

**Acromas Insurance Company Limited**

**Solvency and Financial Condition Report**

**31 January 2021**

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## Summary

This Solvency and Financial Condition Report has been prepared in accordance with the Gibraltar Financial Services (Insurance Companies) Regulations 2020 ('the Regulations').

In addition to complying with the Regulations, this report has been prepared in accordance with Articles 290 to 298 of the Commission Delegated Regulation (EU) 2015/35 ('Solvency II delegated acts'). The structure of the report is also in accordance with Annex XX of the Solvency II delegated acts.

This document reports on the position of Acromas Insurance Company Limited as at 31 January 2021. The main sections of this report are as follows:

- A. Business and Performance
- B. System of Governance
- C. Risk Profile
- D. Valuation for Solvency Purposes
- E. Capital Management

A summary of each section is set out below.

### 1. Business and Performance

Acromas Insurance Company Limited (AICL) is a Gibraltar based insurance company which underwrites business introduced by intermediaries within the Saga plc group, the AA plc group (the AA) and RAC Motoring Services (the RAC). AICL is ultimately owned by Saga plc, a public limited company listed on the London Stock Exchange.

AICL has made a profit in each year since it started underwriting in 2004. Its core activities are the underwriting and pricing of personal lines insurance products. It supplies products on a net premium basis to its distribution partners, who are then free to set retail prices at a level of their choosing. AICL's reported premiums therefore cover the expected cost of claims, expenses, levies and a profit margin.

All of AICL's gross written premium in the financial year 2020/21 was from contracts written in the United Kingdom.

In addition to pricing and underwriting, AICL undertakes reinsurance and capacity management, investment management including oversight of investment managers, reserving and capital management and reporting and the arrangement and monitoring of its distribution and claims handling parties. All other activities are outsourced, including most claims handling activities.

AICL entered into a quota share reinsurance treaty in early 2016 to provide reinsurance cover on a proportional basis for all its motor business. A new motor quota share reinsurance contract commenced in 2019 on principally the same terms with

the addition of a second reinsurer into the partnership and a marginally reduced retention to AICL.

AICL's key financial information for the year ended 31 January 2021 is summarised in the table below:

Year ended	31 January 2021 £ million	31 January 2020 £ million
Gross Written Premiums	187.5	211.9
Net Earned Technical Income (before quota share reinsurance)	183.4	196.2
Profit before Taxation (net of quota share reinsurance)	53.7	41.2
Current Year Combined Ratio (excluding investment return)	91.4%	100.5%
Solvency Capital Requirement (SCR)	77.0	53.8
Own Funds	123.9	86.2
SCR Coverage Ratio	161%	160%

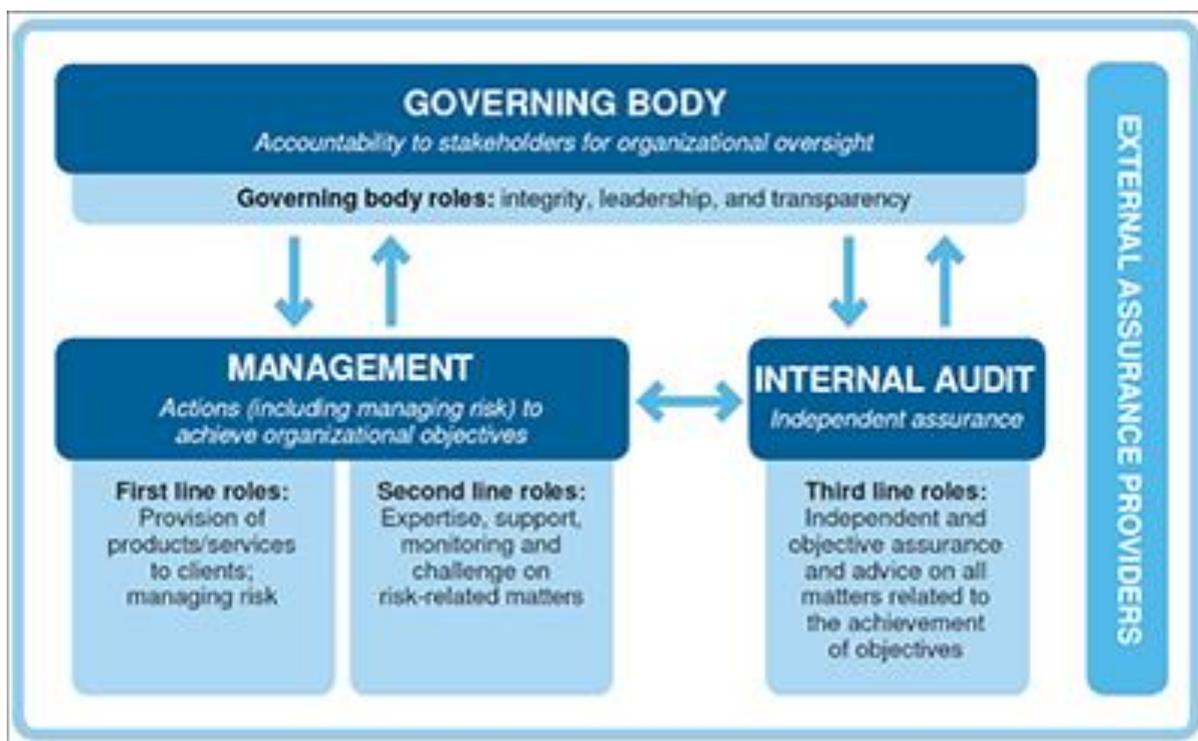
The COVID-19 pandemic has given rise to favourable experience over the 2020/21 financial year. Over the year AICL adjusted its pricing to capture the expected outturn of COVID-19 on claims experience. In addition, careful consideration has been given to emerging risks and inflationary pressures that have arisen as a result of the pandemic, with these risks being prudently managed within the financial results.

## 2. System of Governance

AICL has a robust corporate governance structure comprising the following units:

- The Board of Directors
- The Board Sub-committee
- Risk and governance committees
- Executive Management
- Second and third line oversight from Enterprise Risk, Conduct and Internal Audit functions

AICL uses the traditional three lines of defence model to manage risk, as shown in the following graphic:



### 3. Risk Profile

The table below shows the profile of the Solvency Capital Requirement as at 31 January 2021 (and prior year end) split into the main risk modules:

<b>Risk Category</b>	<b>31 January 2021</b>	<b>31 January 2020</b>
Non-Life Underwriting Risk	97%	72%
Market Risk	31%	46%
Counterparty Default Risk	3%	9%
Life Underwriting Risk	2%	2%
Diversification Benefit	(22%)	(30%)
Operational Risk	13%	24%
LACDT Adjustment	(23%)	(23%)
Solvency Capital Requirement	100%	100%

The table highlights AICL's two largest risks are non-life underwriting risk and market risk. The life underwriting risk arises from third party personal injury claims which have settled as periodical payment orders and are currently in payment.

The 31 January 2021 position includes allowance for the impact of non-proportional profit shares accruing to AICL under its quota share agreements.

There has been a changing landscape in operational and emerging risks over the year, not least as a result of the impact of the COVID-19 pandemic. Further commentary is included later in this report.

More than 80% of AICL's premium income and 90% of its technical provisions relate to motor insurance. The underwriting risk is assessed and managed by a suite of management information reports. The management information shows the performance of the business at both overall and granular levels. Pricing levels are reviewed monthly and allow for the effect of claims inflation and other costs as they occur. Price changes are reviewed and approved at the Pricing, Product and Capital Committee and ratified by the Board Sub-committee.

The underwriting risk is also controlled using an underwriting guide to which the intermediaries adhere. Any breaches of the underwriting policy are reported to the Audit, Risk and Compliance Committee.

Underwriting risk is further mitigated by reinsurance, with both proportional and excess of loss covers in place.

Market risk is managed by the investment policy, which is the responsibility of the Insurance Finance Director and its operation is overseen by the Investment Committee which in turn reports to the Board.

#### 4. Valuation for Solvency Purposes

The tables below show the excess value of assets over liabilities on both the Solvency II and Statutory bases as at 31 January 2021 as well as the prior year end:

Solvency II value (£ million)	31 January 2021	31 January 2020
Value of assets	698.4	753.4
Value of liabilities	574.5	667.2
Excess of assets over liabilities	123.9	86.2

Statutory account value (£ million)	31 January 2021	31 January 2020
Value of assets	603.4	612.3
Value of liabilities	491.6	520.7
Excess of assets over liabilities	111.8	91.6

Differences in the value of the assets relate mainly to valuations applied to investment assets as well as amounts recoverable from reinsurers.

Differences in the value of the liabilities arise mainly from the difference in the valuation techniques applied to technical provisions.

## 5. Capital Management

AICL operates to hold sufficient own funds such that a specified margin above the Solvency Capital Requirement (SCR) ratio is always maintained. Forecasts of the company's projected solvency position are updated and reviewed as part of the Own Risk and Solvency Assessment (ORSA) process.

To maintain the margin above the SCR at an appropriate level, surplus own funds are distributed to the shareholder via dividend payments.

The SCR and MCR coverage ratios as at 31 January 2021 (and prior year end) are shown in the table below:

Year ended	31 January 2021 £ million	31 January 2020 £ million
Solvency Capital Requirement	77.0	53.8
Own Funds	123.9	86.2
SCR Coverage Ratio	161%	160%
Minimum Capital Requirement (MCR)	34.7	19.2
MCR Coverage Ratio	357%	450%

## **A. Business and Performance**

### **A.1 Business**

#### **A.1.1 Name and legal form of the undertaking**

Company name: Acromas Insurance Company Limited

Registered Offices: 57-63 Line Wall Road

Gibraltar

Company Number: 88716

Legal form: Insurance company limited by shares

#### **A.1.2 Name and contact details of the supervisory authority responsible for financial supervision of the undertaking and the group to which the undertaking belongs**

AICL is regulated by the Gibraltar Financial Services Commission (GFSC). AICL's ultimate parent company, Saga plc, is a mixed-activity insurance holding company and the GFSC is the group supervisor.

Gibraltar Financial Services Commission

PO Box 940

Suite 3, Ground Floor

Atlantic Suites

Europort Avenue

Gibraltar

#### **A.1.3 Name and contact details of the external auditor of the undertaking**

AICL is externally audited by:

KPMG Limited

3B, Leisure Island Business Centre

Ocean Village

Gibraltar

#### **A.1.4 Holders of qualifying holdings in the undertaking**

AICL is a wholly owned subsidiary of Saga MidCo Limited, which itself is a fully owned subsidiary of Saga plc ("Saga"). Saga is a public limited company listed on the London Stock Exchange.

## A.1.5 The legal structure of the group

The Saga plc company structure chart is shown in section F.1

## A.1.6 Material lines of business and material geographical areas

AICL's core activities are the underwriting and pricing of personal lines insurance products. Products are supplied on a net premium basis to AICL's distribution partners, who then set retail prices at a level of their choosing. AICL's reported premiums therefore cover the expected cost of claims, expenses, levies and profit margin.

All of AICL's gross written premium in the financial year 2020/21 was from contracts written in the United Kingdom.

In addition to pricing and underwriting AICL undertakes reinsurance and capacity management, investment management including oversight of investment managers, reserving and capital management and reporting and the arrangement and monitoring of its distribution and claims handling parties. All other activities are carried out on an outsourced basis, including most claims handling activities. Handling of motor and home insurance claims on behalf of AICL is primarily undertaken by CHMC Ltd, a Saga company established to provide claims handling services.

AICL primarily distributes its products through companies in the Saga plc Group, the AA and the RAC. By far the largest portion of AICL's written premium is Saga branded motor insurance business.

AICL ensures it discharges its regulatory obligations in relation to its outsourced activities through its contracts, its management of third parties and its review of their conduct against agreed service levels.

The table below shows AICL's 2018/19, 2019/20 and 2020/21 written premium by high level product group.

£ millions	Classification in Statutory Accounts	Gross Written Premiums		
		2020/21	2019/20	2018/19
Motor insurance and ancillaries	Motor & Other	164.6	183.9	169.5
Breakdown products	Assistance	19.4	21.8	25.3
Home emergency	Assistance	0.1	2.8	4.5
Pet insurance	Miscellaneous Financial Loss	1.4	1.5	1.7
Home and ancillaries	Other	0.9	0.8	0.8
Caravan insurance	Other	0.8	0.8	0.9
Other insurances	Other	0.3	0.4	0.5
Total		187.5	211.9	203.3

For 2020/21, 88% of written premium related to motor insurance and ancillaries, 10% to breakdown insurance and ancillaries and the remaining 2% related to home insurance and ancillaries, caravan insurance, pet insurance and a variety of other minor classes.

#### **A.1.7 Significant business events that have occurred over the reporting period that have had a material impact on the undertaking**

The most material business events that have occurred over the reporting period include the emergence of and developments surrounding the COVID-19 pandemic, Brexit and the publication of the FCA Pricing Thematic Market Study.

The COVID-19 pandemic has given rise to favourable experience to AICL over the 2020/21 financial year due to reduced motor vehicle usage arising from changes in personal and business activities and Government lockdown restrictions. Over the year AICL adjusted its pricing to capture the expected outturn of COVID-19 on claims experience. In addition, careful consideration has been given to increased uncertainty, emerging risks and inflationary pressures that have arisen as a result of the pandemic, with these risks being prudently managed within the financial results.

Following the end of the Brexit transition period on 31 December 2020, the United Kingdom moved to a new trading relationship with the European Union. As this new relationship beds in, there is potential for disruption to supply chain and increased inflationary trends. AICL continuously monitors these trends as part of normal trading and while the long-term impacts have yet to be seen, AICL has delivered a smooth transition with minimal impacts to customers.

The FCA published its market study report into the pricing of Home and Motor insurance business. Following the September 2020 publication, remedies will be implemented in 2021. This is expected to drive significant change across the market in respect of pricing practices, governance and reporting. Since AICL's business model is to price to risk with no discounting at new business and no price walking at renewal, the impact in AICL will predominantly be in data usage, fair value assessment, reporting and governance. AICL will cooperate fully with the FCA regarding implementation and wholeheartedly supports its proposals.

## A.2 Underwriting Performance

The Company's key financial and other performance indicators during the year were as follows:

Year ended	31 January 2021	31 January 2020
	£ million	£ million
Gross Written Premium	187.5	211.9
Profit and loss, excluding quota share reinsurance		
Net Earned Technical Income	183.4	196.2
Other Income	(1.0)	0.4
Net Claims Incurred – Current Year	(151.6)	(184.9)
Net Claims Incurred – Reserve Releases	37.6	35.3
Operating Expenses	(15.3)	(12.5)
Investment Return	2.6	8.7
Sub Total	55.7	43.2
Quota share reinsurance cost	(2.1)	(2.0)
Profit before taxation	53.7	41.2
Current Year Combined Ratio (excluding investment return)	91.4%	100.5%

Gross Written Premiums reduced 12% year on year to £187.5m. This was due to reductions in written policies as well as a result of reductions in average premiums where forecast reductions in vehicle usage arising from Covid-19 were passed on to customers.

Other income includes expense allowances on the co-insured Home product, net of profit commissions arising from assistance products.

Operating expenses increased year on year as a result of investment in people, systems and processes enhancing pricing and underwriting capabilities.

Investment return was £6.1m lower than in the previous year. This was primarily due to a one-off impairment of Saga-owned property assets reclassified as held for sale during the year as a result of a rationalisation of Group property requirements.

The key financial indicators by major line of business were as follows:

Year ended 31 January 2021	Motor	Direct Assistance	Miscellaneous Financial Loss	Other	Total
	£m	£m	£m	£m	£m
Gross Written Premium	164.6	19.5	1.4	2.0	187.5
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	161.2	18.8	1.4	1.9	183.4
Other Income	0.4	(3.1)	0.0	1.7	(1.0)
Net Claims Incurred – Current Year	(133.0)	(14.1)	(1.4)	(3.1)	(151.6)
Net Claims Incurred – Reserve Releases	36.7	(0.8)	0.4	1.3	37.6
Operating Expenses	(14.2)	(1.1)	(0.1)	0.1	(15.3)
Investment Return	1.9	0.1	0.0	0.1	2.1
Sub Total	50.9	(0.2)	0.4	2.0	55.2
Quota share reinsurance cost	(2.1)	0.0	0.0	0.0	(2.1)
Profit on Technical Account	50.9	(0.2)	0.4	2.0	53.1
Investment return on shareholders' funds					0.6
Profit before taxation					53.7

All contracts were concluded in the United Kingdom.

### A.3 Investment Performance

#### A.3.1 Income and expenses arising from investments by asset class

The table below shows a summary of the market value and income from AICL's investments, excluding cash, split by class of asset.

Asset Type	31 January 2021	31 January 2020	Income in 2020/21	Expenses in 2020/21
	£ million	£ million	£ million	£ million
Fixed term deposits, floating to LIBOR & RPI deposits	24.2	48.5	0.7	0.0
Money market funds	66.8	45.9	0.0	0.0
Property	30.3	35.3	3.4	(5.0)
Fixed Interest Securities	261.9	274.2	4.3	(0.2)
Bank Loan Funds	6.1	7.7	0.2	0.0
Absolute Return Bond Funds	0.0	0.0	0.0	0.0
Total	389.4	412.2	8.6	(5.2)

### A.3.2 Gains and losses recognised directly in equity

The table below provides information regarding realised and unrealised gains and losses recognised in AICL's equity.

	Called-up Share Capital	Share Premium Account	Other Reserves	Profit & Loss Account	Total Equity
	£m	£m	£m	£m	£m
As at 31 January 2020	30.0	0.0	6.1	55.6	91.6
Profit for the financial year				42.3	42.3
Other comprehensive income					
Net gain on available for sale financial assets			3.2		3.2
Associated tax effect			(0.8)		(0.8)
Capital contributions for the year			0.1		0.1
Preference shares redemption					0.0
Dividends paid				(24.5)	(24.5)
As at 31 January 2021	30.0	0.0	8.4	73.4	111.8

### A.3.3 Investments in securitisation

AICL does not directly hold any securitised assets.

## A.4 Performance of other activities

### A.4.1 Other Income arising in 2020/21

Year ended	31 January 2021	31 January 2020
	£ million	£ million
Referral fees	0.0	0.1
Expense allowances and profit shares	19.4	6.2
Total	19.4	6.3

Expense allowances and profit shares receivable under co-insurance or reinsurance arrangements are recognised as they accrue, in line with underlying contractual terms. Where reinsurance expense allowances directly relate to specific costs or income items they are presented on a net basis in the profit and loss account.

#### A.4.2 Expenses arising in 2020/21

Year ended	31 January 2021	31 January 2020
	£ million	£ million
Levies payable to regulatory bodies	4.6	5.7
Acquisition costs	0.7	0.5
Administrative expenses	10.5	6.1
Reinsurer's share of expenses	(11.4)	(8.9)
Total	3.8	3.3

Levies payable to regulatory bodies are typically payable on written premium and debited to the profit and loss account on the same basis. Claims handling and operating expenses are taken to the profit and loss account as incurred.

#### A.5 Any other information

There is no other material information in respect of the performance of the business.

## B. System of Governance

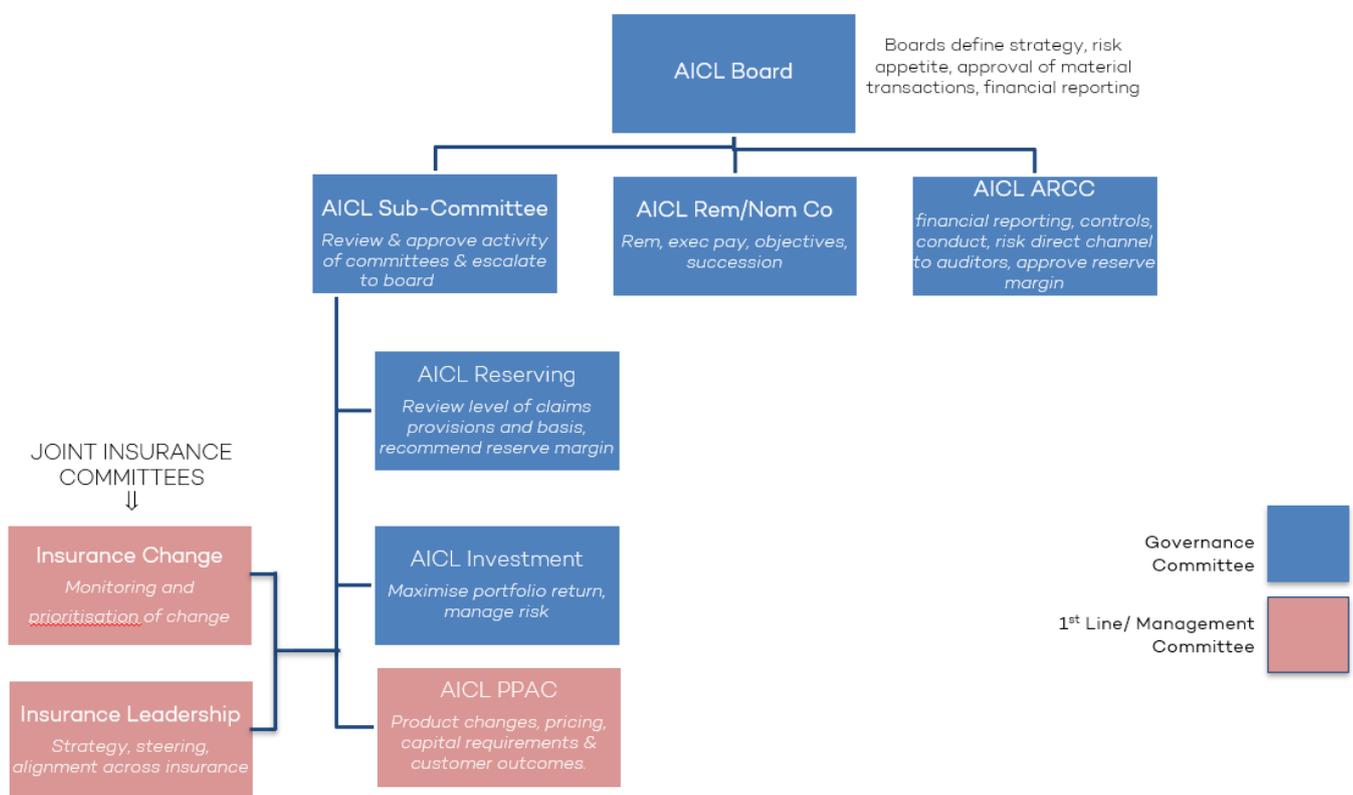
### B.1 General Information on the system of governance

#### B.1.1 The structure, roles and responsibilities of the undertaking's administrative, management or supervisory body and relevant committees

The AICL Board of Directors retains overall responsibility for the system of governance.

The governance committee structure is outlined as follows:

## AICL Governance and Committee Structure



Each Committee has delegated authority by the Board to carry out their responsibilities and objectives which are outlined below. Each of the Committees (except for the Audit, Risk and Compliance Committee and Remuneration & Nomination Committee) report and escalate any matters of concern to the Board through the monthly Board Sub-committee and provide minutes of the meetings to the Sub-committee to ensure that the direction of the Board is being observed. Each committee and the Board Sub-committee has its own terms of reference which are approved by the Board and reviewed annually.

The Board, via the Board Sub-committee, carry out monthly checks on progress against the Board strategy. The Board Sub-committee is responsible for the oversight of the operation of the committees and has been appointed by the Board to exercise that control. This ensures that all material risks are identified and the impact on the business established, mitigations are identified and appropriately acted upon. The Board Sub-committee will escalate to the Board any matters of concern and reports to the Board at each board meeting.

The Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee operate independently from all other Committees and make necessary recommendations directly to the Board.

#### **B.1.1.1 Audit, Risk & Compliance Committee**

Responsibilities include:

- To assist the Board in meeting its responsibilities in respect of regulatory matters, financial reporting, and the maintenance of effective internal controls and risk management systems
- To strengthen the independent position of AICL's external auditors by providing a direct channel of communication between the external auditors and the non-executive Directors
- To strengthen the independent position of the control functions (i.e. 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence) by providing a direct channel of communication to the non-executive Directors.
- To ensure all material risks are adequately identified, assessed, monitored, and mitigated, including new and emerging risks
- To review AICL's risk appetite and tolerances in the context of its current and future strategy and make recommendations on risk appetite and tolerances to the Board, ensuring that there is consistency with the Group risk appetite
- To review AICL's current and forecast risk profile, compare it with the risk appetite, review the drivers for any changes in risk profile and consider the management actions required to ensure the company remains within appetite
- To consider emerging and potential risks and review the management actions which may be required in response to these risks
- To review the effectiveness of controls and to advise the Board on the adequacy of the control environment and confirm that key controls are operating effectively
- To provide input into and then review and challenge the Own Risk and Solvency Assessment (ORSA) process and report, ahead of recommending the ORSA report to the Board for approval.

### **B.1.1.2 Remuneration & Nomination Committee**

Responsibilities include:

- Ensure the Board retains an appropriate balance of skills to support the strategic direction of the Company
- Oversee the development of a pipeline for succession
- Determine, or where appropriate, make recommendations to the Saga plc Remuneration Committee on the terms and conditions of employment, remuneration/compensation and benefits of each the Chair of the Board (in respect of the services provided to the Company in liaison with the Saga plc Board of Directors), AICL senior management (CEO Direct Reports), and the Insurance CEO.

### **B.1.1.3 Pricing, Product and Capital Committee**

Responsibilities include:

- To review those areas where AICL's underwriting is delegated to its intermediaries
- To review requests to approve policy wordings
- To review the technical standards being maintained by AICL's intermediaries or any breaches of the above areas
- To review changes to rating factors or net rates provided to AICL's intermediaries
- To consider the adequacy of premiums to ensure achievement of AICL's return on capital, reinsurance costs, expenses, levies and inflation.

### **B.1.1.4 Investment Committee**

Responsibilities include:

- To ensure investments are held in acceptable investment classes and in sterling or to be hedged against currency exposure
- To ensure that consideration is given to the risk/reward profile including associated capital requirements of different types of investments
- To ensure that investments comply with the AICL and Solvency II investment policy restrictions and requirements regarding exposure, duration and rating
- To review all underlying assets to ensure they are appropriate to AICL's appetite for market, counterparty, and liquidity risks as detailed in the investment policy
- To regularly review the security, quality, liquidity and profitability of the portfolio as a whole

### **B.1.15 Insurance Leadership Team**

Responsibilities include:

- Implement the overall insurance strategy and the respective company strategy that have been set and approved by the AICL and SSL Boards.

### **B.1.16 Insurance Change Committee**

Responsibilities include:

- Review and approve new change investment in the Insurance Change Portfolio.
- Provide the Insurance Leadership Team with formal visibility of how previous decisions and investments are progressing, with authority to take the action that protects investment outcomes.

### **B.1.17 Reserving Committee**

Responsibilities include:

- To recommend the level of claims reserves it believes to be appropriate to the Audit, Risk & Compliance Committee (who recommends to the Board)
- Assess the uncertainties and risks associated with the claims reserves to gain an understanding of where the booked reserves should be set, and any related reserve release.

The executive management team oversee the day-to-day operations of the company, following the direction set by the Board and its committees. The Internal Audit, Enterprise Risk, Conduct Risk and Actuarial functions are described later in this report.

## **B.1.2 Material changes in the system of governance in the reporting period**

In November 2020, the AICL Board approved changes to its governance structure following a simplification project across the insurance division. This resulted in a number of committees disbanding and their duties transferred into the new committee structure.

## B.1.3 Remuneration Policy

### B.1.3.1 Principles of the remuneration policy

The Saga plc remuneration policy and strategy are designed to stimulate sustainable, value creating growth and performance for the business and reward employees' performance accordingly. The Saga plc Policy aligns with the UK Corporate Governance Code whose objective is to ensure the remuneration operated by the Company is aligned with all stakeholder interests including those of shareholders.

AICL's core principles of remuneration, which are aligned to those of Saga plc, are to support:

- Sustainable long-term value creation
- Profitable growth and strong cash generation
- Attraction, retention and motivation of talented employees to deliver the business strategy.

The AICL Remuneration and Nomination Committee reviews annually the remuneration arrangements for AICL senior executives and will make appropriate recommendations to the Saga plc Remuneration Committee, who will draw on trends and adjustments made to all employees across the Saga Group, including AICL, and taking into consideration:

- The business strategy
- Overall corporate performance
- Market conditions affecting AICL
- The recruitment market where AICL competes for talent
- Our broader remuneration practices within AICL
- Changing views of institutional shareholders and their representative bodies.

The Saga plc Remuneration Committee also reviews remuneration and incentive programmes to encourage desirable behaviours and responsible risk taking. Remuneration for the 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence is unrelated to company financial performance in order to preserve the operational independence of these functions.

When determining an appropriate level of salary, the Saga plc Remuneration Committee considers:

- Remuneration practices within the Saga Group
- The general performance of the Saga Group
- Salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking
- The economic environment.

In general, salary rises to senior executives will be in line with the rise to all colleagues.

Benefits provided to all employees include:

- Family private health cover
- Death in service life assurance
- A range of colleague discounts
- The option of joining a contributory defined benefit pension scheme after three years' service
- A share incentive plan, which is designed to encourage all employees to become shareholders in Saga plc and thereby align their interests with shareholders.

Senior executives may also receive a car allowance and may take a cash allowance in lieu of pension.

#### **B.1.3.2 Entitlement to share options, shares or variable components of remuneration**

The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.

The Annual Bonus Plan is based on a mix of financial and strategic/ operational conditions and is measured over a period of one financial year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider Company performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned from the application of the performance measures.

Annual bonus payable to the 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence is unrelated to company financial performance in order to preserve the operational independence of these functions.

#### **Restricted Share Plan 'RSP'**

Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy. Awards are granted annually to

Executive Directors in the form of Restricted Shares. Restricted Shares vest at the end of a three-year period subject to:

- The Executive Director's continued employment at the date of vesting; and
- The satisfaction of an underpin as determined by the Remuneration Committee whereby the Committee can adjust vesting for business, individual and wider Company performance

Maximum award values are 100% of salary per annum based on the market value at the date of grant set in accordance with the rules of the plan.

No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Remuneration Committee will have the discretion to adjust vesting considering business, individual and wider Company performance. The Committee will consider the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:

- Whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares.
- Whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually.
- Whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually.
- The potential for windfall gains. – The level of colleague and customer engagement over the period.

The RSP is subject to clawback and malus provisions

### **Long Term Incentive Plan (LTIP)**

Legacy LTIP Awards were designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.

Awards were granted annually to Executive Directors in the form of a conditional share award or nil-cost option. These vest at the end of a three-year period subject to:

- The Executive Director's continued employment at the date of vesting; and
- Satisfaction of the performance conditions.

No further awards will be made under the LTIP to Executive Directors. Awards already granted will be eligible to vest in line with their original criteria.

The LTIP is subject to clawback and malus provisions.

### **B.1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders**

There are no supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders.

### **B.1.3.4 Material transactions in the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body**

During the reporting period, the following material transactions took place with shareholders.

- A dividend of £12 million was paid in June 2020
- A dividend of £12.5 million was paid in January 2021

There were no transactions with members of the administrative, management or supervisory body.

## **B.2 Fit and Proper Requirements**

AICL have a Fit and Proper Policy that sets out the standards under which it meets its regulatory responsibilities. The AICL Board owns the Policy and bears the ultimate responsibility for ensuring the Policy is followed and the fit and proper requirements are met.

### **B.2.1 Specific requirements concerning skills, knowledge and expertise**

AICL's recruitment policy ensures that the Directors and senior management of the company have the appropriate skills, knowledge and expertise using a thorough recruitment process, involving multi-stage interviews and comparisons of existing and potential skills with the relevant job descriptions. AICL supports attendance at job specific training to ensure individuals maintain the necessary knowledge and expertise to fulfil their roles.

### **B.2.2 Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions.**

The overall objective of the AICL fit and proper persons policy is to ensure that AICL complies with its regulatory responsibilities by ensuring that those individuals who occupy a position of influence within AICL (namely its Directors, key function holders and senior colleagues) satisfy the following criteria:

- They are people of honesty, integrity and good reputation
- They have the competence and ability needed to conduct business
- They are of sound financial standing

The above are not intended to be exhaustive or definitive. The fit and proper test exists to protect the interests of actual and potential customers or clients. It follows that anything which suggests that a person is not fit and proper is relevant to the test, whether or not it can be subsumed under the above.

The Saga People team monitor and perform the necessary actions to ensure that AICL meets its fit and proper policy obligations. An annual assessment is carried out of relevant management falling under the Policy that focuses on the following areas:

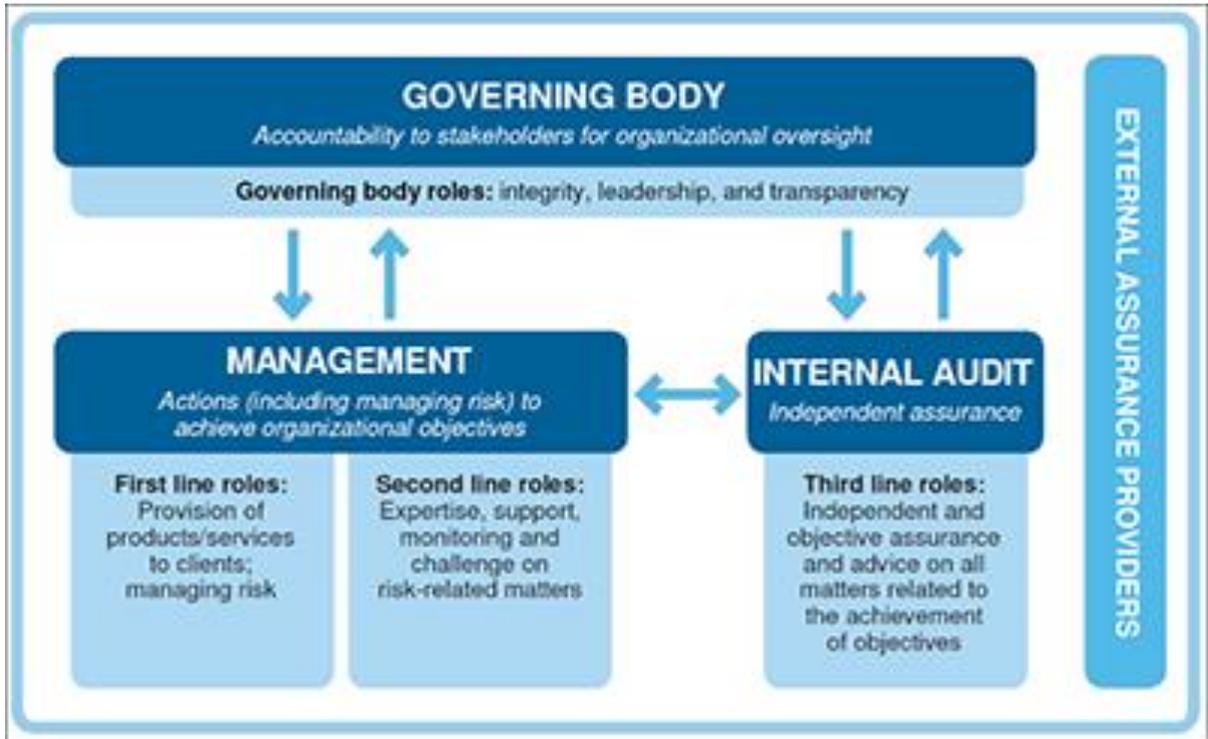
- Their understanding of insurance and financial markets
- Their knowledge of the business model and strategy
- Their understanding the system of governance
- Their financial analysis skills, including management information
- Their Actuarial analysis skills
- The regulatory framework and requirements.

## **B.3 Risk Management including the Own Risk and Solvency Assessment**

### **B.3.1 Risk management system and framework**

The Saga Group Risk Policy sets out Saga's approach to risk management, including risk management responsibilities and strategy, risk appetite and risk management framework. AICL's Risk Policy aligns to the Saga Group Risk Policy, tailored to the specific attributes and needs of AICL.

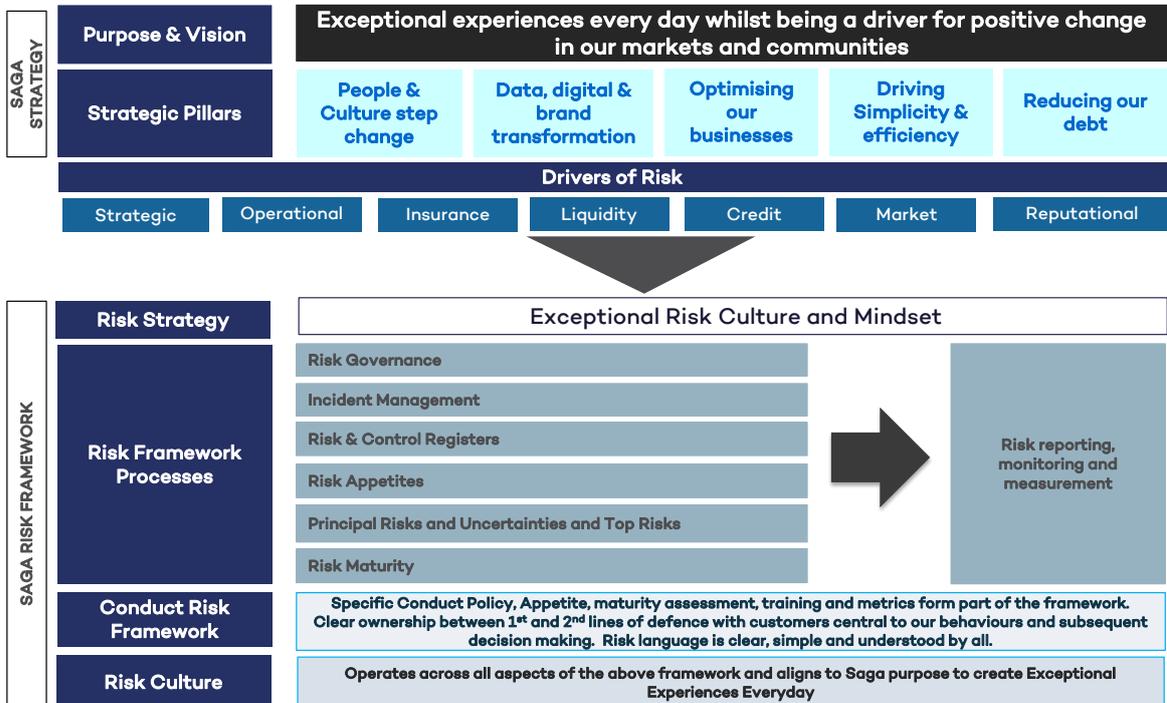
AICL uses the traditional three lines of defence model to manage risk, as shown in the following table:



The AICL Risk Management Strategy, contained within the AICL Risk Policy, is designed to support the business in achieving its objectives.

It operates in accordance with the Saga Enterprise Risk Framework as set out below:

## Saga Risk Framework



Key features of the framework include:

- Integrated risk framework processes, incorporating risk identification and assessment, incident management, internal control self-assessment and Board risk appetite statements, supported by effective risk governance, with risk committee reporting and monitoring
- Specific consideration towards Conduct Risk throughout the framework
- Independent oversight and challenge by the second line of defence
- A risk aware culture across AICL, where risk management is embedded in the business and management are rewarded for managing risk effectively and for using the framework to make better risk informed decisions
- Clear ownership and accountability for managing risk across AICL.
- Focus on speaking up and ensuring that risk issues are identified, reported and managed through to resolution in a timely manner, with attention to address both immediate issues and root cause(s)
- Demonstration to Shareholders, Regulatory authorities such as the Financial Services Commission, and other key stakeholders that AICL has identified and is managing all principal risks and uncertainties that arise in its operations and that these are aligned to the Group's strategy.

### **B.3.1.1 Risk appetite**

AICL defines Risk Appetite as the aggregate amount, and sources of risk it is seeking, willing to accept, and looking to avoid, in pursuit of business objectives over a defined time horizon.

AICL has a set of risk appetite statements that have been agreed at Board level for all main categories of risk. AICL's risk appetite statements follow the Group risk appetite framework, recognising the responsibility of the AICL Board to set its appetites, alert and limit levels that are appropriate for AICL.

### **B.3.1.2 Implementation of the Risk Management Framework**

AICL acknowledges that Risk Management is both a collective and an individual responsibility. As such, every colleague in AICL is required to identify, escalate appropriately and manage risk. The first line Management of the business have the primary responsibility for implementing the Risk Management Framework within the business, under the guidance of the CEO who is the designated Risk owner for AICL, and supported by the second line Enterprise Risk Management (ERM) function who provide guidance, oversight and challenge. The ERM function is also responsible for designing the overall risk management framework ensuring it remains fit for purpose and aligned to business strategy. The ERM Function has the authority, resources, expertise and access to all relevant information to carry out its activities. including any records and unrestricted access to all AICL colleagues and Board members.

### **B.3.1.3 Risk Incidents**

Risk incidents are reported to the AICL Audit Risk and Compliance Committee in accordance with the Saga Incident Management Policy and, where appropriate, escalated to the AICL Board. Incidents are tracked through to completion and only closed on both immediate issue(s) and root cause(s) being understood and acted on.

AICL also adheres to the Saga Speak Up Policy, which allow any concerns of wrongdoing to be raised in a safe environment.

### **B.3.1.4 Risk Monitoring**

AICL monitors its risk exposures through its risk appetites, risk incident profile, control effectiveness testing and a range of risk reporting that address the top current and emerging risks facing the business. Risk information is taken to the appropriate committee as defined in the term of reference and duties of those committees. Actions that are agreed are tracked through to completion and supported by Risk

Policies that set the minimum standards against which controls and incidents should be managed.

## **B.3.2 Own Risk and Solvency Assessment (ORSA)**

### **B.3.2.1 The ORSA process**

The ORSA process captures the output of the risk exercises (described above) and assists the Insurance Leadership team, the Audit, Risk and Compliance Committee and the AICL Board with decision making.

Completion of the ORSA is a continuous process which includes an annual report of AICL's risk management practice and solvency position. A single report is produced which is intended to satisfy both the internal and supervisory requirements.

The annual ORSA report is aligned to AICL's business planning process and produced in time for review at the final Board meeting of each year.

The ORSA report adds value to internal stakeholders, in particular the Audit, Risk and Compliance Committee and the Board by:

- Providing a view of the current and forecast risk profile and capital position, as well as the risks taken according to the company's strategy. The ORSA report evidences that the ORSA processes provide information on risk and capital consistently, accurately and in a timely manner to the Audit, Risk and Compliance Committee and the Board
- Providing a holistic and objective assessment of the risk and capital profile, bringing together qualitative and quantitative information from across the organisation that may be included in business planning
- Assessing the efficacy of possible management actions available to AICL and identifying future scenarios where management actions may be required (to support the improvement of the risk and capital position)
- Providing the Audit, Risk and Compliance Committee and the Board with a view on the current design of the risk and capital management framework and identifying potential improvements to these frameworks
- Providing internally driven challenge and analysis with a regulatory perspective from within the organisation, and ultimately reducing the potential for regulatory intervention and any possibility of a capital add-on.

The ORSA reviews AICL's forecast capital requirements taking into account all of the quantifiable risks to which AICL is exposed and therefore determines whether its own funds are expected to be sufficient to cover the company's SCR in line with its risk appetite.

The ORSA includes key risk indicators which allow the Board to understand the risk profile of the business.

Although the AICL Board has delegated responsibility for the ORSA process to the AICL Audit, Risk and Compliance Committee, it retains overall responsibility, providing input and direction for its content before ultimately approving the final version.

### **B.3.2.2 Frequency of the ORSA process**

The ORSA is a continuous process, overseen by the Audit, Risk and Compliance Committee, which includes an annual report on AICL's risk management practices and solvency position. An ORSA report will also be completed when business decisions which involve a significant change in the risk profile of the business are proposed.

The annual ORSA report is signed off no later than the last Board meeting in each financial year, in order to allow the final version to be sent to the GFSC within the required timescales.

### **B.3.2.3 Determination of solvency needs**

AICL's solvency needs are determined as part of the ORSA process. The ORSA process reviews whether the use of the standard formula is appropriate for the company's risk profile. The solvency needs are then projected under central, best-estimate assumptions for the duration of the planning period to assess whether the SCR and the Minimum Capital Requirement (MCR) will continue to be met over the forecast period. A series of stress and scenario tests are then carried out, including reverse stress tests. The projected capital requirements are monitored by the Audit, Risk and Compliance Committee and significant deviations or concerns will be escalated to the AICL Board.

## **B.4 Internal control system**

### **B.4.1 Description of the internal control system**

AICL's Board of Directors assumes the ultimate accountability for ensuring that AICL complies with its responsibilities ensuring that a robust internal control framework is in place. As previously stated, AICL acknowledges that Risk Management is both a collective and an individual responsibility, and every colleague in AICL is required to

identify, escalate appropriately and manage risk, which includes the continuous management and improvement of the internal control environment. Senior management and managers are responsible for the requisite procedures to ensure a compliant operational regime.

All AICL management are made aware of their responsibility to comply with the relevant risk management policies. Access to the policies is available to all AICL colleagues.

In addition to the required internal functions of Internal Audit, Enterprise Risk, Conduct Risk and Actuarial, AICL's external auditors also provide a degree of assurance as to AICL's internal controls environment through its interim and final audits of AICL's systems and processes. The external auditors report independently to the Board of Saga plc and to AICL's Audit, Risk and Compliance Committee.

The Audit, Risk and Compliance Committee, under the chairmanship of a non-executive Director, meets at least four times per year to review and oversee the effectiveness of the AICL risk management framework and its application. It is independent of AICL's senior management, has a representative of Saga plc as a member (the Saga plc Chief Financial Officer) and reports independently to the Saga plc Audit Committee.

Other ways in which AICL ensures that it has a robust internal control framework in place are:

- Consideration of control requirements in new product developments, IT developments or other material change initiatives.
- Monthly control reviews to ensure that key financial reconciliations are being carried out on a timely basis.
- Regular internal and external operational audits and reviews of claims, underwriting, pricing, reserving and other processes to review the effectiveness of operational controls.
- Regular operational audits of third-party providers to review the quality of their operational controls.
- Periodic reviews of its operational resilience and disaster recovery processes to ensure that AICL can respond effectively to events that might threaten day to day operations.
- Documentation of detailed procedures and controls for all important financial and operational systems.
- In conducting appropriate due diligence when recruiting and training colleagues and in annual fit and proper assessments of SMF's and CF's under SM&CR.

## **B.4.2 Implementation of the compliance function**

The Conduct Risk function is responsible for the monitoring, managing and reporting of regulatory and conduct risks to which AICL is exposed. The Conduct Risk function has the necessary authority, resources, expertise and access to all relevant information to carry out its activities. It includes a Business Partner team which provides advice, guidance and second line oversight on conduct issues and an Assurance team which conducts thematic reviews and other monitoring activity. It also has ultimate recourse to the GFSC and the FCA on matters relating to Conduct issues. The Conduct Risk function also has the right to obtain any records necessary to allow it to carry out its responsibilities and has unfettered access to all Saga colleagues and the AICL Board.

The activities of the Conduct Risk function are subject to periodic review by Internal Audit.

## **B.5 Internal audit function**

### **B.5.1 Implementation of the internal audit function**

The Internal Audit key function responsibility within AICL sits with the Group's Internal Audit Director. The audit activity is outsourced to the Saga Internal Audit team, led by the Internal Audit Director. The audit function independently assesses and reports on the effectiveness of the governance, risk management and control frameworks within AICL and assists management to identify significant risks and remedial actions necessary to improve the control environment. The Internal Audit function prepares an audit plan each year which sets out the review work they will undertake; this plan is to ensure the effectiveness of the controls within AICL and is developed taking into account AICL's risk profile and risk management framework. The audit plan is refreshed during the year to take into account any emerging trends and potential risks which may impact AICL.

Where recommendations are made following audits, or an audit has identified any issues, these will be raised with management and suitable action plans to resolve issues will be agreed and actions tracked until completion. Additionally, Internal Audit complete risk-based issues assurance for completed actions. Where any issues are identified which relate to AICL's regulatory status, permissions or authority then the Internal Audit Director shall immediately inform the Group Chief Risk and Compliance Officer and shall agree the steps to be taken to resolve and where appropriate the issue will be referred to the supervisory authority.

## B.5.2 Independence of the internal audit function

The objective of AICL's audit policy is to ensure the availability of an independent resource to advise and assist the Board in carrying out reviews of AICL procedures and controls and to ensure compliance with the Internal Audit methodology. In determining the scope of its activity, it will consider the work of other assurance functions within AICL as well as external auditors and AICL's regulators, but Internal Audit is ultimately responsible for determining how much reliance can be placed on the work of other assurance functions following a thorough evaluation of the effectiveness of that function in relation to the area under review.

Internal Audit attends and submits reports to the AICL Audit, Risk and Compliance Committee, which is a sub Committee of the Board. Additionally, Internal Audit reports independently to the chair of the plc Audit Committee.

The Internal Audit Policy outlines AICL's commitment that, in carrying out its activity the internal audit function will:

- Be free to deliver assignments and express opinions without interference
- Have freedom and total access to information and colleagues
- Be able to review AICL's internal control system
- Review the adequacy of AICL's system of governance

It is important to note that the Internal Audit Director has no responsibility for any other key functions or operations within AICL.

## B.6 Actuarial Function

### B.6.1 Implementation of the Actuarial Function

The actuarial function is led by the Actuarial Function Holder, currently the Chief Actuary. The work of the Actuarial Function is carried out by members of AICL's actuarial department and includes, at least on an annual basis:

- Coordination of the calculation of technical provisions
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions
- Comparing best estimates against experience
- Informing the AICL Board of the reliability and adequacy of the calculation of technical provisions
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements
- Contributing to the effective implementation of the risk-management system

An Actuarial Function report is provided to the AICL Board each year. The Actuarial Function also updates the calculation of the undertaking-specific parameters on an annual basis.

## B.7 Outsourcing

AICL have an Outsourcing Policy that is overseen by the Insurance Leadership Team which, in turn, reports to the Board Sub-committee. The Board Sub-committee reviews the activity of the Insurance Leadership Team in relation to outsourcing<sup>1</sup> and escalates to the Board any areas of concern. This includes where any activities are outsourced to internal or group companies.

The Outsourcing Policy provides a framework within which AICL will operate when considering any outsourcing arrangements which involve critical and / or important functions.

AICL outsources the following functions:

<b>Function</b>	<b>Location</b>
IT infrastructure/support/systems development	UK
Facilities Management	UK
HR and Payroll services	UK
Intermediary activities (including sales, fulfilment and administration of insurance policies)	UK
Claims Management	UK
Internal Audit	UK
Conduct Risk / Compliance	Gibraltar and UK
Change Management	UK
Finance	UK
Investment Management	UK

All of the above functions are outsourced to other parts of the Saga Group, with subcontracting to external third parties where the expertise in delivering those services cannot be cost effectively delivered within the Saga Group. Functions where this is most typical include IT, telephony and facilities management. The decision whether to outsource is based on a consideration of the risks and the costs and benefits of outsourcing and is managed on a case by case basis with regular review to ensure those arrangements remains fit for purpose. The outsourcing review and decision process is documented.

A risk-based approach is adopted in order to determine the level of supervision and control in respect of each outsourced activity, for example activities which are regarded as critical for the successful delivery of the customer experience are subject to a high degree of review and control. When considering whether to initially outsource and when considering the continued use of outsourcing arrangements, AICL will assess the strategic, reputational, compliance, regulatory and operational

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<sup>1</sup> For the purposes of this section of the SFCR, "third-party" should be interpreted as including intragroup companies as well as external outsourced service providers.

risks. In addition, AICL will consider the risks associated with concentrating outsourcing with certain providers and the systemic failures which could arise within the third parties.

#### **B.8 Adequacy of the System of Governance**

AICL employs a governance model which utilises a framework of committees and a Board Sub-committee to control the operation of the entity and to ensure adherence to the Board's direction. The terms of reference relating to those committees and the policies through which the company manages its operations are normally reviewed on at least an annual basis to ensure continued alignment to the Board's direction. In addition, the oversight afforded by the independent Internal Audit function ensures that the system of governance adopted by AICL is adequate and proportionate for the operation of the business.

#### **B.9 Any other information**

There is no other material information to be disclosed.

## C. Risk Profile

### C.1 Underwriting risk

Underwriting risk comprises 99% of AICL's Solvency Capital requirement on an undiversified basis as at 31 January 2021.

Most of this risk relates to motor insurance, which contributes over 80% of AICL's premium income and over 90% of technical provisions gross of reinsurance. The premium risk is assessed and managed by a suite of management information reports which are analysed by management. The management information shows the performance of the business at both the overall and granular levels, allowing a view to be taken on the performance of the rating structure and different segments of the business. Pricing levels are reviewed monthly and allow for the effect of claims inflation and changes in other costs when appropriate. Price changes are proposed by the Pricing, Product and Capital Committee and approved by the Board Subcommittee.

Premium risk is also managed through the use of underwriting guides which set out the business which AICL accepts at normal premium terms, business which may be acceptable after referral to the specialist underwriting team and business which is not acceptable under any circumstances. Any breaches of the underwriting policy are reported to the Audit, Risk and Compliance Committee.

The underwriting risk is further mitigated by reinsurance, with both proportional and non-proportional covers in place.

Reserve risk is managed by monthly reviews of claims experience and reserve calculations. The monthly reserves are agreed by an executive Director. In addition, reserves are reviewed by independent external actuaries as part of the year-end review. The level of reserves and reserve margin is approved by the Reserving and Audit, Risk and Compliance Committees half-yearly.

## C.2 Market risk

Market risk represents the risk of financial losses due to fluctuations in the level and volatility of market prices of assets and liabilities.

Under the Solvency II standard formula, market risk comprises 31% of AICL's SCR on an undiversified basis as at 31 January 2021 and includes the following types of risk:

- Interest rate risk – the risk that changes in the value of liabilities are not adequately offset by changes in the value of assets, because of adverse movements in interest rates.
- Equity risk- the risk involved in the changing prices of stock investments. This risk is immaterial for AICL as it does not invest directly in equity investments.
- Spread risk – the risk that adverse changes in the value of assets, caused by increasing bond yields relative to risk-free yields, are not adequately offset by changes in the value of liabilities.
- Currency risk – the risk of loss from changes in the level or volatility of currency exchange rates.
- Property risk – the risk that changes in the market value of properties owned by AICL are not adequately offset by changes in the value of liabilities.
- Concentration risk- the risk of holding a concentration of investments within a particular asset class or with a particular counterparty.

Market risk is mitigated by the investment policy, which is the responsibility of the Insurance Finance Director. The operation of the investment policy is overseen by the Investment Committee which in turn reports to the Board and the Board Sub-committee. The Board Sub-committee reviews the activity of the Investment Committee and escalates to the Board any areas of concern.

The investment policy adheres to the “prudent person principle” by only allowing investments to be held in an approved list of asset classes and where appropriate, individual named assets. All investments must comply with the investment policy restrictions on exposure, duration and rating. The use of a defined list of allowable assets ensures that risk concentrations are understood and can be easily measured.

All investments must be in line with the Investment Policy which is approved by the AICL Board based on recommendations from the AICL Investment Committee. The sale or transfer of any asset requires sign-off by an AICL Director.

All investments are to be held in sterling or, if held in foreign currency, to be hedged such that exchange rate risk is eliminated.

All property investments must be approved by the AICL Board of Directors. Consideration is given to the likelihood of uninsurable events, and on-going property maintenance arrangements.

A minimum balance of £10 million must always be readily available as free cash to meet day-to-day obligations.

When selecting investments, the Investment Committee seeks as far as possible to match investments with the profile of the underlying liabilities, in accordance with the asset liability management policy and the liquidity policy, but should not seek to do so if any of the detailed requirements of this investment policy would be breached. In this context, liabilities are defined as AICL balance sheet technical liabilities.

For assets in excess of those backing technical liabilities the investment policy remains applicable, save that the objective to match against underlying liabilities will by definition not apply. A policy breach will not be caused by an asset increasing in value where the original purchase was within the policy limits.

Investments that fall outside the AICL investment policy may be considered by the AICL Investment Committee and recommended to the AICL Board for inclusion on a case-by-case basis.

Investments will not be lent or pledged.

Consideration must be given to the capital requirements of different types of investments.

Any breaches of the investment policy are reported to the AICL Investment Committee and the AICL Board Sub-committee.

A comparison of the assets held at 31 January 2021 and at 31 January 2020 is shown in the following table:

Investment Category	31 January 2021	31 January 2020
Bank Deposits and Cash	10%	12%
Money Market Funds	16%	11%
Global Loan Funds	2%	1%
Corporate Bonds	45%	44%
UK Gilts/ Supranational Bonds	16%	21%
UK Property	11%	11%
Total	100%	100%

### C.3 Credit Risk

Credit or counterparty default risk represents the risk of default by reinsurance partners and other counterparties holding AICL's cash balances, in line with the Solvency II standard formula approach.

Counterparty default risk (undiversified) represents 3% of AICL's SCR as at 31 January 2021 and is mainly comprised of type 1 counterparty risk (primarily the risk relating to reinsurer default) combined with a trivial amount of type 2 counterparty risk (the risk relating to overdue due premium debt from intermediaries).

It is a relatively small component of required capital because AICL diversifies its risk exposure by entering into reinsurance arrangements with several counterparties of appropriate credit ratings (A- or higher), and because AICL has 'funds withheld' arrangements in place with its motor quota share reinsurance partners which mitigate a significant proportion of this counterparty risk.

Reinsurance payments due to AICL are monitored closely and any overdue payments are managed by the credit control processes.

The intermediary risks are monitored through the use of premium bordereau on a monthly basis and internal controls are in place to ensure that premiums are received at the correct time.

There have been no material changes in this risk in the reporting period.

### C.4 Liquidity risk

AICL defines liquidity risk as "the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss". AICL recognises that liquidity is more appropriately defined in terms of a minimum buffer of liquidity maintained, rather than PBT. AICL's appetite for liquidity risk remains low and free cash, liquid assets and committed borrowing facilities for use anywhere within AICL of not less than £10 million are always maintained. This minimum level of liquidity is kept under review to ensure it remains sufficient to the current and expected liquidity needs of the business.

#### C.4.1 Expected Profit in Future Premium (EPIFP)

AICL's core activities are the underwriting and pricing of personal lines insurance products. It supplies products on a net premium basis to its distribution partners, who are then free to set retail prices at a level of their choosing. AICL's reported premiums therefore cover the expected cost of claims, expenses, levies and profit margin.

AICL aims to achieve a target profit on its business, irrespective of the position of the insurance cycle and always sets its premium rates with the aim of achieving this target. The intermediaries that distribute AICL's policies (primarily Saga Services Limited (SSL), the AA and the RAC) then calculate the gross price to be paid by the customer. This arrangement means that AICL delivers unusually stable results for a primary motor insurer. In essence, the risk of adverse competitive pressure is borne by the intermediaries. AICL bears the risk of claim fluctuations and inflation but not of changes in competitive pressures, except to the extent that the excess of contribution margin over fixed costs is influenced by changes in business volumes through the cycle.

AICL has achieved its target profit margin of at least 3% of premiums in every year since its formation in 2004. This includes the years 2009 and 2010 which were two of the worst years since the 1990s, in which rapidly increasing personal injury claims were driving up claims costs at a time when premium rates were weak. AICL was not exposed to the weakening premium rates but was fully exposed to rising personal injury claims. Despite this, AICL's results for the 2009 and 2010 years show that it achieved its target return in those years.

The expected profit included in future premiums has therefore been set to reflect the target return on premium, which varies by line of business. As at 31 January 2021 this amounted to £1.9 million (2020: £2.4 million).

## **C.5 Operational risk**

AICL defines operational risk as "risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses". AICL is exposed to a wide range of operational risks that arise in relation to its business model and the external environment in which it operates.

Operational risk is equivalent to 13% of AICL's SCR as at 31 January 2021.

Operational risk is identified, measured and monitored through regular review of the risk and controls register and responses to incidents as they arise. Risk oversight and challenge is also provided by the 2<sup>nd</sup> line Enterprise risk function.

Operational risk increased during the year following the emergence of the COVID-19 pandemic. The transition to remote working was however enacted efficiently across the group. The impact of the pandemic on customer service and third-party suppliers has also been successfully managed over the year.

Other events which have led to changes in operational risk in the year include:

- a move to a new insurance pricing platform
- change management around claims handling systems
- a Group cost rationalisation program
- the impact of Cyber risk in a working from home environment and
- the role out of new enhanced Saga culture, purpose and values including a focus on wellbeing.

## **C.6 Other material risks**

### **C.6.1 Strategic Risk**

AICL defines strategic risk as “something that is external to the organisation that, if it occurs, forces a change in strategic direction of the organisation”. Examples of strategic risk faced by AICL includes:

- Material changes in the competitor and regulator landscapes
- Fundamental change in technology permanently changing the insurance model for motor.
- Material change in the way that insurance is delivered to consumers.

Strategic risk remains a key focus for management and the AICL Board.

### **C.6.2 Group Risk**

AICL is a subsidiary of Saga plc, a company with subsidiaries which carry out a range of activities including:

- Insurance underwriting
- Insurance broking
- Holiday tour operations
- Holiday cruise operations
- A personal finance business offering equity release and savings products

AICL is a wholly owned subsidiary of Saga MidCo Limited and its ownership position within Saga plc limits the amount by which it can be directly affected by the failure of any other Saga group company. AICL manages its capital and liquidity positions on a standalone basis in line with its risk appetite, so that in the normal course of business and under stressed conditions it does not rely on its parent company or any other Group entities for financial support.

Several different risk exposures arise as a result of AICL's relationship with and reliance upon other Group companies:

- counterparty risk - AICL is exposed to the risk of a delay or failure in the payment of premiums by one of its insurance intermediaries, including SSL
- operational risk - AICL outsources a number of its activities to other companies in the Saga plc group. Its own operational performance and integrity is therefore exposed to risks arising within and from these group companies
- reputational risk - a major adverse event occurring elsewhere in the Group may negatively affect AICL's reputation amongst its key stakeholders

AICL has reviewed the potential impact on the company of trading stresses in other businesses within the Group and possible financial demands that may be placed on AICL, with arrangements in place to manage downside risk.

In light of the pressures on other parts of the Saga plc group caused by COVID-19 (in particular, the travel businesses), AICL continues to actively monitor and assess its exposure to group related risks. Alongside action taken by AICL, the company recognises that Group acted quickly and responsibly to stay ahead of the COVID-19 crisis and protect its financial health and has maintained its vigilance as the crisis has developed and persisted. Both AICL and Group continue to act prudently to manage potential further COVID-19 impacts.

The potential impact on AICL of the failure of SSL and the crystallisation of other group contagion risks, together with the appropriate mitigation actions, are explored within the stress and scenario tests carried out as part of its ORSA and wind-down planning processes.

### **C.6.3 Emerging risks**

As part of the risk management framework, AICL continually looks to identify and review emerging risks. The following risks have been considered as part of this process:

#### **C.6.3.1 Civil Liability Act 2018**

The Civil Liability Act 2018 sees the implementation of the process for dealing with whiplash claims effective from 31 May 2021. The risks arising here include:

- Operational readiness, where there is a program plan in place to operationalise in line with expected timelines of the Act
- The possibility that the actual claims savings from the changes to the claims process being less than anticipated. This would lead to policies being under-priced.

### **C.6.3.2 Brexit**

The UK has left the EU and uncertainties remain around the future of many industries and relationships with the EU. There are several issues affecting the insurance industry including for example, the cost of vehicle repair or replacement or the cost of care associated with personal injury claims.

Additional Brexit impacts to AICL include relationships with European reinsurers, the conclusion of the new Gibraltar Authorisations Regime (GAR) allowing Gibraltar-based financial services firms continued market access to the UK and impacts to the British economy and labour market. AICL is actively monitoring Brexit progress and potential business impacts.

### **C.6.3.3 FCA Market Study**

The FCA has reviewed pricing practices within the Home and Motor insurance markets and has set out a number of measures to boost competition and ensure fair value to customers. AICL has commenced a program plan to ensure that it is ready for the new FCA requirements, across pricing, fair value and reporting, as and when they are due.

### **C.6.3.4 Pace of regulatory change**

The pace of regulatory change is increasing within the insurance sector, with a wide range of topics on the FCA agenda and increased evidence of the ICO utilising its sanction powers under GDPR. The pace of change is expected to continue for the foreseeable future and will require AICL to be adaptable and maintain appropriate systems and controls throughout any change initiatives.

### **C.6.3.5 Autonomous vehicles**

The Road Traffic Act was amended in 2018 to allow automated driving. In these circumstances, liability for accidents whilst the car is in control becomes the responsibility of the car manufacturer, potentially changing the dynamics of the motor insurance industry as higher levels of automation become available.

Automation is expected to decrease the frequency of accidents; however, costs are likely to increase because of the cost and placement in the vehicle of the hardware necessary to allow automation.

With over 3 million connected vehicles on the roads and rising, there is an emerging product design risk to ensure it appropriately caters for malware, ransomware, and loss of data.

#### **C.6.3.6 COVID-19**

COVID-19 has had a significant impact on AICL. Currently, the most significant impact has been in terms of reduced mobility of AICL Motor customers, leading to lower claim rates and increased profitability of the Motor portfolio. The future impacts of COVID-19 are highly uncertain and hence there is the potential for further risks and upsides. AICL will continue to monitor potential risks and upsides on an ongoing basis, whilst ensuring that customers receive fair value from AICL insurance policies.

#### **C.6.3.7 Cyber Risks on Connected Vehicles**

Cyber risk is coming onto the agenda for UK motor excess of loss cover, with reinsurers looking to ensure that they are not exposed to silent cyber. This growing market issue will need to be dealt with by the UK motor market, including being reviewed and captured within standard motor policy terms and conditions.

### **C.7 Any other information**

AICL has no off-balance sheet positions and does not transfer risk to special purpose vehicles.

As part of the ORSA process a number of stress and scenario tests are carried out, together with specific 1-in-200 year stress tests and reverse stress tests.

#### **C.7.1 Stress and scenario tests**

In the 2020/21 ORSA, the following stress and scenario tests were carried out:

1. Unexpected significant increase in claims liabilities.
2. A major reduction in investment values.
3. Significant reduction in reinsurance recoveries.
4. Delay in brokers paying premiums to AICL.
5. Increase in USPs caused by a deterioration in premium and reserve volatility.
6. Property valued on a vacant possession basis rather than full market value.

7. Significant reduction in profits.
8. Severe weather event leads to significant number of claims putting severe strain on AICL's claim handler.

In each of the scenarios, AICL's coverage of the MCR and SCR remains above 100% for all scenarios. The tests showed that the SCR ratio remains above the Board's risk appetite SCR buffer for all scenarios except 1 and 2.

### **C.7.2 Reverse stress tests**

In the 2020/21 ORSA, AICL further stressed its solvency metrics through combining several of the individual stress tests detailed above, as set out below:

1. Combination of stresses to:
  - a. motor gross claims reserves
  - b. investment asset values
  - c. expected motor XL reinsurance recoveries
2. Reduction in AICL's net asset value.
3. A catastrophic scenario that combines 1 and 2 above.

These more extreme stresses test AICL's ability to absorb more significant financial downsides. AICL's coverage of the MCR remains above 100% for scenario 1 and 2. Test 3 is an extreme scenario that almost reduces AICL's NAV to zero.

In the event that there is a shortfall to the SCR, AICL would need to consider de-risking and / or recapitalisation, the latter of which could be achieved via a capital injection from its ultimate parent company and/or from retained profits. In any such circumstances, AICL would submit a plan to the FSC as to how it will restore own funds to be sufficient to cover the SCR in a timeline to be agreed with the FSC.

## D. Valuation for Solvency Purposes

### D.1 Assets

#### D.1.1 Valuation for solvency purposes of each material asset class

At 31 January 2021, AICL held the following assets:

<b>Asset Class</b>	<b>Solvency II (£ million)</b>	<b>Statutory accounts (£ million)</b>	<b>Difference (£ million)</b>
Intangible Assets	0.0	0.0	0.0
Property, Plant and Equipment for own use	0.0	0.0	0.0
Investments			
Property	39.8	30.3	9.5
Participations	0.0	0.0	0.0
Government Bonds	69.3	50.0	19.3
Corporate Bonds	215.4	211.9	3.5
Structured notes	1.4	0.0	1.4
Investment Funds	72.9	97.1	(24.2)
Other loans and mortgages	5.7	0.0	5.7
Deposits other than cash	0.0	0.0	0.0
Reinsurance Recoverables:			
Non-life	220.1	71.6	148.5
Life	39.3	0.0	39.3
Insurance & intermediaries receivables	(0.2)	111.4	(111.6)
Cash and cash equivalents	17.8	17.5	0.3
Any other assets, not elsewhere shown	16.9	13.6	3.3
Total Assets	698.4	603.4	95.0

Main differences within the valuation of assets include:

- Reinsurance Recoverables - Solvency II captures both excess of loss and quota share recoverables (split life and non-life), whereas the Statutory Accounts includes excess of loss recoverables only (life and non-life combined), with quota share recoverables netted down against funds withheld account balances
- Insurance & intermediaries receivables – the Statutory Accounts include policyholder and intermediary premium debt as well as salvage and subrogated recoverables. Under Solvency II these amounts are included as negative values within gross technical provisions.

A summary of differences in the valuation methods are described in section D.1.2.

## D.1.2 Material differences between solvency valuations and those used for financial statements

The Solvency II and Statutory valuation methods used for each asset class are described in the table below:

<b>Item</b>	<b>Asset Class</b>	<b>Solvency II Valuation</b>	<b>Statutory Valuation</b>
1	Intangible assets	Not applicable	Depreciated historic costs
2	Property, plant and equipment for own use	Not applicable	Depreciated historic costs
3	Property	Quoted market prices in an active market	Depreciated historic costs
4	Participations	Not applicable	Historic costs
5	Government bonds	Quoted market prices in an active market	Amortised value - effective interest rate method
6	Corporate bonds	Quoted market prices in an active market	Amortised value - effective interest rate method
7	Investment funds	Look-through value	Quoted market prices in an active market
8	Deposits other than cash	Expected maturity value plus accrued interest or where quoted market price.	Amortised value - effective interest rate method
9	Reinsurance recoverables: Non-life excluding health	Discounted best estimate (probability-weighted average of future cash flows, discounted to allow for the time value of money)	Expected recoverable, discounted for periodic payment orders only
10	Reinsurance recoverables: Life excluding health and index-linked and unit-linked	Discounted best estimate (probability-weighted average of future cash flows, discounted to allow for the time value of money)	Expected recoverable, discounted for periodic payment orders only
11	Insurance & intermediaries receivables	Expected recoverable amount	Expected recoverable amount
12	Receivables (trade, not insurance)	Expected recoverable amount	Expected recoverable amount
13	Cash and cash equivalents	Quoted market prices in an active market	Quoted market prices in an active market
14	Any other assets, not elsewhere shown	Expected recoverable amount	Expected recoverable amount

## D.2 Technical Provisions

### D.2.1 Technical provisions by material line of business

The technical provisions, gross of reinsurance, as at 31 January 2021 are shown in the following table:

<b>Line of Business</b>	<b>Best Estimate (£ million)</b>	<b>Risk Margin (£ million) <sup>4</sup></b>	<b>Technical Provisions (£ million)</b>
Motor Liability	309.5	23.6	333.1
Motor Other	7.7	1.8	9.5
Fire and Other Property	0.8	0.1	0.8
Legal Expenses	4.1	0.3	4.4
Assistance	7.3	0.6	7.9
Miscellaneous financial loss	1.8	0.1	2.0
Annuities	52.5	4.2	56.7
<b>Total Claim and Premium Technical Provisions</b>	<b>383.6</b>	<b>30.7</b>	<b>414.4</b>
Adjustments			
Bound but not incepted	(0.1)	0.0	(0.1)
Insurance and intermediaries receivable <sup>1</sup>	(65.7)	0.0	(65.7)
Receivables (trade, not insurance)	(0.3)	0.0	(0.3)
Any other assets, not elsewhere shown <sup>2</sup>	(7.2)	0.0	(7.2)
Reinsurances payable <sup>3</sup>	68.6	0.0	68.6
<b>Total Technical Provisions</b>	<b>378.9</b>	<b>30.7</b>	<b>409.6</b>
<b>Reinsurance Recoveries</b>	<b>259.4</b>	<b>0.0</b>	<b>259.4</b>
<b>Net Technical Provisions</b>	<b>119.5</b>	<b>30.7</b>	<b>150.2</b>

Notes:

<sup>1</sup>Premiums due from policyholders and brokers, which are within the agreed contractual credit terms.

<sup>2</sup>Value of float accounts held in respect of minor products

<sup>3</sup>Reinsurance premiums payable, both excess of loss and quota share (noting quota share arrangements are on a Funds Withheld basis).

<sup>4</sup>Risk margin allocated by line of business in proportion to technical provisions.

Actuarial projections have been carried out to estimate the ultimate cost of claims for each class of business. With the exception of motor large third-party injury claims, the chain ladder method has been used. This is a commonly used actuarial technique for estimating ultimate claim costs that assumes that the development of claims costs in the future can be based on analysis of the development of historical claim costs from past accident periods. The result is an estimate of the ultimate claims costs for the period being analysed.

For motor large third-party injury claims a Bornhuetter-Ferguson method has been used. This method is typically used to estimate ultimate claim costs in classes of business where there is low claim frequency but high claim severity. For each accident period, an initial assumption is made about the ultimate claims experience. As the accident period develops, the estimated ultimate claims are based less on the initial estimate and more on actual experience until, after a period of time, the estimated ultimate claims are based entirely on the actual experience.

The data used in the projections fulfils AICL's data quality requirements. The claims data is reconciled to independently produced data held within AICL's Finance Department and there have been no material discrepancies between the two data sources since AICL's inception. Reasonableness checks are also performed to ensure that the data is sufficiently accurate, relevant and complete for solvency reporting.

The projected cash flows from the technical provisions are then discounted using the GBP risk free interest rate term structure as provided by the European Insurance and Occupational Pensions Authority.

## **D.2.2 Uncertainty in the technical provisions**

Projections of future cashflows are subject to uncertainty. The technical provisions referred to in this document are a best estimate and should be viewed as a central point of a range of possible outcomes. The estimated values for claim costs projected in this way will vary from year to year. The main sources of uncertainty include:

- More recent accident months which have less own experience
- Changes in claims reporting and handling procedures over time
- The frequency and severity of large motor third party liability claims
- Periodical Payment Orders, associated life expectancies of claimants and the uncertainty in inflation and investment returns over the lifetime of those claims
- Changes in the regulatory environment, including events which have a retrospective impact
- Other claims inflation uncertainties including the impact of Brexit
- The impact of the COVID-19 pandemic on the wider economy and how this filters back into insurance.

### D.2.3 Material differences between solvency valuations and those used for financial statements

The following table shows the difference between the Solvency II gross technical provisions and those reported in the Statutory Accounts as at 31 January 2021.

Line of Business	Solvency II Technical Provisions (£ million)	Statutory Accounts Technical Provisions (£ million)	Difference (£ million)
Medical expense	0.0	0.5	(0.5)
Motor Liability	329.2	222.9	106.3
Motor Other	8.6	55.7	(47.2)
Fire and Other	0.8	0.9	(0.1)
Legal Expenses	4.4	5.0	(0.5)
Assistance	7.9	10.2	(2.3)
Miscellaneous	2.0	1.4	0.6
Annuities	56.7	139.1	(82.4)
Total	409.6	435.7	(26.1)

The main differences between the valuation of gross technical provisions under Solvency II versus Statutory Accounts relates to discounting of provisions, the recognition of profit within the unearned premium provision under Solvency II and the inclusion of a specific margin above best estimate provisions under Statutory Accounting, which is replaced by a risk margin under Solvency II.

#### D.2.3.1 Solvency II valuation bases

The Solvency II technical provisions consist of a premium provision, a claims provision and a risk margin.

##### D.2.3.1.1 Claims provision

The claims provision is the discounted best estimate of the reserves in respect of claims that have occurred prior to the valuation date (irrespective of whether or not they have been reported), together with the corresponding claims handling expenses.

##### D.2.3.1.2 Premium provision

The premium provision is the discounted best estimate of the total cash flows in respect of the claims occurring after the valuation date, together with the corresponding claims handling expenses and expenses and other costs of

administering the business in respect of the business that AICL is contractually obliged to cover as at the valuation date.

Claims and premium provisions are calculated gross of reinsurance. The reinsurers' share of the claims provision and the premium provision are reported separately as assets on the balance sheet.

#### **D.2.3.1.3 Risk margin**

The risk margin is the cost of providing the capital to cover the SCR over the lifetime of the liabilities.

It is intended to ensure that the value of the technical provisions is equivalent to the amount that an insurer would be expected to require in order to take over and meet the insurance obligations.

The risk margin is calculated net of reinsurance.

The Solvency II valuation bases do not vary by line of business.

### **D.2.3.2 Statutory Accounts valuation bases**

#### **D.2.3.2.1 Claims outstanding provision**

The provision for claims outstanding represents an estimate of the ultimate cost of all claims notified but not settled by the balance sheet date, together with a provision for related claims handling costs. The provision includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. With the exception of periodical payment orders ('PPOs') awarded in the settlement of bodily injury claims, the claims outstanding provision is not discounted for the time value of money. Under Statutory Accounting the claims outstanding provision includes a specific margin above best estimate claims provisions.

The amount of anticipated reinsurance, salvage and subrogation recoveries is separately identified and, where material, reported separately as an asset.

Differences between the estimated cost and subsequent settlement of claims are dealt with in the appropriate technical account for the year in which they are settled or re-estimated.

#### **D.2.3.2.2 Provision for unearned premiums**

The provision for unearned premiums represents that proportion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is calculated using the 24ths method.

#### **D.2.3.2.3 Provision for unexpired risks**

A provision for unexpired risks is maintained, when required, to cover the estimated excess of net liabilities over the associated unearned premium reserve after taking future investment return into account. An assessment is made for each grouping of business that is managed together such that the offsetting of any surpluses and deficits can only occur within each group.

Estimates for claims, investment return and other directly related income and expenses are based on information available at the balance sheet date.

The Statutory valuation bases do not vary by line of business.

#### **D.2.4 Matching adjustment**

The matching adjustment referred to in Regulation 68 of the Regulations has not been applied in any of the calculations of the technical provisions, the SCR, the MCR, the basic own funds and the amounts of own funds eligible to cover the SCR and the MCR.

#### **D.2.5 Volatility adjustment**

The volatility adjustment referred to in Regulation 70 of the Regulations has not been applied in any of the calculations of the technical provisions, the SCR, the MCR, the basic own funds and the amounts of own funds eligible to cover the SCR and the MCR.

#### **D.2.6 Transitional risk-free interest rate-term structure**

The transitional risk-free interest rate-term structure referred to Schedule 1 of the Regulations has not been applied in any of the calculations of the technical provisions, the SCR, the MCR, the basic own funds and the amounts of own funds eligible to cover the SCR and the MCR.

#### **D.2.7 Transitional measure on technical provisions**

The transitional deduction referred to in Schedule 1 of the Regulations has not been applied in any of the calculations of the technical provisions, the SCR, the MCR, the basic own funds and the amounts of own funds eligible to cover the SCR and the MCR.

## D.2.8 Other

### D.2.8.1 Recoverables from reinsurance contracts and special purpose vehicles

AICL has two primary reinsurance structures and 1 primary coinsurance arrangement in place, as follows:

- Individual and aggregate excess of loss reinsurance covering all motor policies
- Quota share reinsurance covering all motor policies
- Co-insurance covering all household policies

#### D.2.8.1.1 Excess of Loss reinsurance cover covering all motor policies

Since AICL's inception in 2004, AICL has annually purchased reinsurance cover to mitigate the risks of particularly large motor liability claims as well as a concentration of claims in any short period due to, for example weather events.

#### D.2.8.1.2 Motor insurance quota share

AICL signed a three-year quota share reinsurance treaty in early 2016 to provide reinsurance cover on a quota share basis. The quota share arrangement applied to AICL's retained claims and premiums after the impact of the excess of loss reinsurance described above. AICL retains a portion of the overall risk to ensure alignment of interest between itself and the reinsurer partners. There are no sliding scale commissions in the arrangement.

A new quota share reinsurance contract commenced on 1 February 2019 on principally the same terms with the addition of a second reinsurer into the partnership and a marginally reduced retention to AICL.

#### D.2.8.1.3 Home insurance arrangement

AICL began underwriting home insurance business (buildings and contents insurance) during 2012. This business is written on a coinsurance basis with the coinsurance partner taking the majority of the risk. AICL's remaining share is subject to quota share reinsurance. The risk retained by AICL is immaterial.

### D.2.8.2 Material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period

There have been no material changes in the calculation of the technical provisions compared to the previous reporting period.

## D.3 Other Liabilities

### D.3.1 Valuation of liabilities other than Technical Provisions

The liabilities other than technical liabilities as at 31 January 2021 are shown in the following table:

Liability Class	Solvency II (£ million)	Statutory Accounts (£ million)	Difference (£ million)
Deferred tax liabilities	4.9	2.8	2.1
Debts owed to credit institutions	0.0	1.2	(1.2)
Insurance & intermediaries	17.4	17.4	(0.0)
Reinsurance payables	0.0	12.0	(12.0)
Any other liabilities, not	142.7	22.5	120.2
Total	164.9	55.8	109.1

Other than the valuation differences described in section D.3.2, the differences in the Solvency II and Statutory accounts values are a result of differences in the rules governing the classification of assets and liabilities.

### D.3.2 Material differences between solvency valuations and those used for financial statements

#### D.3.2.1 Solvency II valuations

##### D.3.2.1.1 Deferred tax liability

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

There is an additional Solvency II deferred tax liability calculated as the difference between the Solvency II and statutory accounts net assets (excluding the deferred tax liability) multiplied by the deferred tax rate.

##### D.3.2.1.2 Debts owed to credit institutions

Amortised value - effective interest rate method.

##### D.3.2.1.3 Reinsurance payables

Amounts past due for payment.

##### D.3.2.1.4 Payables (trade, not insurance)

Amounts past due for payment.

#### **D.3.2.1.5 Any other liabilities, not elsewhere shown**

Amounts past due for payment.

### **D.3.2.2 Statutory valuations**

#### **D.3.2.2.1 Deferred tax liability**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

#### **D.3.2.2.2 Debts owed to credit institutions**

Amortised value - effective interest rate method.

#### **D.3.2.2.3 Reinsurance payables**

Expected amount due.

#### **D.3.2.2.4 Payables (trade, not insurance)**

Expected amount due.

#### **D.3.2.2.5 Any other liabilities, not elsewhere shown**

Expected amount due.

### **D.4 Alternative methods for valuation**

AICL does not apply alternative methods for valuation.

### **D.5 Any other information**

There is no other material information to be reported in this section.

## E. Capital Management

### E.1 Own Funds

#### E.1.1 Management of own funds

AICL has a capital management policy and a medium-term capital management plan. These require management to maintain sufficient own funds such that a specified margin above the Solvency Capital Requirement (SCR) ratio is always maintained. The projections are reviewed regularly as part of the Own Risk and Solvency Assessment (ORSA) process and ensure that appropriate funds are available for the duration of the 5-year planning period.

During the planning period, it is expected that the SCR will reduce as a result of the earning in of the motor quota share arrangements as well as the implementation of other capital management risk transfer solutions. To maintain the margin above the SCR at an appropriate level, surplus own funds are distributed to the shareholder via dividend payments.

#### E.1.2 Amount of own funds by tier

AICL's own funds as at 31 January 2021 are as follows:

Description	Tier	£ millions
Ordinary Share Capital	1	30.0
Reconciliation Reserve	1	93.9
Total	1	123.9

#### E.1.3 Eligibility of own funds to cover the Solvency Capital Requirement, classified by tiers

All own funds shown in the table above are eligible to cover the SCR.

#### E.1.4 Eligibility of own funds to cover the Minimum Capital Requirement, classified by tiers

All own funds shown in the table above are eligible to cover the MCR.

### E.1.5 Explanation of any material differences between equity as shown in the undertaking's financial statements and the excess of assets over liabilities as calculated for solvency purposes

The table below shows the reconciliation between the equity shown in the statutory accounts and the excess of assets over liabilities as calculated for solvency purposes as at 31 January 2021:

Description	Solvency II (£ million)	Statutory Accounts (£ million)
Ordinary share capital	30.0	30.0
Retained earnings including profits from the year	73.4	73.4
Other reserves from accounting balance sheet	8.4	8.4
Adjustments to assets	95.0	0.0
Adjustments to technical provisions	26.1	0.0
Adjustments to other liabilities	(109.1)	0.0
Total	123.9	111.8

The main differences between the Solvency II and Statutory Accounts are the valuation methods used in the calculation of property values and technical provisions.

### E.1.6 Transitional arrangements

No own funds items are subject to transitional arrangements.

### E.1.7 Ancillary own funds

There are no items of ancillary own funds.

### E.1.8 Restrictions on assets

No own funds items have any restrictions placed on them.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Amount of the Solvency Capital Requirement and the Minimum Capital Requirement as at 31 January 2021

The SCR and MCR as at 31 January 2021 are shown in the following table:

Risk Category	31 January 2021 £ million	31 January 2020 £ million
Non-Life Underwriting Risk	74.6	38.5
Market Risk	24.1	24.8
Counterparty Default Risk	2.0	5.0
Life Underwriting Risk	1.7	1.2
Diversification Benefit	(17.3)	(15.9)
Basic Solvency Capital Requirement	85.1	53.6
Operational Risk	10.0	12.8
LACDT Adjustment	(18.1)	(12.6)
Solvency Capital Requirement	77.0	53.8
Minimum Capital Requirement	34.7	19.2

The SCR and MCR have increased over the year as a result of non-proportional profit shares accruing from the quota share arrangements.

### E.2.2 Simplified calculations

No simplified calculations are used in the calculation of the SCR.

### E.2.3 Undertaking-specific parameters

Undertaking-specific parameters are used in the following elements of the premium and reserve risk sub-module of the non-life underwriting risk:

- Motor liability premium risk
- Motor liability reserve risk
- Motor other premium risk

#### E.2.4 Use of the option provided for in the third subparagraph of Regulation 52 (7) of the Regulations

The GFSC has not made use of the third subparagraph of Article 52(7) of The Regulations in respect of AICL's SCR.

#### E.2.5 Use of undertaking-specific parameters that undertaking is required to use in accordance with Regulation 107 of the Regulations

The GFSC has not required the use of undertaking-specific parameters in accordance with Regulation 107 of the Regulations.

#### E.2.6 Inputs used to calculate the Minimum Capital Requirement

The following inputs were used to calculate the MCR as at 31 January 2021:

	Net technical provisions without a risk margin (£ million)	Net premium written in last 12 months (£ million)
Motor Vehicle liability insurance and proportional reinsurance	258.7	122.1
Other motor insurance and proportional reinsurance	6.7	30.5
Fire and other damage to property insurance and proportional reinsurance	0.7	0.8
Legal expenses insurance and proportional reinsurance	4.1	0.9
Assistance and its proportional reinsurance	7.3	19.5
Miscellaneous financial loss and proportional reinsurance	1.8	1.4
Other (Periodical Payment Orders)	13.2	0.0

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

#### **E.3.1 The duration-based equity risk sub-module**

AICL is not using the duration-based equity risk sub-module set out in Regulation 97 of the Regulations for the calculation of its SCR.

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

AICL has not used an internal model in any part of the calculation of the SCR or MCR.

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

AICL has maintained sufficient own funds to meet both the SCR and MCR at all times during the financial year.

### **E.6 Any other information**

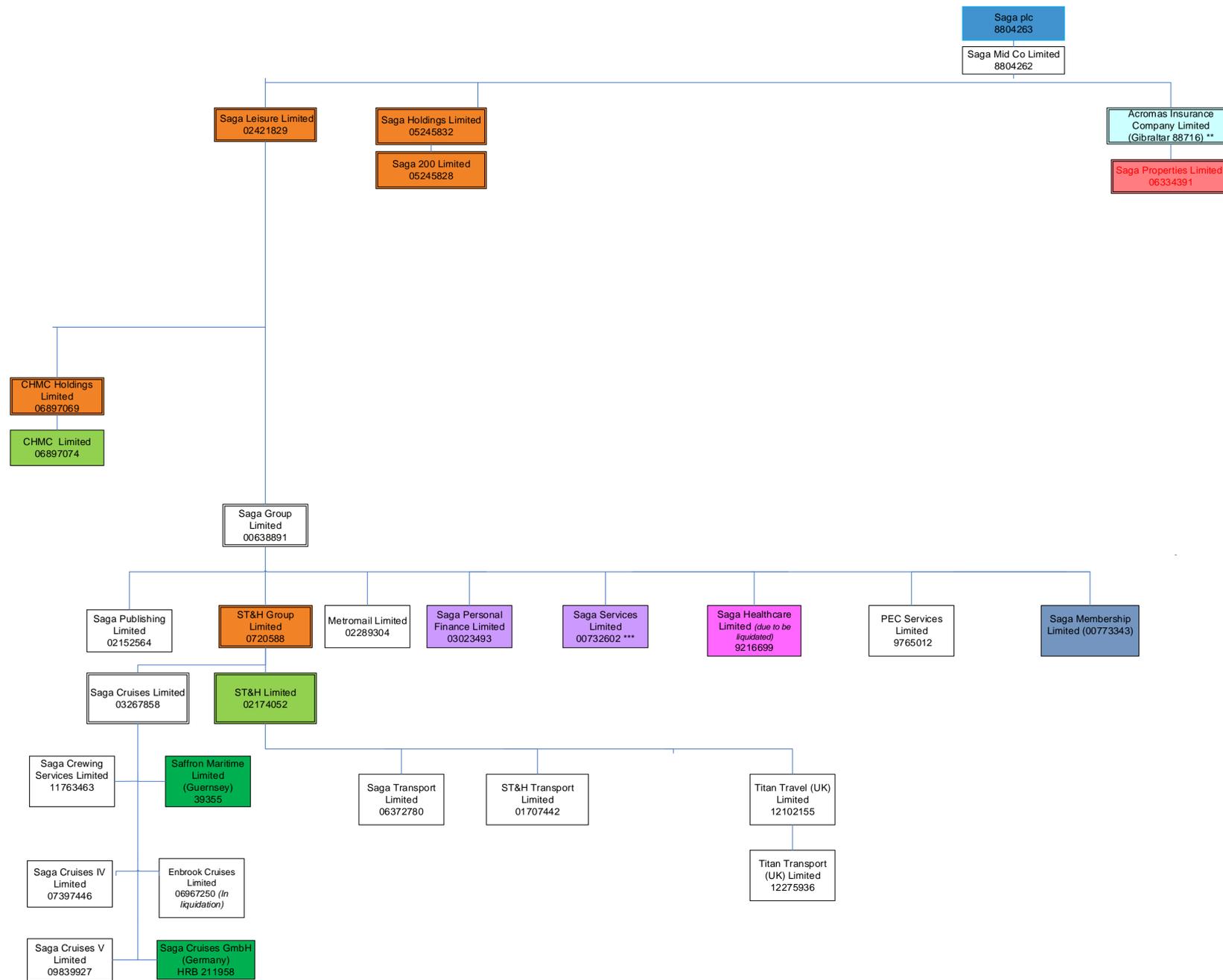
There is no other material information to be reported in this section.

## F. Additional Information

### F.1 Saga plc company structure

The Saga plc company structure is shown in the following chart:

**SAGA PLC**  
Group Structure as at 04/02/21 - Trading / Holding Companies



**KEY**

\* May be voluntarily struck off

- Active/Trading Company
- FCA Regulated
- Registered outside of England & Wales
- Joint Venture
- Holding Company
- Appointed Representative of Saga Services Limited
- Regulated by the Care Quality Commission
- 100% shares publically owned
- Will be introducer Appointed Representative for Saga Services Limited and Saga Personal Finance Limited
- Overseas

**NOTES:**

- 1) All companies are 100% owned unless indicated otherwise
- 2) Dormant companies or companies limited by guarantee are not shown on this group structure chart
- \*\* AICL is registered with the Gibraltar Financial Services Commission
- \*\*\* SSL is registered with the Jersey Financial Services Commission

## F.2 SFCR Templates

### S.02.01.02

#### Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	398,826,927
Property (other than for own use)	R0080	39,775,000
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	286,139,052
Government Bonds	R0140	69,335,654
Corporate Bonds	R0150	215,425,619
Structured notes	R0160	1,377,778
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	72,912,875
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	5,750,000
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	5,750,000
Reinsurance recoverables from:	R0270	259,351,657
Non-life and health similar to non-life	R0280	220,099,072
Non-life excluding health	R0290	220,099,072
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	39,252,585
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	39,252,585
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	-210,333
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	0
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	17,758,216
Any other assets, not elsewhere shown	R0420	16,910,515
<b>Total assets</b>	<b>R0500</b>	<b>698,386,982</b>

## S.02.01.02 continued

### Balance sheet

		Solvency II value	
		C0010	
<b>Liabilities</b>			
Technical provisions – non-life	R0510	352,906,042	
Technical provisions – non-life (excluding health)	R0520	352,906,042	
Technical provisions calculated as a whole	R0530	0	
Best Estimate	R0540	326,398,023	
Risk margin	R0550	26,508,019	
Technical provisions - health (similar to non-life)	R0560	0	
Technical provisions calculated as a whole	R0570	0	
Best Estimate	R0580	0	
Risk margin	R0590	0	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	56,683,266	
Technical provisions - health (similar to life)	R0610	0	
Technical provisions calculated as a whole	R0620	0	
Best Estimate	R0630	0	
Risk margin	R0640	0	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	56,683,266	
Technical provisions calculated as a whole	R0660	0	
Best Estimate	R0670	52,482,348	
Risk margin	R0680	4,200,918	
Technical provisions – index-linked and unit-linked	R0690	0	
Technical provisions calculated as a whole	R0700	0	
Best Estimate	R0710	0	
Risk margin	R0720	0	
Other technical provisions	R0730		
Contingent liabilities	R0740	0	
Provisions other than technical provisions	R0750	0	
Pension benefit obligations	R0760	0	
Deposits from reinsurers	R0770	0	
Deferred tax liabilities	R0780	4,861,690	
Derivatives	R0790	0	
Debts owed to credit institutions	R0800	0	
Financial liabilities other than debts owed to credit institutions	R0810	0	
Insurance & intermediaries payables	R0820	17,386,277	
Reinsurance payables	R0830	0	
Payables (trade, not insurance)	R0840	0	
Subordinated liabilities	R0850	0	
Subordinated liabilities not in Basic Own Funds	R0860	0	
Subordinated liabilities in Basic Own Funds	R0870	0	
Any other liabilities, not elsewhere shown	R0880	142,660,751	
<b>Total liabilities</b>	<b>R0900</b>	<b>574,498,026</b>	
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>123,888,956</b>	



S.05.01.02 continued

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations	
		Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Total
		C0260	C0300
<b>Premiums written</b>			
Gross	R1410		
Reinsurers' share	R1420		
Net	R1500		
<b>Premiums earned</b>			
Gross	R1510		
Reinsurers' share	R1520		
Net	R1600		
<b>Claims incurred</b>			
Gross	R1610	7,352,901.13	7,352,901.13
Reinsurers' share	R1620	7,352,901.13	7,352,901.13
Net	R1700	0.00	0.00
<b>Changes in other technical provisions</b>			
Gross	R1710		
Reinsurers' share	R1720		
Net	R1800		
<b>Expenses incurred</b>	R1900		
<b>Other expenses</b>	R2500		
<b>Total expenses</b>	R2600		
<b>Total amount of surrenders</b>	R2700		

S.05.02.01

Premiums, claims and expenses by country

Non-life

		Home country	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			IE	
		C0080	C0090	C0140
<b>Premiums written</b>				
Gross - Direct Business	R0110	187,470,187.30	0.00	187,470,187.30
Gross - Proportional reinsurance accepted	R0120	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0130	0.00	0.00	0.00
Reinsurers' share	R0140	133,154,565.53	0.00	133,154,565.53
Net	R0200	54,315,621.77	0.00	54,315,621.77
<b>Premiums earned</b>				
Gross - Direct Business	R0210	197,384,410.25	0.00	197,384,410.25
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0230	0.00	0.00	0.00
Reinsurers' share	R0240	142,735,927.37	0.00	142,735,927.37
Net	R0300	54,648,482.88	0.00	54,648,482.88
<b>Claims incurred</b>				
Gross - Direct Business	R0310	107,730,107.63	-73,257.99	107,656,849.64
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0330	0.00	0.00	0.00
Reinsurers' share	R0340	96,419,165.45	0.00	96,419,165.45
Net	R0400	11,310,942.18	-73,257.99	11,237,684.19
<b>Changes in other technical provisions</b>				
Gross - Direct Business	R0410	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00
Reinsurers' share	R0440	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00
Expenses incurred	R0550	7,951,376.68	0.00	7,951,376.68
Other expenses	R1200			
Total expenses	R1300			7,951,376.68

S.05.02.01 continued

Premiums, claims and expenses by country

Life

		Home country	Country (by amount of gross premiums written)		Total for top 5 countries and home country (by amount of gross premiums written)
			IE		
		C0220	C0230	C0280	
<b>Premiums written</b>					
Gross	R1410	0.00	0.00	0.00	0.00
Reinsurers' share	R1420	0.00	0.00	0.00	0.00
Net	R1500	0.00	0.00	0.00	0.00
<b>Premiums earned</b>					
Gross	R1510	0.00	0.00	0.00	0.00
Reinsurers' share	R1520	0.00	0.00	0.00	0.00
Net	R1600	0.00	0.00	0.00	0.00
<b>Claims incurred</b>					
Gross	R1610	7,352,901.13	0.00	7,352,901.13	7,352,901.13
Reinsurers' share	R1620	7,352,901.13	0.00	7,352,901.13	7,352,901.13
Net	R1700	0.00	0.00	0.00	0.00
<b>Changes in other technical provisions</b>					
Gross	R1710	0.00	0.00	0.00	0.00
Reinsurers' share	R1720	0.00	0.00	0.00	0.00
Net	R1800	0.00	0.00	0.00	0.00
<b>Expenses incurred</b>	R1900	0.00	0.00	0.00	0.00
<b>Other expenses</b>	R2500				
<b>Total expenses</b>	R2600				0.00

S.12.01.02

Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0150
Technical provisions calculated as a whole	R0010		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020		
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	52,482,348	52,482,348
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	39,252,585	39,252,585
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	13,229,763	13,229,763
Risk Margin	R0100	4,200,918	4,200,918
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110		
Best estimate	R0120		
Risk margin	R0130		
Technical provisions - total	R0200	56,683,266	56,683,266

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0050	C0060	C0080	C0110	C0120	C0130	
Technical provisions calculated as a whole	R0010							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050							
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	R0060	55,550,075	23,344,455	353,616	458,829	4,837,530	726,428	85,270,933
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	43,507,855	18,231,824	23,033	0	0	0	61,762,711
Net Best Estimate of Premium Provisions	R0150	12,042,220	5,112,631	330,583	458,829	4,837,530	726,428	23,508,222
Claims provisions								
Gross - Total	R0160	250,102,225	-16,616,440	402,866	3,661,773	2,462,985	1,113,680	241,127,090
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	170,584,330	-12,295,310	47,340	0	0	0	158,336,360
Net Best Estimate of Claims Provisions	R0250	79,517,895	-4,321,130	355,525	3,661,773	2,462,985	1,113,680	82,790,729
Total Best estimate - gross	R0260	305,652,300	6,728,015	756,482	4,120,603	7,300,516	1,840,108	326,398,023
Total Best estimate - net	R0270	91,560,116	791,501	686,108	4,120,603	7,300,516	1,840,108	106,298,952
Risk margin	R0280	23,596,818	1,824,194	58,705	313,043	573,074	142,185	26,508,019
Amount of the transitional on Technical Provisions								
TP as a whole	R0290							
Best estimate	R0300							
Risk margin	R0310							
Technical provisions - total								
Technical provisions - total	R0320	329,249,118	8,552,209	815,187	4,433,646	7,873,589	1,982,292	352,906,042
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	214,092,185	5,936,514	70,373	0	0	0	220,099,072
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	115,156,934	2,615,696	744,814	4,433,646	7,873,589	1,982,292	132,806,971

S.19.01.21

Non-life insurance claims

Unit	GBP
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Accident year	Z0020	1
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Gross Claims Paid (non-cumulative) - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											1,052,989
N-9	R0160	139,137,187	48,629,186	16,488,363	10,262,446	10,884,245	4,789,621	845,416	1,710,094	176,964	584,980	
N-8	R0170	138,725,113	39,783,801	13,509,378	12,808,748	8,756,657	10,671,710	2,507,719	549,518	394,785		
N-7	R0180	123,260,281	32,234,381	10,483,646	10,044,220	11,568,809	5,849,205	990,243	3,952,866			
N-6	R0190	114,481,069	29,284,853	9,449,131	7,927,040	7,137,373	11,328,707	2,062,777				
N-5	R0200	114,289,824	27,128,177	8,989,339	14,584,672	10,645,983	3,298,969					
N-4	R0210	110,544,801	23,289,548	9,783,205	6,580,453	2,995,991						
N-3	R0220	107,464,130	24,795,720	7,276,845	9,861,727							
N-2	R0230	109,828,549	29,704,520	3,919,532								
N-1	R0240	112,112,472	29,020,466									
N	R0250	70,877,016										

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											-249,421
N-9	R0160	0	0	0	0	0	11,787,614	-4,371,586	-2,411,756	1,757,497	-6,545,958	
N-8	R0170	0	0	0	0	34,624,544	-17,313,353	-6,832,430	-703,450	-7,679,099		
N-7	R0180	0	0	0	61,383,445	-22,278,927	1,581,734	-9,891,327	-4,069,140			
N-6	R0190	0	0	84,635,394	-19,775,005	-20,446,248	-22,819,547	-16,092,274				
N-5	R0200	0	118,425,424	-15,765,955	-55,609,813	-21,045,381	-10,952,079					
N-4	R0210	132,864,256	-46,106,625	-37,105,029	-10,014,200	-30,216,564						
N-3	R0220	127,809,287	-55,558,816	-20,100,053	-21,794,623							
N-2	R0230	91,807,178	-31,948,715	-4,536,724								
N-1	R0240	101,101,473	-50,343,312									
N	R0250	54,781,343										

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative)

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	1,052,989	1,161,624,089
R0160	584,980	233,508,504
R0170	394,785	227,707,430
R0180	3,952,866	198,383,650
R0190	2,062,777	181,670,952
R0200	3,298,969	178,936,964
R0210	2,995,991	153,193,998
R0220	9,861,727	149,398,422
R0230	3,919,532	143,452,601
R0240	29,020,466	141,132,938
R0250	70,877,016	70,877,016
R0260	128,022,097	2,839,886,565

Gross discounted Best Estimate Claims Provisions - Current year, sum of years

	Year end (discounted data)
	C0360
R0100	4,079,774
R0160	210,801
R0170	2,050,110
R0180	26,143,452
R0190	5,378,459
R0200	14,721,566
R0210	9,201,752
R0220	29,671,694
R0230	54,090,119
R0240	49,476,494
R0250	53,644,669
R0260	248,668,891

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	30,000,000	30,000,000			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040	0	0			
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0	0			
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	93,888,956	93,888,956			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0			
<b>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</b>						
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	0				
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230	0	0			
<b>Total basic own funds after deductions</b>	<b>R0290</b>	<b>123,888,956</b>	<b>123,888,956</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
<b>Total ancillary own funds</b>	<b>R0400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	123,888,956	123,888,956	0	0	0
Total available own funds to meet the MCR	R0510	123,888,956	123,888,956	0	0	0
Total eligible own funds to meet the SCR	R0540	123,888,956	123,888,956	0	0	0
Total eligible own funds to meet the MCR	R0550	123,888,956	123,888,956	0	0	0
<b>SCR</b>	<b>R0580</b>	<b>77,045,660</b>				
<b>MCR</b>	<b>R0600</b>	<b>34,670,547</b>				
<b>Ratio of Eligible own funds to SCR</b>	<b>R0620</b>	<b>161%</b>				
<b>Ratio of Eligible own funds to MCR</b>	<b>R0640</b>	<b>357%</b>				

**Reconciliation reserve**

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	123,888,956
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	30,000,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>93,888,956</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	1,918,810
<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>1,918,810</b>

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement			
		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	24,089,877	0
Counterparty default risk	R0020	1,988,177	0
Life underwriting risk	R0030	1,733,758	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	74,565,935	0
Diversification	R0060	-17,287,760	
Intangible asset risk	R0070	0	
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>85,089,988</b>	

Calculation of Solvency Capital Requirement		
		Value
		C0100
Operational risk	R0130	10,028,111
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-18,072,439
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>R0200</b>	<b>77,045,660</b>
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	77,045,660
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations		MCR components	
		C0010	
MCRNL Result	R0010		40,441,090

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	258,671,845	122,130,389
Other motor insurance and proportional reinsurance	R0060	6,728,015	30,532,597
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	686,108	750,602
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	4,120,603	924,311
Assistance and proportional reinsurance	R0120	7,300,516	19,513,321
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,840,108	1,417,791
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations		C0040	
MCRL Result	R0200		277,825

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	13,229,763	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070	
Linear MCR	R0300		40,718,915
SCR	R0310		77,045,660
MCR cap	R0320		34,670,547
MCR floor	R0330		19,261,415
Combined MCR	R0340		34,670,547
Absolute floor of the MCR	R0350		2,214,014
Minimum Capital Requirement	R0400		34,670,547