational risk. The Board approved risk appetites and risk tolerances were reviewed during the BRCC and Board meeting in November 2025 and it was determined that all statements and tolerances were appropriate to allow the Company to execute the 2026 business plan.

The risk management strategy and risk appetite frameworks are supported by the following:

- **Risk Governance** - A clear and cost-effective organisational structure for risk management, including clear roles and responsibilities. The Company operates a 'Three Lines of Defence' governance structure, at a functional level as well as a management committee level. The RMC has specialist sub committees (operational risk and customer).

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- **Risk Policies & Standards** - AXA and the Company recognises the importance and value of a consistent approach to governance, supported by an effective RMF. This is particularly relevant in the context of Solvency II and other regulatory requirements to ensure that there is a clear understanding of risks, both locally and Group-wide. The policies document the Company's approach to the management of each category of risk to which the Company is exposed. These policies are supported by AXA Group Standards which apply across the Division.

- **Risk definition and categorisation -** provides a common risk universe and language for risk to allow for categorisation of all risks in a way which facilitates links between the business and risk management processes.

- **Risk cycle and processes -** the approach taken to top down, bottom up, and process led - risk identification, quantification, management and control. The (non-approved) internal model is used in the risk assessment process.

- **Risk-based decision making -** The results of the ORSA and the insights gained in the ORSA process are taken into account for a range of business decisions.

- **Risk Management Information and Reporting, including ORSA Production -** ensuring timely and accurate information is reviewed in line with the governance structure.

- **Skills, Resources and Risk Culture; Organisational Learning; Change Management Governance -** All enable a mature risk culture throughout the Company.

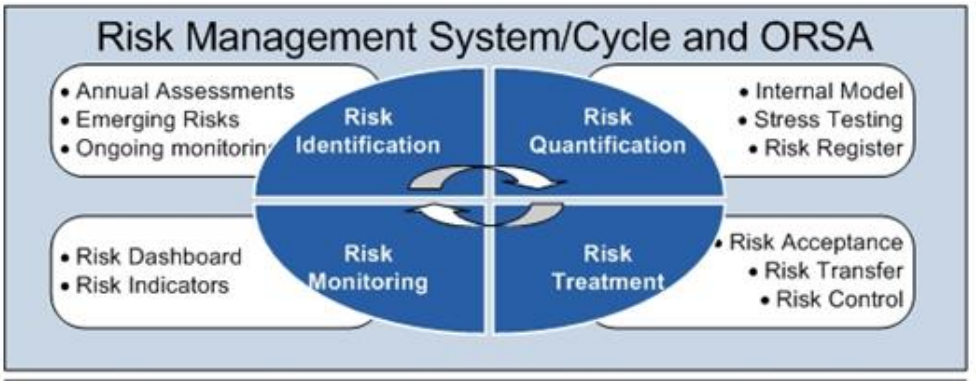
Risk Reporting

A risk dashboard is presented on a regular basis to the RMC. The dashboard measures the status against risk appetite statements and the associated monitoring triggers and limits using the latest output from the business and Standard Formula. The dashboard includes information related to the monitoring against all of the Company's material risk categories. Highlights from the dashboard including performance against appetite and limits are reported to the Board through the CRO report. A risk dashboard is presented at every RMC. The dashboard measures the status against risk appetite statements and the associated monitoring triggers and limits using the latest output from the business, the ICM, and Standard Formula. The dashboard includes information related to the monitoring against all of the Company's material risk categories. Highlights from the dashboard including performance against appetite and limits are reported to the Board throught the CRO report to the BRCC.

The RMF remains appropriate for 2026.

B3.2 Own risk and solvency assessment (ORSA)

The Company's ORSA process includes all of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times. See the figure below which outlines the continuous ORSA process:



The Regulatory Capital Requirement is derived using the Solvency II Standard Formula profile. The underwriting units' internal model output together with Standard Formula results are presented to the RMC and the Board to inform and drive risk and capital based decision making.

The processes for the ORSA and production of the ORSA Report are tailored to fit into the Company's organisational structures in a proportionate manner with techniques to assess the overall solvency needs and taking into consideration the nature, scale and complexity of the risks inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are deemed to be part of the ORSA process and that will support the production of the Company's ORSA Report. The ORSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, economic capital and

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also regulatory capital requirements whilst taking into account potential future changes in the risk profile and considering stressed situations.

ORSA Governance

All risk management and capital assessment processes form part of the ORSA. The ORSA is not a single task undertaken at one point in time, but rather it encompasses the entirety of the risk and capital management activity undertaken during the year, as described in the annually approved ORSA policy. Key tasks within that activity are reviewed and approved by the Board as part of the process (e.g. capital to support the business plan and risk appetites) and included in the Board approved ORSA report. The production of the full ORSA report is performed annually but regular management information that is produced by the ORSA processes is provided continuously during the year.

The frequency of each ORSA process mentioned above has been set to allow for appropriate identification, assessment, measurement, control and monitoring of risks to the business.

Following recommendation from the BRCC, the Company Board approves the ORSA at least annually.

B.4. Internal control system

B.4.1 Internal Controls

The 'Three Lines of Defence' approach which ensures effective and robust day to day governance is in place as described in Section B1 above.

AXA XL Internal Control team, in Risk Management, is in charge of maintaining the Internal Control Framework at AXA XL Division and of monitoring the overall system of controls, ensuring all controls are performed by somebody. A roll-out of controls is performed in all AXA XL key legal entities.

The AXA Internal Control Programme was introduced for year-end 2018 at AXA XL in order to implement a robust and effective Internal Control Framework by:

- Implementing a risk-based approach to focus on risks that really matter;
- Promoting management accountability for controls;
- Introducing a common set of tools and techniques to be consistently used across the Group; and
- Improving coordination between the different control functions.

The AXA XL Internal Control team is also responsible for the Internal Financial Control framework, with controls in place across the Division over financial reporting. This framework has been in place at AXA XL for many years and provides reasonable assurance to legal entities within the Division that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

Both the Internal Control Framework and the Internal Financial Control framework are primarily designed to operate across AXA XL Division, with output reported to legal entities. Additionally for the Internal Control Framework, legal entities have implemented bespoke controls where deemed necessarily to mitigate risks within their entity.

The Internal Audit function represents the 'third line of defence', provides independent assessment of the effectiveness of the Company's system of internal control and reports to the Audit Committee.

A summary risk dashboard is presented to the UK RMC and more detail is presented to subcommittees where it can be reviewed in more detail.

B.4.2 Compliance function

The compliance function is responsible for advising the Company's management and board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with Solvency II as applicable in the UK and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA XL's operations. AXA XL's compliance 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 XL is exposed.

The Head of Compliance, UK & Lloyd's is the Compliance Officer and is supported by the wider UK Compliance team.

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AXA XL's compliance, financial crime and monitoring functions 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) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) employee Compliance & Ethics Guide, (v) the monitoring of compliance and regulatory risks.

The Company's 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 for the following year.

The compliance activities within AXA XL are articulated around a number of AXA Group Standards and Policies which set the minimum requirements expected to be covered by AXA XL. The AXA Group Standards and Policies contain standards and policies on significant risks affecting the compliance activities as well as the high-level control and monitoring principles to which AXA XL must adhere. Compliance with both the standards and policies contained in the AXA Group Standards (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 XL operates and conducts business.

On a quarterly basis the Company's compliance function reports directly to the Board on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, remediation plans and any other significant issues that require escalation

B.5. Internal audit function

AXA XL Internal Audit provides the Board and Executive Management with independent and objective assurance on the effectiveness of the overall control environment to help protect the assets and reputation of the organisation and help improve its operations.

AXA XL Internal Audit sets an annual plan of work, approved and monitored by the Audit Committee, based on an assessment of both the inherent risk and the adequacy of controls as well as consideration of cyclical coverage.

A report is issued at the conclusion of each audit assignment to relevant senior management, with the results and resolution status of internal audit issues presented regularly to the Audit Committee and management.

The AXA XL internal audit function has an audit charter to document its purpose, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the Audit Committee each year.

The head of the AXA XL internal audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman and reports functionally through to the Group Head of Internal Audit.

B.6. Actuarial Function

B.6.1 Structure of the Actuarial Function

AXICL UK's Actuarial Function is a subset of the overall AXA XL Actuarial Function.

Divisional Actuarial Function

AXA XL's Actuarial function is broadly divided into three groups with different reporting lines:

a. The Pricing actuaries work within each of the relevant business areas to provide support to the Underwriting teams and the Executive Management of each business area, with a focus on risk pricing and ongoing business performance.

b. The Capital Modelling actuaries support the internal capital model calculations and monitoring of key capital metrics in respect of each component of risk contributing to the capital assessment.

c. Actuarial Financial Reporting which has responsibility for Reserves and is composed of the following:

   i. The Heads of Actuarial Function for the different legal entities of AXA XL. For AXICL UK, this is the UK & Lloyd's Chief Actuary under the Senior Managers Regime as set out in the PRA Rulebook.

   ii. Actuaries Responsible for Insurance or Reinsurance Segment, as well as Divisional reporting and Group reporting, along with an analytics team and subject matter experts including technical provisions and reserves risk.

The Heads of Actuarial Function for the different legal entities of AXA XL reach across the entire Actuarial Function to satisfy their regulatory requirements. Similarly, they reach across the reserves actuaries who are aligned to the business structure of AXA XL. It is this matrix approach to our reporting requirements that provides enhanced governance:

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a. From a separate centralised corporate function for the Reserves but still aligned to the business and its underwriting function

b. Through our separate internal legal entity peer review and sign-off requirements

c. Through multiple management levels (Product, Segment and AXA XL) and Boards of Directors and their committees (legal entities and AXA XL)

This is complemented by external audit process and internal (Risk Management) independent review.

AXICL UK Actuarial Function

The AXICL UK Actuarial Function is headed by the designated UK & Lloyd's Chief Actuary, subject to the PRA's Senior Managers Regime.

The Chief Actuary is accountable for AXICL UK to meet all the actuarial requirements pertaining to the Solvency II rules as applicable in the UK. This includes the delivery of opinions on the adequacy and sufficiency of the Solvency II Technical Provisions, on the Underwriting Policy and on the Reinsurance arrangements at least annually. To achieve his duties, the UK & Lloyd's Chief Actuary is supported by the following key individuals:

a. Regional Heads of Reserving for Lines of Business impacting AXICL UK.

b. Head of Pricing – Responsible for management of Pricing MI to the Underwriting Committee and oversight of pricing tools.

c. Head of Risk Capital – Contributes significant analysis to the Reinsurance Adequacy Review on which the Actuarial Function's Opinion on Reinsurance Adequacy is based.

The key individuals of the AXICL UK Actuarial Function mentioned above are also supported by the reserving and pricing actuaries who have responsibilities for classes of business impacting the AXICL UK entity. The AXICL UK Actuarial Function continuously monitors the adequacy of capability and capacity of these supporting resources.

B.6.2 Objectives of the Actuarial Function

The overall vision and objective of the Actuarial Function is to support the management of AXICL UK in achieving its business plan adequately, while ensuring continuous compliance to all regulatory requirements. This translates into the following core objectives:

a. Develop and maintain a strategic relationship with AXICL UK Board of Directors, its committees and its Executive Management through the Actuarial Function responsibilities, the direct governance in the AXICL UK Business Plan, its contribution to other functions including, but not limited to Risk Management, Underwriting and Finance.

b. To establish and maintain a sound governance framework surrounding the production of actuarial outputs for the legal entity.

c. Develop and maintain appropriate monitoring programmes and related Management Information to ensure that AXICL UK Actuarial Function is in compliance with its regulatory requirements. The Actuarial Function is defined according to the SII requirements.

The UK & Lloyd's Chief Actuary has the following additional responsibilities:

a. Be the single point of contact for the Regulator, internal and external Audit, and internal peer reviewers in respect of the AXICL UK Actuarial Function.

b. Maintain appropriate operating capability and capacity from the direct and indirect resources of the Actuarial Function of AXA XL.

c. Provide and present the opinions required by the PRA rules to the Board of Directors and its committees with sufficient information to permit adequate challenge of key assumptions, expert judgments, and results.

d. Serve as chair of the AXICL UK Claims & Reserves Committee and as member of the AXICL UK Risk Monitoring Committee, AXICL UK Regulatory Reporting & Approvals Committee and AXICL UK Executive Committee.

e. Oversee and govern the Actuarial Function assessment of the AXICL UK Business Plan through the existing governance process of the AXA XL Business Plan.

f. Monitor the continuous compliance of the AXICL UK Actuarial Function to the actuarial regulatory requirements.

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B.6.3 Tasks of the Actuarial Function

The AXICL UK Actuarial Function performs the following tasks:

a. Coordinate the calculation of the Technical Provisions, ensuring the following items are formally covered at least annually:

   i. Comparison of actual experience against expected results with analysis of drivers of deviance

   ii. Validation, by covering all material aspects of the Technical Provision calculation. This includes as a minimum:

      1. The appropriateness, completeness, and accuracy of the data
      2. The appropriateness of grouping of policies into homogenous risk groups
      3. Any remedies applied to address limitations of the data
      4. The appropriateness of any approximations applied in the calculation of the technical provisions
      5. The adequacy of the assumptions used
      6. The adequacy of the methods applied
      7. The appropriateness of the level of the technical provisions with respect to all of the obligations towards policyholders.

b. Express, at least annually, opinions on the adequacy/sufficiency of Technical Provisions, the Underwriting Policy and the Reinsurance arrangements. These opinions are based on detailed reviews of existing information produced by other functions (e.g. business plan), as well as based on additional analyses produced by the AXICL UK Actuarial Function to fulfil the requirements outlined in the Solvency II Directive.

c. Contribute to the Risk Management System through:

   i. The review of the ORSA, in particular for the Solvency II Technical Provisions, Solvency II Balance Sheet and consideration of the business plan and Reinsurance arrangements,

   ii. The calibration of Realistic Disaster Scenarios, with review of the proposed outputs.

   iii. Review the appropriateness of reinsurances at each renewal.

The Actuarial Function is required to produce a written report (or set of component reports) to be submitted to the administrative, management or supervisory body at least annually – this report (or set of component reports) being the Actuarial Function Report ("AFR").

B.6.4 Governance of the Actuarial Function

Governance of AXICL UK's Solvency II Technical Provisions is formalised through both the Solvency II Technical Provision Steering Committee - chaired by the AXICL UK Actuarial Function - and the Solvency II Regulatory Reporting and Approvals Committee chaired by UK Finance.

The AXICL UK Actuarial Function actively contributes to the AXICL UK Corporate Governance Structure:

a. The AXICL UK Actuarial Function contributes to the Management Review Committee for Reserves ("MRCR") which is responsible for the approval of the reserves for UK GAAP purposes at an Insurance Segment level, reviewing post-close events and current year large/catastrophe activity while considering the limitations and uncertainties of the GAAP reserves.

b. The quarterly AXICL UK Claims & Reserves Committee is chaired by the AXICL UK Actuarial Function. AXICL UK Senior Executives are members of the Committee. At these meetings, the UK GAAP reserves are reviewed and challenged by the Committee before being approved.

c. The AXICL UK Actuarial Function reports monthly to the AXICL UK Executive Committee. Claims & Reserves Committee papers are reviewed before going to the Board Claims & Reserves Committee.

d. The AXICL UK Actuarial Function reports at least on a quarterly basis to the AXICL UK Board Claims and Reserves Committee. This is the committee in which the Board challenges reserving results, with attendance of relevant Board members and Non-Executive Directors as well as Chief Claims Officer, Chief Underwriting Officer, Chief Finance Officer, Chief Risk Officer and the Chief Actuary.

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e. The AXICL UK Actuarial Function presents the Solvency II Technical Provisions to the Regulatory Returns and Approval Committee ahead of each regulatory submission.

f. The AXICL UK Actuarial Function is a member of the AXICL UK Underwriting Committee, AXICL UK Risk Monitoring Committee and AXICL UK Executive Committee. This provides the opportunity to the AXICL UK Actuarial Function to contribute to key business issues and decisions.

The AXICL UK Actuarial Function conducts internal review with line of business actuaries reporting on valuation of underlying GAAP Reserves and recommending GAAP Reserves to be booked for relevant lines of business. This takes place through individual review, as well as Roundtable Forums involving discussions and presentations across the teams. The process incorporates extensive internal review and challenge, including from Business Group Actuaries, Legal Entity Actuaries, Head of Actuarial Function Reporting, and Segment Reporting.

In carrying out their duties, the Actuarial Function follows the Actuaries' Code, the Actuarial Profession Standards (APSs) and all relevant Guidance Notes (GNs) set out by the Institute and Faculty of Actuaries.

B.6.5 Independence and Potential Conflicts of Interest

The AXICL UK Actuarial Function operates with an appropriate degree of independence as regard to AXICL UK management, and the work of the Actuarial Function is kept free from the external influence of the Board. This is supported by the structure of the Actuarial Function as described in section B.6.1 and the active contribution of the Actuarial Function into the AXICL UK Corporate Governance structure as outlined in section B.6.4.

As per the structure outlined in section B.6.1, the AXICL UK Actuarial Function has not identified any conflicts of interest which would cause material issues with the calculation of Technical Provisions, the production of opinions on the Underwriting Policy and Reinsurance arrangements, or the contribution to the Risk Management system. This is a result of:

a. A clear independence of the AXICL UK Actuarial Function from the revenue-generating functions of AXICL UK. Specifically, the AXICL UK Actuarial Function is independent from the Underwriting function and outward Reinsurance team.

b. A clear independence of the AXICL UK Actuarial Function from the AXICL UK Risk Function, with no reporting lines between both.

c. An adequate degree of separation in place between those who perform work for AXICL UK Actuarial Function and those who review and supervise it.

Specifically, regarding the Technical Provisions, the AXICL UK Actuarial Function operates sufficient separation between the calculations of the Technical Provisions and its coordination and review. The governance in place is supported by the AFR TP Steering Committee which reviews and challenges both assumptions and results. The UK & Lloyd's Chief Actuary is a member of the Steering Committee and is ultimately accountable for the adequacy and sufficiency of the Solvency II Technical Provisions for AXICL UK. This degree of independence is supplemented by periodic external reviews and regular external audit which also contribute to the overall quality assurance on Technical Provisions.

There is an adequate degree of separation between the Reserving and the Pricing functions.

Should a conflict of interest arise, the conflict resolution is aligned with the sign-off applied under the following structure:

a. Actuarial: conflicts within the Actuarial Function are escalated to the AXICL UK Chief Actuary who is responsible for conflict resolution.

b. AXICL UK Management:

   i. Conflicts from AXICL UK Claims & Reserves Committee are referred to AXICL UK Executive Committee.

   ii. Conflict culminates with the BCRC.

c. Board of Directors:

   i. The final decision on booked reserves rests with the Board of Directors of AXICL UK.

   ii. The Boards of Directors of AXICL UK have the ultimate responsibility for the reserves and SII Technical Provisions of AXICL UK.

B.7. Outsourcing

Outsourcing refers to an arrangement between the Company and a service provider (intragroup or third party) by which the service provider performs a process, a service or an activity that would otherwise be undertaken by the Company.

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Outsourcing can increase operational risk exposure through reduced control over people, processes and systems. In order to mitigate this, the Company has established an Outsourcing Policy which sets out the principles for management of the risks arising from its outsourced arrangements and for monitoring the performance of the service providers. The Company has established a governance framework to support the application of the Outsourcing Policy and to ensure compliance with regulatory and Solvency II requirements. This framework incorporates an Outsourcing Committee chaired by an Executive Committee member with representation from the key business functions. The role of the Committee is to ensure adequate controls are implemented, review key performance indicators and assess potential Outsourcing risk.

As at year-end 2025, the Company had outsourced arrangements in place to cover delegated claims handling and intragroup arrangements with AXA XL companies to cover the provision of employees and services, investment management and IT infrastructure. Where AXA XL companies decide to further outsource services (chain outsourcing), they must also ensure that they comply with the requirements of the Company's Outsourcing Policy. Per guidance issued by the PRA under supervisory statement 2/21, delegated underwriting is not considered outsourcing and is governed via a separate underwriting governance framework.

B.8. Any other information

There is no other material information regarding the system of governance.

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C. Risk Profile

Risk governance requires that the Company can comprehensively articulate the profile/universe of the risks over which its governance processes operate. To this end, the Company has an agreed approach to the definition and categorisation of risks. For underwriting risk, reserve risk, investment risk and operational risk, risk management undertakes 2nd opinion activity which helps to identify risks.

Risk Universe

The risk universe is based on the AXA Risk Grid as follows:

- Financial risks, including market, credit, and liquidity;
- Insurance risk;
- Operational risk;
- Other risks, including emerging risks, reputational risks, and strategic & regulatory risks;

As outlined in section B.3.2 the Standard Formula is used to calculate the regulatory capital requirement and the Internal Capital Model (ICM) is used as a risk management tool until the Company's Internal Model is approved. A full breakdown of the key risk drivers of the Standard Formula SCR can be found in Section E.2.2 below.

The key risks and capital drivers identified in the Standard Formula, and from the risk identification processes, are as follows:

- Underwriting risk is a significant risk that AXICL UK is exposed to. This underwriting risk is heavily driven by man made events including professional, economic and terrorism exposure.
- Reserve risk is the largest driver of solvency capital. Geopolitics, social inflation and emerging risks continue to drive uncertainty in the reserving process.
- AXICL UK benefits from certain intra-Group reinsurance contracts. Any change to this arrangement would impact AXICL UK risk profile and associated capital requirements.

Risk Appetite Statements

There are three components to the high-level risk appetite statements the Board have agreed to adopt in order to align with the AXA XL framework:

- Solvency - This considers the buffer that would be held in excess of regulatory capital.
- Single Event Limit - This considers exposure to largest of natural catastrophe event and man-made events, credit counterparty or operational risk event for tail events.
- Liquidity - This considers ability to pay claims in the event of a stress event.

In addition to the risk appetite statements, the Board have agreed to adopt a series of limits for risk appetite exposure at a risk type level. These address P&C Net Underwriting Limits, Operational Risk including internal control, Investment Risk, Intergroup Reinsurance Counterparty Risk and Climate Risk.

C.1. Insurance risk

Risk definition

Underwriting risk (Insurance risk) is defined using the following categories:

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Component	Definition
Underwriting risk	Underwriting risk derives from insurance and reinsurance policies written for the current period and also from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from this tranche of business will be less than expected; Underwriting risk includes man-made catastrophe events and natural catastrophe events.
Reserve risk	Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening balance sheet date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims payments do not align with the timing or amounts of the estimated claims pay outs and that there are changes in the valuation of the market value margin (risk margin) during the time horizon for solvency assessment.

Risk identification

Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- **Business planning -** Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle, economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget / business plan;
- **Underwriting processes (including guidelines and escalation authorities) -** Each individual contract written is assessed by the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria;
- **Reserving and claims process -** On an ongoing basis, claims trends are monitored and analysed for any indications of change in the nature of the underlying insurance risk;
- **Risk Management risk assessment process** - Through the internal model, the Company quantifies existing risks and also identifies new risks;
- **Realistic Disaster Scenarios (RDS) and other scenarios -** Used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits; and
- **Independent underwriting peer reviews -** conducted on a risk based approach by the Underwriting Governance team.
- **Reserve second opinions** - conducted twice a year by the Actuarial Risk function.
- **Underwriting second opinions** - conducted on an annual basis covering new products, profitability business planning and ad hoc issues.

Risk mitigation

Reinsurance purchase

The Company participates in the AXA XL managed outwards 3rd party reinsurance risk transfer programme to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL works with the AXA Group Reinsurance entity (AXA Global Re) on the outwards reinsurance strategy placements. Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer programme include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the programme is to reduce volatility and enhance overall capital efficiency.

The adequacy of the AXA XL reinsurance strategy as a protection mechanism for the Company is considered and is approved by the Company Board as part of the annual business planning process, and the impact of that strategy is monitored quarterly by both the RMC and Board. The CRO provides a 2nd Opinion on the proposed reinsurance to identify any concerns risk management might have around the programme to assist the Board in their consideration of the programme.

AXICL UK also has an intra-Group Quota Share to XL Bermuda Ltd (XLB) starting from 2019 and covering future years of account. This arrangement has been in place for 2025 and has been renewed for 2026.

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As part security for the Company's intra-group quota share contracts, the reinsurer is required to maintain a segregated account which is subject to a first legal charge for the benefit of the Company, for 50% of the reinsurance recoveries due.

It is required that the balance of the segregated account be adjusted quarterly on the payment date. Any balance in excess of the required balance maybe withdrawn, and any deficit shall be funded, by the reinsurer.

Actuarial Function

To mitigate the risk of large changes of reserves from one period to the next which are due to internal (not external) factors such as human errors, the reserving process performed by the Actuarial Function is highly structured, strictly defined and controlled, and includes several layers of oversight.

Rating adequacy

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Premiums are set and adjusted based, in large part, on the industry group in which the insured is placed, the corresponding industry sector rating, and the perceived risk of the insured relative to the others in that group. The rating methodology used for individual insureds seeks to set premiums in accordance with claims potential. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialised and generally operate by line of business.

Underwriting authorities and guidelines

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure, and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with agreed risk appetites and risk tolerances for material individual events, RDS that cross multiple lines of business, and from risks related to some or all of the above that may occur concurrently.

The Company underwrites and prices most risks individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve our clients while controlling our exposure both on a portfolio basis and on individual insurance contracts through terms and conditions, policy limits and sub-limits, attachment points and reinsurance arrangements on certain types of risks.

New product process

All new products are subject to the Product Approval Process ("PAP") and are approved by the Company Management.

Risk monitoring

On a quarterly basis catastrophe exposures are measured, monitored and reported to the RMC and Board. This monitoring is both on an exposure (aggregate for CAT risk type) and per-risk basis. RDS are also produced at least twice a year and monitored and reported to RMC and Board. In addition, Large Losses are regularly monitored at Board and Executive level. Line size compliance and other exposure metrics are also monitored.

In relation to event risk management, net underwriting risk tolerances are established for the individual largest events in the risk profile. These are captured through risk reporting to the RMC and Board via the BRCC, and monitored as part of the RAF.

Risk Appetite

Underwriting risk is subject to monitoring as part of the RAF. Details of which are in section C: Risk Profile.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including underwriting and reserving risks. These impacts include the earnings, underwriting, investments, liquidity and capital implications of low frequency, high severity events. For underwriting risks the main stress test approaches used cover natural catastrophe peril exposure results production and RDS production as outlined below.

Test type	Reason performed
Nat Cat reporting	To monitor Nat Cat exposures against risk appetite.
RDS reporting	To monitor non-Nat Cat exposures against risk appetite and to assist in the setting of overall risk limits.

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Natural catastrophe exposure results, and RDS exposure results, are used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits. RDS's are produced a minimum of twice per year to understand the Company's exposure to defined non-Nat Cat scenarios, which have been designed by experts and cover both short and long tail lines of business and cross class event exposures. The RMC (and Board) are informed of results of stress tests performed via risk dashboards and the ORSA report throughout the year where discussions and challenge include whether the results fall within relevant approved risk tolerances and limits.

Based on the above factors considered in stress testing the underwriting limits, all underwriting risks are deemed to be well managed and within risk appetite as reported via the risk dashboard and ORSA report to the RMC and Board.

C.2. Market risk

Risk definition

Market risk represents the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

Component	Definition
Interest rate and spread risk	Financial loss or volatility of profits due to the combined sensitivity of the economic value of the investment portfolio and (re)insurance liability cash flows and debt securities issued to changes in the level or volatility of benchmark interest rates and credit spreads.
Market risk concentrations	Financial loss or volatility of profits due to the increased sensitivity of the market value of the investment portfolio to other risks specifically due to concentrations of investments such as in specific geographical region, industry or company.
Foreign exchange risk	Financial loss due to volatility in the value of the Company's assets and liabilities following changes in currency exchange rates.
Equity price risk	Financial loss or volatility of profits due to the sensitivity of the value of the investment portfolio to changes in the level or in the volatility of market prices of equities.

There were no material changes in market risk exposure during the reporting period, which remained within established tolerances.

Additional Market risk components include;

- Hedge Funds
- Inflation

Risk identification

The Company identifies market risk through the following processes:

Process	Description
Business planning	As part of the annual planning process, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocations	Investment Plan details the planned purchases and sales of securities and their respective quantities for the year in conjunction with the Strategic Asset Allocation (SAA) benchmark and the Risk Appetite Framework limits.
Risk assessment and processes	The risk assessment process assists in identifying if there are any changes to market risks already identified in the previous assessment.
Emerging risks	The Division operates an emerging risks identification process. This assessment identifies key external factor changes that may give rise to Market risk issues. The Emerging Risk Task Force, comprised of senior leadership from across the organisation, actively monitors a wide array of emerging risks to provide the Company's underwriters, as well as clients, with pertinent information regarding new and existing trends. This involves the ongoing review of strategic and risk management processes, identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions. This process is supplemented by a UK Emerging Risk process, which ensures oversight at a local level.
Risk second opinions	Second opinions are performed on the annual investment plan as well as the Strategic Asset Allocation.

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Risk mitigation

The Company's investment management strategy ensures its continued compliance with the Prudent Person Principle set out in Article 132 of Directive 2009/138/EC.

Strategic Asset Allocation

The Strategic Asset Allocation ("SAA") process for AXA XL establishes a target allocation for the investment portfolio that is constructed to maximize enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by management and is approved at least every 3 years by the AXICL UK Board. It is also subject to a Risk Second Opinion review at the time of approval.

Authorities Framework / Risk Appetite Framework

In conjunction with the SAA, the Company has a RAF aligned to the AXA Group framework, which limits exposure to various asset classes (with tighter limits for higher risk asset types), as well as duration and FX mismatches. There is also centralized investment risk monitoring through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities, emerging markets and developed sovereigns), BBB and below exposure, and leverage. These controls are implemented through regular compliance monitoring and reporting.

The Investment Risk Management Policy and market risk limits under the RAF address the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company. The framework is designed to capture investment risks and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis.

Service Level Agreements

A service level agreement is in place between XL Group Investments Ltd ("XLGIL"), an indirect, wholly owned subsidiary of XLB, and the Company. This includes guidance on type of investments and the weighted average credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits is monitored on a regular basis and reported to the AXICL UK Board.

Currency Risk Mitigation

Foreign currency exposures represent all net assets and liabilities held in currencies other than British Pound that generate foreign exchange volatility. The Company's foreign currency exposure is dominated by the US Dollar, Euro, South African Rand, Brazilian Real, Mexican Peso and Norwegian Krone.

The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Asset liability management analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched. The table below outlines the Company's year-end exposure by currency:

(Foreign currency in £ millions)	**December 31, 2025**	**December 31, 2024**
US Dollar (USD)	64,285	18,704
Euro (EUR)	12,697	8,619
South African Rand (ZAR)	3,448	5,364
Brazilian Real (BRL)	1,961	1,568
Mexican Peso (MXN)	1,218	373
Norwegian Krone (NOK)	1,181	637

Risk monitoring

Market Risk monitoring includes articulation of Risk Appetites per the Risk Appetite Framework, where alerts and limits are specified by risk category and sub-category. For example, for the Risk Appetite 'Exposure per asset class' the sub categories include Fixed Income, Real Estate, etc.

Day-to-day management of the investment portfolio is conducted in accordance with detailed investment guidelines and risk tolerances that are closely monitored by AXA XL Investments. This hybrid implementation approach provides access to external asset managers with specialized skills across a broad range of investment products, as well as the flexibility to actively manage the overall structure of the portfolio in line with the Company's specific business needs. Interaction between the internal and external managers provides additional insight to take advantage of opportunities as they present themselves.

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The delegation of investment authority to BNP (BNP Paribas Asset Management UK Limited) is supplemented by robust compliance monitoring with defined escalation and notification procedures. This framework is designed to identify investment risks on an absolute basis and relative to liabilities and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis. The Risk Appetite Framework is cascaded down to the Company and approved by the Board. Any breaches in limits of the Risk Appetite Framework are highlighted in the risk dashboard presented to the RMC and escalated to the Board.

Portfolio ratings and asset class allocations are managed by the Division's global Investment team and reporting is on an International Financial Reporting Standards ("IFRS") basis.

Risk appetite

Market risk is subject to monitoring as part of the RAF.

Stress testing framework

An embedded stress testing and scenario analysis framework is used to understand possible impacts across all major risks, including market risks. The following stress tests are used to identify risk exposures:

- Interest rate and credit spread sensitivity testing: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;
- Ad hoc scenario stress testing as deemed appropriate by Risk Management.
- FX stress tests on assets and liabilities;
- Ad hoc review of enterprise risk scenarios;

The Company examines a range of extreme events as identified above, which intend to stress its capital position.

The RMC and Board, where appropriate, are informed of results of stress tests performed throughout the year including whether the results fall within relevant approved risk tolerances and limits set out in the investment guidelines. Based on the above factors considered in scenario and stress testing, all market risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

C.3. Credit risk

Risk definition

Credit risk is defined as the risk of loss due to an unexpected default, or deterioration in the credit standing of counterparties and debtors, or uncertainty of an obligator's continued ability to make timely payments in accordance with the contractual terms of the instrument.

Credit risk through the risk framework is categorised by the following:

Component	Description
Reinsurance counterparty Risk	Risk of losses due to the default of a reinsurer or a deterioration of its credit worthiness.
Investment counterparty Risk	Counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties.
Premium counterparty Risk	Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to insurance contracts written.
Underwriting counterparty Risk	Exposure to credit risk through certain credit sensitive underwriting activities which include, but are not limited to, Surety, Worker's Compensation, Environmental and Political Risk and Trade Credit.

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Risk identification

The Company identifies credit risk through the following processes:

Process	Description
Business planning	Analysis is undertaken of the credit risk exposures, loss experience and changes to the external environment (including market cycle and economic environment) to identify any changes to the credit risk profile for the forthcoming period of the business plan.
Underwriting	Each individual contract written is assessed, by underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of credit risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.
Risk assessment and processes	Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.
Emerging risks	The Division operates an emerging risks identification process. This assessment identifies key external factor changes that may give rise to credit risk issues. The process also evaluates potential opportunities that might arise from these emerging risks.

Risk mitigation

Credit risk is managed through:

Credit Risk Framework - Credit risk aligns with the Division credit risk framework and Group superseding restrictions. Credit Risk arising from country specific exposure is managed as part of the Division Country Risk Framework. Credit risk in the investment portfolio is managed through various frameworks applied to the Division and entity level including Authorities & Guidelines, Fixed Income Concentration, Sovereign Risk Appetite, and Country of Risk. These address the credit quality of obligors and counterparties, diversification, exposure vs limits by rating, term and seniority, and quantitatively evaluate credit risk following a robust Credit VaR methodology. FRM Internal Credit Ratings (ICR) have been developed by taking into account the Group Credit Team (GCT) Internal Rating to decrease the dependency toward the 3 main Rating Agencies.

Exposure to credit spreads primarily relates to market value and cash flow variability associated with changes to credit spreads. Credit spreads in the investment portfolio are regularly reviewed in terms of the inherent potential for downgrade of individual obligors as well as the wider impact on the overall credit risk of the portfolio.

- **Intra-Group Credit Arrangements:** The Company derives significant reductions in risk resulting from Intra-Group Reinsurance Arrangements including a whole account quota share to XL Bermuda Ltd (XLB).
- **Underwriting Authorities and Limits** - See C1 Underwriting Risk.
- **Investment Portfolio** - Credit risk is also managed through the credit research performed by external investment management service providers, AXA Group Risk Management, and the in-house portfolio management team.
- **Reinsurance Security Department** - The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds, trust accounts and/or irrevocable letters of credit may be held.
- **Premium Payment and Brokers -** The Company underwrites a significant amount of its (re)insurance business through brokers and credit and premium risk exists should any of these brokers be unable to pay premium due. A list of approved broking houses is maintained.

Risk appetite

Credit risk is subject to monitoring as part of the RAF.

Risk monitoring

Risk Management consolidates credit exposure reports from corporate functions and underwriting businesses on a regular basis for aggregating, monitoring and reporting to the RMC and Board via the BRCC.

Investment portfolio

On a regular basis a review is undertaken of the investment portfolio to improve the Company's understanding of asset concentrations as well as credit quality and adherence to its credit limit guidelines. Any issuer over its credit limit or experiencing financial difficulties, material credit quality deterioration or potentially subject to forthcoming credit quality deterioration is placed on a watch list for closer monitoring. Where appropriate, exposures are reduced or prevented from increasing.

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Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. Stress tests and scenario analysis are undertaken to monitor exposure to the defined scenarios that allows monitoring of exposure to credit risks. These scenarios help to understand potential losses to ensure that the Company is prepared to withstand projected losses from these events, including ensuring that there is adequate capital, and liquidity to manage through the event and maintain the Company as a going concern. Based on the factors considered in scenario and stress testing, all credit risks are deemed to be well managed.

AXA S.A. Credit Facility

The Company may benefit in part from a multi-currency facility, which AXA S.A. entered into July 2019, with the main insurance and reinsurance carriers of AXA XL. The credit agreement allows for letters of credit to be issued in a variety of currencies.

No letters of credit have been issued to the Company under this credit facility.

C.4. Liquidity risk

Risk definition

Liquidity risk is defined as the inability to meet cash and collateral posting obligations when they come due. Liquidity risk arises from three principal areas: operating, financing and investing cash flows. The RMF addresses how the Company manages liquidity both under a normal and a stressed environment.

The Company measures and monitors liquidity risk as follows:

- An internal stressed liquidity calculation is performed quarterly across all major legal entities of the Division and over a 12-month horizon, including simultaneous shocks on market risk, credit risk, P&C risk, and operational risk.
- AXA XL Treasury monitors concentration risk of cash at banks, along with upcoming funding requirements.

The Company continued to have sufficient liquidity during 2025, despite the continued volatile interest rate environment.

Risk mitigation

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios.

Cash requirements include all possible claims on cash from policyholders and operations. Some of these cash outflows are scheduled while others are known with much less certainty. The goal is to ensure sufficient liquidity in the asset portfolio, together with secured external cash sources, to provide for timely payment of potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events over 12-month horizon.

Liquidity risk is managed through:

- **Asset-Liability Management ("ALM")** - Treasury conducts detailed ALM analysis to match the currency mix of its liabilities with appropriate assets. Investments manage the duration gap of assets and liabilities within a pre-defined range.
- **Special Funding Clauses** - The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common market practice. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorization for the inclusion of a downgrade clause in a contract.

The AXA XL Treasury and Risk Management departments serve as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company. The Company also has access to several credit facilities.

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The state of the Company's liquidity is routinely reported to the XLB Board and monitored as part of the RAF.

Risk Appetite

Liquidity risk is subject to monitoring as part of the RAF.

Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury and Risk Management, which includes a view of the stressed sources and uses of liquidity over a 12-month horizon. The Company must maintain appropriate excess liquidity post simultaneous stresses from market risk, credit risk, P&C risk, and operational risk.

Based on the above factors considered in scenario and stress testing, all liquidity risks are deemed to be well managed and within risk appetite, as reported via the Risk Dashboard and ORSA report to the RMC and Board.

C.5. Operational risk

Risk definition

The Company defines operational risk as the risk of loss, resulting from inadequate or failed internal controls and / or processes, or from people and systems, or from external events. Operational risks are defined consistently with the Basel II risk categorisation. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing (re)insurance business and having operations to support the writing of that business.

Risk identification

Operational risk is identified through the following processes:

Process	Description
Annual Risk Assessment / Quarterly Risk Update	A risk register is maintained of the material risks faced by the Company. On an annual basis an assessment is performed on the risks on the risk register. On a quarterly basis a risk update is provided showing changes in the risk profile for each business function.
Key Risk Indicators (KRIs)	KRIs are monitored for the top risks to detect issues as they arise
Consultation regarding new regulations	When the regulatory authorities announce potential changes to the regulatory environment (such as new rules and regulations) the Legal and Compliance team is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise. When new financial reporting regulations are announced, the CFO is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise.
Business planning	Any changes to the operational risk environment that arise as a result of the business planning (such as entry into new territories) must be identified and accounted for during the planning process.
Ongoing operations	Function heads and Risk Owners are responsible for identifying any new (or changed) risks during the normal course of business, and notifying the Policy Owners so any required changes to the risk register can be implemented.
Emerging risks	The Company operates a Division wide emerging risks identification process which captures emerging risks. This assessment identifies key external factor changes that may give rise to operational risk issues.
Internal loss data	The Company collects data relating to operational risk losses and near misses on a quarterly basis. The data collected is used, among other things, to track incidents, identify key risk indicators and to validate and challenge operational risk quantification.
External loss data	The Company purchases historical loss data from an external provider. Large events from this database are used to identify new emerging risks. In addition the data is used in the parameterisation of the ICM.

These processes are well embedded within the business and are designed to identify new risks or changes to existing risks as they emerge. Responsibilities for identifying and reporting risk within the first line are understood which facilitates our ability to respond quickly to any changes in the risk landscape. The output of these processes are reported through the UK governance structure and issues escalated when required.

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Risk mitigation and monitoring

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

- Potential severity of the risk;
- Frequency of the risk occurring;
- Cost of implementing controls relative to the significance of the risk; and
- Appetite and tolerance for the risk.

The controls around operational risk are subject to both regular attestations from control owners and design / operational effectiveness testing which is undertaken by Risk Management on a rolling 3 year cycle. Issues identified through control evaluations and / or testing are addressed and an appropriate remediation sought.

Purchase of insurance

It is recognised that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g. physical damage), non-monetary impacts may remain (including impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss event reporting process.

Based on the above factors considered in scenario and stress testing, all operational risks are deemed to be well managed and within risk appetite, as reported via the annual ORSA report and quarterly CRO report to the RMC and Board.

Risk Appetite

Operational risk is subject to monitoring as part of the RAF. Any breaches are reported initially to the Operational Risk Committee and escalated to the Risk Monitoring Committee where action will be determined to remediate the breach.

Stress testing framework

To support the identification and quantification of operational risks within the business and to help parameterise the internal model, the Company has a stress and scenario testing framework.

The stress testing includes multiple operational risk scenarios which are evaluated over multiple return periods for each scenario.

The operational scenarios are developed from the top risks assessed during the annual risk assessment process on a net assessment basis. The scenarios have multiple uses including:

- To monitor against tolerances;
- To better understand economic and reputational impact of the identified top operational risk exposures; and
- To parameterise the operational risk module in the ICM.

C.6. Other material risks

Asset Liability Matching Risk

Risk definition

Asset liability matching risk - arises directly from a mismatch between assets and liabilities due to changes in rates and spreads, equity and other non-fixed income markets/asset classes and credit risks, liquidity, foreign exchange and from events affecting both asset and liability values.

In particular, the following market risks influence both assets and liabilities and are hence key drivers of risk:

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Component	Definition
Interest rate and spread risk and asset composition risk	Mismatches between asset composition and maturities and the profile of liability cash flows creates economic risks from changes in benchmark interest rates, spreads and asset values. This is due to changes in the nominal mark-to-market (MTM) value of assets not exactly offsetting changes in the nominal economic value (net-present value) of liability cash flows.
Inflation risk	Inflation risk stems from the general increase of prices. Inflation may decrease the value of fixed income assets while it may increase the value of liabilities, subject to knock on impacts to interest rates. Inflation also explicitly impacts the values of directly linked assets (TIPS, etc.) and liabilities.
Foreign exchange ("FX") risk	FX risk arises from mismatches in the currency denomination of assets relative to that of financial liabilities.

Risk treatment

The Company controls asset liability mismatch risk through:

- **Asset-Liability Management (ALM) analysis**

  The Company will conduct detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which it follows determines the target allocation that maximizes the value of the Company subject to risk tolerance and other constraints. The SAA considers management's risk tolerance, liability cash flows, business plan, liquidity considerations, capital market forecasts and regulatory considerations. The ALM/SAA process is first done at the AXA XL division level keeping division and legal entity constraints under consideration. The target allocations are then propagated down to the legal entities based on additional considerations of each entity. This is mandatory to be completed at least once in every three years.

- **Investment authorities and guidelines**

  Board approved Risk Appetite Framework limits are in place that address all the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company.

- **Reserving process controls**

  Among the key drivers of the Company's reserve risks are inflation, correlation across lines of business, legislative and regulatory changes, loss trend movements, timing and reporting changes at underlying ceding companies, and the excess nature of exposures in certain lines including non-proportional reinsurance

- **Stress Testing Framework**

  The Company uses stress testing as one method to assess asset liability mismatch risk exposures.

Strategic risk

A strategic risk is a risk that has a negative impact (current or prospective) on earnings or capital, is material at the Divisional level, and 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; and
- 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 rather a strong strategic RMF in place in order to assess, anticipate and mitigate these risks.

A strategic risk register is maintained and is reviewed on a quarterly basis by the management and Board. Action plans are maintained against the most significant Strategic Risks.

Reputational Risk

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and policies established, while reputation problems are still latent, to reduce the probability and/or the expected costs of latent reputation problems becoming actual.

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Emerging Risks

Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a high loss potential. To assess the impact of emerging risks at AXA XL, the Emerging Risks Committee as well as Emerging Risks Task Force are tasked with identifying, analysing, prioritising, quantifying, monitoring and reporting on emerging risks that could have an impact on our existing and future product offerings and business operations. The Emerging Risks Committee and Task Force work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions. The views and findings of the emerging risks team feed into the capital model.

Climate Change

The Company is exposed to all forms of climate and climate change risk, namely:

Physical risks: These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and also those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity. The Company has exposure to natural catastrophes which therefore might be impacted and is supported by an AXA XL Division Science team who consider the impact of climate change on the natural catastrophe models;

Transition risks: These are financial risks which could arise from the transition to a lower-carbon economy. This can include both loss-causing impacts and the future stability of some of our product portfolios e.g. in carbon-intensive sectors such as motor. This risk impacts the Company in, for example, the energy sector where we are seeing the impact of COP 21 and a move towards insuring renewable energy initiatives as well as areas such as the fine art book where vintage car business could be impacted. There are also transition risks related to divesting from certain carbon-intensive industries and investing in green assets; and

Liability and litigation risks: These are risks that could arise from parties who have suffered loss or damage from climate change, and then seek to recover losses from others who they believe may have been responsible. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all of the cost to insurance firms under third-party liability contracts such as professional indemnity or directors' and officers' insurance. Where liability is not ruled or settled, the company is still exposed to the costs of duty to defend, should clients seek to recover costs here. The Company has exposure to this through exposure across a range of industries which could be targeted in climate change litigation.

The Company, as part of AXA and AXA XL Division benefits from being part of widely supported climate change initiatives. There is a UK and Lloyd's Climate Working Group chaired by the CRO, who also sits on the AXA XL Division working group. The Division working group is charged with developing the roadmap for AXA XL Division and advising the AXA XL Division Leadership Team.

The Company has adopted AXA's Corporate Social Responsibility Policy. As a result, business written has been adjusted to account for an underwriting approach that restricts coverage for Coal, Oil sands related assets and arctic drilling, while on the investment side we divested investments relating to controversial weapons and any 10+ yr dated banned sectors following the adoption of this policy.

As part of its consideration of climate, the Company has undertaken the following:

- Developed and implemented qualitative risk appetite statements around climate. The intention is to supplement these statements as quantitative measures are developed. However, at this point existing risk appetite statements around "Single Events" would be deemed to capture exposure to climate change (either in the form of natural catastrophes or man-made liabilities).

- Implemented stress testing in respect of climate. This has included developing its own natural catastrophe stress tests.

C.7. Any other information

There is no other material information regarding the Risk Profile of the Company.

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D. Valuation for Solvency Purposes

This section contains information regarding the valuation of balance sheet items for solvency purposes. The Solvency II Balance Sheet IR.02.01.02 is shown in the Public QRT section at the end of this report.

A reconciliation between the Solvency II balance sheet and the UK GAAP balance sheet is presented below.

A reconciliation between the UK GAAP equity and Solvency II equity is provided in Section E.1.2 below.

Each material asset class is described in paragraph D.1. Valuation of technical provisions is described in paragraph D.2. Other liabilities are described in paragraph D.3.

	Reference	Solvency II 2025	Difference	UK GAAP 2025	Solvency II 2024
		£'000	£'000	£'000	£'000
Assets					
Deferred Acquisition Costs (DAC)	1	—	(204,283)	204,283	—
Investments (excl participations)	2	834,681	12,684	821,997	748,627
Reinsurance recoverables	3	1,473,346	(811,461)	2,284,807	1,267,688
Insurance and intermediaries receivables	4	12,266	(392,144)	404,410	33,321
Reinsurance receivables	5	142,781	(122,381)	265,162	188,565
Receivables (trade, not insurance)	6	49,626	23,681	25,945	52,857
Cash and cash equivalents	7	279,072	263,585	15,487	196,982
Any other assets, not elsewhere shown		2	(7,385)	7,387	—
Total assets		**2,791,774**	**(1,237,704)**	**4,029,478**	**2,488,040**
Liabilities					
Technical provisions (best estimates) - Non Life & health similar to non life	8	1,835,433	(2,976,680)	3,017,389	1,630,661
Technical provisions (risk margin) - Non Life & health similar to non life	8	40,709	40,709	—	37,558
Deferred tax liabilities	9	24,759	24,759	—	16,522
Debts owed to credit institutions	10	291,641	268,883	22,758	250,322
Insurance & intermediaries payables	11	24,226	23,681	545	37,072
Reinsurance payables	12	40,762	(313,458)	354,220	3,428
Payables (trade, not insurance)	13	62,846	—	62,846	69,007
Any other liabilities, not elsewhere shown	14	21,356	(174,598)	195,954	14,099
Total liabilities		**2,341,732**	**(3,106,704)**	**3,653,712**	**2,058,669**
Excess of assets over liabilities		**450,042**	**1,869,000**	**375,766**	**429,371**

D.1. Assets

This section describes the bases, methods and main assumptions used in the valuation for solvency purposes of each material class of assets. The material quantitative differences between the values of assets in the 31 December 2025 UK GAAP and Solvency II balance sheets presented in Section D above are explained. The numbering of the balance sheet line items refers to the comments below. A reconciliation is prepared to reflect the differences between the UK GAAP equity and Solvency II equity components.

The Solvency II Balance Sheet requires an economic (fair) valuation for all assets and other liabilities. On this basis, the following hierarchy of high level principles for the valuation of all assets and other liabilities is used:

I. Undertakings must use quoted market prices in active markets for the same assets or liabilities as the default valuation method, notwithstanding if the applicable GAAP would allow a different approach. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

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II. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;

III. If there are no quoted market prices in active markets available, undertakings should use mark-to-model techniques, which is any alternative valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input;

IV. Undertakings have to make maximum use of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs; and

V. When valuing liabilities using fair value, an adjustment is required to remove the own credit risk of the liability.

The bases of valuation for solvency purposes, together with the differences between the solvency valuation and UK GAAP are set out below:

1. Deferred acquisition costs ("DAC") are costs relating to the acquisition of new business for insurance contracts. Recognition of DAC is not permitted under Solvency II. Under UK GAAP these costs are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts.

2. All investment instruments are measured at fair value for Solvency II and UK GAAP purposes. Fair value is obtained from quoted market prices. At Q4 2025, 78% of the investment balance is valued from quoted market prices in active markets for the same assets, and 22% uses quoted market prices for similar assets. If quoted market prices were not available, then relevant valuation techniques would have been used. The reasons for the differences between Solvency II and UK GAAP for investments are set out below:

    - Accrued investment income is included within the value of the investment under Solvency II, whereas it is disclosed separately in the UK GAAP balance sheet; and

    - Certain cash instruments in the UK GAAP balance sheet are classified as investments under Solvency II.

3. See Section D.2.2 for a discussion of reinsurance recoveries under Solvency II and the difference to UK GAAP.

4. Insurance and intermediaries receivables should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. The valuation differs to UK GAAP due to the fact that under UK GAAP any not-yet-due insurance and intermediaries receivables within Solvency II technical provisions are reported as Insurance and intermediaries receivables. As this is simply a balance sheet reclassification between assets and liabilities there is no material impact on equity (apart from the fact that receivables not-yet-due are discounted within technical provisions).

5. Reinsurance receivables should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. The valuation differs to UK GAAP due to the fact that under UK GAAP any not-yet-due reinsurance receivables within Solvency II technical provisions are reported as reinsurance receivables. As this is simply a balance sheet reclassification between assets and liabilities there is no material impact on equity (apart from the fact that receivables not-yet-due are discounted within technical provisions).

6. Trade receivables should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. There is no change in valuation under UK GAAP.

7. Cash and cash equivalents are measured at fair value under both UK GAAP and Solvency II. Money Market Funds are classified as investments under Solvency II, but as cash under UK GAAP. Overdrawn balances by counterparty and currency are reported as Debts owed to credit institutions, whereas these are grouped by counterparty only under UK GAAP.

    There are no changes in the valuation basis from prior year.

D.2. Technical provisions

Items 3 and 8 from the Solvency II Balance Sheet in Section D above are combined below to present Net Technical Provisions:

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		2025 Solvency II Value £'000	2024 Solvency II Value £'000
Technical provisions (best estimates) - Non life & health similar to non life	9	1,835,433	1,630,661
Technical provisions (risk margin) - Non life & health similar to non life	9	40,709	37,558
Gross Technical Provisions		1,876,142	1,668,219
Reinsurance recoverables	4	1,473,346	1,267,688
Net Technical Provisions		**402,796**	**400,531**

D.2.1 Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Solvency II Technical Provisions consist of the best estimate liabilities ('BEL') and the risk margin ('RM'). A best estimate assumption is defined as one where there is the same probability that the actual experience develops more or less favourably than the assumption. The BEL corresponds to the probability-weighted average of all future cash flows over the lifetime of the in-force and bound-but-not-incepted (re)insurance contracts, adjusted to reflect the time value of money. The BEL is calculated separately on a gross and ceded basis. The RM reflects the uncertainty inherent in the underlying cash flows and is calculated using the prescribed cost of capital approach, with SCR inputs from the Standard Formula and the risk-free yield curves prescribed by the PRA. AXICL UK's SII TPs materially relate to Non-Life (excl. Health) business with a small component of Non-Life (Health); there is no Life business on this entity.

For the claims provision, the difference between the SII and UK GAAP technical provisions can be explained by the following factors:

a. Unwinding of discounting permissible under UK GAAP (i.e. Periodic Payment Orders);

b. Incorporation of expected reinsurance counterparty defaults (bad debt);

c. Incorporation or the identification of events not in data (ENID) due to local specificities as appropriate;

d. Other adjustments related to the consideration of investment and operating expenses, etc.; and

e. Discounting credit.

Please note that no adjustment for margins is required because neither the UK GAAP or SII includes a margin for prudence in the BEL.

The best estimate for the premium provision differs from the gross unearned premium reserve on a UK GAAP basis in the following respects:

a. Gross and ceded premiums on already obliged but yet to incept business;

b. Applying expected future gross loss ratios;

c. Reinsurance recoveries (less bad debt);

d. Allowance for future reinsurance cost associated with already obliged policies;

e. Incorporation or the identification of events not in data (ENID), which within the premium provisions are captured through the threat loads embedded in the business plan loss ratios;

f. Future premiums (payables and receivables);

g. Other adjustments related to the consideration of investment and operating expenses, etc.;

h. Adjustments for lapses as appropriate;

i. Discounting credit.

In the valuation of the (re)insurance obligations within the technical provisions, the Company has not applied any of the following adjustments to the PRA prescribed risk-free interest rate term structure:

a. matching adjustments (Matching Adjustment Part of the PRA Rulebook for Solvency II Firms);

b. volatility adjustments (Rule 8 of the Technical Provisions Part of the PRA Rulebook for Solvency II Firm);

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c. transitional risk-free interest rate term structure (Rule 10 Transitional Measures Part of the PRA Rulebook for Solvency II Firms); and

d. transitional deductions (Transitional Measure on Technical Provisions Part of the PRA Rulebook for Solvency II Firms).

At 31 December 2025 and with comparatives for 2024, the total net Technical Provisions amounted to £402.8m comprising the following (reported in GBP thousand units):

	2025	2024
	£'000	£'000
Claims Provision	501,077	463,367
Premium Provision	(138,990)	(100,394)
Risk Margin	40,709	37,558
Total Technical Provisions	**402,796**	**400,531**

The following tables show the breakdown of total net technical provisions as at 31 December:

2025

	Gross Best Estimate	Ceded Best Estimate	Risk Margin	Net Technical Provisions	Percetange Of Total
	£'000	£'000	£'000	£'000	%
General Liability Insurance	1,104,828	914,819	19,580	209,589	52.0 %
Marine Aviation and Transport Insurance	248,681	226,346	6,609	28,944	7.2 %
Motor Vehicle Liability Insurance	48,787	33,240	1,216	16,763	4.2 %
Fire and Other Property Damage Insurance	394,683	235,159	9,436	168,960	41.9 %
Income Protection Insurance	20,345	17,905	901	3,341	0.8 %
Other	18,109	45,877	2,967	(24,801)	(6.2)%
Total	**1,835,433**	**1,473,346**	**40,709**	**402,796**	**100.0%**

2024

	Gross Best Estimate	Ceded Best Estimate	Risk Margin	Net Technical Provisions	Percetange Of Total
	£'000	£'000	£'000	£'000	%
General Liability Insurance	1,003,537	816,037	19,424	206,924	51.7 %
Marine Aviation and Transport Insurance	222,003	184,936	5,212	42,279	10.6 %
Motor Vehicle Liability Insurance	36,289	25,822	1,000	11,467	2.9 %
Fire and Other Property Damage Insurance	367,848	212,709	9,242	164,381	41.0 %
Income Protection Insurance	21,301	13,691	804	8,414	2.1 %
Other	(20,316)	14,494	1,876	(32,934)	(8.2)%
Total	**1,630,662**	**1,267,689**	**37,558**	**400,531**	**100.0%**

General Liability Insurance, Fire and Other Property Damage insurance and Marine Aviation and Transport insurance contribute to ~100% of the Company's net Technical Provisions. The negative £24.8m of Technical Provisions classified as 'Other' is driven by high net future premium for SII LOB Credit and Suretyship. The decrease in Marine Aviation and Transport reserves mainly reflects a decrease in the ceded future premium payable

The non-proportional SII LoBs included within other reflect liabilities relating to the Reinsurance segment, which was put into run-off on AXICL UK in 2016. This includes reserves relating to Periodic Payment Orders (PPOs) and we note for this business that the GAAP discount is unwound prior to application of the risk-free yield curves applicable under Solvency II.

The main methods are applied consistently across all lines of business although it is worth noting that the underlying assumptions are specific to each line of business. For example, there is a higher discounting credit on the General Liability insurance business relative to the other lines of business due to longer settlement durations.

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Recent enhancements implemented across the insurance segment have focused mainly on simplifying and harmonizing our processes, ways of working and governance. These improvements have impacted various areas within actuarial reserving, including data, processes, planning and allocations. However, the methods and assumptions used for the calculation of technical provisions continue to be derived and applied in line with previous years, as described above.

The Risk Margin is calculated on a discounted cost of capital basis, utilising outputs from the Solvency Capital Requirement calculation to ensure consistency with both the Solvency II TPs and the SCR. His Majesty's Treasury prescribes the cost of capital to be applied to the calculation of Risk Margin at 4%, as per SI 2023/1347.

A bridge from GAAP to SII is shown below:

	Total	Marine, aviation and transport	Fire and other damage	General liability	Other
	£000's	£000's	£000's	£000's	£000's
Net GAAP Reserves	**503,207**	51,938	108,296	279,744	63,229
Reclassify future premium	**(274,366)**	(48,281)	4,037	(135,134)	(94,988)
Solvency II premium provision	**130,176**	14,809	39,203	49,216	26,948
Discount non-life provision	**(77,308)**	(6,408)	(9,299)	(48,952)	(12,649)
Additional Solvency II expenses	**65,661**	8,015	15,214	36,094	6,338
Other Solvency II adjustments	**14,716**	2,262	2,073	9,042	1,339
Risk Margin	**40,709**	6,609	9,436	19,580	5,084
Net Solvency II Technical Provision and Risk Margin	**402,796**	**28,944**	**168,960**	**209,590**	**(4,699)**

D.2.2 Description of Recoverables from Reinsurance Contracts

The difference between the SII and UK GAAP technical provisions can be explained by the following factors:

a. Unwinding of discounting permissible under UK GAAP (i.e. Periodic Payment Orders);

b. Incorporation of expected reinsurance counterparty defaults (bad debt);

c. Incorporation or the identification of events not in data (ENID) due to local specificities as appropriate;

d. Other adjustments related to the consideration of investment and operating expenses, etc.; and

e. Discounting credit

Within the premium provisions, the estimated ceded recoveries are calculated by applying ceded-to-gross ratios reflecting the reinsurance programmes applicable to the gross claims amounts. These recoveries are on a mean of all outcomes basis and are therefore higher than those recognised in the business planning exercise (which is closer to a median view, with nil recoveries assumed on short-tail excess of loss contracts).

Principle of Correspondence

Under the principle of correspondence, the technical provisions allow for the renewal cost of future Losses Occurring During reinsurance programmes insofar as they would benefit already incepted policies. For unincepted business, future reinsurance cost is explicitly allowed for, and its associative benefit is recognised within the ceded recoveries. Where reinsurance contracts are subject to a minimum premium, at least this amount is recognised within the SII TPs.

Reinsurance counterparty risk is the risk that ceded recoverables cannot be collected. To cover this risk a reinsurance bad debt (RIBD) allowance is created. This RIBD allowance is calculated based on the credit rating for each reinsurer over the lifetime of the liabilities.

D.2.3 Uncertainty/limitations associated with the value of the technical provisions

There is inherent uncertainty in the exact event / claims occurrences, timings, amounts of payments and estimates of loss reserves. This is because ultimate liability for claims is subject to the outcome of results yet to occur, for example the frequency of claims, the attitude of claimants towards the settlement of their claims, changes in the standards of liability and the size of court awards, and general economic conditions. This uncertainty stems from several factors including lack of historical data, uncertainty with regard to claim costs, coverage interpretations and the judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. Further, our projections make no

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provisions for extraordinary future emergence of new classes of losses beyond those included in the (statistically derived) Events Not in Data loading.

The Actuarial Function is of the opinion that the techniques and assumptions used are reasonable given the information currently available. Where the Actuarial Function believe these should be enhanced this has been commented on in the relevant sections of the report. However, it should be recognised that actual experiences may deviate, perhaps materially, from the assumptions and estimates/projections contained in this report.

Macroeconomic outlook Uncertainties created by the current macroeconomic environment continue to drive uncertainty for the industry. The continuing conflicts in Ukraine and the Middle East create a tense geopolitical climate and increase the risk of future inflation shocks. Traditional actuarial methods assume future inflation will be similar to historical inflation therefore since 2022 an explicit inflationary loading has been included within the best estimate. This reduces but does not eliminate the inflationary uncertainty and ongoing monitoring of both claims and social inflation will be required.

Russia-Ukraine conflict The ongoing conflict and ensuing sanctions present uncertainty in estimation of losses mainly in Aviation for AXICL UK due to the duration of the war, the nature of the insurance/reinsurance events to be considered and the size of the reported exposure. Impacts to AXICL UK are currently assumed to be immaterial on the basis that trapped planes in Russia will fall within the War policies. Were the 'All Risks' cover to trigger, under the Operator's policies, this may significantly change the exposure to AXICL UK.

Long-tailed classes of business Uncertainty remains surrounding the ultimate outcome for the long-tailed classes of business. The early years are not necessarily fully developed and the estimated experience on these years is helping inform our estimates for the more recent years. We continue to monitor the experience on these classes of business but would note that this increases the volatility of our estimates particularly for recent years of account. In particular the Casualty portfolio is particularly sensitive to the underlying economic and social inflation assumptions assumed within the reserving parameters.

Emerging Risks including Climate Change The company is exposed to potential uncertainty from a variety of emerging risks, which are closely monitored by AXA XL as well across the broader AXA Group. Exposures, potential litigation, and losses pertaining to these systemic risks are monitored closely and no material loss experience has impacted AXICL UK to date.

Large losses or an accumulation of losses AXICL UK has exposure to large events or accumulation of a number of smaller events. The emergence of a large loss event of this type could significantly alter the estimate of financial projections on a gross of reinsurance basis. However, the reinsurance protection in place mitigates the impact on a net of reinsurance basis. Further, a very large loss across the insurance market can significantly change the underwriting environment and can have a material impact on the financial projections.

Catastrophe losses Prior to 2020, the AXICL UK exposure to catastrophe losses provided a relatively low level of uncertainty, with minimal impact from major events including the Hurricanes Harvey, Irma and Maria (HIM) events of 2017. Since 2020, business transfers between AXA XL platforms have resulted in increased catastrophe exposure and related uncertainty.

D.3. Other liabilities

The following table details the value of each material class of other liabilities under both Solvency II and UK GAAP at 31 December 2025 and the Solvency II comparative for 2024.

		2025			2024
Other liabilities	**Reference**	**Solvency II**	**Difference**	**UK GAAP**	**Solvency II**
		£'000	**£'000**	**£'000**	**£'000**
Deferred tax liabilities	9	24,759	24,759	—	16,522
Debts owed to credit institutions	10	291,641	268,883	22,758	250,322
Insurance & intermediaries payables	11	24,226	23,681	545	37,072
Reinsurance payables	12	40,762	(313,458)	354,220	3,428
Payables (trade, not insurance)	13	62,846	—	62,846	69,007
Any other liabilities, not elsewhere shown	14	21,354	(174,600)	195,954	14,099
Total other liabilities		**465,588**	**(170,735)**	**636,323**	**390,450**

The bases of valuation for solvency purposes, together with the differences between the solvency valuation and UK GAAP are set out below:

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9 Under Solvency II the valuation of deferred tax liabilities is determined by the differences between the economic valuation of an asset or liability on the Solvency II balance sheet and its tax base. The deferred tax liabilities valuation has changed given the differences between the tax base of the Solvency II balance sheet compared to the tax base of the UK GAAP Balance Sheet.

10 Debts owed to credit institutions represent the overdrafts of the Company by counterparty and currency. They are measured at fair value under both UK GAAP and Solvency II. The Company uses a group cash pooling account to manage currency risk, and this drives the total balance. The increase from 2024 is a result of the use of working capital and cash movements made to manage currency risk. Under UK GAAP, cash balances are grouped by counterparty only and this drives the difference to Solvency II.

11 Insurance and intermediaries payables should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. This is the same under UK GAAP

12 Reinsurance payables should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. The valuation differs to UK GAAP due to the fact that under UK GAAP any not-yet-due reinsurance payables within Solvency II technical provisions are reported as reinsurance payables. As this is simply a balance sheet reclassification between assets and liabilities there is no material impact on equity (apart from the fact that receivables not-yet-due are discounted within technical provisions).

13 Payables (trade, not insurance) should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. There is no change in valuation under UK GAAP.

14 Any other liabilities, not elsewhere shown includes accruals and deposit premiums, which should be measured at fair value under Solvency II. This is approximated by using cost less provision for impairment. They are not discounted given the short term nature of these assets. Under UK GAAP ceded unearned commissions are also included here, but these are not deferred under UK GAAP but written off as it is not permitted under Solvency II.

There are no changes in the valuation basis from prior year.

D.4. Alternative methods for valuation

There are no material assets or liabilities which are valued using alternative methods of valuation.

At the year end, all investments are valued using inputs that management consider to be "Level 1" or "Level 2". Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs include: quoted prices for similar (but not identical) assets; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets. At Q4 2025, 78% of the investment balance is valued from quoted market prices in active markets for the same assets (Level 1), and 22% uses quoted market prices for similar assets (Level 2).

D.5. Any other information

There is no other material information regarding the valuation of assets and liabilities for Solvency II.

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E. Capital Management

E.1. Own Funds

This section provides a view of the capital management activities of the Company, its capital management methods and the structure, amount and quality of its own funds. Under Solvency II, capital is referred to as "Own Funds". Basic Own Funds are calculated from the excess of assets over liabilities in the Solvency II balance sheet. Total Own Funds includes "Ancillary Own Funds" (AOF) which are off-balance-sheet items that can be called up to absorb losses. Own Funds are classified into tiers and restrictions are applied to limit the extent to which the various components of own funds can be used to meet the capital requirements.

E.1.1 Objective, policies and processes for managing own funds

The Company allocates capital efficiently to achieve sustainable returns and facilitate growth, and strives to maintain capital levels that are consistent with the Company's risk appetite, corporate strategy and statutory requirements. The Own Funds should be of sufficient quality to meet the eligibility requirements in Own Funds 4A of the PRA rulebook.

The Company monitors its Own Funds and the Solvency Ratio at least quarterly and the Board receives a regular assessment of the capital position. In addition, a dashboard of capital triggers is monitored to identify any instances which would require a recalculation of the standard formula capital requirement. The Committees which review solvency are described in more detail in Section B.1 General Information on the System of Governance, and responsibility ultimately rests with the Board. As part of Own Funds management, the Company prepares ongoing solvency projections and reviews the structure of its Own Funds and future requirements. The business plan, which forms the base for the ORSA, contains a five year projection of funding requirements and this helps focus actions for future funding.

E.1.2 Eligible Own Funds

The starting point to determine Eligible Own Funds is to prepare the Company balance sheet on a Solvency II basis. The Solvency II balance sheet is prepared using the Valuation, Technical Provisions and Technical Provisions - Further Requirements Part of the PRA rulebook. This Solvency II balance sheet then provides the Basic Own Funds which are categorized into the three Solvency II tiers. There are restrictions on the amount of Tier 2 and Tier 3 capital which can be used to meet the SCR, as well as the MCR.

The difference between the net assets of the Company in the financial statements and the solvency valuation of the excess of the assets over liabilities is set out below. The adjustments are documented in section D covering valuation of assets and liabilities.

Tiering of Own Funds

At 31 December 2025 the Company's Own Funds were assigned to the Solvency II tiers as shown in the following table:

2025	**Tier 1 - unrestricted**	**Tier 2**	**Total**
	£'000	**£'000**	**£'000**
Ordinary share capital	811	—	811
Reconciliation reserve	449,232	—	449,232
Total basic own funds	**450,043**	**—**	**450,043**
Ancillary own funds	**—**	**100,000**	**100,000**
Total own funds	**450,043**	**100,000**	**550,043**

2024	**Tier 1 - unrestricted**	**Tier 2**	**Total**
	£'000	**£000**	**£'000**
Ordinary share capital	811	—	811
Reconciliation reserve	428,561	—	428,561
Total basic own funds	**429,372**	**—**	**429,372**
Ancillary own funds	—	—	—
Total own funds	**429,372**	**—**	**429,372**

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The Company's ordinary share capital and reconciliation reserve are all available as Tier 1 unrestricted own funds as per Own Funds 3A of the PRA rulebook. The ordinary share capital has no restricted duration. There is no intention to increase the share capital in the foreseeable future. During the year, the Prudential Regulation Authority (PRA) approved £100m Letter Of Credit (LOC) as Tier 2 Ancillary Own Funds.

An interim dividend of £25m was paid to the Company's immediate parent XL Bermuda Ltd during the year (2024: £35m). Any distribution of capital to the parent company XLB needs to be approved by the Board. Distribution will only be made from surplus capital above the SCR plus the £95m buffer. There are no own shares held.

The reconciliation reserve of £449.2m (2024: £428.6m) comprises net assets from the Solvency II balance sheet of £450m (2024: £429m) less ordinary share capital of £0.8m (2024: £0.8m).

The reconciliation reserve's volatility is materially dependent on the performance of the entity as well as any significant changes to the balance sheet.

Deferred Tax

AXICL UK has a deferred tax liability of £24.8m on its Solvency II balance sheet which has arisen from the movement of own funds from UK GAAP basis to SII Own funds (2024 deferred tax liability: £16.5m). This reflects assumed tax payable on the present value of the assumed projected future cashflows on the Solvency II basis, adjusted appropriately for the Solvency II balance sheet risk margin and non-recognition of UK GAAP deferred acquisition costs. The tax rate used in the calculation of deferred tax is 25%.

	£m
UK GAAP Own Funds	375.8
UK GAAP to SII Movement	99.0
DT movement	(24.8)
SII DTL	**(24.8)**

There is no unrecognised Deferred Tax Asset ("DTA") or Deferred Tax Liability ("DTL") in both UK GAAP or SII.

Eligible Own Funds to cover the SCR and MCR

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the SCR and the MCR.

Eligible Own Funds to meet the Standard Formula SCR and MCR at 31 December 2025 and 2024 are detailed below:

2025	**Tier 1 - unrestricted**	**Tier 2**	**Total**
	£'000	**£'000**	**£'000**
Total eligible own funds to meet the SCR	450,043	100,000	550,043
Total eligible own funds to meet the MCR	450,043	—	450,043

2024	**Tier 1 - unrestricted**	**Tier 2**	**Total**
	£'000	**£'000**	**£'000**
Total eligible own funds to meet the SCR	429,372	—	429,372
Total eligible own funds to meet the MCR	429,372	—	429,372

The SCR is set at a level to ensure that insurers can meet their obligations to policy holders over the following 12 months with a 99.5% probability, giving reasonable assurance to policyholders that payments will be made as they fall due.

The Board holds the view that the Standard Formula overstates the Company's 1 in 200 loss scenario and as such the SCR is an inherently prudent risk measure when compared to the comparable calculations by the ICM.

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The table below shows the ratio of eligible Own Funds that the Company holds to cover the SCR and MCR at 31 December 2025 and 2024:

	2025	2024
	£'000	£'000
SCR	300,655	254,409
MCR	76,094	74,598
Total eligible own funds to meet the SCR	550,043	429,372
Total eligible own funds to meet the MCR	450,043	429,372
	%	%
Ratio of Eligible own funds to SCR	182.9 %	168.8 %
Ratio of Eligible own funds to MCR	591.4 %	575.6 %

Reconciliation to financial statements

The difference between the Solvency II basic own funds and the financial statements equity is as follows:

	2025	2024
	£'000	£'000
Total Solvency II own funds - Tier 1	450,043	429,372
Financial statements equity	375,766	356,037
Difference	**74,277**	**73,335**
Reasons for the above difference		
Technical provision adjustments	92,120	83,552
Deferred Tax	(24,759)	(24,445)
Deferred acquisition cost	(29,684)	(26,484)
Risk Margin	(40,709)	(37,558)
Discounting	77,308	78,269
	74,277	**73,335**

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E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR results

The SCR is the amount of Own Funds that the Company is required to hold in line with the PRA's rules.

The SCR and MCR under the Standard Formula at 31 December 2025 and 2024 are set out below:

	2025	2024
	£'000	£'000
SCR	300,655	254,409
MCR	76,094	74,598

The Standard Formula process is owned by the Finance function and involves a cooperative cross-functional effort across the organization, with input from Risk, Finance, Actuarial, Underwriting, Capital Management, Investments and other relevant stakeholders. The results are subject to various levels of review, including by Senior Management.

AXICL UK has made a deduction from its SCR for the loss-absorbing capacity of deferred taxes (LACDT) under the standard formula equal to the amount of the deferred tax liability on its Solvency Balance Sheet (see E.1 above) plus an amount equal to the tax charge on the current year's profits. No LACDT tax has been included based on future profits. The company will apply for permission from the PRA to utilise LACDT from future profits during 2026. LACDT utilised in the 2025 SCR is £39.7m (2024: £49.7m including LACDT from future profits).

The MCR is calculated based on the same data sources used to produce the Standard Formula SCR.

Overall MCR calculation	**MCR**	**MCR**
	2025	**2024**
	£'000	**£'000**
Linear MCR	76,094	74,598
SCR	300,655	254,409
MCR cap	135,295	114,506
MCR floor	75,164	63,615
Combined MCR	76,094	74,598
Absolute floor of the MCR	3,500	3,500
Minimum Capital Requirement	**76,094**	**74,598**

The non-life linear MCR is based on factors applied to net written premiums amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II line of business. The charge for premium and technical provision elements are then summed to create a total charge.

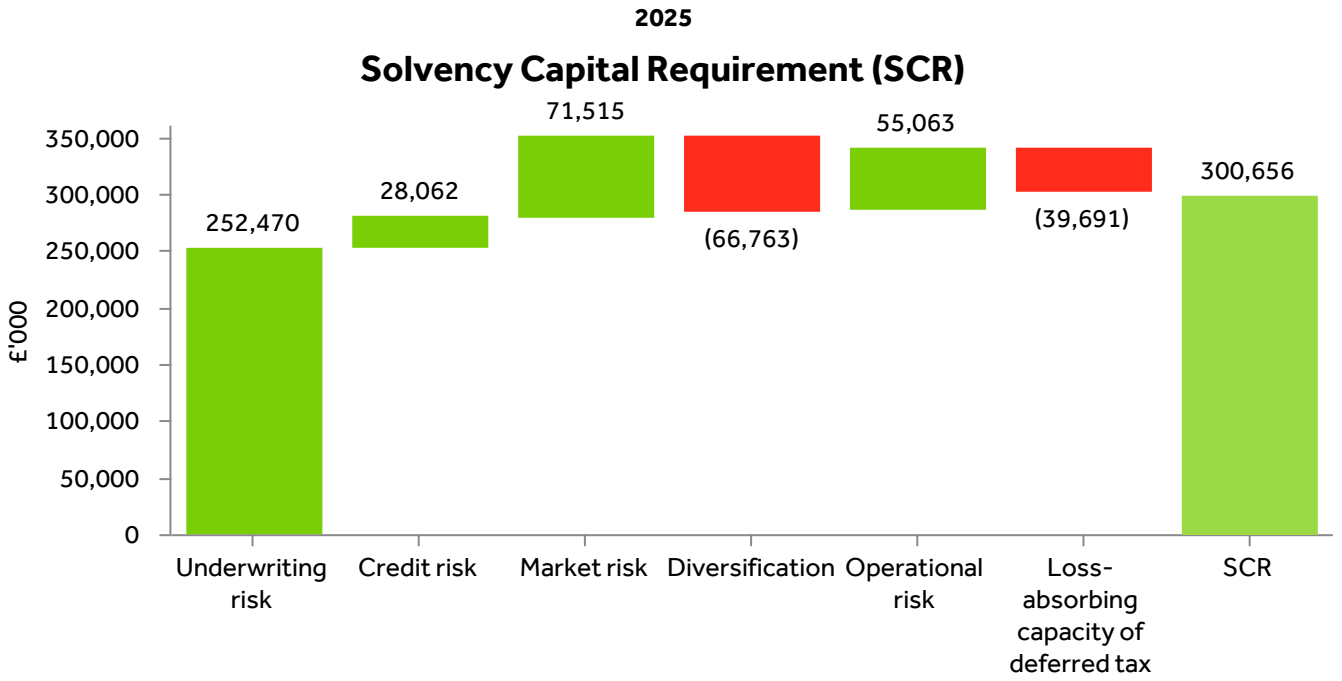
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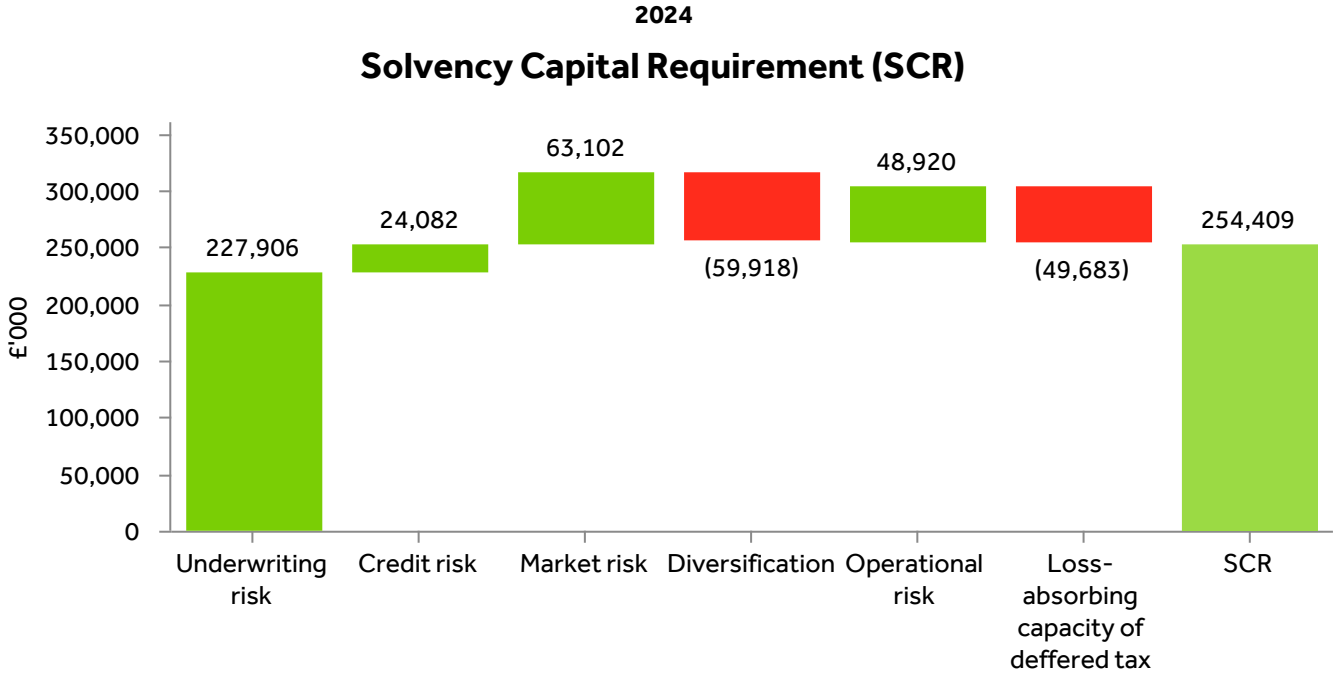
SII LoB Components for MCR calculation	Net (of reinsurance) best estimate provisions		Net (of reinsurance) written premiums in the last 12 months	
	2025	2024	2025	2024
Income protection insurance and proportional reinsurance	2,441	7,611	11,921	8,640
Motor vehicle liability insurance and proportional reinsurance	15,547	10,467	8,299	8,375
Other motor insurance and proportional reinsurance	15,654	7,047	16,014	18,345
Marine, aviation and transport insurance and proportional reinsurance	22,336	37,067	36,295	36,063
Fire and other damage to property insurance and proportional reinsurance	159,525	155,138	122,595	125,186
General liability insurance and proportional reinsurance	190,010	187,500	124,950	116,948
Credit and suretyship insurance and proportional reinsurance	—	—	7,689	11,719
Miscellaneous financial loss insurance and proportional reinsurance	—	949	—	25
Non-proportional casualty reinsurance	5,309	406	—	—
Non-proportional marine, aviation and transport reinsurance	1,643	959	1	2
Non-proportional property reinsurance	3,283	299	2	1

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E.2.2 SCR by risk module

The Standard Formula SCR by risk module is set out below:





The Company has only used simplified calculations in applying the standard formula module for Counterparty default risk (Credit risk).

There has been no use of Undertaking Specific Parameters in the underwriting risk calculations.

Non-life underwriting risk (incl. Health)

Non-life underwriting risk is the largest component of the standard formula SCR and is mainly driven from:

- £167m (2024: £160m) of premium and reserve risk driven by earned premiums, forecast premiums and claims provisions of non-life business lines. Premium and claims volumes have remained flat compared to prior year.

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- £121m (2024: £99m) of catastrophe risk driven by the Company's exposure to both man-made catastrophe and natural catastrophe risks. This has increased from 2024 due to an increase in the concentration of fine art within the Man Made Fire sub module.

	2025	2024
Non-life underwriting risk (incl. Health)	**£'000**	**£'000**
Non-life premium and reserve risk	167,271	160,401
Non-life lapse risk	74,494	58,329
Non-life catastrophe risk	121,350	99,908
Diversification within non - life underwriting risk module	(121,446)	(101,555)
Total health underwriting risk	10,801	10,823
Non Life Underwriting Risk (incl. Health) Total	**252,470**	**227,906**

Counterparty default risk (credit risk)

The Company is exposed to £28m (2024: £24m) of counterparty risk in the form of cash deposits and recoveries from reinsurers (Type 1) and from receivables from intermediaries, policyholders and other debtors (Type 2). The increase of £4m is a result of an increase in RI balances.

Market risk

The Company is exposed to market risk derived predominately from the assets held to meet its insurance liabilities.

- £39m (2024: £32m) of spread risk mainly driven by the Company's investments in bonds and securitised assets.
- £28m (2024: £31m) of interest rate risk driven by the changes in assets and liabilities of the Company due to changes in discount rates. The decrease is due to an update to the net technical provision payment patterns.
- £23m (2024: £18m) of currency risk mainly driven by the exposure of the Company's assets and liabilities denominated in foreign currencies. The increase is a result of the currency mix, mainly driven by increased exposure to USD.

	2025	2024
Market risk	**£'000**	**£'000**
Interest rate risk	28,346	31,409
Spread risk	39,315	31,548
Equity Risk	14,792	13,311
Concentration Risk	12,606	12,514
Currency risk	23,433	18,349
Market Risk Diversification	(46,977)	(44,029)
Total Market Risk	**71,515**	**63,102**

Operational risk

The capital requirement for operational risk is calculated as 3% on technical provisions.

	2025	2024
Operational risk	**£'000**	**£'000**
Non-life gross technical provisions (excluding risk margin)	1,835,433	1,630,661
Capital requirement for operational risk based on technical provisions	**55,063**	**48,920**

Loss absorbing capacity of deferred tax

The recognition of £39.7 m (2024: £49.7m) of loss absorbing capacity of deferred tax consists of £24.8m from DTL on the Solvency II balance sheet and £13.9m tax payable on the current year's profit.

E.3. Differences between the standard formula and any internal model used

This section is not applicable to the Company as it does not use an approved internal model.

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E.4. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company met all of the SCR and MCR compliance requirements during the year.

E.5. Any other information

There is no other material information regarding capital management.

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Public Quantitative Reporting Templates

IR.02.01.02 Balance Sheet

		Solvency II value
		C0010
		2025
Assets		£'000
Intangible assets		—
Deferred tax assets	R0040	—
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	—
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	834,681
Property (other than for own use)	R0080	—
Holdings in related undertakings, including participations	R0090	—
Equities	R0100	—
Equities - listed	R0110	—
Equities - unlisted	R0120	—
Bonds	R0130	803,387
Government Bonds	R0140	173,869
Corporate Bonds	R0150	405,523
Structured notes	R0160	—
Collateralised securities	R0170	223,995
Collective Investments Undertakings	R0180	31,294
Derivatives	R0190	—
Deposits other than cash equivalents	R0200	—
Other investments	R0210	—
Assets held for index-linked and unit-linked contracts	R0220	—
Loans and mortgages	R0230	—
Loans on policies	R0240	—
Loans and mortgages to individuals	R0250	—
Other loans and mortgages	R0260	—
Reinsurance recoverables from:	R0270	1,473,346
Non-life and health similar to non-life	R0280	1,473,346
Life and health similar to life, excluding index-linked and unit-linked	R0315	—
Life index-linked and unit-linked	R0315	—
Deposits to cedants	R0340	—
Insurance and intermediaries receivables	R0360	12,266
Reinsurance receivables	R0370	142,781
Receivables (trade, not insurance)	R0380	49,626
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	279,072
Any other assets, not elsewhere shown	R0420	2
Total assets	**R0500**	**2,791,774**

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		2025 £'000
Liabilities		
Technical provisions - total	R0505	1,876,143
Technical provisions – non-life	R0510	1,876,143
Technical provisions – life	R0515	—
Best estimate - total	R0542	1,835,433
Best estimate - non-life	R0544	1,835,433
Best estimate - life	R0546	—
Risk margin - total	R0552	40,709
Risk margin - non-life	R0554	40,709
Risk margin - life	R0556	—
Transitional (TMTP) - life	R0565	—
Other technical provisions	R0730	—
Contingent liabilities	R0740	—
Provisions other than technical provisions	R0750	—
Pension benefit obligations	R0760	—
Deposits from reinsurers	R0770	—
Deferred tax liabilities	R0780	24,759
Derivatives	R0790	—
Debts owed to credit institutions	R0800	291,641
Financial liabilities other than debts owed to credit institutions	R0810	—
Insurance & intermediaries payables	R0820	24,226
Reinsurance payables	R0830	40,762
Payables (trade, not insurance)	R0840	62,846
Subordinated liabilities	R0850	—
Subordinated liabilities not in BOF	R0860	—
Subordinated liabilities in BOF	R0870	—
Any other liabilities, not elsewhere shown	R0880	21,354
Total liabilities	**R0900**	**2,341,731**
Excess of assets over liabilities	**R1000**	**450,043**

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IR.05.02.01 Premiums, claims and expenses by country

		Home country	Total Top 5 and home country
		C0080	C0140
Premiums written			
Gross - Direct Business	R0110	912,873	912,873
Gross - Proportional reinsurance accepted	R0120	211,091	211,091
Gross - Non-proportional reinsurance accepted	R0130	0	0
Reinsurers' share	R0140	841,553	841,553
Net	R0200	282,411	282,411
Premiums earned			
Gross - Direct Business	R0210	858,811	858,811
Gross - Proportional reinsurance accepted	R0220	205,815	205,815
Gross - Non-proportional reinsurance accepted	R0230	0	0
Reinsurers' share	R0240	804,312	804,312
Net	R0300	260,314	260,314
Claims incurred			
Gross - Direct Business	R0310	429,396	429,396
Gross - Proportional reinsurance accepted	R0320	145,320	145,320
Gross - Non-proportional reinsurance accepted	R0330	0	0
Reinsurers' share	R0340	429,197	429,197
Net	R0400	145,519	145,519
Net expenses incurred	R0550	97,240	97,240

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IR.05.04.02 Non-life income and expenditure

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)											
		Line of Business for: non-life insurance and accepted proportional reinsurance obligations											
		Total	Income protection insurance	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - non-personal lines	General liability insurance: Employers Liability	General liability insurance: Public & products Liability	General liability insurance: Professional Indemnity	General liability insurance: Other general liability	Credit and suretyship insurance	Miscellaneous financial loss
Income		C0015	C0120	C0141	C0151	C0160	C0180	C0190	C0200	C0210	C0220	C0230	C0260
Premiums written													
Gross written premiums	R0110	1,316,978	38,218	22,359	38,415	149,406	549,795	34,378	214,460	78,038	145,994	45,777	137
Gross written premiums - insurance (direct)	R0111	1,069,637	26,358	22,332	38,205	68,231	427,939	34,378	201,921	74,331	131,992	43,811	137
Gross written premiums - accepted reinsurance	R0113	247,341	11,860	27	210	81,175	121,856	0	12,539	3,707	14,002	1,966	0
Net written premiums	R0160	330,909	14,945	8,327	14,782	34,979	128,647	7,443	53,027	19,180	39,344	10,204	32
Premiums earned and provision for unearned													
Gross earned premiums	R0210	1,262,227	31,413	23,611	36,592	155,837	528,390	34,538	218,130	72,346	135,388	25,874	108
Net earned premiums	R0220	308,630	12,236	8,687	12,833	35,437	114,772	6,977	51,640	24,602	35,983	5,445	19
Expenditure													
Claims incurred													
Gross (undiscounted) claims incurred	R0610	677,291	20,696	24,159	42,715	102,097	210,345	11,758	154,700	32,995	72,100	5,909	(184)
Gross (undiscounted) direct business	R0611	506,034	19,710	24,294	43,223	38,257	145,403	11,933	128,118	25,921	64,591	4,763	(179)
Gross (undiscounted) reinsurance accepted	R0612	171,257	985	(134)	(507)	63,839	64,942	(175)	26,582	7,074	7,510	1,146	(6)
Net (undiscounted) claims incurred	R0690	169,734	7,955	7,591	13,848	24,403	42,383	1,881	33,458	12,976	24,137	1,111	(9)
Net (discounted) claims incurred	R0730	171,491											
Analysis of expenses incurred													
Technical expenses incurred net of reinsurance ceded	R0910	116,201											
Acquisition costs, commissions, claims management costs	R0985	113,938	6,534	3,507	2,567	20,022	34,546	(801)	13,956	5,740	27,671	175	20
Other expenditure													
Other expenses	R1140	1,228											
Total expenditure	R1310	288,921											

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IR.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance						
		Income protection 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**
		C0030	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	R0060	(5,781)	506	1,764	(24,469)	(51,746)	(69,475)	(42,215)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	2,038	2,897	2,435	7,744	(97,620)	16,564	13,515
Net Best Estimate of Premium Provisions	R0150	(7,819)	(2,391)	(671)	(32,213)	45,874	(86,039)	(55,730)
Claims provisions								
Gross	R0160	26,126	48,281	40,876	273,150	446,429	1,174,303	5,454
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	15,867	30,343	24,550	218,601	332,778	898,254	3,385
Net Best Estimate of Claims Provisions	R0250	10,259	17,938	16,326	54,549	113,651	276,049	2,069
Total Best estimate - gross	R0260	20,345	48,787	42,640	248,681	394,683	1,104,828	(36,761)
Total Best estimate - net	R0270	2,440	15,547	15,655	22,336	159,525	190,010	(53,661)
Risk margin	R0280	901	1,216	1,132	6,609	9,436	19,580	1,214
Technical provisions - total	R0320	21,246	50,003	43,772	255,290	404,119	1,124,408	(35,547)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	17,905	33,240	26,985	226,345	235,158	914,818	16,900
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re - total	**R0340**	**3,341**	**16,763**	**16,787**	**28,945**	**168,961**	**209,590**	**(52,447)**

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		Accepted non-proportional reinsurance			Total Non-Life obligation
		Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0150	C0160	C0170	
Best estimate					
Premium provisions					
Gross	R0060	—	—	—	(191,416)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	—	—	—	(52,426)
Net Best Estimate of Premium Provisions	R0150	—	—	—	(138,990)
Claims provisions					
Gross	R0160	6,058	1,681	4,489	2,026,850
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	749	39	1,207	1,525,773
Net Best Estimate of Claims Provisions	R0250	5,309	1,642	3,282	501,077
Total Best estimate - gross	R0260	6,058	1,681	4,489	1,835,434
Total Best estimate - net	R0270	5,309	1,642	3,282	362,087
Risk margin	R0280	322	100	199	40,709
Technical provisions - total	R0320	6,380	1,781	4,688	1,876,143
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	749	39	1,207	1,473,347
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	**5,631**	**1,742**	**3,481**	**402,796**

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IR.19.01.21 Non-life Insurance Claims Information

During the year, the Company has changed the reserving methodology from an underwriting year (UWY) basis to an accident year (AY) basis. The below claims Paid triangle has been restated to an accident year basis. The best estimate triangle only reports the 2024 diagonal and this is on an accident year basis.

Total Non-Life Business

Accident year

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year										
		—	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											1,108
N-9	R0160	48,838	90,381	59,038	23,308	12,440	29,347	11,852	4,751	2,363	1,188	
N-8	R0170	16,225	40,612	28,814	12,751	40,725	2,576	27,520	2,310	1,150		
N-7	R0180	57,945	89,985	49,336	19,341	13,369	11,295	11,662	(26,047)			
N-6	R0190	40,157	43,555	35,527	43,781	44,758	42,865	33,370				
N-5	R0200	59,988	139,890	59,387	44,259	33,132	23,528					
N-4	R0210	74,724	98,819	72,420	41,567	53,850						
N-3	R0220	72,704	147,801	111,437	64,241							
N-2	R0230	49,435	121,808	81,293								
N-1	R0240	109,991	144,983									
N	R0250	96,650										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	1,108	1,108
N-9	R0160	1,188	283,506
N-8	R0170	1,150	172,683
N-7	R0180	(26,047)	226,886
N-6	R0190	33,370	284,013
N-5	R0200	23,528	360,184
N-4	R0210	53,850	341,380
N-3	R0220	64,241	396,183
N-2	R0230	81,293	252,536
N-1	R0240	144,983	254,974
N	R0250	96,650	96,650
Total	R0260	475,314	2,670,103

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Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year											Year end (discounted data)
		—	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100										18,840	93,382	**Prior** **R0100** 124,172
N-9	R0160									19,722	20,518		**N-9** **R0160** 20,518
N-8	R0170								14,186	15,396			**N-8** **R0170** 15,396
N-7	R0180							21,720	16,885				**N-7** **R0180** 16,885
N-6	R0190						81,505	62,314					**N-6** **R0190** 62,314
N-5	R0200					258,178	208,748						**N-5** **R0200** 208,748
N-4	R0210				224,522	164,247							**N-4** **R0210** 164,247
N-3	R0220			315,315	290,333								**N-3** **R0220** 290,333
N-2	R0230		344,875	302,047									**N-2** **R0230** 302,047
N-1	R0240	586,484	472,024										**N-1** **R0240** 472,024
N	R0250	622,970											**N** **R0250** 622,970
													Total **R0260** 2,299,654

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Gross Premium

(absolute amount)

		Gross earned premium at reporting reference date	Estimate of future gross earned premium
		C0570	C0580
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190		
N-5	R0200		
N-4	R0210		
N-3	R0220		
N-2	R0230		
N-1	R0240	907,281	
N	R0250	1,262,227	

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IR.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	811	811	—	—	—
Share premium account related to ordinary share capital	R0030	—	—	—	—	—
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	449,232	449,232	—	—	—
Subordinated liabilities	R0140	—	—	—	—	—
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	—	—	—	—	—
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	—	—	—	—	—
Total basic own funds	**R0290**	**450,043**	450,043	—	—	—
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	—	—	—	—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—	—	—	—	—
Letters of credit and guarantees	R0340	—	—	—	—	—
Letters of credit and guarantees other	R0350	100,000	—	—	100,000	—
Supplementary members calls	R0360	—	—	—	—	—
Supplementary members calls - other	R0370	—	—	—	—	—
Other ancillary own funds	R0390	—	—	—	—	—
Total ancillary own funds	R0400	100,000	—	—	100,000	—

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Available and eligible own funds						
Total available own funds to meet the SCR	R0500	550,043	450,043	—	100,000	—
Total available own funds to meet the MCR	R0510	450,043	450,043	—	—	
Total eligible own funds to meet the SCR	**R0540**	**550,043**	450,043	—	100,000	—
Total eligible own funds to meet the MCR	**R0550**	**450,043**	450,043	—	—	—

SCR	**R0580**	**300,655**
MCR	**R0600**	**76,094**
Ratio of Eligible own funds to SCR	**R0620**	**182.9 %**
Ratio of Eligible own funds to MCR	**R0640**	**591.4 %**

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	450,043
Own shares (held directly and indirectly)	R0710	—
Foreseeable dividends, distributions and charges	R0720	—
Deductions for participations in financial and credit institutions	R0725	—
Other basic own fund items	R0730	811
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	—
Reconciliation reserve	R0760	449,232

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IR.25.04.21 Solvency Capital Requirement - for undertakings on Standard Formula

		Solvency capital requirement
		C0010
Net of loss-absorbing capacity of technical provisions		
Market risk	R0140	**71,515**
Interest rate risk	R0070	28,346
Equity risk	R0080	14,792
Property risk	R0090	—
Spread risk	R0100	39,315
Concentration risk	R0110	12,606
Currency risk	R0120	23,433
Other market risk	R0125	—
Diversification within market risk	R0130	(46,977)
Counterparty default risk	R0180	**28,062**
Type 1 exposures	R0150	24,235
Type 2 exposures	R0160	4,857
Other counterparty risk	R0165	—
Diversification within counterparty default risk	R0170	(1,030)
Total health underwriting risk	R0320	**10,801**
Health SLT risk	R0280	—
Health non SLT risk	R0290	6,907
Health catastrophe risk	R0300	6,755
Other health underwriting risk	R0305	—
Diversification within health underwriting risk	R0310	(2,861)
Non-life underwriting risk	R0370	**241,669**
Non-life premium and reserve risk	R0330	167,271
Non-life catastrophe risk	R0340	121,350
Lapse risk	R0350	74,494
Other non-life underwriting risk	R0355	—
Diversification within non-life underwriting risk	R0360	(121,446)
Operational and other risks	R0430	**55,063**
Operational risk	R0422	55,063
Other risks	R0424	—
Total before all diversification	R0432	579,424
Total before diversification between risk modules	R0434	407,110
Diversification between risk modules	R0436	(66,763)
Total after diversification	R0438	340,347
Loss-absorbing capacity of technical provisions	R0440	—
Loss-absorbing capacity of deferred taxes	R0450	(39,691)
Other adjustments	R0455	—
Solvency capital requirement including undisclosed capital add-on	R0460	300,655
Disclosed capital add-on - excluding residual model limitation	R0472	—
Disclosed capital add-on - residual model limitation	R0474	—
Solvency capital requirement including capital add-on	R0480	300,655
Undisclosed capital add-on - residual model limitation	R0482	—
Capital add-on	R0484	—
Biting interest rate scenario	R0490	Increase

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IR.28.01.01 Minimum Capital Requirement - Only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0070
MCRNL Result	R0010	76,094

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Income protection insurance and proportional reinsurance	R0020	2,441	11,921
Motor vehicle liability insurance and proportional reinsurance	R0040	15,547	8,299
Other motor insurance and proportional reinsurance	R0050	15,654	16,014
Marine, aviation and transport insurance and proportional reinsurance	R0060	22,336	36,295
Fire and other damage to property insurance and proportional reinsurance	R0070	159,525	122,595
General liability insurance and proportional reinsurance	R0080	190,010	124,950
Credit and suretyship insurance and proportional reinsurance	R0090	—	7,689
Non-proportional casualty reinsurance	R0150	5,309	—
Non-proportional marine, aviation and transport reinsurance	R0160	1,643	1
Non-proportional property reinsurance	R0170	3,283	2

Overall MCR calculation

		C0070
Linear MCR	R0300	76,094
SCR	R0310	300,655
MCR cap	R0320	135,295
MCR floor	R0330	75,164
Combined MCR	R0340	76,094
Absolute floor of the MCR	R0350	3,500
Minimum Capital Requirement		**76,094**

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Glossary

AC	Audit Committee
ALM	Asset-Liability Management
AOF	Ancillary Own Funds
AXA S.A.	AXA Société Anonyme
AXICL UK	AXA XL Insurance Company UK Limited
BCRC	Board Claims and Reserves Committee
BRCC	Board Risk and Compliance Committee
BE/BEL	Best Estimate/Best Estimate Liabilities
BNP	BNP Paribas Asset Management UK Limited
BOF	Basic Own Funds
CAT	Catastrophe
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
ENiD	Events not in Data
ExCo	Executive Committee
FIC	Framework for Internal Control
GAAP	Generally Accepted Accounting Practice
ICM	Internal Capital Model
LACDT	Loss-Absorbing Capacity of Deferred Taxes
LOC	Letter Of Credit
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulatory Authority
QRT	Quantitative Reporting Template
RAF	Risk Appetite Framework
RDS	Realistic Disaster Scenario
RI	Reinsurance
RMC	Risk Monitoring Committee
RMF	Risk Management Framework
RM	Risk Margin
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SF	Standard Formula
SII	Solvency II
SFCR	Solvency and Financial Condition Report
SMBC	Sumitomo Mitsui Banking Corporation
S&S	Stress & Scenario
UC	Underwriting Committee
UK&I	United Kingdom and Ireland
UEPR	Unearned Premium Reserve
XLCSSE	XL Catlin Services SE