

SAGA

Acromas Insurance Company Limited

Solvency and Financial Condition Report

31 January 2024

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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 of 31 January 2024. 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 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 financial year since it started underwriting in 2004. Its core activities are the underwriting and pricing of personal lines insurance products and the settlement of claims arising from that underwriting. It supplies products on a wholesale premium basis to its distribution partners, who are then responsible for setting the retail prices in compliance with all regulatory requirements. AICL's reported premiums therefore cover the expected cost of claims, reinsurance, expenses, levies and a profit margin.

AICL's gross written premium in the financial year 2023/24 was predominantly from contracts written in the United Kingdom, with small exposures in the Channel Islands and the Isle of Man.

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 larger £50k+ third-party personal injury claims, which are handled by AICL).

AICL's key financial information for the year ended 31 January 2024 is summarised below:

Year ended. Amounts in £'million	31 January 2024	31 January 2023
<i>Gross Written Premiums</i>	189.4	154.2
<i>Net Earned Technical Income (before quota share reinsurance)</i>	149.2	148.3
<i>Profit before Taxation (net of quota share reinsurance)</i>	2.6	16.9
<i>Current Year Combined Ratio (excluding investment return)</i>	107.4%	110.3%
<i>Solvency Capital Requirement (SCR)</i>	54.0	45.6
<i>Own Funds</i>	83.0	98.5
<i>SCR Coverage Ratio</i>	154%	216%
<i>MCR</i>	24.3	20.5
<i>MCR Coverage Ratio</i>	342%	480%

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 2024 (and prior year end) split into the main risk modules:

Risk Category	31 January 2024	31 January 2023
<i>Non-Life Underwriting Risk</i>	56%	68%
<i>Market Risk</i>	24%	40%
<i>Counterparty Default Risk</i>	21%	23%
<i>Life Underwriting Risk</i>	2%	2%
<i>Diversification Benefit</i>	(23%)	(32%)
<i>Operational Risk</i>	21%	23%
<i>Deferred Tax Adjustment</i>	0%	(23%)
<i>Solvency Capital Requirement</i>	100%	100%

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

Non-life underwriting risk has been stable over the year in absolute terms but has fallen in percentage terms to 56% at January 2024 due to an increase in the SCR. The SCR has increased primarily due to a nil credit for the loss absorbing capacity of deferred taxes (LACDT) at January 2024 (down from c.£11m at January 2023). The nil LACDT credit reflects a short-term Group deferred tax position. An LACDT credit is forecast to return later in 2024. See section E.2.5 for further information on LACDT.

The market risk percentage has reduced to 24% both due to the reduction in the SCR and due to a reduction in the market risk charge. The reduced market risk charge reflects a lower property risk charge (reflecting property revaluations) and lower spread risk and interest rate risk charges (reflecting investment portfolio composition changes).

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 and technical analysis, 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 Finance Director using the approach laid out in the AICL Investment Policy, 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 due to the economic environment and the impact of high inflation. 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 of 31 January 2024 as well as the prior year end:

Solvency II (£'million)	31 January 2024	31 January 2023
Value of assets	579.1	587.6
Value of liabilities	496.1	489.0
Excess of assets over liabilities	83.0	98.5

Statutory Accounts (£'million)	31 January 2024	31 January 2023
Value of assets	538.2	515.7
Value of liabilities	460.8	427.4
Excess of assets over liabilities	77.4	88.3

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 has a Board-approved Capital Management Policy in place. It 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 regularly 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 can be distributed to the shareholder via dividend payments in accordance with the Capital Management Policy.

The SCR and Minimum Capital Requirement (MCR) coverage ratios as at 31 January 2024 (and prior year end) are shown in the table below:

Year ended Amounts in £'million	31 January 2024	31 January 2023
<i>Solvency Capital Requirement</i>	54.0	45.6
<i>Own Funds</i>	83.0	98.5
<i>SCR Coverage Ratio</i>	154%	216%
<i>MCR</i>	24.3	20.5
<i>MCR Coverage Ratio</i>	342%	480%

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.

*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, reinsurance, expenses, levies, and profit margin.

AICL's gross written premium in the financial year 2023/24 was predominately from contracts written in the United Kingdom, with small exposures in the Channel Islands and the Isle of Man.

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 new or renewed policies on AA Insurance Service motor and home panels from 31 January 2023. Exposure has persisted throughout the year as the existing book comes up for renewal.

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 2021/22, 2022/23 and 2023/24 written premium by high level product group.

	Classification in Statutory Accounts	Gross Written Premiums £ million		
		2023/24	2022/23	2021/22
Motor insurance and ancillaries	Direct Motor	164.7	128.3	144.8
Breakdown products	Direct Assistance	20.5	21.2	19.6
Home Legal	Other	1.1	1.2	1.0
Pet insurance	Miscellaneous Financial Loss	1.0	1.2	1.3
Home and ancillaries	Other	1.0	0.2	0.2
Caravan insurance	Other	0.9	0.9	0.9
Other insurances	Miscellaneous Financial Loss	0.0	1.2	2.1
Total		189.4	154.2	169.8

For 2023/24, 87% of written premium related to motor insurance and ancillaries, 11% to breakdown insurance and ancillaries and the remaining 2% related to home insurance and ancillaries, caravan insurance, pet insurance and a variety of other minor classes.

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

The most material business events that have occurred over the reporting period include the ongoing impact of post-Covid claims development, the UK economic environment and the impacts of high inflation. Application Fraud risk has also increased as issues of affordability of higher premiums grows.

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.

During the period, Saga plc confirmed that it was in discussions with regard to a possible disposal of the AICL business. Whilst no sale was concluded and discussions ended, the process had some impact in terms of management distraction and uncertainty for colleagues in 2023. Despite that, engagement has been maintained well and moved in line with that of the wider Saga Group. Colleague listening (including surveys and focus groups) continues to inform our plans for further action.

A.2 Underwriting Performance

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

Year ended	31 January 2024	31 January 2023
	£ million	£ million
Gross Written Premium	189.4	154.2
Profit and loss, excluding quota share reinsurance		
Net Earned Technical Income	149.2	148.3
Other Income	3.1	2.7
Net Claims Incurred – Current Year	(169.8)	(176.6)
Net Claims Incurred – Reserve Releases	10.8	25.1
Operating Expenses	(17.9)	(15.0)
Investment Return	6.4	6.4
Sub Total	(18.0)	(9.1)
Quota share reinsurance cost	20.7	26.0
Profit before taxation	2.6	16.9
Combined Ratio (excluding investment return)	107.4%	110.3%

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

Excluding the impact of the quota share arrangement, net earned premiums increased by 0.6% to £149.1m (2022: £148.3m) reflecting a 26% increase in average earned premiums offset by an 18.7ppt reduction in the number of earned policies. This reflects the significant rate passed on during 2022 and 2023, together with a reduction in volumes on Saga brokerage panels.

Also excluding the impact of the quota share arrangement, prior year reserve releases of £10.8m (2022: £25.1m) were recognised reflecting continued favourable experience on large bodily injury claims relating to prior accident years. The year-on-year reduction in reported combined operating ratio (COR) of 107.4% (2022: 110.3%) reflects the rate passed on during 2022 and 2023 as a reaction to the continued inflationary cost pressures seen across the market over the most recent financial years.

Key financial indicators by major line of business follow:

Year ended 31 January 2024	Motor	Direct Assistance	Miscellaneous Financial Loss	Other	Total
	£m	£m	£m	£m	£m
Gross Written Premium	164.7	21.6	1.0	2.0	189.4
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	123.2	21.7	2.2	2.1	149.2
Other Income	0.3	2.0	0.0	0.9	3.1
Net Claims Incurred – Current Year	(138.1)	(21.8)	(6.4)	(3.4)	(169.8)
Net Claims Incurred – Reserve Releases	11.1	(0.6)	0.3	0.0	10.8
Operating Expenses	(15.4)	(0.2)	(0.1)	(2.2)	(17.9)
Investment Return	5.7	0.3	0.0	0.1	6.0
Sub Total	(13.3)	1.3	(3.9)	(2.5)	(18.4)
Quota share reinsurance cost	19.5	0.0	1.2	0.0	20.6
Profit on Technical Account	6.2	1.3	(2.7)	(2.5)	2.2
Investment return on shareholders' funds					0.4
Profit before taxation					2.6

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 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

Profit before taxation in 2022/23 reduced year on year by c£14m. This is driven primarily by the Motor product and reflects prior year claims performance with 2022/23 benefitting from release of c£10m Covid margin generated in 2020/21.

A.3 Investment Performance

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

The table below shows a summary of the market value and income from AICL's investments, excluding cash, split by asset class. Investment properties, leased to Group and currently held for sale are valued at the lower of current market value and depreciated historical cost.

Asset Type	Value as of 31 January 2024	Value as of 31 January 2023	Income in 2023/24	Expenses in 2023/24
	£ million	£ million	£ million	£ million
Money market funds	32.8	19.6	0.7	0.0
Property	23.3	27.6	3.3	(2.1)
Fixed Interest Securities	219.1	254.4	4.6	(0.2)
Bank Loan Funds	0.0	5.9	0.2	0.0
Total	275.2	307.5	8.8	(2.3)

Key movements over the year are a result of utilising maturing fixed interest securities to settle increased claims costs, with the balance retained in highly liquid money market funds.

A.3.2 Gains and losses recognised directly in equity.

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

	Called-up Share Capital	Share Premium Account	Other Reserves	Profit & Loss Account	Total Equity
	£m	£m	£m	£m	£m
As of 31 January 2023	30.0	-	(10.9)	68.9	88.0
Profit for the financial year				0.9	0.9
Net gain on available for sale financial assets			3.5		3.5
Associated tax effect			(0.9)		(0.9)
Dividends paid				(14.0)	(14.0)
As of 31 January 2024	30.0	-	(8.3)	55.8	77.4

A.3.3 Investments in securitisation

AICL does not directly hold any securitised assets.

A.4 Performance of other activities

A.4.1 Other Income arising

Year ended	31 January 2024	31 January 2023
	£ million	£ million
Referral fees	0.0	0.0
Expense allowances and profit shares	36.8	25.5
Total	36.8	25.5

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

A.4.2 Expenses arising

Year ended	31 January 2024	31 January 2023
	£ million	£ million
Levies payable to regulatory bodies	4.6	3.8
Acquisition costs	0.0	0.0
Administrative expenses	13.2	11.1
Reinsurer's share of expenses	(11.5)	(10.5)
Total	6.4	4.4

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.5 Any other information

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

B. System of Governance

B.1 General Information on the system of governance

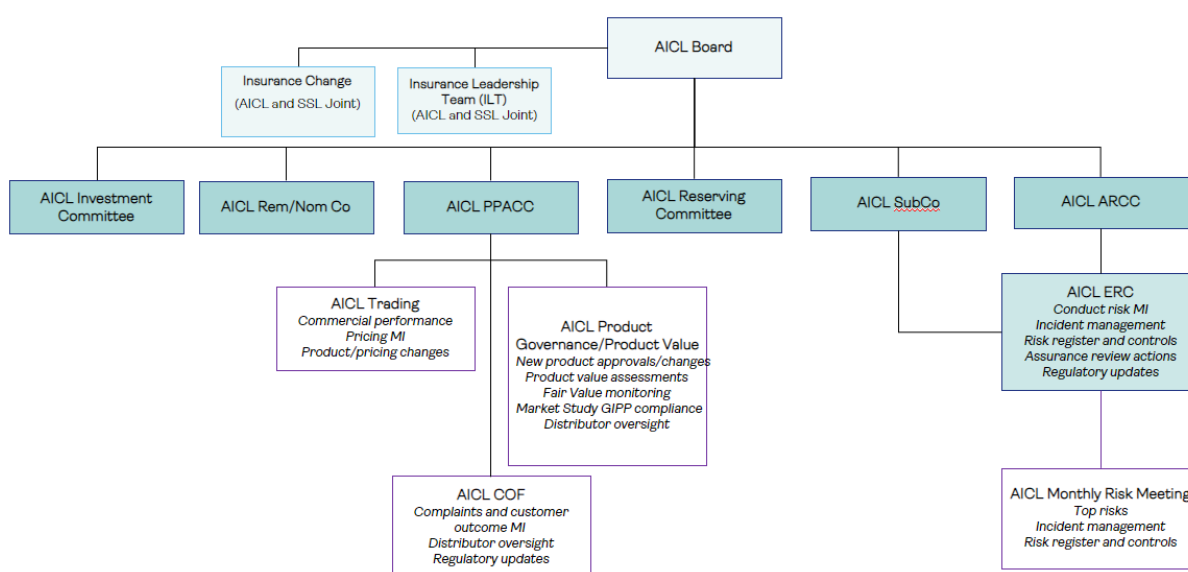
B.1.1 The structure, roles, and responsibilities of the undertaking's administrative, management or supervisory body and relevant committees

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:

AICL GOVERNANCE STRUCTURE



Each Committee has delegated authority by the Board to carry out their responsibilities and objectives. In addition, each of the Committees report and escalate any matters of concern to the Board. In practical terms, each of the Committees (except for the Audit, Risk and Compliance, Nomination and Remuneration Committees) notify any key decisions or matters of concern to the monthly Board Sub-committee.

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 approve 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:

- *One director resigned as a statutory director on leaving the Saga Group and one director resigned on his election to the Gibraltar parliament.*
- *The Chief Executive resigned as a statutory director on appointment to a role in a different part of Saga Insurance, and he was replaced, subject to and with effect from approval from the Gibraltar Financial Services Commission, by an external recruit.*

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

- *The Board chair was appointed as a member of the Risk, Audit and Compliance Committee, and the chair of the sub-committee was appointed a member and chair of that committee.*
- *The Finance Director left during the year, replaced on an interim basis by an external recruit and subsequently on a permanent basis by an internal promotion.*
- *The person acting as Head of Internal Audit (a regulated individual role) handed over the regulated responsibility to the person who had been effectively performing the role for some years.*
- *AICL received a formal waiver from the Gibraltar Financial Services Commission in respect of the role of Chief Operating Officer, as the various components of the COO*

role are provided by a number of Saga Insurance senior managers, accountable to the CEO and the Board.

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

B.1.3 Remuneration Policy

B1.3.1 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 £7 million was paid in July 2023*
- *A dividend of £7 million was paid in January 2024*

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:

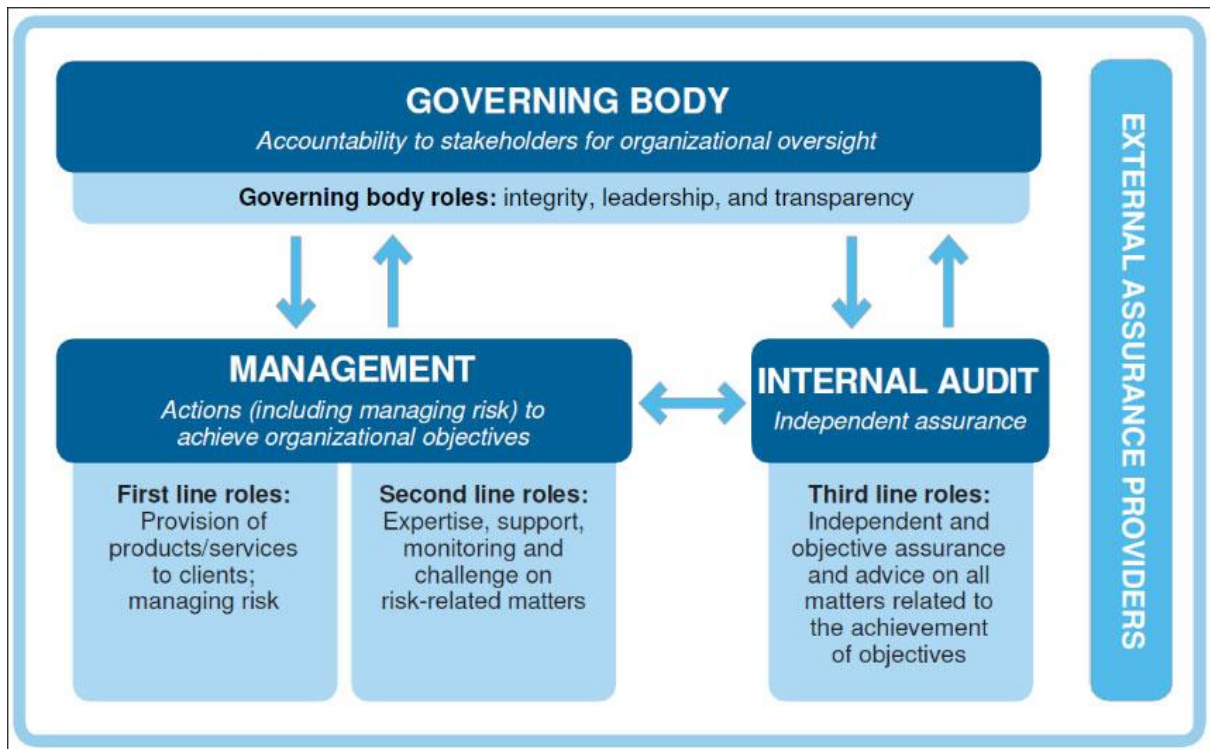
- Their understanding of insurance and financial markets
- Their knowledge of the business model and strategy
- Their understanding of the system of governance
- Their financial analysis skills, including management information.
- Their Actuarial analysis skills
- The regulatory framework and requirements.

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 in the Saga Insurance Risk Strategy and Policy that the Board has adopted. It is aligned with the Saga Group Risk Policy. The Risk Management Framework set out includes a range of components that work together to provide an enterprise approach to risk management, including the AICL ORSA Policy.

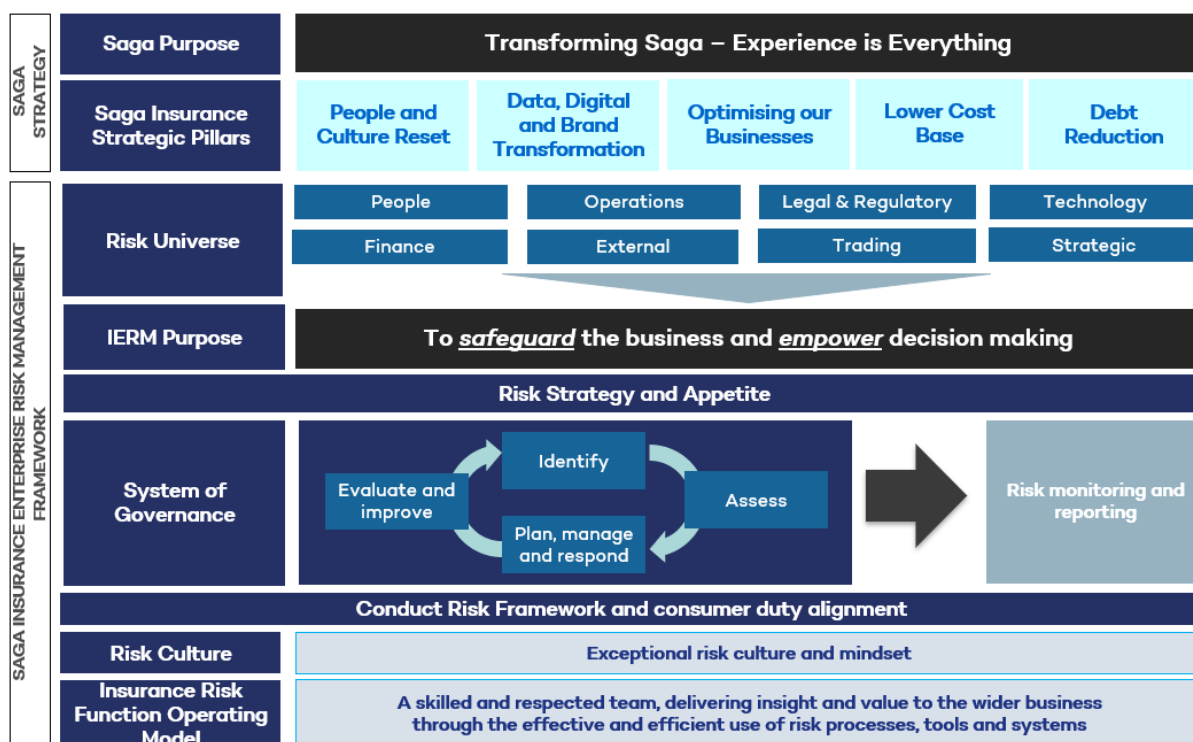
AICL uses the "Three Lines of Defence" model for its risk governance structure, which includes all employees in the management of risk, as shown in the table below. The Internal Audit function forms the 3rd line of defence, the Risk (including Conduct Risk) function the 2nd line, and all other business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



The Saga Insurance Risk Strategy and Policy sets out the overall risk strategy and framework within which AICL operates. AICL has fully adopted the overarching Insurance Risk Strategy and Policy and has aligned its operations to the Saga Insurance Risk Management Framework. This sets out the AICL risk management strategies and risk appetites and provides more specific risk framework detail relating to AICL as relevant.

The Risk Management Framework is designed to support the business in achieving its goals, and incorporates AICL's risk library, risk governance and the policies and procedures for the management of risks to which AICL is exposed. The framework defines the 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 was implemented and resourced to address more appropriately the risk requirements for Saga's regulated financial services businesses. As a result, the AICL risk framework is undergoing development to further mature the structures that are currently in place. Embedding of the framework continued through 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 Chief

Risk Officer (CRO) Function who provide guidance, oversight, and challenge. The CRO 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 CRO Function has the authority, resources, expertise and access to all relevant information, colleagues, and Board members to enable it to carry out its activities.

B.3.1.3 Risk Incidents

AICL follows the Saga Incident Management policy which sets out the minimum standards for incident management. They 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 Conduct Risk team (part of the CRO Function) is responsible for the monitoring, managing, and reporting of conduct risks, including conduct regulatory matters, 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 detailed 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 evidence 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 and significant deviations or concerns will be escalated to the AICL Board.

B.4 Internal control system

B.4.1 Description of the internal control system

AICL's Board of Directors assumes the ultimate accountability for ensuring that AICL complies with its responsibilities ensuring that a robust internal control framework is in place. As previously stated, AICL acknowledges that Risk Management is both a collective and an individual responsibility, and every colleague in AICL is required to identify, escalate appropriately, and manage risk, which includes the continuous management and improvement of the internal control environment. Senior management and managers are responsible for the requisite procedures to ensure a compliant operational regime.

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

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

The Audit, Risk and Compliance Committee, under the chairmanship of a non-executive Director, meets at least four times per year to review and oversee the effectiveness of the

AICL risk management framework and its application. It is independent of AICL's senior management, 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 identify 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 Conduct Risk 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 Conduct Risk Policy is reviewed annually, with the last review moving the policy to new standardised format as agreed by the Risk Mandate.

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 the Saga Group Head of Internal Audit for Financial Services, reporting into the group’s 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 Head of Internal Audit 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 Risk Strategy and Internal Audit Charter and Policy define the independence, purpose, authority, and responsibility of the Internal Audit function. Collectively these outline the activities that take place to support the AICL Board.

Internal Audit attends and submits independent reports to the ARCC, which is a sub-Committee of the Board. The ARCC is responsible for the appointment and removal of the Head of Internal Audit.

AICL’s commitment is 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 Head of Internal Audit 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, on a regular basis (at least annually):

- *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*
- *Calculation of the SCR and monitoring it against the Solvency II Own Funds*
- *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 outsourcing¹ 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 and distribution	Saga Services	UK
	AA Insurance Services Limited (add-ons only) ²	UK
	RAC Motoring Services Limited	UK
Policy administration and customer service	Saga Services	UK
	AA Insurance Services Limited ²	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
	CHMC	UK
Claims handling (except large personal injury)	CHMC	UK
	AA (add-ons only) ²	UK
	IFL (Pet only)	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

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.

² During 2023/4 this channel was in runoff.

consideration of the risks and the costs and benefits of outsourcing and is managed on a case-by-case basis with regular review to ensure those arrangements remains fit for purpose. The outsourcing review and decision process is documented.

A risk-based approach is adopted 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 2024 is set out below:

Risk Category	31 January 2024 SCR	31 January 2024 % of SCR
<i>Non-Life Underwriting Risk</i>	30.2	56%
<i>Market Risk</i>	12.8	24%
<i>Counterparty Default Risk</i>	11.1	21%
<i>Life Underwriting Risk</i>	1.1	2%
<i>Diversification Benefit</i>	(12.6)	(23%)
<i>Operational Risk</i>	11.4	21%
<i>Deferred Tax Adjustment</i>	0.0	0%
SCR	54.0	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 the source of 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 56% of AICL's SCR as of 31 January 2024 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 teams and approved by the PPACC and ratified by the 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 the Chief Actuary. 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 reviewed and approved by the Reserving Committee, the ARCC 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 2024. 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 24% of AICL's SCR as at 31 January 2024 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, as a result of 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 of changing market values of properties owned by AICL.*
- *Concentration risk- the risk of holding a concentration of investments within a particular asset class or with a particular counterparty.*

Market risk is managed by the AICL Finance Director, applying the Investment Policy. This activity is overseen by the Investment Committee which reports directly to the Board. The Board Sub-committee also 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.

The Investment Policy 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 on 31 January 2024 and at 31 January 2023 is shown in the following table:

Investment Category	31 January 2024	31 January 2023
<i>Bank Deposits and Cash</i>	1%	2%
<i>Money Market Funds</i>	12%	6%
<i>Global Loan Funds</i>	0%	2%
<i>Corporate Bonds</i>	49%	54%
<i>UK Gilts/ Supranational Bonds</i>	28%	27%
<i>UK Property</i>	10%	9%
<i>Total</i>	100%	100%

C.3 Credit Risk

Credit or counterparty default risk represents the risk of default by reinsurance partners and other counterparties holding AICL assets, 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 21% of AICL's SCR as of 31 January 2024. 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 Excess of Loss 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 further mitigates 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 relative to 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 normal circumstances, AICL holds a cash buffer above this minimum level.

In practice, liquidity levels remain very high. 13% of the portfolio is immediately available cash with a further 77% 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 of 31 January 2024, this amounted to -£5.3 million (down from -£3.4 million as at 31 January 2023).

C.5 Operational risk

Operational risk refers to 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. These risks include the failure of processes or controls, business continuity, information security and fraud.

Operational risk is assessed as part of the ORSA process and 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’s – and the wider Saga Group’s – culture encourages incident reporting to minimise operational risk, ensure matters are dealt with effectively, lessons are learned, and internal controls are improved.

AICL assesses operational risk from the results of the Solvency II standard formula calculations. As of 31 January 2024, AICL’s operational risk is equivalent to 21% of the SCR.

AICL operates 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 appointment of individuals new to Saga to key roles across the business including the Saga Group CEO, Saga Group CFO, AICL CEO and AICL Claims Director.
- the potential sale of AICL (now on pause) resulting in an increase in staff turnover and increasing key person dependency risk.
- the implementation of new insurance pricing algorithms.
- 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 motor network provider.

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". During 2023, AICL faced the crystallisation of a strategic risk, recognising its ultimate parent company confirmed that it was seeking a buyer for AICL. The sale process has since been paused.

Other examples of strategic risk managed by AICL include:

- Its primary reliance on a single distribution partner, Saga Services Ltd ("SSL"), within the Saga Group and a single product (motor) and therefore its exposure to SSL's strategy for that product.
- Its reliance on a small number of external partners for capacity support.
- Fundamental change in technology permanently changing the insurance model for motor.
- Material changes in the way that insurance is delivered to consumers.

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 a number of 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.

As well as the strategic risk referred to in section C6.1, 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 distress in 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:

- Global macro-economic and political impacts to the insurance value chain
- Ongoing relationship between Britain and the EU - Uncertainties remain around the future of many industries and relationships with the EU.
- CUE Operating Model - The MIB have suggested that the current CUE operating model has reached a point where a change is required.
- 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.*
- *The use of Artificial Intelligence - The increased usage and rapid development of artificial intelligence carries with it increased risk and differences in approach are emerging internationally.*

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.

For the 2023/24 ORSA report, the following tests were carried out:

Test	Description	Movement in Coverage Ratio (percentage points)
	Modelled stress to coverage ratio	
1	<i>Default on bond portfolio</i>	<i>(1%)</i>
2	<i>Further Inflation Risk</i>	<i>(5%)</i>
3	<i>Property MV reduction</i>	<i>(12%)</i>
4	<i>Intermediary premium debtor delay</i>	<i>(36%)</i>
5	<i>Failure to deliver target return</i>	<i>(1%)</i>
6	<i>Attritional Claims risks</i>	<i>(9%)</i>
7	<i>Large Claims risks</i>	<i>(7%)</i>
8	<i>Combination of the above stresses with correlation allowance</i>	<i>(19%)</i>
9	<i>Extreme premium debtor</i>	<i>(118%)</i>
10	<i>Tests 8 and 9 combined</i>	<i>(131%)</i>

In each of the scenarios 1-8, AICL's coverage of the SCR remains above 100%. The more extreme stresses (9-10) 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.

In an extreme scenario the ability of the company to move into run-off provides a mechanism under which the solvency ratio can be quickly improved.

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 2024 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 2024 balance sheet Amounts in £'million	Solvency II	Statutory Accounts
Assets		
<i>Intangible assets</i>	-	-
<i>Property, plant & equipment held for own use</i>	-	-
<i>Investments</i>	278.9	274.5
<i>Reinsurance recoverables</i>	238.8	92.9
<i>Insurance and intermediaries' receivables</i>	57.3	108.9
<i>Reinsurance receivables</i>	-	52.9
<i>Cash and cash equivalents</i>	2.0	2.0
<i>Any other assets, not elsewhere shown</i>	2.1	7.1
Total assets	579.1	538.3
Liabilities		
<i>Technical provisions - best estimate</i>	419.1	427.6
<i>Technical provisions - risk margin</i>	11.1	-
<i>Deferred tax liabilities</i>	-0.2	-
<i>Insurance & intermediaries payables</i>	3.1	3.1
<i>Reinsurance payables</i>	45.2	12.4
<i>Any other liabilities, not elsewhere shown</i>	17.7	17.8
Total liabilities	496.1	460.8
Excess of assets over liabilities	83.0	77.4

D.1 Assets

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

At 31 January 2024, AICL held the following assets:

Asset Class Amounts in £'million	Solvency II	Statutory Accounts	Difference
<i>Intangible assets</i>	-	-	-
<i>Property, plant & equipment held for own use</i>	-	-	-
<i>Investments:</i>			
<i>Property (other than for own use)</i>	27.0	22.5	4.5
<i>Government Bonds</i>	69.6	69.6	-
<i>Corporate Bonds</i>	149.6	149.6	-
<i>Collective Investments Undertakings</i>	32.8	32.8	-
<i>Reinsurance Recoverables:</i>			
<i>Non-life</i>	204.6	92.9	111.7
<i>Life</i>	34.2	-	34.2
<i>Insurance and intermediaries receivables</i>	57.3	108.9	(51.6)
<i>Reinsurance receivables</i>	-	52.9	(52.9)
<i>Cash and cash equivalents</i>	2.0	2.0	-
<i>Any other assets, not elsewhere shown</i>	2.1	7.1	(5.0)
Total Assets	579.1	538.3	40.8

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) as the discounted present value of expected future recovery cashflows. The statutory accounts include excess of loss recoverables only (life and non-life combined), with quota share recoverables netted down with funds withheld account balances and the net balance held within reinsurance receivables.*
- *Insurance & intermediaries' receivables – the statutory accounts include policyholder and intermediary premium debt as well as salvage and subrogated recoverables. Under Solvency II, only intermediary premium debt is included, with policyholder premium debt and salvage and subrogated recoverables included as negative values within gross technical provisions.*
- *Reinsurance receivables – the statutory accounts includes the net quota share recovery position on all currently open contracts as an asset.*

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

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 2024 are shown in the following table:

Line of business Amounts in £'million	Gross best estimate	Recoverable from reinsurance	Net best estimate
<i>Motor vehicle liability insurance</i>	316.3	181.6	134.6
<i>Other motor insurance</i>	41.1	19.2	22.0
<i>Fire and other damage to property insurance</i>	-1.0	0.2	-1.2
<i>Legal expenses insurance</i>	4.2	0.0	4.2
<i>Assistance</i>	4.4	0.0	4.4
<i>Miscellaneous financial loss</i>	8.3	3.6	4.7
<i>Life</i>	45.9	34.2	11.7
Total best estimate technical provisions	419.1	238.8	180.4

The risk margin by line of business as at 31 January 2024 is shown in the table:

Line of business Amounts in £'million	Risk margin
<i>Motor vehicle liability insurance</i>	8.2
<i>Other motor insurance</i>	0.9
<i>Fire and other damage to property insurance</i>	0.0
<i>Legal expenses insurance</i>	0.1
<i>Assistance</i>	0.2
<i>Miscellaneous financial loss</i>	0.2
<i>Life</i>	1.4
Total risk margin	11.1

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 is the primary method 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.*
- *The impact of high inflation, war in Ukraine and other conflicts and global macro effects including their impacts to the insurance supply chain*
- *Other claims inflation uncertainties.*

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 2024.

Line of business Amounts in £'million	Solvency II Best Estimate Technical Provisions	Statutory Accounts Technical Provisions	Difference
Motor vehicle liability insurance	316.3	275.7	40.6
Other motor insurance	41.1	68.9	(27.8)
Fire and other damage to property insurance	-1.0	0.9	(1.9)
Legal expenses insurance	4.2	3.6	0.6
Assistance	4.4	6.4	(2.0)
Miscellaneous financial loss	8.3	3.2	5.1
Life	45.9	65.1	(19.2)
Total	419.1	423.8	(4.7)

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 67 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 and reflects a 4% cost of capital following the recent regulation change effective from 31 December 2023 (down from 6%).

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 claim's 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 two 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*
- *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 at 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 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 2024 are shown in the following table:

Liability Class Amounts in £'million	Solvency II	Statutory Accounts	Difference
<i>Deferred tax liabilities</i>	(0.2)	-	(0.2)
<i>Insurance & intermediaries payables</i>	3.1	3.1	-
<i>Reinsurance payables</i>	45.2	12.3	32.9
<i>Any other liabilities, not elsewhere shown</i>	17.7	17.8	(0.1)
Total Liabilities	65.9	33.3	32.6

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.

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 Board-approved Capital Management Policy and a Medium-Term Capital Management Plan. These require management to maintain sufficient own funds such that a specified SCR ratio is maintained unless the Board are willing to tolerate a temporary fall below that ratio. 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 can be distributed to the shareholder via dividend payments provided certain conditions are met, including approval of the distribution by the Board.

E.1.2 Amount of own funds by tier

AICL's own funds as at 31 January 2024 (and prior year end) are as follows:

Description Amounts in £'millions	Tier	31 January 2024	31 January 2023
Ordinary Share Capital	1	30.0	30.0
Reconciliation Reserve	1	53.0	68.5
Total	1	83.0	98.5

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 2024:

Description Amounts in £'million	Solvency II	Statutory Accounts
<i>Ordinary share capital</i>	30.0	30.0
<i>Retained earnings including profits from the year</i>	55.8	55.8
<i>Other reserves from accounting balance sheet</i>	(8.3)	(8.3)
<i>Adjustments to assets</i>	40.8	-
<i>Adjustments to technical provisions</i>	(2.7)	-
<i>Adjustments to other liabilities</i>	(32.6)	-
Total	83.0	77.4

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 2024 and 31 January 2023 are shown in the following table:

Risk Category Amounts in £'million	31 January 2024	31 January 2023
<i>Non-Life Underwriting Risk</i>	30.2	30.9
<i>Market Risk</i>	12.8	18.5
<i>Counterparty Default Risk</i>	11.1	10.4
<i>Life Underwriting Risk</i>	1.1	0.7
<i>Diversification Benefit</i>	-12.6	-14.5
<i>Basic SCR</i>	42.6	46.0
<i>Operational Risk</i>	11.4	10.3
<i>LACDT Adjustment</i>	0.0	-10.7
<i>SCR</i>	54.0	45.6
<i>MCR</i>	24.3	20.5

The SCR has increased over the year primarily due to nil credit for the loss absorbing capacity of deferred taxes (LACDT) at January 2024 (down from c.£11m at January 2023). The nil LACDT credit reflects a short-term Group deferred tax position. A positive LACDT credit is forecast to return later in 2024. See section E.2.5 for further information on LACDT.

Market risk has reduced over the year. The reduced market risk charge reflects a lower property risk charge (reflecting property revaluations); and lower spread risk and interest rate risk charges (reflecting investment portfolio composition changes).

The MCR has moved in line with the SCR and is capped at 45% of the SCR.

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

Year ended Amounts in £'million	31 January 2024	31 January 2023
<i>SCR</i>	54.0	45.6
<i>Own Funds</i>	83.0	98.5
<i>SCR Coverage Ratio</i>	154%	216%
<i>MCR</i>	24.3	20.5
<i>MCR Coverage Ratio</i>	342%	480%

The coverage ratios have reduced over the year due to the increases in the SCR and MCR for the reasons noted above and reflecting lower own funds following £14m of dividends paid to AICL's shareholder over the year.

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.

At January 2024 there is a nil LACDT credit within the SCR calculation. This reflects a short-term Group deferred tax position. Noting the short-term nature of this position, a positive LACDT credit is forecast to return later in 2024.

E.2.6 Inputs used to calculate the Minimum Capital Requirement

The following inputs were used to calculate the MCR as at 31 January 2024:

Line of business Amounts in £'million	Net best estimate technical provisions	Net written premium in last 12 months
<i>Motor Vehicle liability insurance</i>	222.3	22.1
<i>Other motor insurance</i>	43.0	11.9
<i>Fire and other damage to property insurance</i>	0.0	1.0
<i>Legal expenses insurance</i>	4.2	2.0
<i>Assistance</i>	4.4	20.5
<i>Miscellaneous financial loss</i>	4.9	1.6
<i>Other (Periodic Payment Orders)</i>	11.7	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.

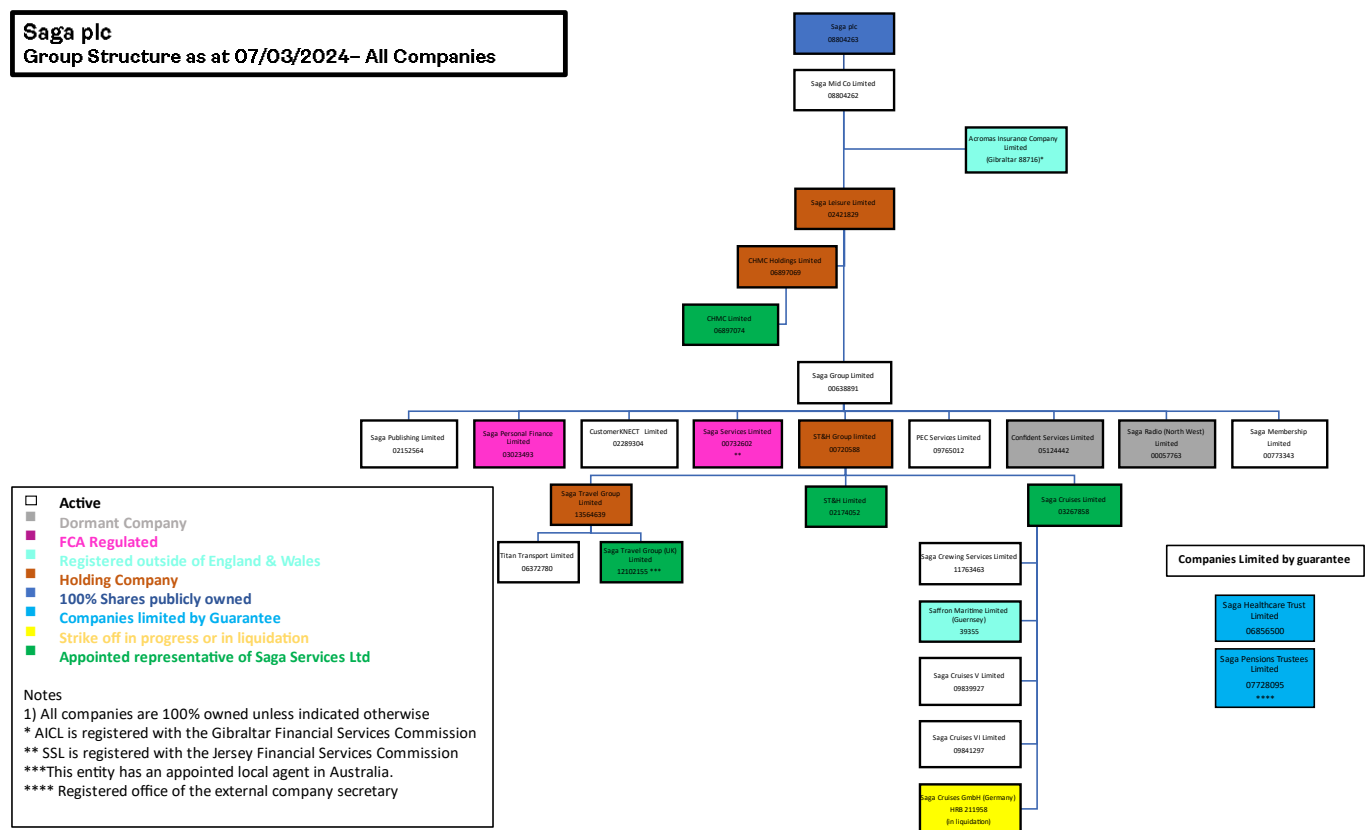
Term	Definition
Own funds	The eligible funds an insurer has on the balance sheet to cover its SCR and MCR requirements.
PPACC	Pricing, Product and Capital Committee
Premium provision	Solvency II premium provisions are the expected present value of all future cash flows arising from the unexpired portion 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:

**Saga plc
Group Structure as at 07/03/2024– All Companies**



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	278,874,243
Property (other than for own use)	R0080	26,955,000
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	219,157,480
Government Bonds	R0140	69,572,693
Corporate Bonds	R0150	149,584,787
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	32,761,763
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	238,797,689
Non-life and health similar to non-life	R0280	204,595,396
Non-life excluding health	R0290	204,595,396
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	34,202,293
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	34,202,293
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	57,336,588
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	1,987,499
Any other assets, not elsewhere shown	R0420	2,134,338
Total assets	R0500	579,130,356

S.02.01.02 continued

Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	382,969,782
Technical provisions – non-life (excluding health)	R0520	382,969,782
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	373,241,894
Risk margin	R0550	9,727,888
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	47,288,962
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	47,288,962
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	45,907,943
Risk margin	R0680	1,381,019
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	0
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	-169,617
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	3,112,845
Reinsurance payables	R0830	45,239,961
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	17,680,234
Total liabilities	R0900	496,122,167
Excess of assets over liabilities	R1000	83,008,189

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	
Premiums written								
Gross - Direct Business	R0110	107,073,453.79	57,654,936.65	1,096,945.57	1,981,045.13	20,545,727.12	1,009,622.40	189,361,730.66
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	87,564,306.10	47,150,010.98	255,724.04	0.00	0.00	594,500.02	135,564,541.14
Net	R0200	19,509,147.68	10,504,925.68	841,221.53	1,981,045.13	20,545,727.12	415,122.38	53,797,189.52
Premiums earned								
Gross - Direct Business	R0210	89,990,403.55	48,456,371.14	1,111,829.88	1,739,474.63	20,560,846.72	2,212,938.42	164,071,864.34
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	73,656,450.83	39,661,165.83	271,551.10	0.00	0.00	594,500.02	114,183,667.78
Net	R0300	16,333,952.72	8,795,205.31	840,278.78	1,739,474.63	20,560,846.72	1,618,438.40	49,888,196.56
Claims incurred								
Gross - Direct Business	R0310	89,703,777.13	48,302,033.84	1,083,251.29	1,384,783.65	21,042,237.04	4,294,284.62	165,810,367.57
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	59,290,139.38	31,925,459.67	197,132.71	0.00	0.00	1,775,000.00	93,187,731.76
Net	R0400	30,413,637.75	16,376,574.17	886,118.58	1,384,783.65	21,042,237.04	2,519,284.62	72,622,635.81
Changes in other technical provisions								
Gross - Direct Business	R0410	-5,147,912.98	-2,771,953.14	0.00	0.00	0.00	3,550,000.00	-4,369,866.12
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	1,775,000.00	-4,560,892.89
Net	R0500	-1,029,582.60	-554,390.63	0.00	0.00	0.00	1,775,000.00	191,026.77
Expenses incurred	R0550	3,696,651.71	1,990,504.76	3,740,960.51	32,887.10	205,588.87	54,881.33	9,721,474.28
Other expenses	R1200							0.00
Total expenses	R1300							9,721,474.28

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	189,361,730.66	0.00	189,361,730.66
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	135,564,541.14	0.00	135,564,541.14
Net	R0200	53,797,189.52	0.00	53,797,189.52
Premiums earned				
Gross - Direct Business	R0210	164,071,864.34	0.00	164,071,864.34
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	114,183,667.78	0.00	114,183,667.78
Net	R0300	49,888,196.56	0.00	49,888,196.56
Claims incurred				
Gross - Direct Business	R0310	165,810,367.57	0.00	165,810,367.57
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	93,187,731.76	0.00	93,187,731.76
Net	R0400	72,622,635.81	0.00	72,622,635.81
Changes in other technical provisions				
Gross - Direct Business	R0410	-4,369,866.12	0.00	-4,369,866.12
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	-4,560,892.89	0.00	-4,560,892.89
Net	R0500	191,026.78	0.00	191,026.78
Expenses incurred	R0550	9,721,474.28	0.00	9,721,474.28
Other expenses	R1200			
Total expenses	R1300			9,721,474.28

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)
		C0220	GB 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	45,907,942.51	45,907,943
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	34,202,292.98	34,202,293
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	11,705,649.53	11,705,650
Risk Margin	R0100	1,381,019	1,381,019
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110		
Best estimate	R0120		
Risk margin	R0130		
Technical provisions - total	R0200	47,288,962	47,288,962

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0050	C0060	C0080	C0110	C0120	C0130	
Technical provisions calculated as a whole	R0010	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	92,621,665	50,437,518	-1,508,380.45	287,485	3,242,418	864,408	145,945,114
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	44,250,600	23,802,015	79,089	0	0	0	68,131,704
Net Best Estimate of Premium Provisions	R0150	48,371,065	26,635,503	-1,587,470	287,485	3,242,418	864,408	77,813,409
Claims provisions								
Gross - Total	R0160	223,630,243	-9,316,068	508,378	3,909,986	1,137,729	7,426,513	227,296,781
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	137,385,578	-4,633,039	133,283	0	0	3,577,869	136,463,691
Net Best Estimate of Claims Provisions	R0250	86,244,665	-4,683,030	375,095	3,909,986	1,137,729	3,848,645	90,833,089
Total Best estimate - gross	R0260	316,251,908	41,121,449	-1,000,003	4,197,471	4,380,148	8,290,922	373,241,894
Total Best estimate - net	R0270	134,615,729	21,952,473	-1,212,375	4,197,471	4,380,148	4,713,053	168,646,499
Risk margin	R0280	8,230,355	932,207	28,054	126,841	161,704	248,727	9,727,888
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	324,482,262	42,053,657	-971,948	4,324,312	4,541,852	8,539,648	382,969,782
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	181,636,178	19,168,976	212,373	0	0	3,577,869	204,595,396
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	142,846,084	22,884,681	-1,184,321	4,324,312	4,541,852	4,961,779	178,374,387

S.19.01.21

Non-life insurance claims

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

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											572,987
N-9	R0160	114,480,755	29,285,168	9,446,931	7,908,711	7,122,533	11,312,275	2,046,820	469,961	170,818	1,172,191	
N-8	R0170	114,291,887	27,141,175	8,969,989	14,346,594	10,495,511	3,125,717	1,529,233	4,453,654	145,913		
N-7	R0180	110,546,892	23,233,693	9,704,123	6,556,247	2,959,031	2,487,511	966,004	2,309,214			
N-6	R0190	107,467,310	24,763,307	7,232,391	9,818,194	9,526,532	5,702,477	2,732,022				
N-5	R0200	110,299,448	29,804,275	3,926,376	3,800,704	5,904,739	3,334,415					
N-4	R0210	112,276,903	28,856,282	7,691,974	5,970,795	7,592,620						
N-3	R0220	69,773,147	18,277,833	4,374,819	3,678,558							
N-2	R0230	74,550,183	31,668,312	6,706,535								
N-1	R0240	92,542,172	35,431,503									
N	R0250	91,642,384										

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											12,268,971
N-9	R0160	0	0	84,635,394	-19,775,005	-20,446,248	-22,819,547	-16,092,274	-850,738	-278,697	-1,698,762	
N-8	R0170	0	118,425,424	-15,765,955	-55,609,813	-21,045,381	-10,952,079	-4,735,415	-8,465,323	-529,240		
N-7	R0180	132,864,256	-46,106,625	-37,105,029	-10,014,200	-30,216,564	-3,911,942	-856,991	8,161,524			
N-6	R0190	127,809,287	-55,558,816	-20,100,053	-21,794,623	-16,743,343	-7,585,028	-3,859,161				
N-5	R0200	91,807,178	-31,948,715	-4,536,724	-15,313,010	-13,431,973	1,399,603					
N-4	R0210	101,101,473	-50,343,312	-13,705,196	-15,454,129	-12,946,637						
N-3	R0220	54,781,343	-17,083,284	-17,902,366	-11,503,379							
N-2	R0230	75,966,640	-3,838,704	34,740,795								
N-1	R0240	101,591,829	-36,718,167									
N	R0250	113,616,828										

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

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	572,987	1,165,841,702
R0160	1,172,191	183,416,164
R0170	145,913	184,499,673
R0180	2,309,214	158,762,716
R0190	2,732,022	167,242,234
R0200	3,334,415	157,069,958
R0210	7,592,620	162,388,574
R0220	3,678,558	96,104,358
R0230	6,706,535	112,925,030
R0240	35,431,503	127,973,675
R0250	91,642,384	91,642,384
R0260	155,318,342	2,607,866,468

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

	Year end (discounted data)
	C0360
R0100	19,358,866
R0160	1,766,233
R0170	817,287
R0180	7,673,200
R0190	1,225,140
R0200	17,260,352
R0210	4,847,598
R0220	4,440,054
R0230	62,325,907
R0240	37,864,636
R0250	72,031,527
R0260	229,610,800

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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	53,008,189.35	53,008,189.35			
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	83,008,189	83,008,189	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	83,008,189	83,008,189	0	0	0
Total available own funds to meet the MCR	R0510	83,008,189	83,008,189	0	0	
Total eligible own funds to meet the SCR	R0540	83,008,189	83,008,189			
Total eligible own funds to meet the MCR	R0550	83,008,189	83,008,189			
SCR	R0580	53,960,193				
MCR	R0600	24,282,087				
Ratio of Eligible own funds to SCR	R0620	154%				
Ratio of Eligible own funds to MCR	R0640	342%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	83,008,189
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	53,008,189
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-5,256,409
Total Expected profits included in future premiums (EPIFP)	R0790	-5,256,409

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Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	12,804,492	0
Counterparty default risk	R0020	11,085,644	0
Life underwriting risk	R0030	1,092,868	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	30,184,595	0
Diversification	R0060	-12,611,249	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	42,556,350	

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	11,403,843
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
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	53,960,193
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	53,960,193
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

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

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	29,427,865

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	222,296,850	22,072,065
Other motor insurance and proportional reinsurance	R0060	43,033,923	11,884,958
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	1,003,355
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	4,201,182	1,981,045
Assistance and proportional reinsurance	R0120	4,404,375	20,545,727
Miscellaneous financial loss insurance and proportional reinsurance	R0130	4,852,896	1,557,122
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	245,819

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	11,705,650	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	29,673,683
SCR	R0310	53,960,193
MCR cap	R0320	24,282,087
MCR floor	R0330	13,490,048
Combined MCR	R0340	24,282,087
Absolute floor of the MCR	R0350	2,302,183
Minimum Capital Requirement	R0400	24,282,087