SAGA

Acromas Insurance Company Limited

Solvency and Financial Condition Report

31 January 2023

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Note: Any differences between totals and sums of components in the report are due to rounding.

Introduction

This Solvency and Financial Condition Report has been prepared in accordance with Solvency II regulatory requirements. Solvency II is the solvency framework implemented on 1 January 2016 as the capital regime for insurance companies within the European Union. Whilst the UK has left the European Union, the UK has continued with the Solvency II framework. This 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 ('Delegated Acts'). The structure of the report is also in accordance with Annex XX of the Delegated Acts.

This document reports on the position of Acromas Insurance Company Limited (AICL) as at 31 January 2023. 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.

Summary

1. Business and Performance

AICL is a Gibraltar based insurance company which underwrites business introduced by intermediaries within the Saga plc group, the AA Limited (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 wholesale premium basis to its distribution partners, who then set the retail prices. AICL's reported premiums therefore cover the expected cost of claims, expenses, levies and a profit margin.

All AICL's gross written premium in the financial year 2022/23 was from contracts written predominately 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 (apart from large £250k+ third-party personal injury claims, which are handled by AICL).

AICL's key financial information for the year ended 31 January 2023 is summarised below:

Year ended	31 January 2023	31 January 2022

Amounts in £'million		
Gross Written Premiums	154.2	169.8
Net Earned Technical Income (before quota share reinsurance)	148.3	161.5
Profit before Taxation (net of quota share reinsurance)	16.9	53.1
Current Year Combined Ratio (excluding investment return)	110.3%	70.9%
Solvency Capital Requirement (SCR)	45.6	54.1
Own Funds	98.5	115.1
SCR Coverage Ratio	216%	213%
MCR	20.5	24.3
MCR Coverage Ratio	480%	473%

Section A provides further information on AICL's business and its performance.

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 & third-line oversight from the Saga Insurance Risk team and Saga plc Internal Audit team

AICL uses the three lines of defence model to manage risk. Section B provides further detail on how the system of governance works in practice.

3. Risk Profile

The table below shows the profile of the Solvency Capital Requirement as at 31 January 2023 (and prior year end) split into the main risk modules:

Risk Category	31 January 2023	31 January 2022
Non-Life Underwriting Risk	68%	76%
Market Risk	40%	37%
Counterparty Default Risk	23%	24%
Life Underwriting Risk	2%	3%
Diversification Benefit	(32%)	(32%)
Operational Risk	23%	17%
Deferred Tax Adjustment	(23%)	(23%)
Solvency Capital Requirement	100%	100%

The table highlights AICL's two largest risks as being non-life underwriting risk and market risk.

AICL manages underwriting risk through its policies on underwriting, pricing, reserving and reinsurance. Any breaches of the policies are reported to the Audit, Risk and Compliance Committee (ARCC) or the Pricing, Product and Capital Committee (PPACC) as appropriate.

More than 80% of AICL's gross premium income and 90% of its gross technical provisions relate to motor insurance. Underwriting and pricing risk is assessed and managed by a suite of management information reports, with pricing levels reviewed monthly, approved at the PPACC and ratified by the AICL Board Sub-committee.

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

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

The risk landscape has continued to evolve over the year not least with the emergence from the COVID-19 pandemic over 2021 alongside market wide inflationary effects. Further commentary is included throughout this report.

Section C provides further information on AICL's approach to risk assessment and management as they apply to the risk categories of the Solvency Capital Requirement.

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 2023 as well as the prior year end:

Solvency II (£'million)	31 January 2023	31 January 2022
Value of assets	587.6	638.8
Value of liabilities	489.0	523.6
Excess of assets over liabilities	98.5	115.1

Statutory Accounts (£'million)	31 January 2023	31 January 2022
Value of assets	515.7	545.1
Value of liabilities	427.4	433.5
Excess of assets over liabilities	88.3	111.6

See section D for an explanation of the main differences between the Solvency II and Statutory Accounts valuation of assets and liabilities.

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 Minimum Capital Requirement (MCR) coverage ratios as at 31 January 2023 (and prior year end) are shown in the table below:

Year ended Amounts in £'million	31 January 2023	31 January 2022
Solvency Capital Requirement	45.6	54.1
Own Funds	98.5	115.1
SCR Coverage Ratio	216%	213%
MCR	20.5	24.3
MCR Coverage Ratio	480%	473%

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 G.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 wholesale premium basis to AICL's distribution partners, who then set the retail prices. AICL's reported premiums therefore cover the expected cost of claims, expenses, levies and profit margin.

AICL's gross written premium in the financial year 2022/23 was from contracts written predominately in the United Kingdom.

In addition to pricing and underwriting, AICL undertakes reinsurance and capacity management, investment management including oversight of investment managers, reserving, 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. As part of a strategic decision to cease provision of underwriting capacity to the AA, AICL ceased writing policies on AA Insurance Service motor and home panels from 31 January 2023.

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 2020/21, 2021/22 and 2022/23 written premium by high level product group.

	Classification in Statutory Accounts	**Gross Written Premiums £ million**		
		2022/23	**2021/22**	**2020/21**
Motor insurance and ancillaries	Direct Motor	128.3	144.8	164.6
Breakdown products	Direct Assistance	21.2	19.6	19.4
Home Legal	Other	1.2	1.0	0.1
Pet insurance	Miscellaneous Financial Loss	1.2	1.3	1.4
Home and ancillaries	Other	0.2	0.2	0.9
Caravan insurance	Other	0.9	0.9	0.8
Other insurances	Miscellaneous Financial Loss	1.2	2.1	0.3
Total		154.2	169.8	187.5

For 2022/23, 83% of written premium related to motor insurance and ancillaries, 14% to breakdown insurance and ancillaries and the remaining 3% 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 impacts of post-Covid claims development, the UK economic environment and the impacts of high inflation, FCA Market Study, the 'Great Resignation' and Application Fraud. During the period, Saga plc also confirmed that it was in discussions with regard to a possible disposal of the AICL business.

Whilst Motor risk premiums were reduced in 2020 and 2021 to reflect the positive impact of COVID-19 on claims experience, as global economies have re-opened claims experience has trended back towards pre-Covid levels and pricing has been adjusted to reflect for these movements.

During 2022 there has been a global period of unexpected high inflation, exacerbated by the Russian invasion of Ukraine which resulted in disruption to gas and supply chains. The impact of high levels of general price inflation and increased uncertainty in inflation projections has been felt across both Motor and Home insurance.

Motor has been particularly impacted by the availability of spare parts, delays in repair and second-hand car prices, whilst Home has been impacted by increasing material and labour costs. Across both products AICL has maintained a high degree of focus on the tracking of inflation, supply chain insight and granular claims data to ensure the company adequately prices for risk, in accordance with the business model.

Saga Insurance has experienced a reduction in new business volumes as a result of the FCA Market Study pricing changes. Total FY22/23 volumes were c. 10% below FY21/22 volumes. This has led to reduced volumes for AICL requiring rate increases to cover fixed costs.

The UK market wide 'Great Resignation' has impacted sales, service, claims operations with high levels of colleague attrition particularly in our claims front line contact centre roles and within 12 months of colleague tenure. A suite of Insurance-wide strategies across AICL and SSL have been deployed to improve recruitment, on-boarding, engagement and the overall employee experience and good progress is now being made in these areas.

In January 2023 Saga plc announced through the London Stock Exchange RNS service that it was in discussions with regard to a possible disposal of the AICL business, in line with the Group's stated objectives of moving to a capital-light business model and reducing debt. The Saga plc preliminary results statement for the year ending 31 January 2023 confirmed that the sale process was ongoing and that the Group aims for this to be concluded in the second half of 2023.

Underwriting Performance

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

Year ended	**31 January 2023**	**31 January 2022**
	£ million	£ million
Gross Written Premium	154.2	169.8
Profit and loss, excluding quota share reinsurance		
Net Earned Technical Income	148.3	161.5
Other Income	2.7	1.7
Net Claims Incurred – Current Year	(176.6)	(143.1)
Net Claims Incurred – Reserve Releases	25.1	44.9
Operating Expenses	(15.0)	(16.7)
Investment Return	6.4	6.8
Sub Total	(9.1)	55.1
Quota share reinsurance cost	26.0	(2.0)
Profit before taxation	16.9	53.1
Combined Ratio (excluding investment return)	110.3%	70.9%

Effective from 1st February 2022, the Company entered a new quota share agreement provided by two reinsurance companies with an equal split of 80% of its motor insurance risks. Both agreements are on a funds withheld basis.

Excluding the impact of the quota share arrangement, net earned premiums decreased by 8.2% to £148.3m (2022: £161.5m) reflecting a 6.9ppt reduction in the number of earned policies underwritten by AICL coupled with a 1.4% decrease in average earned premiums. The reduction in the number of earned policies was mainly due to lower volumes on Saga brokerage panels.

Also excluding the impact of the quota share arrangement, prior year reserve releases of £25.1m (2022: £42.2m) were recognised reflecting continued favourable experience on large bodily injury claims relating to prior accident years. The year-on-year increase in reported combined operating ratio (COR) of 110.3% (2022: 70.9%) reflects the market wide increase to the rate of inflation applied to all outstanding reserves, higher large bodily injury claims experience during the current financial year and lower releases year on year from prior year reserves.

The investment return decreased by £0.4m to £6.4m (2022: £6.8m) reflecting a smaller investment portfolio.

Key financial indicators by major line of business follow:

Year ended 31 January 2023	**Motor**	**Direct Assistance**	**Miscellaneous Financial Loss**	**Other**	**Total**
	£m	£m	£m	£m	£m
Gross Written Premium	128.3	21.2	2.4	2.3	154.2
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	123.0	21.9	2.4	1.0	148.3
Other Income	0.0	(1.0)	0.0	3.7	2.7
Net Claims Incurred – Current Year	(153.5)	(19.9)	(1.3)	(1.9)	(176.6)
Net Claims Incurred – Reserve Releases	27.0	(2.3)	0.4	0.0	25.1
Operating Expenses	(13.4)	(0.2)	(0.1)	(1.3)	(15.0)
Investment Return	4.4	0.2	0.0	0.0	4.6
Sub Total	(12.5)	(1.3)	1.4	1.5	(10.9)
Quota share reinsurance cost	26.6	0.0	(0.6)	(0.0)	26.0
Profit on Technical Account	14.1	(1.3)	0.8	1.5	15.1
Investment return on shareholders' funds					1.8
Profit before taxation					16.9

All contracts were concluded in the United Kingdom.

For comparison the key financial indicators by major line of business for the previous year follow:

Year ended 31 January 2022	**Motor**	**Direct Assistance**	**Miscellaneous Financial Loss**	**Other**	**Total**
	£m	£m	£m	£m	£m
Gross Written Premium	144.8	20.6	1.3	3.1	169.8
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	137.3	21.2	2.0	1.0	161.5
Other Income	0.0	(2.5)	0.0	4.2	1.7
Net Claims Incurred – Current Year	(120.3)	(18.9)	(1.3)	(2.6)	(143.1)
Net Claims Incurred – Reserve Releases	42.6	2.0	0.3	0.0	44.9
Operating Expenses	(14.2)	(1.2)	(0.1)	(1.2)	(16.7)
Investment Return	5.5	0.2	0.0	0.2	5.8
Sub Total	50.8	0.8	0.8	1.6	54.1
Quota share reinsurance cost	(1.6)	0.0	(0.3)	(0.0)	(2.0)
Profit on Technical Account	49.2	0.8	0.5	1.6	52.1
Investment return on shareholders' funds					1.0
Profit before taxation					53.1

Profit before taxation in 2022/23 reduced year on year by c£35m. This is driven primarily by the Motor product, through a combination of current year and prior year claims performance. Current year, net of quota share, is £20m adverse to the previous year primarily due to the impact of inflationary pressures seen during 2022/23. Prior year reserve releases in 2021/22 were £15m higher than in 2022/23, reflecting Covid margin generated in 2020/21 released in 2021/22.

A.2 Investment Performance

A.2.1 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 asset class.

Asset Type	Value as at 31 January 2023	Value as at 31 January 2022	Income in 2022/23	Expenses in 2022/23
	£ million	£ million	£ million	£ million
Fixed term deposits, floating to LIBOR & RPI deposits	0.0	14.0	0.0	0.0
Money market funds	19.6	29.2	0.4	0.0
Property	27.6	29.1	3.3	(0.8)
Fixed Interest Securities	254.4	280.8	4.4	(0.3)
Bank Loan Funds	5.9	6.2	(0.2)	0.0
Total	307.5	359.3	7.9	(1.2)

Key movements over the year relate to a reallocation of investments from deposits to fixed interest securities alongside dividend payments made to AICL's shareholder.

A.2.2 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 2022	30.0		0.3	80.9	111.2
Profit for the financial year				13.3	13.3
Other comprehensive income					0.0
Net gain on available for sale financial assets			(15.0)		(15.0)
Associated tax effect			3.8		3.8
Capital contributions for the year			0.0		0.0
Preference shares redemption					0.0
Dividends paid				(25.0)	(25.0)
As at 31 January 2023	30.0	0.0	(10.9)	69.2	88.3

A.2.3 Investments in securitisation

AICL does not directly hold any securitised assets.

A.3 Performance of other activities

A.3.1 Other Income arising

Year ended	31 January 2023	31 January 2022
	£ million	£ million
Referral fees	0.0	0.0
Expense allowances and profit shares	25.5	33.0
Total	25.5	33.0

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.3.2 Expenses arising

Year ended	31 January 2023	31 January 2022
	£ million	£ million
Levies payable to regulatory bodies	3.8	5.6
Acquisition costs	0.0	0.6
Administrative expenses	11.1	10.5
Reinsurer's share of expenses	(10.5)	(11.3)
Total	4.4	5.4

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. 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 Any other information

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

B. System of Governance

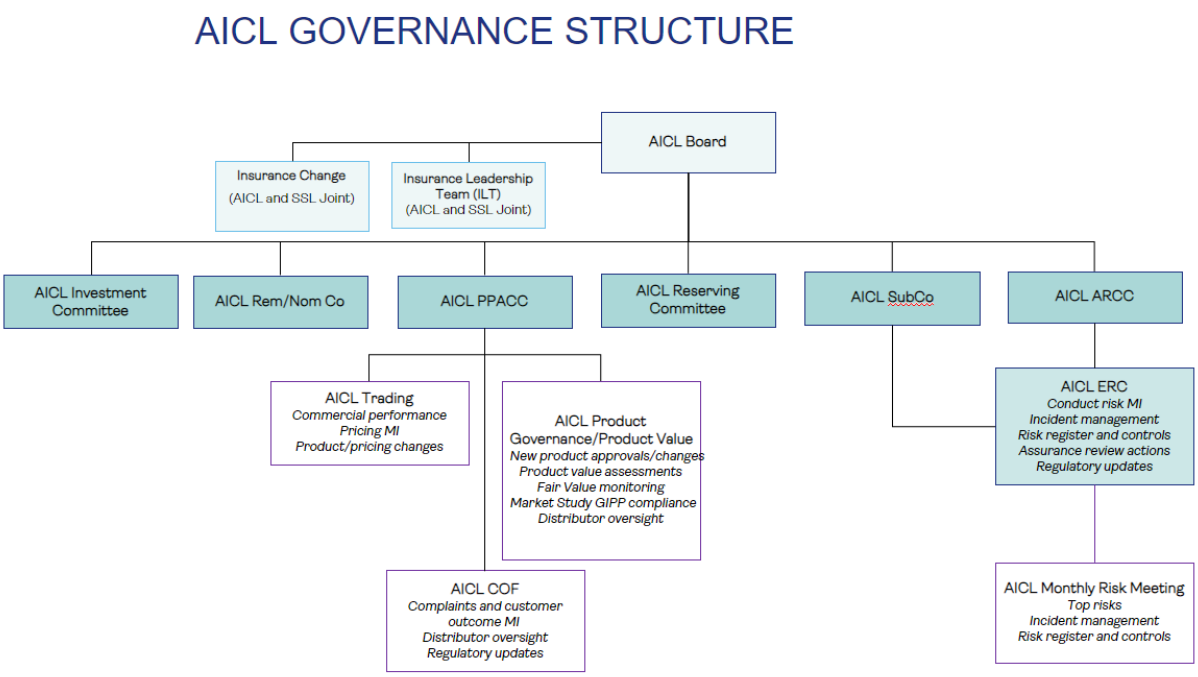
B.1 General Information on the system of governance

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

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 at least on 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.

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

The governance committee structure is outlined below:



Each Committee has delegated authority by the Board to carry out their responsibilities and objectives. 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.

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. The Board Sub-committee 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 reports to the Board after each meeting and escalates any matters of concern.

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.

A summary of the key responsibilities for the main committees follows.

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. 2nd and 3rd 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, and the Insurance CEO

B.1.1.3 Pricing, Product and Capital Committee

Responsibilities include:

- To consider the adequacy of premiums to ensure achievement of AICL's return on capital, reinsurance costs, expenses, levies and inflation
- To review changes to rating factors or net rates provided to AICL's intermediaries
- To review the value of products to AICL customers
- 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 reinsurance and capital management arrangements

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.1.1.5 Insurance Leadership Team

Responsibilities include:

- Implement the overall insurance strategy and the respective company strategies that have been set and approved by the AICL and other boards involved in Saga’s insurance business.

B.1.1.6 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.1.1.7 Reserving Committee

Responsibilities include:

- To approved and recommend the appropriate level of claims reserves to the Audit, Risk & Compliance Committee (who recommends to the Board)
- Assess the uncertainties and risks associated with the claims reserves to inform and recommend the appropriate level for booked reserves and by implication advise on any related reserve releases or strengthening.

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

The following changes were made in respect of the composition of the Board during the year:

- Steve McGuinness resigned as a statutory director with effect from 14 April 2022
- Steve Kingshott was appointed as a statutory director of the Company with effect from 7 June 2022
- Lloyd East was appointed as a statutory director of the Company with effect from 14 October 2022

Other material changes to key roles and regulated individuals during the year:

- Victoria Haynes resigned as Secretary of the Company with effect from 12 July 2022
- Nicola Koning was appointed as Secretary of the Company with effect from 12 July 2022.
- Stephen Wilcox took over from Helen Webb (subject to regulatory approval) as Head of Compliance and Risk Management.
- Jodi Turner took over from Lynn Fournier (subject to completed regulatory application and approval) as Head of Internal Audit.
- Andy Elston resigned as Head of Finance in November 2022. Philip King is acting as Interim Head of Finance while a permanent replacement for the regulated individual role is under review.
- Andrew Letts was approved by the GFSC as Head of Claims on 13 December 2022.

- Andrew Button changed from being an Executive Director to a Non-Executive Director.

There were no other material changes in the system of governance during the year.

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 colleagues' performance accordingly. The Saga plc Remuneration 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 AICL Remuneration Committee also reviews remuneration and incentive programmes to encourage desirable behaviours and responsible risk taking. Remuneration for the 2nd and 3rd lines of defence is unrelated to company financial performance to preserve the operational independence of these functions.

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 AICL 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 2nd and 3rd lines of defence is unrelated to company financial performance to preserve the operational independence of these functions.

B.1.3.2.1 Saga plc 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 AICL 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 RSP is subject to clawback and malus provisions.

B.1.3.2.2 Saga Transformation Plan (STP)

Awards are designed to add an additional opportunity to drive, and reward, exceptional levels of growth over the longer term. Only once significant shareholder value has been delivered, will any rewards become payable under the STP.

The STP is a one-off award that gives Executive Directors the opportunity to earn share awards over a five-year performance period. The STP allows participants Directors to share in a "pool" created from company value achieved above a target (the "hurdle") over a five-year period. A proportion of the STP pool will also be awarded to all colleagues.

The STP has a seven-year term overall, a five-year performance period from date of grant, with 50% released immediately, 25% released after a one year holding period and the final 25% released after a further one year holding period.

Vesting of awards will be subject to AICL Remuneration Committee discretion. An annual review of continued participation will be undertaken by the Committee to ensure appropriate conduct and risk leadership conditions are satisfied. Malus and clawback provisions apply to STP awards.

RSP grant levels were reduced upon introduction of the STP to maintain retention, re-balance the package and recognise the introduction of the additional upside opportunity.

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 £15 million was paid in July 2022
- A dividend of £10 million was paid in January 2023

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 Persons 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 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 Persons Policy obligations. An annual assessment is carried out of relevant management falling under the Policy that focuses on the following areas:

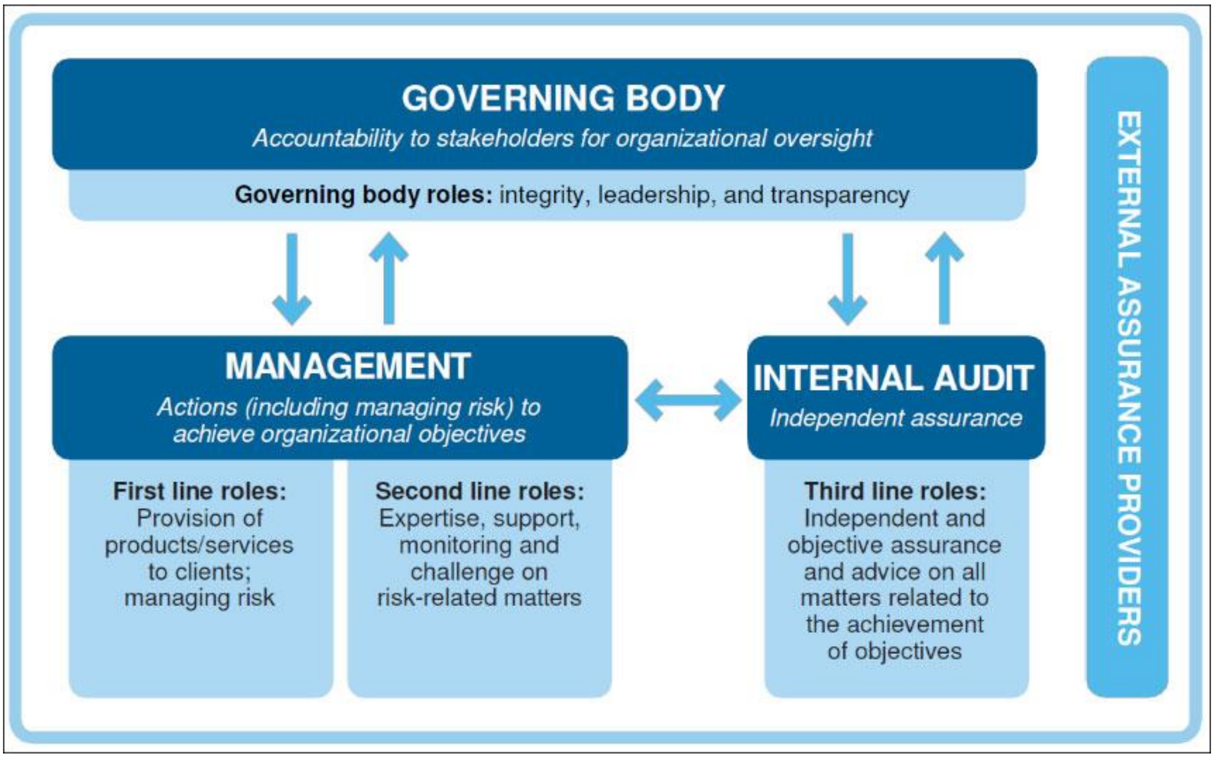
- Their understanding of insurance and financial markets
- Their knowledge of the business model and strategy
- Their understanding of the system of governance
- Their financial analysis skills, including management information
- Their Actuarial analysis skills
- The regulatory framework and requirements.

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

B.3.1 Risk management system and framework

AICL's risk management framework is defined within its Risk Policy and follows the Saga Group Risk Policy. The framework includes a range of components that work together to provide an enterprise approach to risk management, including the AICL ORSA Policy.

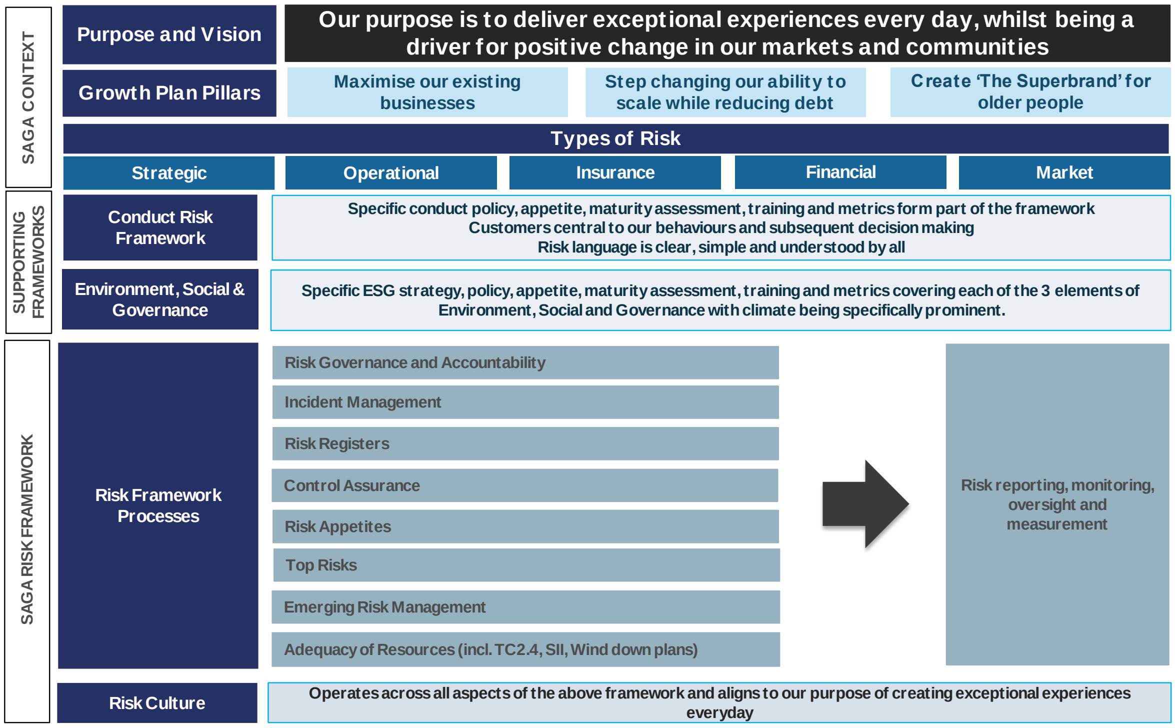
AICL uses the "Three Lines of Defence" model for its risk governance structure, which includes all employees in the management of risk, as shown in the table below. The Internal Audit function forms the 3rd line of defence, the Risk (including Conduct Risk) function the 2nd line, and all other business functions the first line.



The Saga Risk Policy sets out the overall risk strategy and framework which AICL operates under. AICL's Risk Policy aligns to this, sets out the AICL Risk Management Strategy and risk appetites and provides more specific risk framework detail relating to AICL.

The AICL Risk Management Framework is designed to support the business in achieving its goals, and incorporates AICL's risk taxonomy, risk governance and the policies and procedures for the management of risks to which AICL is exposed. The framework incorporates AICL's processes for identifying, assessing, mitigating, reporting and monitoring risk.

SAGA RISK FRAMEWORK



Saga plc's operating model changed in 2022 to a franchised operation, following which a dedicated Saga Insurance risk function has been implemented and resourced to address more appropriately the risk requirements for Saga's regulated entities. As a result, the AICL risk framework is undergoing development to further mature the structures that are currently in place. Formal approval of the enhanced framework will take place in early 2023, with the framework embedded within the AICL business during 2023.

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. It is derived from AICL's capacity to bear risk and the Boards' attitude towards taking risk.

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 but are set specifically for the level of risk and reward that is determined by the AICL Board. The risk appetites and associated measures are reported to the AICL Audit, Risk and Compliance Committee and the Board.

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 Saga Insurance Risk function who provide guidance, oversight and challenge. The Risk function is also responsible for designing the overall risk management framework ensuring it remains fit for purpose and aligned to business strategy and external good practice design principles. The Risk 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

AICL follows the Saga Incident Management Policy which sets out the minimum standards for incident management, which include the speed at which incidents should be raised after discovery, requirements for closing incidents and the role of the 2nd line to oversee key stages of the incident management cycle.

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 aligned to the terms 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.3.1.5 Conduct Risk

The Saga Insurance 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 based on an annual risk-based plan which is reviewed and approved by the Audit Risk and Compliance Committee. 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.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.

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 plan and planning process and produced for review at the final Board meeting of each financial 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 information on risk and capital is provided to the Audit, Risk and Compliance Committee and the Board in a consistent, accurate and timely manner

- 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

- 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 considering all quantifiable and non-quantifiable risks to which AICL is exposed and therefore determines whether own funds are expected to be sufficient to cover the company's SCR in line with its risk appetite and business plan.

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 to allow the final version to be submitted 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 Solvency Capital Requirements (SCR) and the Minimum Capital Requirement (MCR) will continue to be met over the plan period. A series of stress and scenario tests are then carried out, including reverse stress tests. The projected capital requirements are monitored by the AICL Board Sub Committee cand 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 the Chair of the Audit, Risk and Compliance Committee maintains regular dialogue with the Chair of the Saga plc Audit Committee.

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

- Key control assurance of control design effectiveness and operational effectiveness performed by the business and subject to oversight and periodic review by the 2nd line Risk function.
- Root cause analysis required for material risk incidents to identified what controls failed to operate effectively and to carry out control improvement to prevent recurrence.
- 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.
- Conducting appropriate due diligence when recruiting and training colleagues that fall under the Regulated Individuals Regime.

B.4.2 Implementation of the compliance function

AICL's Compliance Policy requires AICL to comply with all regulatory requirements (including legislation where it affects compliance matters) in its home jurisdiction and its host jurisdictions through its operation of branch establishments or passporting of services.

AICL's home state compliance is outsourced to WTW in Gibraltar. AICL host state compliance is provided within the Saga group by the Insurance Risk Team.

AICL has established a Compliance Risk Management Plan to monitor, maintain, identify and respond to any possible breaches of these regulations.

The Home State Compliance function is responsible for developing an annual compliance risk management plan which will include a compliance monitoring program of the key internal controls to ensure that they are operating effectively; to document the reviews undertaken and the results obtained. The compliance plan will ensure that all relevant areas of the Company' activities are included, taking into account their susceptibility to compliance risk from a Home State perspective.

The Host State Compliance function is responsible for developing an annual compliance plan which includes specific areas identified for review based on a risk-based assessment carried out at the start of the year. It also reports to the relevant committees and Board its findings.

The AICL Compliance Policy is reviewed annually, and no significant changes were made at the last review.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Internal Audit ("IA") key function responsibility within AICL sits with Saga's Internal Audit and Assurance Director. The audit activity is managed by the Saga Internal Audit team, led by the Internal Audit and Assurance Director. The objective of IA is to help protect the assets, reputation, and sustainability of the business by providing independent, reliable, valued, and timely assurance to the Board and Executive Management. IA do this by acting as a reliable third-line of defence in assessing and reporting on the effectiveness of the governance, risk management and control framework and assisting management to identify significant risks and remedial actions necessary to improve the internal risk and 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 internal risk and control environment within AICL and is developed considering AICL's risk profile and risk management framework. The audit plan is refreshed during the year to consider 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 and Assurance Director shall immediately inform the Risk Director 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 ARCC, which is a sub-Committee of the Board. Additionally, Internal Audit reports independently to the chair of the plc Audit Committee, with a dotted line into the Chair of the AICL ARCC.

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 and Assurance 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 and 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
- Calculation of the undertaking-specific parameters
- Contributing to the effective implementation of the risk-management system

An Actuarial Function report is provided to the AICL Board each year. The responsibilities that fall under the remit of the Actuarial Function are segregated from other business activities to allow independent review and challenge.

B.7 Outsourcing

The Board Sub-committee reviews the activity in relation to outsourcing[1] 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:

Outsourced functions	Service Provider	Provider Location
Sales	Saga Services	UK
Sales	AA Insurance Services Limited	UK
	RAC Motoring Services Limited	UK
Policy administration and customer service	Saga Services	UK
	AA Insurance Services Limited	UK
	BGL (trading as BISL Limited) in relation to RAC policies	UK
Accounting (FR&C)	Saga Services	UK
Negotiation of supplier contracts	Saga Group	UK
Claims handling (except large personal injury)	CHMC	UK
Home state compliance, accounts review and submission and AICL Local Office	WTW	Gibraltar
IT infrastructure, support, system development	Saga Services	UK
HR and Payroll services	Saga Services/Group	UK
Change Management	Saga Services	UK
Investment Management	JP Morgan	UK
Company Secretarial	Saga Group	UK
	Line Wall Group	Gibraltar
Legal	Saga Group	UK

All the above functions are outsourced to other parts of the Saga Group or subcontracting to external third parties where the expertise in delivering those services cannot be cost effectively delivered within the Saga Group. 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.

[1] 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.

A risk-based approach is adopted 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 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 Any other information

There is no other material information to be disclosed.

C. Risk Profile

AICL's primary activity – the underwriting of personal motor insurance policies – exposes it to a variety of risks which may impact AICL's ability to meet its business objectives.

The material risks to which AICL is exposed can be mapped to the Solvency II Solvency Capital Requirement (SCR) risk categories. A breakdown of the SCR risk categories as at 31 January 2023 is set out below:

Risk Category	31 January 2023 SCR	31 January 2023 % of SCR
Non-Life Underwriting Risk	30.9	68%
Market Risk	18.5	40%
Counterparty Default Risk	10.4	23%
Life Underwriting Risk	0.7	2%
Diversification Benefit	(14.5)	(32%)
Operational Risk	10.3	23%
Deferred Tax Adjustment	(10.7)	(23%)
SCR	45.6	100%

Sections C.1 through C.7 provide further detail on the primary risks to which AICL is exposed.

Concentration risk for AICL primarily arises from its reliance on other firms within the Saga group; group firms provide critical services as well as being the distributor for the majority of AICL policies (and therefore a significant premium debtor). Group risk is discussed in section C.6.2. AICL is also exposed to concentration risk in respect of its quota-share arrangements for its motor business.

C.1 Underwriting risk

Underwriting risk is made up of non-life and life risk components.

C.1.1 Non-life underwriting risk

Non-life underwriting risk comprises 68% of AICL's SCR as at 31 January 2023 and consists of the following components:

- Premium risk
- Reserve risk
- Catastrophe risk
- Lapse risk

Non-life underwriting risk is driven by the premium and reserve risk components, with small contributions from catastrophe and lapse risk.

Most of the non-life underwriting risk relates to motor insurance, which contributes over 80% of AICL's premium income and over 90% of technical provisions gross of reinsurance.

AICL manages underwriting risk through its policies on underwriting, pricing, reserving and reinsurance. Any breaches of the policies are reported to the ARCC or the PPACC as appropriate.

The premium risk is assessed and managed by a suite of management information reports analysed by management. The management information tracks 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 Sub-committee.

Premium risk is managed using an underwriting policy which sets 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.

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 financial reporting process. The level of reserves and reserve margin is approved by the Reserving Committee, the Audit, Risk and Compliance Committee and the AICL Board at least half-yearly.

C.1.2 Life underwriting risk

Life underwriting risk arises from third party personal injury claims which have settled as periodic payment orders (PPOs) and are currently in payment. This risk comprises c.2% of AICL's Solvency Capital Requirement as at 31 January 2023. The risks relevant to AICL within the Solvency II standard formula calculation of life risk are expense risk, longevity risk and revision risk. Life risk does not contribute significantly to the SCR due to AICL's reinsurance programme and the relatively small number of PPOs that are in payment.

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 40% of AICL's SCR as at 31 January 2023 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 managed through operation of the Investment Policy, which is the responsibility of the AICL Finance Director. The operation of the Investment Policy is overseen by the Investment Committee which in turn reports to 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.

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 the 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 2023 and at 31 January 2022 is shown in the following table:

Investment Category	31 January 2023	31 January 2022
Bank Deposits and Cash	2%	9%
Money Market Funds	6%	8%
Global Loan Funds	2%	2%
Corporate Bonds	54%	52%
UK Gilts/ Supranational Bonds	27%	22%
UK Property	9%	8%
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. Investment credit spread risk is discussed in section C.2 Market Risk.

Counterparty default risk represents 23% of AICL's SCR as at 31 January 2023 (down slightly from 24% at January 2022). This risk is comprised of type 1 counterparty risk – primarily the risk relating to reinsurer default and connected party balances – combined with type 2 counterparty risk (the risk relating to overdue premium debt).

The counterparty default risk charge has remained stable over the year. The reinsurance counterparty element of the charge remains a relatively small component of required capital reflecting AICL's approach to diversifying its risk exposure through reinsurance arrangements with a range of counterparties of good credit rating (A- or higher). In addition, AICL's motor quota share arrangements are on a 'funds withheld' basis which mitigates a significant proportion of reinsurance counterparty risk.

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

Intermediary premium debtor 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 minimise a loss". AICL recognises that liquidity is more appropriately defined in terms of a minimum buffer of liquidity maintained, rather than Profit Before Taxation.

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 and subsequent actions are being put into place with immediate effect to ensure the £10 million limit continues to remain sufficient and is adhered to.

In practice, liquidity levels remain very high. c.8% of the portfolio is immediately available cash with a further 81% invested in corporate and government fixed income debt for which active markets exist allowing them to be sold ahead of maturity.

C.4.1 Expected Profit in Future Premium (EPIFP)

The expected profit included in future premiums (as calculated in accordance with Article 260 of the Delegated Acts) is negative primarily due to the high rates of inflation observed across the insurance market. As at 31 January 2023 this amounted to -£3.4 million (down from £1.5 million as at January 2022).

C.5 Operational risk

AICL defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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 23% of AICL's SCR as at 31 January 2023.

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 second-line Enterprise Risk function.

AICL continue to operate an effective hybrid home and office operating model, with performance of all remote working teams closely monitored to ensure service levels and productivity remain within overall risk appetite, and that customers face no barriers in making claims or when receiving high quality policy administration services.

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

- the implementation of new insurance pricing algorithms;
- the implementation of and ensuring ongoing compliance with the FCA General Insurance Pricing Practices (GIPP);
- the continued impact of cyber risk, including in a working from home environment; and
- reliance on third party infrastructure including AICL's new motor network provider and moving support, maintenance and source code ownership of claims handling systems in-house.

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 changes in the way that insurance is delivered to consumers.
- Potential sale of AICL by its parent company, Saga plc.

Strategic risk remains a key focus for management and the AICL Board. Strategic risks are identified and managed through the Enterprise Risk Management Framework.

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
- A media business

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.

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 plans and continually reviewed by the Board.

C.6.3 Emerging risks

As part of the risk management framework, AICL continually looks to identify and review emerging risks, which are those risks where the likely impact on AICL's future risk profile is uncertain or longer term in nature. The following risks are considered to be the current most significant emerging risks:

- CUE Operating Model - The MIB have suggested that the current CUE operating model has reached a point where a change is required.
- Ongoing relationship between Britain and the EU - Uncertainties remain around the future of many industries and relationships with the EU.
- Autonomous Vehicles - Partial and conditional automation systems are relatively new and expected to change claims frequency.
- Data Science and Data Arms Race - Within the personal lines market, the use of sophisticated modelling and data science techniques (e.g. machine learning) within pricing is developing rapidly
- New Market Entrants – New entrants could have the potential to reduce AICL market share and make AICL less competitive
- Insurance Pricing for Electric Vehicles - The UK Government has announced a raft of green policies that includes the phasing out of ICE (Internal Combustion Engine) new car sales by 2030

C.7 Any other information

C.7.1 Stress and scenario tests

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.

In the 2022/23 ORSA, the following tests were carried out:

Test	Description	Movement in SCR Coverage Ratio (percentage points)
	31 October 2022 Solvency Ratio	**225%**
1	High inflation	(17%)
2	Yield curve changes impact	(19%)
3	Property investment values fall	(9%)
4	Saga premium debtor payment delay	(27%)
5	Policyholder premium debtor default	(36%)
6	Weather event	(5%)
7	ODR reduction to -1.5%	(7%)
8	Home coinsurance and QS failure	(14%)
9	USP variability based on recent experience	(4%)
10	USPs replaced with standard parameters	(48%)
11	Adverse experience + YC changes impact + Property + PH premium debt + USPs	(108%)
12	High premium debtor risk	(109%)
13	Extreme premium debtor risk	(126%)
14	Greater than 1 in 200-year loss scenario (tests 11 and 13 combined)	(180%)

In each of the scenarios 1-12, AICL's coverage of the SCR remains above 100%. The more extreme stresses (11-14) test AICL's ability to absorb more significant financial downsides. AICL's coverage of the MCR remains above 100% for all scenarios.

If 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 GFSC as to how it will restore own funds to be sufficient to cover the SCR in a timeline to be agreed with the GFSC.

C.7.2 Other

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

D. Valuation for Solvency Purposes

This section covers the Solvency II and statutory accounts balance sheets and the valuation of assets and liabilities. It provides a description of the bases, methods and main assumptions used for the balance sheet valuation. It also provides an explanation of the material differences between the valuation for Solvency II purposes and the valuation in the statutory account financial statements.

A summary of the Solvency II and the statutory account balance sheets as at 31 January 2023 is shown in the table below.

The material classes of assets, technical provisions and other liabilities are considered in sections D.1, D.2, and D.3 respectively.

31 January 2023 balance sheet Amounts in £'million	**Solvency II**	**Statutory Accounts**
Assets		
Intangible assets	-	-
Property, plant & equipment held for own use	-	0.0
Investments	315.4	307.5
Reinsurance recoverables	221.1	68.8
Insurance and intermediaries receivables	43.0	97.7
Reinsurance receivables	-	27.2
Cash and cash equivalents	4.9	4.9
Any other assets, not elsewhere shown	3.2	9.6
Total assets	**587.6**	**515.7**
Liabilities		
Technical provisions - best estimate	372.0	391.0
Technical provisions - risk margin	11.4	-
Deferred tax liabilities	-0.2	-
Insurance & intermediaries payables	10.7	10.7
Reinsurance payables	75.8	8.7
Any other liabilities, not elsewhere shown	19.2	16.9
Total liabilities	**489.0**	**427.4**
Excess of assets over liabilities	**98.5**	**88.3**

D.1 Assets

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

At 31 January 2023, AICL held the following assets:

Asset Class **Amounts in £'million**	**Solvency II**	**Statutory Accounts**	**Difference**
Intangible assets	-	-	-
Property, plant & equipment held for own use	-	0.0	(0.0)
Investments:			
Property (other than for own use)	35.5	27.6	7.9
Government Bonds	84.9	84.9	-
Corporate Bonds	169.6	169.6	0.0
Collective Investments Undertakings	25.5	25.5	(0.0)
Reinsurance Recoverables:			
Non-life	193.9	68.8	125.0
Life	27.2	-	27.2
Insurance and intermediaries receivables	43.0	97.7	(54.7)
Reinsurance receivables	-	27.2	(27.2)
Cash and cash equivalents	4.9	4.9	-
Any other assets, not elsewhere shown	3.2	9.6	(6.4)
Total Assets	**587.6**	**515.7**	**71.9**

Main differences between 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 include 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, only overdue premium debt is included, with non-overdue premium debt and salvage and subrogated recoverables 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:

Item	Asset Class	Solvency II Valuation	Statutory Valuation
1	Intangible assets	Not applicable	Depreciated historic costs
2	Property, plant and equipment for own use	Not applicable	Depreciated historic costs
3	Property	Professional market valuation	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

Best estimate Solvency II technical provisions, gross and net of reinsurance, by line of business as at 31 January 2023 are shown in the following table:

Line of business **Amounts in £'million**	**Gross best estimate**	**Recoverable from reinsurance**	**Net best estimate**
Motor vehicle liability insurance	303.5	184.5	119.1
Other motor insurance	21.3	9.2	12.1
Fire and other damage to property insurance	(0.6)	0.2	(0.8)
Legal expenses insurance	4.0	0.0	4.0
Assistance	5.9	0.0	5.9
Miscellaneous financial loss	3.2	0.0	3.2
Life	34.8	27.2	7.6
Total best estimate technical provisions	**372.0**	**221.1**	**151.0**

The risk margin by line of business as at 31 January 2023 is shown in the table:

Line of business **Amounts in £'million**	**Risk margin**
Motor vehicle liability insurance	9.0
Other motor insurance	0.8
Fire and other damage to property insurance	0.0
Legal expenses insurance	0.1
Assistance	0.2
Miscellaneous financial loss	0.1
Life	1.2
Total risk margin	**11.4**

The risk margin is allocated by line of business in proportion to net best estimate 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 Prudential Regulation 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
- Periodic 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 high inflation, the war in Ukraine and global macro economic effects including impacts to the insurance supply chain.

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 best estimate technical provisions and those reported in the statutory accounts as at 31 January 2023.

Line of business **Amounts in £'million**	**Solvency II Best Estimate Technical Provisions**	**Statutory Accounts Technical Provisions**	**Difference**
Motor vehicle liability insurance	303.5	267.1	36.4
Other motor insurance	21.3	66.8	(45.5)
Fire and other damage to property insurance	-0.6	1.1	(1.7)
Legal expenses insurance	4.0	3.6	0.4
Assistance	5.9	7.1	(1.2)
Miscellaneous financial loss	3.2	2.9	0.3
Life	34.8	42.5	(7.7)
Total	372.0	391.0	(19.0)

The main differences between the valuation of gross technical provisions under Solvency II versus statutory accounts relate to discounting of provisions, the recognition of profit/loss 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 specific ENIDs (events not in data) allowance and a risk margin under Solvency II.

D.2.3.1 Solvency II valuation bases

Solvency II technical provisions consist of best estimate technical provisions and a risk margin.

D.2.3.1.1 Best estimate technical provisions

Best estimate technical provisions are made up of claims provisions and premium provisions.

The claims provision is the expected present value of all future cash flows arising from claim events that occurred prior to the valuation date.

The premium provision is the expected present value of all future cash flows arising from the unexpired portion of business that the insurer is obligated to at the valuation date.

The cash flows consist of all future inflows and outflows including claim payments net of salvage and subrogated recoveries, expenses, ENIDs allowance, reinsurance costs and recoveries and future premiums stemming from existing policies.

Claims and premium provisions are calculated gross and net of reinsurance. Reinsurance recoveries arising from best estimate technical provisions are reported separately as assets on the Solvency II balance sheet.

D.2.3.1.2 Risk margin

The risk margin is defined within Regulation 68 of the Financial Services (Insurance Companies) Regulations 2020 and is the cost of providing the capital to cover the SCR over the lifetime of the liabilities. It represents the potential costs of transferring insurance obligations to a third party should an insurer fail.

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 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 periodic 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 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.2.7 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 three primary reinsurance structures and one 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
- A Net Premium Inflation Stop Loss Quota Share

- Coinsurance 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 purchased reinsurance cover on an annual basis 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 quota share reinsurance treaty in early 2016 to provide reinsurance cover on a quota share basis for its motor business. 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.

The treaty expired on 31 January 2019 and was commuted after a further three years from 31 January 2022. A new treaty 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. The new treaty operates on a continuous cover basis with a 3-year rolling notice period. Experience is pooled into 3-year performance periods. The first three years finished accruing exposures on 31 January 2022. A new 3-year performance period commenced on 1 February 2022.

D.2.8.1.3 Net Premium Inflation Stop Loss & Quota Share

In 2019 SSL commenced selling 3-year fixed price motor and home policies to its customers. Under the policy, the customer price is fixed for 3 years subject to no changes of risk or claims in the period. In 2020 AICL agreed to provide stop loss cover to SSL for net premium inflation risk that could impact SSL if inflation was high.

For each Stop Loss policy sold, AICL has ceded 50% of the inflation risk to the reinsurance market via a back-to-back quota share treaty.

D.2.8.1.4 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 2023 are shown in the following table:

Liability Class Amounts in £'million	Solvency II	Statutory Accounts	Difference
Deferred tax liabilities	(0.2)	-	(0.2)
Insurance & intermediaries payables	10.7	10.7	-
Reinsurance payables	75.8	8.7	67.1
Any other liabilities, not elsewhere shown	19.2	16.9	2.2
Total Assets	**105.6**	**36.4**	**69.1**

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 Insurance & intermediaries payables

This represents amounts due for payment by policyholders, insurers, and other linked to insurance business that are not included in technical provisions that are past-due.

D.3.2.1.3 Reinsurance payables

This represents amounts payable to reinsurers other than deposits linked to reinsurance business that are not included in reinsurance recoverables that are past-due. Reinsurance payables include payables to reinsurers that relate to ceded premiums.

D.3.2.1.4 Any other liabilities, not elsewhere shown

This represents the total of any other liabilities, not elsewhere already included in other Balance Sheet items. The largest item within this class is the funds withheld account in respect of the motor quota share.

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 Insurance & intermediaries payables

This represents amounts payable to policyholders, insurers and other business linked to insurance that are not included in technical provisions.

D.3.2.2.3 Reinsurance payables

This represents amounts payable to reinsurers other than deposits linked to reinsurance business that are not included in reinsurance recoverables. Reinsurance payables include payables to reinsurers that relate to ceded premiums.

D.3.2.2.4 Any other liabilities, not elsewhere shown

This is the total of any other liabilities, not elsewhere already included in other Balance Sheet items.

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 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 planning period.

Over the planning period, the SCR movements will reflect plan volumes, premium and profit, together with the impact of these through to claims provisions, investments and counterparty receivables. 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 2023 (and prior year end) are as follows:

Description **Amounts in £'millions**	**Tier**	**31 January 2023**	**31 January 2022**
Ordinary Share Capital	1	30.0	30.0
Reconciliation Reserve	1	68.5	85.1
Total	**1**	**98.5**	**115.1**

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 2023:

Description **Amounts in £'million**	**Solvency II**	**Statutory Accounts**
Ordinary share capital	30.0	30.0
Retained earnings including profits from the year	69.2	69.2
Other reserves from accounting balance sheet	(10.9)	(10.9)
Adjustments to assets	71.9	-
Adjustments to technical provisions	7.5	-
Adjustments to other liabilities	(69.1)	-
Total	**98.5**	**88.3**

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 SCR and the MCR

The SCR and MCR as at 31 January 2023 and 31 January 2022 are shown in the following table:

Risk Category **Amounts in £'million**	**31 January 2023**	**31 January 2022**
Non-Life Underwriting Risk	30.9	40.8
Market Risk	18.5	20.0
Counterparty Default Risk	10.4	12.7
Life Underwriting Risk	0.7	1.4
Diversification Benefit	-14.5	-17.4
Basic SCR	46.0	57.5
Operational Risk	10.3	9.3
LACDT Adjustment	-10.7	-12.7
SCR	45.6	54.1
MCR	20.5	24.3

The SCR and MCR have reduced over the year primarily due to the new motor quota share treaty 3-year performance period that commenced on 1 February 2022.

The SCR and MCR coverage ratios are shown in the table below:

Year ended **Amounts in £'million**	**31 January 2023**	**31 January 2022**
SCR	45.6	54.1
Own Funds	98.5	115.1
SCR Coverage Ratio	216%	213%
MCR	20.5	24.3
MCR Coverage Ratio	480%	473%

The coverage ratios have improved over the year due to the reductions in the SCR and MCR for the reason as noted above, offset partially by the reduction in own funds which is largely due to the dividends paid in to AICL's shareholder.

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 undertaking-specific parameters that the undertaking is required to use in accordance with Regulation 100(3) of The Regulations

The GFSC has not required the use of undertaking-specific parameters in accordance with Regulation 100(3) of The Regulations.

E.2.5 Loss Absorbing Capacity of Deferred Taxes (LACDT)

The adjustment for deferred taxes is effectively a tax asset which arises in the event of a 1-in-200-year underwriting loss. The extent to which the value of this asset can be taken into account depends on the extent to which it can be utilised to reduce deferred tax liabilities on Saga Group's balance sheet or tax payable in current and future years.

As AICL is part of the Saga plc group of companies which pay tax in the UK, the asset can be used to offset tax payable at group level either on Group's balance sheet or in the current tax year. Otherwise, it can be carried forward to offset future tax liabilities.

The SCR coverage ratio includes full credit for LACDT. Management believe that this remains appropriate. Saga plc (excluding AICL) currently holds a deferred tax asset of £7.4m and is expecting to incur tax liabilities on future profits (excluding AICL profits) of £2.1m, £4.8m and £11.2m in the financial years 2023/24, 2024/25 and 2025/26 respectively. This £10.7m total tax liability is equal to the LACDT credit within the 31 January 2023 SCR of £10.7m.

AICL's SCR projections forecast continuing future Group (excluding AICL) profits at a level that supports taking the full value of the adjustment for deferred taxes in the SCR.

E.2.6 Inputs used to calculate the Minimum Capital Requirement

The following inputs were used to calculate the MCR as at 31 January 2023:

Line of business **Amounts in £'million**	**Net best estimate technical provisions**	**Net written premium in last 12 months**
Motor Vehicle liability insurance	181.5	17.2
Other motor insurance	13.8	9.2
Fire and other damage to property insurance	0.0	1.0
Legal expenses insurance	5.0	1.2
Assistance	8.5	21.2
Miscellaneous financial loss	3.3	1.7
Other (Periodic Payment Orders)	7.6	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. Glossary of Terms

Key terms used in this document are defined below:

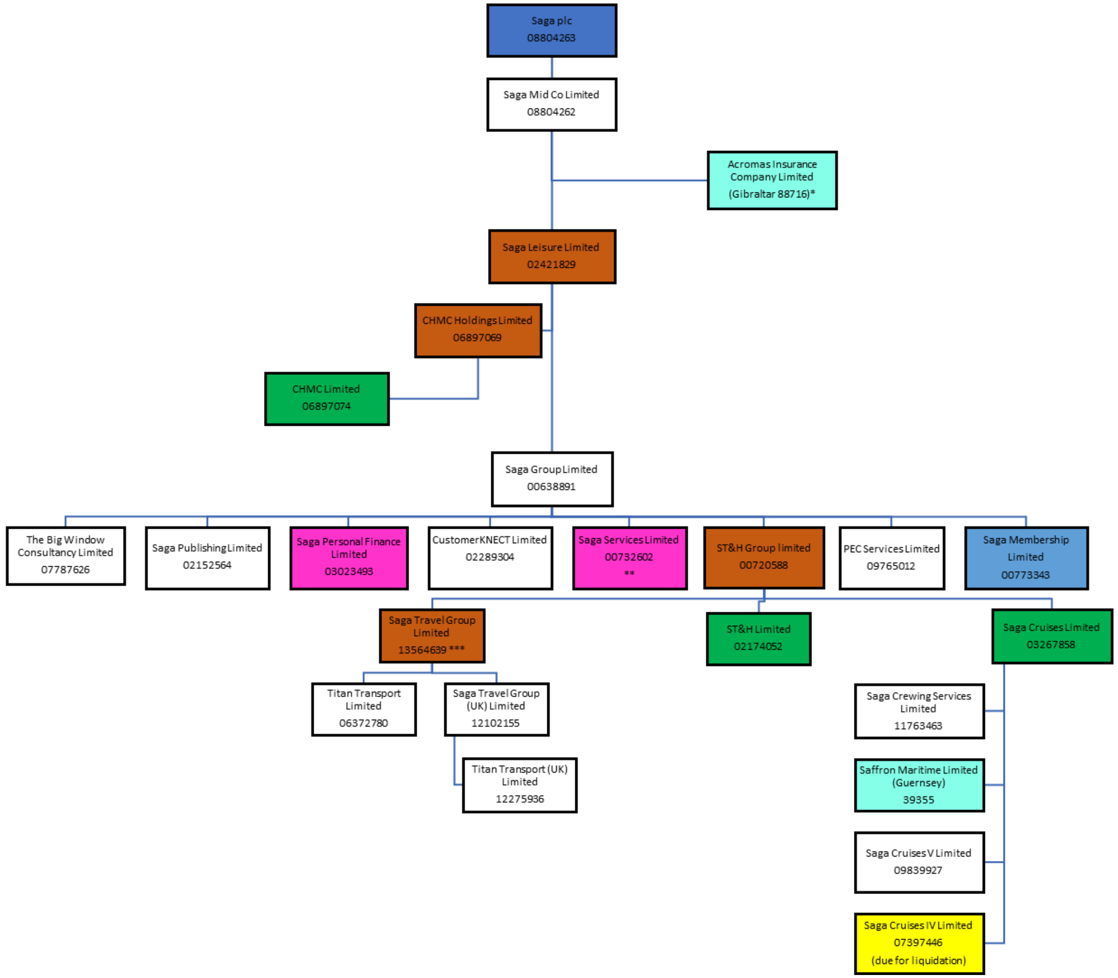
Term	Definition
AICL, the Company	Acromas Insurance Company Limited
ARCC	Audit, Risk and Compliance Committee
Best estimate technical provisions	Solvency II best estimate technical provisions are best estimates of the future cashflows arising from (a) the element of business for which the insurance cover has already been provided and (b) the unexpired portion of business that the insurer is obligated to at the valuation date. The elements (a) and (b) are referred to as claims provisions and premium provisions respectively.
Board	The board of directors of the Company
Claims provision	Solvency II claims provisions are the expected present value of all future cash flows arising from claim events that occurred prior to the valuation date. The cash flows consist of all future inflows and outflows including claim payments net of salvage and subrogated recoveries, expenses, ENIDs allowance, reinsurance costs and recoveries and future premiums stemming from existing policies.
Coinsurance	A contractual arrangement where two or more insurers agree to underwrite insurance business in specified proportions. Each coinsurer is directly liable to the policyholder for their share.
Delegated Acts	Refers to Commission Delegated Regulation (EU) 2015/35 (the regulations stating the Solvency II requirements).
Events not in data (ENIDs)	An allowance for ENIDs reflects low probability but high severity events that may not be represented in data based on past experience.
GFSC	Gibraltar Financial Services Commission. AICL is regulated by the GFSC.
Gross written premium	Total premiums from contracts that incepted during the period.
Incurred but not reported (IBNR)	Reserves established for insurance claims or events that have happened but have not yet been reported to the insurer.
MCR	Minimum Capital Requirement. In addition to the SCR, the MCR is calculated which represents the threshold below which the regulator would intervene. The MCR is the capital required to ensure that the insurer will be able to meet its obligations over the next 12 months with a probability not less than 85%.
Net claims incurred	The cost of claims in the period less any claims costs recovered under excess of loss reinsurance contracts. It includes claims payments and movements in claims reserves (including IBNR).
Net earned technical income	The element of premiums and other income less the cost of excess of loss reinsurance from contracts for the period where insurance cover has already been provided.
Net written premium	Total premiums from contracts that incepted during the period less the cost of all reinsurance.
ORSA	Own Risk and Solvency Assessment. A forward-looking assessment of the company's risks and associated capital requirements, over the business planning period.
Own funds	The eligible funds an insurer has on the balance sheet to cover its SCR and MCR requirements.

Term	Definition
PPACC	Pricing, Product and Capital Committee
Premium provision	Solvency II premium provisions are the expected present value of all future cash flows arising from the unexpired portion of business that the insurer is obligated to at the valuation date. The cash flows consist of all future inflows and outflows including claim payments net of salvage and subrogated recoveries, expenses, ENIDs allowance, reinsurance costs and recoveries and future premiums stemming from existing policies.
Reinsurance	A contractual agreement where the insurer transfers part or all of the insurance risk to a reinsurer. This can be on an excess of loss basis (where the reinsurer is liable for claims above an agreed level) or a quota share basis (both parties share risk exposure according to a fixed percentage).
Risk margin	The Solvency II risk margin represents the potential costs of transferring insurance obligations to a third party should an insurer fail.
SCR	Solvency Capital Requirement. The amount of funds that insurers are required to hold under Solvency II. The SCR is the capital required to ensure that the insurer will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. A regulatory ladder of intervention applies once the capital holding of the insurer falls below the SCR, with the intervention becoming progressively more intense as the capital holding approaches the MCR.
Solvency II	The regulatory regime for the European insurance industry, which came into force on 1 January 2016. It primarily concerns the amount of capital that insurers must hold to reduce the risk of insolvency. It also covers governance and accountability, risk assessment and management, supervision, reporting and public disclosure.
SSL	Saga Services Limited; a subsidiary company of Saga plc which carries out insurance broking.
Statutory Accounts	Audited financial statements for the financial years ended 31 January. Prepared in accordance with Companies Act 2014, Financial Services Act 2019 and Gibraltar Financial Reporting Standards, including FRS 101
Technical provisions	Technical provisions are a best estimate of future insurance cash flows combining both the Claims and Premium Provisions (referenced above) and a risk margin under Solvency II.
The Regulations	Refers to Gibraltar Financial Services (Insurance Companies) Regulations 2020 (regulations that apply to insurers established in Gibraltar).
Underwriting	The process through which an insurer takes on insurance risk for a fee. The process includes assessing whether the risk is acceptable, the appropriate premium and the terms and conditions of the cover.
USPs	Undertaking-specific parameters: regulatory approved factors specific to the insurer that replace standard factors from the Delegated Acts used in the calculation of premium and reserve risk capital charges.

G. Additional Information

G.1 Saga plc company structure

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



Active
FCA Regulated
Registered outside of England & Wales
Holding Company
100% Shares publicly owned
Companies limited by Guarantee
Strike off in progress or in liquidation
Appointed representative of Saga Services Ltd
Introducer appointed representative for SSL & SPF

Notes
1) All companies are 100% owned unless indicated otherwise
2) Dormant Companies and 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

G.2 Quantitative Reporting Templates

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
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	315,428,735
Property (other than for own use)	R0080	35,527,800
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	254,427,025
Government Bonds	R0140	84,861,572
Corporate Bonds	R0150	169,565,453
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	25,473,910
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	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	221,082,755
Non-life and health similar to non-life	R0280	193,875,003
Non-life excluding health	R0290	193,875,003
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	27,207,751
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	27,207,751
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	43,005,027
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	4,894,000
Any other assets, not elsewhere shown	R0420	3,150,710
Total assets	R0500	587,561,226

S.02.01.02 continued
Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	347,543,064
Technical provisions – non-life (excluding health)	R0520	347,543,064
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	337,258,438
Risk margin	R0550	10,284,626
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	35,937,379
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	35,937,379
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	34,786,816
Risk margin	R0680	1,150,563
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	-217,997
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	10,742,154
Reinsurance payables	R0830	75,841,475
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	19,186,646
Total liabilities	R0900	489,032,721
Excess of assets over liabilities	R1000	98,528,505

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0040	C0050	C0070	C0100	C0110	C0120	C0200
Premiums written								
Gross - Direct Business	R0110	83,395,731.43	44,905,393.84	1,107,939.98	1,197,877.61	21,169,192.57	2,373,151.35	154,149,286.78
Gross - Proportional reinsurance accepted	R0120	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0130							0.00
Reinsurers' share	R0140	68,070,394.75	36,653,289.48	243,210.67	0.00	0.00	633,250.00	105,600,144.90
Net	R0200	15,325,336.68	8,252,104.36	864,729.31	1,197,877.61	21,169,192.57	1,739,901.35	48,549,141.88
Premiums earned								
Gross - Direct Business	R0210	88,106,370.41	47,441,891.76	1,082,702.14	1,115,758.82	20,791,503.61	2,395,073.24	160,933,299.98
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0230							0.00
Reinsurers' share	R0240	71,804,383.67	38,663,898.90	224,826.16	0.00	0.00	633,250.00	111,326,358.73
Net	R0300	16,301,986.74	8,777,992.86	857,875.98	1,115,758.82	20,791,503.61	1,761,823.24	49,606,941.25
Claims incurred								
Gross - Direct Business	R0310	79,734,904.63	42,934,179.42	766,253.81	-208,364.57	17,291,633.69	909,883.66	141,428,490.64
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0330							0.00
Reinsurers' share	R0340	58,107,481.44	31,288,643.85	128,521.35	0.00	0.00	0.00	89,524,646.64
Net	R0400	21,627,423.19	11,645,535.57	637,732.46	-208,364.57	17,291,633.69	909,883.66	51,903,844.00
Changes in other technical provisions								
Gross - Direct Business	R0410	5,147,912.98	2,771,953.14	0.00	0.00	0.00	0.00	7,919,866.12
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non- proportional reinsurance accepted	R0430							0.00
Reinsurers'share	R0440	4,118,330.38	2,217,562.51	0.00	0.00	0.00	0.00	6,335,892.89
Net	R0500	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses incurred	R0550	3,215,569.18	1,731,460.33	2,367,348.66	47,964.15	202,011.62	83,900.43	7,648,254.36
Other expenses	R1200							0.00
Total expenses	R1300							7,648,254.36

S.05.01.02 continued

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations	Total
		Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	
		C0260	C0300
Premiums written			
Gross	R1410		
Reinsurers' share	R1420		
Net	R1500		
Premiums earned			
Gross	R1510		
Reinsurers' share	R1520		
Net	R1600		
Claims incurred			
Gross	R1610		
Reinsurers' share	R1620		
Net	R1700		
Changes in other technical provisions			
Gross	R1710		
Reinsurers' share	R1720		
Net	R1800		
Expenses incurred	R1900		
Other expenses	R2500		
Total expenses	R2600		
Total amount of surrenders	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)
			GB	
		C0080	C0090	C0140
Premiums written				
Gross - Direct Business	R0110	154,186,090.78	0.00	154,186,090.78
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	105,600,144.90	0.00	105,600,144.90
Net	R0200	48,585,945.88	0.00	48,585,945.88
Premiums earned				
Gross - Direct Business	R0210	160,970,103.98	0.00	160,970,103.98
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	111,326,358.73	0.00	111,326,358.73
Net	R0300	49,643,745.25	0.00	49,643,745.25
Claims incurred				
Gross - Direct Business	R0310	143,012,490.64	0.00	143,012,490.64
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	89,524,646.64	0.00	89,524,646.64
Net	R0400	53,487,844.00	0.00	53,487,844.00
Changes in other technical provisions				
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	0.00	0.00	7,648,254.36
Other expenses	R1200			
Total expenses	R1300			7,648,254.36

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)
			GB	
		C0220	C0230	C0280
Premiums written				
Gross	R1410	0.00	0.00	0.00
Reinsurers' share	R1420	0.00	0.00	0.00
Net	R1500	0.00	0.00	0.00
Premiums earned				
Gross	R1510	0.00	0.00	0.00
Reinsurers' share	R1520	0.00	0.00	0.00
Net	R1600	0.00	0.00	0.00
Claims incurred				
Gross	R1610	0.00	0.00	0.00
Reinsurers' share	R1620	0.00	0.00	0.00
Net	R1700	0.00	0.00	0.00
Changes in other technical provisions				
Gross	R1710	0.00	0.00	0.00
Reinsurers' share	R1720	0.00	0.00	0.00
Net	R1800	0.00	0.00	0.00
Expenses incurred	R1900	0.00	0.00	0.00
Other expenses	R2500			
Total expenses	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	34,786,816	34,786,816
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	27,207,751	27,207,751
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	7,579,065	7,579,065
Risk Margin	R0100	1,150,563	1,150,563
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110		
Best estimate	R0120		
Risk margin	R0130		
Technical provisions - total	R0200	35,937,379	35,937,379

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	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	R0060	72,039,373	37,529,969	-1,083,879	457,190	3,550,688	1,218,400	113,711,741
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	37,515,049	18,894,551	86,496	0	0	0	56,496,095
Net Best Estimate of Premium Provisions	R0150	34,524,324	18,635,419	-1,170,375	457,190	3,550,688	1,218,400	57,215,646
Claims provisions								
Gross - Total	R0160	231,470,621	-16,192,532	448,107	3,511,702	2,301,416	2,007,383	223,546,697
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	146,941,638	-9,648,670	85,941	0	0	0	137,378,909
Net Best Estimate of Claims Provisions	R0250	84,528,983	-6,543,862	362,166	3,511,702	2,301,416	2,007,383	86,167,788
Total Best estimate - gross	R0260	303,509,994	21,337,437	-635,772	3,968,892	5,852,104	3,225,784	337,258,438
Total Best estimate - net	R0270	119,053,307	12,091,557	-808,208	3,968,892	5,852,104	3,225,784	143,383,434
Risk margin	R0280	8,992,368	808,417	29,200	129,092	216,183	109,367	10,284,626
Amount of the transitional on Technical Provisions								
TP as a whole	R0290	0	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0
Technical provisions - total								
Technical provisions - total	R0320	312,502,362	22,145,854	-606,573	4,097,983	6,068,287	3,335,150	347,543,064
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	184,456,687	9,245,880	172,436	0	0	0	193,875,003
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	128,045,675	12,899,974	-779,009	4,097,983	6,068,287	3,335,150	153,668,060

S.19.01.21

Non-life insurance claims

Unit	GBP

Accident year	Z0020	1

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											153,750
N-9	R0160	123,260,281	32,234,381	10,483,646	10,044,220	11,483,809	5,760,733	882,711	3,838,337	465,647	80,160	
N-8	R0170	114,480,755	29,285,168	9,446,931	7,908,711	7,122,533	11,312,275	2,046,820	469,985	170,818		
N-7	R0180	114,172,238	27,126,533	8,969,692	14,346,594	10,495,511	3,125,717	1,529,233	4,453,654			
N-6	R0190	110,412,212	23,207,755	9,702,143	6,556,247	2,959,031	2,488,569	964,946				
N-5	R0200	107,467,310	24,762,697	7,231,416	9,818,194	9,526,532	5,702,477					
N-4	R0210	110,290,973	29,804,275	3,926,376	3,800,704	5,904,739						
N-3	R0220	112,235,728	28,907,233	7,688,614	5,971,039							
N-2	R0230	69,773,147	18,292,294	4,375,489								
N-1	R0240	74,554,799	31,719,694									
N	R0250	92,483,582										

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

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	153,750	1,203,838,175
R0160	80,160	198,533,926
R0170	170,818	182,243,997
R0180	4,453,654	184,219,172
R0190	964,946	156,290,904
R0200	5,702,477	164,508,627
R0210	5,904,739	153,727,068
R0220	5,971,039	154,802,614
R0230	4,375,489	92,440,931
R0240	31,719,694	106,274,492
R0250	92,483,582	92,483,582
R0260	151,980,350	2,689,363,488

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											-4,008,617
N-9	R0160	0	0	0	61,383,445	-22,278,927	1,581,734	-9,891,327	-4,069,140	-3,719,673	-3,625,646	
N-8	R0170	0	0	84,635,394	-19,775,005	-20,446,248	-22,819,547	-16,092,274	-850,738	-278,697		
N-7	R0180	0	118,425,424	-15,765,955	-55,609,813	-21,045,381	-10,952,079	-4,735,415	-8,465,323			
N-6	R0190	132,864,256	-46,106,625	-37,105,029	-10,014,200	-30,216,564	-3,911,942	-856,991				
N-5	R0200	127,809,287	-55,558,816	-20,100,053	-21,794,623	-16,743,343	-7,585,028					
N-4	R0210	91,807,178	-31,948,715	-4,536,724	-15,313,010	-13,431,973						
N-3	R0220	101,101,473	-50,343,312	-13,705,196	-15,454,129							
N-2	R0230	54,781,343	-17,083,284	-17,902,366								
N-1	R0240	75,966,640	-3,838,704									
N	R0250	101,591,829										

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

	Year end (discounted data)
	C0360
R0100	667,461
R0160	16,142,885
R0170	3,688,570
R0180	1,574,761
R0190	3,882,335
R0200	4,993,515
R0210	22,319,232
R0220	17,790,989
R0230	16,210,184
R0240	59,315,838
R0250	85,383,410
R0260	231,969,178

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	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	68,528,505	68,528,505			
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			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0			
Total basic own funds after deductions	R0290	98,528,505	98,528,505	0	0	0
Ancillary own funds						
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				
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	98,528,505	98,528,505	0	0	0
Total available own funds to meet the MCR	R0510	98,528,505	98,528,505	0	0	
Total eligible own funds to meet the SCR	R0540	98,528,505	98,528,505			
Total eligible own funds to meet the MCR	R0550	98,528,505	98,528,505			
SCR	R0580	45,596,798				
MCR	R0600	20,518,559				
Ratio of Eligible own funds to SCR	R0620	216%				
Ratio of Eligible own funds to MCR	R0640	480%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	98,528,505
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
Reconciliation reserve	R0760	68,528,505
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-3,351,741
Total Expected profits included in future premiums (EPIFP)	R0790	-3,351,741

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	18,455,135	0
Counterparty default risk	R0020	10,432,925	0
Life underwriting risk	R0030	747,220	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	30,878,904	0
Diversification	R0060	-14,496,135	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	46,018,049	

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	10,274,294
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-10,695,545
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	45,596,798
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	45,596,798
Other information on SCR		
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

S.28.01.01

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	23,701,934

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	181,490,163	17,156,631
Other motor insurance and proportional reinsurance	R0060	13,761,107	9,238,186
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	1,019,567
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	5,012,456	1,197,878
Assistance and proportional reinsurance	R0120	8,527,048	21,169,193
Miscellaneous financial loss insurance and proportional reinsurance	R0130	3,348,240	1,700,651
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	159,160

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	7,579,065	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	23,861,094
SCR	R0310	45,596,798
MCR cap	R0320	20,518,559
MCR floor	R0330	11,399,199
Combined MCR	R0340	20,518,559
Absolute floor of the MCR	R0350	2,379,142
Minimum Capital Requirement	R0400	20,518,559