Acromas Insurance Company Limited

Solvency and Financial Condition Report

31 January 2019

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Summary

1. Business and Performance

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

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

All of AICL's gross written premium in the financial year 2018/19 was from contracts written in the United Kingdom. AICL no longer writes business in the Republic of Ireland.

AICL also undertakes the handling of large third party personal injury claims, reinsurance purchase, investment, reserving and the arrangement and monitoring of its distribution and claims handling parties. All other activities are outsourced, including most claims handling activities.

AICL entered into a three-year quota share reinsurance treaty in early 2016 to provide reinsurance cover on a quota share basis to all of its motor insurance business. Under this arrangement, AICL retained 25% of the earned premiums and incurred claims after allowing for the motor excess of loss reinsurance arrangement and ceded the other 75% to the reinsurer.

The treaty included all earned premiums and claims incurred between 1 February 2016 and 31 January 2019, other than in respect of earned premiums and incurred accidents arising from new business written by Saga prior to 1 July 2015 and renewal business written by Saga prior to 1 August 2015.

A new motor insurance quota share reinsurance contract commenced on 1 February 2019. Under the new contract, AICL retains 20% of the earned premiums and incurred claims after allowing for the motor excess of loss reinsurance arrangement, and cedes the remainder to two reinsurers, with both receiving 40%.

AICL's key financial information for the year ended 31 January 2019 is summarised in the table below:

Year ended	31 January 2019	31 January 2018
	£ million	£ million
Gross Written Premiums	203.5	221.0
Net Earned Technical Income (before quota share reinsurance)	204.7	215.5
Profit before Taxation (net of quota share reinsurance)	90.3	78.4
Combined Ratio	13%	30%
Solvency Capital Requirement (SCR)	60.5	78.6
Own Funds	89.7	134.5
SCR Coverage Ratio	148%	171%

2. System of Governance

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

- The Board of Directors
- Sub-committee
- Committees
- Executive Management.

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

Level	Responsibilities
1	Management of risk by staff and management, using AICL's systems, internal controls, control environment and risk culture.
2	The risk management and compliance functions provide oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks.
3	Internal audit function provides a level of independent assurance that the risk management and internal control framework is working as designed.

3. Risk Profile

The table below shows the breakdown of the Solvency Capital Requirement risk profile as at 31 January 2019 into the main risk modules:

Risk Category	31 January 2019	31 January 2018
Non-Life Underwriting Risk	78%	78%
Market Risk	40%	42%
Counterparty Default Risk	7%	5%
Life Underwriting Risk	2%	1%
Diversification Benefit	(26%)	(26%)
Basic Solvency Capital Requirement	100%	100%

It can be seen from the table that the two biggest risks are non-life underwriting risk and market risk. The life underwriting risk arises from third party personal injury claims which have settled as periodical payment orders and are currently in payment.

More than 80% of AICL's premium income and 95% of its technical provisions relate to motor insurance. The underwriting risk is assessed and managed by a suite of management information reports which are produced monthly and analysed by the actuarial team and senior management. The management information shows the performance of the business at both an overall level and also at a detailed level, allowing a view to be taken on the performance of the rating structures across different segments of the business. Pricing levels are reviewed on a monthly basis and allow for the effect of claims inflation and changes in expense levels when appropriate. Price changes are proposed by the Underwriting and Pricing Committee and approved by the Board Sub-committee.

The underwriting risk is also controlled using an underwriting guide (to which the intermediaries adhere) which sets out the business which AICL accepts at normal premium terms, business which may be acceptable after referral by the intermediary to the specialist underwriting team and business which is not acceptable under any circumstances.

Any breaches of the underwriting policy are reported to the Risk Committee.

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

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

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

The investments are mainly bank deposits, money market funds and fixed interest securities. AICL also owns a number of properties used by Saga plc.

4. Valuation for Solvency Purposes

The tables below show the excess value of assets over liabilities on both the Solvency II and Statutory bases as at 31 January 2019:

Solvency II value (£ million)	31 January 2019	31 January 2018
Value of assets	733.7	835.6
Value of liabilities	644.0	701.1
Excess of assets over liabilities	89.7	134.5

Statutory account value (£ million)	31 January 2019	31 January 2018
Value of assets	664.7	747.7
Value of liabilities	573.4	643.5
Excess of assets over liabilities	91.4	104.2

The differences in the value of the assets relate to the valuations applied to investment assets and amounts recoverable from reinsurers.

The differences in the value of the liabilities arise mainly from the difference in the valuations applied to technical provisions.

5. Capital Management

AICL has a capital management policy and a medium term capital management plan which require management to maintain sufficient own funds to provide a specified margin (above the minimum amount of capital required by Solvency II) for AICL to continue to underwrite business, the SCR, at all times. The projections are reviewed quarterly as part of the Own Risk and Solvency Assessment (ORSA) process and ensure that appropriate funds are available for the duration of the 5 year planning period.

During the planning period, it is expected that the SCR will reduce as a result of the motor quota share arrangement. In order to maintain the margin above the SCR at an appropriate level, the surplus own funds will be distributed to the shareholder via dividend payments.

The SCR coverage ratio as at 31 January 2019 is shown in the table below:

Year ended	31 January 2019	31 January 2018
	£ million	£ million
Solvency Capital Requirement	60.5	78.6
Own Funds	89.7	134.5
SCR Coverage Ratio	148%	171%
Minimum Capital Requirement (MCR)	21.8	29.2
MCR Coverage Ratio	410%	461%

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Company name: Acromas Insurance Company Limited

Legal form: Insurance company limited by shares

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

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

Gibraltar Financial Services Commission
PO Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar

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

AICL is externally audited by

KPMG Limited
3B, Leisure Island Business Centre
Ocean Village
Gibraltar

A.1.4 Holders of qualifying holdings in the undertaking

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

A.1.5 The legal structure of the group

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

A.1.6 Material lines of business and material geographical areas

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

All of AICL's gross written premium in the financial year 2018/19 was from contracts written in the United Kingdom. AICL no longer writes business in the Republic of Ireland.

AICL also undertakes the handling of large third party personal injury claims, reinsurance purchase, investment, reserving and the arrangement and monitoring of its distribution and claims handling parties. All other activities are outsourced, including most claims handling activities. Handling of motor and home insurance claims is primarily undertaken by CHMC Ltd, a Saga company established to provide claims handling services. Breakdown claims are outsourced to the AA and home emergency claims are handled by AA Insurance Services.

AICL distributes its products through companies in the Saga plc Group, the AA and the RAC. The two most important brokers are Saga Services Limited and AA Insurance Services. Small volumes of business are also sold through ClaimFast (a trading name of CHMC). AICL began underwriting motor insurance through the RAC motor panel in December 2018. By far the largest portion of AICL's written premium is Saga branded motor insurance business.

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

The following table shows AICL's 2016/17, 2017/18 and 2018/19 written premium by high level product group.

£ millions	Classification in Statutory Accounts	Gross Written Premiums		
		2018/19	2017/18	2016/17
Motor insurance and ancillaries	Motor & Other	169.5	182.4	184.5
Breakdown products	Assistance	25.3	25.4	25.0
Home emergency	Assistance	4.5	8.6	11.7
Pet insurance	Miscellaneous Financial Loss	1.7	2.0	2.3
Home and ancillaries	Other	0.8	1.0	1.5
Caravan insurance	Other	0.9	1.1	1.2
Other insurances	Other	0.5	0.6	0.6
Total		203.3	221.0	226.8

For 2018/19, 83% of written premiums were motor insurance and ancillaries, 12% were breakdown insurance and ancillaries and 2% were Home Emergency insurance. The remaining written premium relates to home insurance and ancillaries, caravan insurance, pet insurance and a number of very minor classes.

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

There are 2 major changes to AICL's business plan compared to those shown in the 2017/18 Solvency and Financial Condition Report:

- Motor insurance premiums have reduced as business written by other insurers on the Saga Services motor insurance panel has increased
- AICL has entered into a new motor insurance quota share contract with effect from 1 February 2019.

A.2 Underwriting Performance

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

Year ended	31 January 2019	31 January 2018
	£ million	£ million
Gross Written Premium	203.5	221.0
Profit and loss, excluding quota share reinsurance		
Net Earned Technical Income	204.7	215.5
Other Income	(0.5)	9.9
Net Claims Incurred – Current Year	(196.2)	(211.7)
Net Claims Incurred – Reserve Releases	82.4	60.0
Operating Expenses	(9.9)	(8.6)
Investment Return	13.2	15.4
Sub Total	93.8	80.5
Quota share reinsurance cost	(3.5)	(2.1)
Profit before taxation	90.3	78.4
Gross Current Year Loss Ratio	96%	99%
Combined Ratio, excluding Quota Share	13%	36%

With effect from the 1st February 2016 the Company agreed to quota share 75% of its motor insurance risks, with a reputable reinsurance company for a 3 year term. The agreement is on a funds withheld basis with a 100% profit commission payable by the reinsurer, where profit exceeds the stated reinsurer's expense allowance. The quota share items are shown in the above analysis as a net cost, representing the reinsurer's expense allowance.

A new motor insurance quota share reinsurance contract commenced on 1 February 2019. Under the new contract, AICL retains 20% of the earned premiums and incurred claims after allowing for the motor excess of loss reinsurance arrangement, and cedes the remainder to two reinsurers, with both receiving 40%.

Gross Written Premium reduced 9.2%, year on year, to £203.5m. This reduction in premium arises mainly from the increasing impact of other insurers on the Saga Services motor insurance panel.

Other income includes expense allowances and profit commissions. The Company showed c£7m receivable under profit share arrangements in the year to 31 January 2018 relating to the pending commutation of a broker profit and loss sharing deal. £3m of this accrual was reversed in the year to 31 January 2019 and no further profit commissions were received or expected in the year, driving the £10m year on year variance in other income.

Investment return was £2.2m lower than in the previous year, mainly as a result of the reduction in the lower investment balances following the dividend payments in recent years.

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

Year ended 31 January 2019	Motor	Direct Assistance	Miscellaneous Financial Loss	Other	Total
	£m	£m	£m	£m	£m
Gross Written Premium	169.5	29.8	1.7	2.2	203.3
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	165.8	34.8	1.8	2.2	204.5
Other Income	1.2	(2.3)	0.0	0.5	(0.5)
Net Claims Incurred – Current Year	(157.7)	(33.5)	(1.8)	(3.1)	(196.1)
Net Claims Incurred – Reserve Releases	79.3	2.7	0.1	0.2	82.4
Operating Expenses	(8.9)	(0.5)	(0.1)	(0.3)	(9.7)
Investment Return	7.7	0.1	0.0	0.2	8.0
Sub Total	87.3	1.5	0.1	(0.3)	88.6
Quota share reinsurance cost	(3.4)	0.0	0.0	0.0	(3.4)
Profit on Technical Account	83.9	1.5	0.1	(0.3)	85.2
Investment return on shareholders funds					5.2
Profit before taxation					90.5

All contracts were concluded in the United Kingdom.

A.3 Investment Performance

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

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

Asset Type	Value as at 31 January 2019	Value as at 31 January 2018	Income in 2018/19	Expenses in 2018/19
	£ million	£ million	£ million	£ million
Fixed term deposits, floating to LIBOR & RPI deposits	69.3	115.6	1.8	0.0
Money market funds	37.1	184.6	0.4	0.0
Property	35.9	43.3	3.7	0.7
Fixed Interest Securities	280.2	159.5	4.1	0.2
Bank Loan Funds	6.2	6.4	0.2	0.2
Absolute Return Bond Funds	0.0	7.5	(0.0)	0.0
Total	428.7	516.9	10.2	1.1

A.3.2 Gains and losses recognised directly in equity

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

	Called-up Share Capital	Share Premium Account	Other Reserves	Profit & Loss Account	Total Equity
	£m	£m	£m	£m	£m
As at 31 January 2018	30.0	0.0	0.3	73.8	104.0
Profit for the financial year				73.3	73.3
Other comprehensive income					0.0
Net gain on available for sale financial assets			(1.3)		(1.3)
Associated tax effect			0.2		0.2
Capital contributions for the year			0.2		0.2
Preference shares redemption					0.0
Dividends paid				(85.0)	(85.0)
As at 31 January 2019	30.0	0.0	(0.7)	62.1	91.4

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 in 2018/19

Year ended	31 January 2019	31 January 2018
	£ million	£ million
Instalment income	0.0	0.0
Referral fees	0.1	0.0
Expense allowances and profit shares	12.5	14.5
Total	12.7	14.6

Income from credit provided to customers to facilitate payment of their insurance costs over the life of their policy is recognised over the period of the policy in proportion to the outstanding premium balance.

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

A.4.2 Expenses arising in 2018/19

Year ended	31 January 2019	31 January 2018
	£ million	£ million
Levies payable to regulatory bodies	3.4	3.6
Acquisition costs	0.4	0.4
Administrative expenses	6.1	4.6
Reinsurer's share of expenses	(6.7)	(5.6)
Total	3.2	3.0

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

A.5 Any other information

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

B. System of Governance

B.1 General Information on the system of governance

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

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

The governance framework of the company comprises the following units:

- The Board of Directors
- Board Sub-committee
- Committees
- Executive management.

The powers and duties of directors are summarised in AICL's Articles of Association.

The diagram on the next page shows the membership and key responsibilities of the Board and the Board Sub-committee, together with a list of the committees.

Committee structures and responsibilities

Board

Key Responsibilities

- Development & agreement of vision, strategy & risk appetite for Acromas
- Establish & ensure compliance to the corporate governance framework
- Oversight of Acromas operations and key functions, including risk management and internal control
- Approval of Key policies and governance procedures
- Delegation of responsibilities and ensuring fitness and propriety of Board member and management
- Ensuring the adequacy of the resources, systems and processes to run Acromas including contingency plans
- Oversight and control over Outsourced service providers

Members

- Chair
- Chief Executive Officer (AICL)
- Chief Executive Officer (Saga plc)
- Chief Financial Officer (Saga plc)
- Claims Director
- Pricing Director
- Special Advisor
- Finance Director
- Non-Executive Directors

Audit

Committees

- Underwriting & Pricing
- Claims & Fraud
- Customer Outcome Forum
- Investments
- Risk
- Reinsurance
- Reinsurance Security
- Compliance – Home & Host states
- Outsourcing
- Reserving

Sub-committee

Key responsibilities

- To review and approve (if appropriate) the activities of the committees
- To escalate to the Board matters arising from the committees

Members

- AICL – Executive Directors
- WTW – Management & Compliance
- AICL – Non-Executive Directors

Committee structure – v6 as at 19.03.19

The Board, via the Board Sub-committee, carry out monthly checks on progress against the Board objectives. The Board Sub-committee is responsible for the oversight of the operation of the committees (as represented by the dotted line in the diagram above) and has been appointed by the Board to exercise that control. This ensures that all material risks are identified and the impact on the business established, mitigations are identified and appropriately calibrated and documented. The Board Sub-committee will escalate to the Board any matters of concern and reports to the Board at each board meeting.

AICL functions through the operation of a series of committees which are listed below, together with their responsibilities. Each committee and the Board Sub-committee has its own terms of reference which are approved by the Board and reviewed annually.

B.1.1.1 Audit 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 by providing a direct channel of communication to the non-executive directors.

B.1.1.2 Underwriting & Pricing Committee

Responsibilities include

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

B.1.1.3 Claims & Fraud Committee

Responsibilities include

- To manage all claims handling operations whether insourced, outsourced to Saga Group companies or to third parties
- To establish, review and monitor the claims policies to be followed in respect of AICL's underwritten policies except where claims handling is agreed to be managed on a delegated basis with the third party accepting responsibility for all complaints
- To establish the claims handling philosophy for all lines of business and ensure those philosophies are implemented and monitored
- To establish and review as appropriate the delegated authority limits
- To ensure the appointment of all outsourced claims handlers is carried out after adequate due diligence, assessment of risk and subject to an acceptable written agreement being in place in compliance with the outsourcing written policy
- To approve all audits in respect of claims handling activity, the review of the audits and resultant recommendations and oversight of all follow-up activity
- To ensure that an independent audit is carried out in respect of the reserving provisions, in adherence to AICL audit and risk policies, for business lines that are subject to uncertain claims outcomes (such as motor personal injury or household subsidence)
- To establish the claims reporting cycle

B.1.1.4 Customer Outcomes Forum Committee

Responsibilities include

- To review the customer MI to assess risks of fair customer outcomes not being delivered consistently.
- To review complaint trends and address the root causes of customer complaints and agree actions to prevent the recurrence of issues
- To review the key findings from the moments of truth research and identify actions to improve the customer experience
- To approve, reject or request amendments to any product launches/changes submitted by the intermediaries
- To be responsible for interpretation of relevant regulation, and dissemination, where required, to the business
- To act as a point of escalation for other committees where a decision that may affect a customer outcome is required

B.1.1.5 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 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 risk appetite as detailed in the investment policy
- To regularly review the security, quality, liquidity and profitability of the portfolio as a whole

B.1.1.6 Risk Committee

Responsibilities include

- To ensure all material risks have been adequately identified and recorded and their impact is understood including the identification of new and emerging risks
- To review AICL's risk appetite, tolerance and future strategy and make recommendations on risk appetite and strategy to the Board, ensuring that there is consistency with the Group risk appetite and strategy
- To review the AICL's current risk profile, compare it with the risk appetite and strategy, review the drivers for any changes in risk profile and consider the management actions required in response to these risks
- To consider and identify emerging and potential risks and review the management actions 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 recommend to the Board for approval the Own Risk and Solvency Assessment (ORSA) process and report.

B.1.1.7 Reinsurance Committee

Responsibilities include

- To recommend to the AICL Board the amount of any excess for each of the company's reinsurance policies
- To work with the appointed reinsurance broker to place AICL's reinsurance covers
- To ensure that the motor insurance quota share reinsurance treaty is placed with appropriate reinsurance companies and that there is at least 12 months cover remaining at any time
- Ensure that the household reinsurance and / or coinsurance cover is placed with appropriate reinsurance companies and that there is at least 12 months cover remaining at any time

- To ensure that all reinsurance policies are placed with companies on the Acceptable Reinsurance Counterparties list produced by the Reinsurance Security Committee.

B.1.1.8 Reinsurance Security Committee

Responsibilities include

- To minimise the risk of reinsurance counterparty default
- To assess and approve whether individual reinsurance companies provide acceptable security for reinsurance purchase or renewal
- To consider any new reinsurance companies suggested by the reinsurance broker
- To publish a list of Acceptable Reinsurance Counterparties, together with permitted exposure amounts
- To set limits for reinsurance exposure by country;
- To ensure the Company's reinsurance cover is maintained in accordance with the above limits

B.1.1.9 Compliance Home and Host State Committee

Responsibilities include

- To review any matters relating to compliance matters relevant to AICL in either the home or host states
- To review and identify any risks associated with the host state internal controls and regulatory processes
- To review compliance of any EU legislation and guidelines
- To review the on-going compliance of any regulation impacting on insurance companies, where relevant to AICL including Solvency II requirements and to make changes to the business to maintain a compliant model

B.1.1.10 Outsourcing Committee

Responsibilities include

- To ensure that AICL reviews and determines whether tasks are critical or important when considering the outsourcing of those tasks
- To establish those measures required to ensure that only suitable third parties are used in the outsourcing of any tasks, that consideration to be made following adequate due diligence of their security, capability, adherence to customer standards and assessment of any risks involved in the outsourcing of those tasks
- To establish those measures and reviews which shall be used to monitor outsourced parties prior to, during and after the termination of any arrangements
- To ensure outsourced contracts allow the oversight, monitoring and management of those outsourced parties by AICL and its regulators

B.1.1.11 Reserving Committee

Responsibilities include

- To recommend the level of claims provisions it believes to be appropriate.
- To recommend the amount of the reserve margin
- To recommend the value, by product and accident year, of any reserve release or strengthening made during the quarter or expected to be made in the next quarter.

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, risk, compliance and actuarial functions are described later in this report.

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

No material changes in the system of governance have taken place during the reporting period.

B.1.3 Remuneration Policy

B.1.3.1 Principles of the remuneration policy

The remuneration policy and strategy are designed to stimulate sustainable, value creating growth and performance for the business and reward employees' performance accordingly.

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; and
- Attraction, retention and motivation of a talented employees to deliver the business strategy.

The Remuneration Committee will review annually the remuneration arrangements for the senior executives, drawing 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 fixed components of remuneration are positioned in line with companies of a similar size to Saga in the FTSE 250.

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

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

- The economic environment.

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

Benefits provided to all employees include:

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

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

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

There are two elements to variable remuneration. The first is the annual bonus plan which is designed to align all employees with the delivery of the annual business plans.

Senior executives may also participate in a management annual bonus scheme. The Saga plc Remuneration Committee determines the maximum annual participation in the annual management bonus scheme for each year, which will not exceed 100% of salary. Payment of the bonus depends on the performance of the company when compared with its financial targets and the successful completion of individual objectives.

The second element is the Long Term Incentive Plan (LTIP) which is designed to ensure that all senior executives are aligned to the delivery of the company's long term plans.

The LTIP maximum grant for senior executives of AICL is a maximum of 100% of salary, which can be granted annually.

Awards will vest at the end of three years' subject to the achievement of:

- Earnings Per Share (EPS) performance which ensures the achievement of the annual profit performance targeted by the annual bonus plan flows through to long-term sustainable EPS growth; and
- Total shareholder return performance of Saga plc compared to the FTSE 250 (excluding real estate and equity investment trusts) which measures the success of the implementation of Saga plc's strategy in delivering an above market level of return.

The LTIP contains clawback and malus provisions.

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

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

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

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

- A dividend of £50 million was paid in June 2018
- A dividend of £15 million was paid in November 2018
- A dividend of £20 million was paid in January 2019

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

B.2 Fit and Proper Requirements

B.2.1 Specific requirements concerning skills, knowledge and expertise

AICL's recruitment policy ensures that the directors and senior management of the company have the appropriate skills, knowledge and expertise by the use of a thorough recruitment process, involving multi-stage interviews, personality and numerical ability testing 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 to the GFSC by ensuring that those individuals who occupy a position of influence within AICL (namely its directors, key function holders and senior staff) 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 Human Resources department monitors and performs the necessary actions to ensure that AICL meets its fit and proper policy obligations. An annual review is carried out together with investigations into directors to be appointed or other relevant people. AICL's Board of directors will be advised of any concerns identified. The AICL CEO will inform the Actuarial, Risk Management, Audit and Compliance functions of any issues.

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

B.3.1 Description of the undertaking's risk management system

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

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

Level	Responsibilities
1	Management of risk by staff and management, using AICL's systems, internal controls, control environment and risk culture.
2	The Risk management and Compliance functions provide oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks.
3	Internal Audit provides a level of independent assurance that the risk management and internal control framework is working as designed.

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

- A robust and sustainable risk management framework, incorporating risk identification and self-assessment within the 1st line of defence
- Independent monitoring and challenge within the 2nd line of defence
- A risk aware culture across AICL, where risks and risk appetite are understood and used in decision making
- Ownership and accountability for managing risk across AICL
- Effective incident management
- Demonstration to Shareholders, Regulatory authorities such as the Financial Services Commission, and other key stakeholders that we have identified and are managing all the principal risks that arise in our operations and that these are aligned to the Group's strategy.

B.3.1.1 Risk categories

AICL uses the following categories to assess its risks:

B.3.1.1.1 Credit Risk

AICL defines credit risk as "The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations."

B.3.1.1.2 Liquidity Risk

AICL defines liquidity risk as "the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss". AICL recognises that Liquidity is more appropriately defined in terms of a minimum buffer of liquidity maintained, rather than PBT. AICL's appetite remains low and we will always maintain free cash, liquid assets and committed borrowing facilities for use anywhere within AICL of not less than £10 million.

B.3.1.1.3 Insurance Risk

AICL defines Insurance risk as "Risk of loss, or adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility in respect of" a number of insurance risk drivers, as follows:

- Through higher claim volumes or high claim amounts, that the cost of meeting the claims is greater than assumed in the pricing, reserving or reporting bases.
- Through some catastrophic event (e.g. windstorm or flood) a higher than usual claim rate is experienced.
- Through changes in the expenses and expense inflation rates, that the actual expenses occurring on policies is greater than that assumed in the pricing. This includes the risk that business volumes are lower than expected.
- Through changes in tax regulations or tax status of the organisation, that the actual tax to be paid in relation to policies is greater than assumed in the pricing, embedded value or reserving bases.
- The risk of future legislative change having a retrospective impact upon the business. Retrospective legislation can affect many business features including open claims, claim settlement procedures, reinsurance recoveries, and claim litigation outcomes and bring about new types of claims.

B.3.1.1.4 Market Risk

AICL defines market risk as "The risk of changes in values caused by market prices or volatilities of market prices differing from their expected values"

B.3.1.1.5 Commercial Performance Risk

AICL defines strategic risk as "The risk of a change in value due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. "

B.3.1.1.6 Operational Risk

AICL defines operational risk as "Risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses". AICL has zero risk appetite for systemic unfair customer outcomes as a result of failures in the product, marketing, sales or service delivery systems and processes, or cultural shortcomings.

B.3.1.1.7 Customer Experience Risk

AICL defines customer experience risk as the failure to maintain a culture in which behaviours and decision making reflects fair customer outcomes.

B.3.1.1.8 Information Security and Cyber Threat Risk

AICL defines information security and cyber threat risk as the risk of an ineffective or unsecure IT environment which could lead to loss of customer, employee or other business confidential data or interruption of business operations.

B.3.1.1.9 Legal and Regulatory Risk

AICL defines legal and regulatory risk as failure to comply with legal and regulatory requirements or adequately legally protect the company.

B.3.1.2 Risk appetite

AICL defines risk appetite as the aggregate amount of risk which it is seeking, willing to accept and looking to avoid, in pursuit of business objectives over a set period of time. AICL's risk appetite statement, agreed by the AICL Board, provides risk preference statements for the types of risk AICL faces in the course of its business.

AICL's Risk appetite is complimentary to the Saga plc risk appetite statement but is tailored to the specific attributes and needs of the business.

B.3.2 Implementation of the risk management system

The 1st line Management of the business have the primary responsibility for implementing the Risk Management system within the business, under the guidance of the CEO who is the designated Risk owner for the business, and this is supported by the 2nd line Risk function who provide guidance and oversight. The risk management function is also responsible for the monitoring, managing and reporting of risks to which AICL is exposed and for setting the overall risk management and strategic framework. It has the necessary authority, resources, expertise and access to all relevant information to carry out its activities. It has the right to obtain any records necessary to allow it to carry out its responsibilities and has the right to access to or with any member of staff or the AICL Board.

B.3.2.1 Risk Incidents

Risk incidents are reported to the AICL Risk Committee and, where appropriate, escalated to the AICL Audit Committee and Board. AICL participates in the Saga plc whistleblowing and open door policies, which allow any concerns of wrongdoing to be raised.

AICL monitors its risk exposures through a series of management reports, dependent on the type of risk. For example, underwriting risk and reserving risk are monitored on a monthly basis with reports showing the performance of different risk groups. Areas where action needs to be taken are identified quickly and appropriate action taken.

The ORSA process captures the output of the risk exercises and assists the Risk Committee and the AICL Board with decision making.

B.3.3 Own Risk and Solvency Assessment (ORSA)

B.3.3.1 The ORSA process

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

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

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

- Providing the Risk Committee and the Board with a view of the current and forecasted risk and capital position, and risks taken, according to the company's strategy, and enabling them to act on this information. The ORSA report evidences the ORSA processes that are delivering the risk and capital results information consistently, accurately and in a timely manner and also enable the Risk Committee and the Board to identify areas for improvement in the risk management system

- 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

- Identifying possible management actions available to senior management or identify scenarios or points in future where management actions may need to be considered (to support the improvement of the risk and capital position, and also those embedded within solvency modelling)

- Providing the Risk Committee and the Board with a view on the current design of the risk and capital management framework, particularly the internal model, its limitations and results of the validation of the model and its outputs

- Providing internally driven challenge and analysis with a regulatory perspective from within the organisation, and ultimately reducing the potential for regulatory intervention and probability of getting a capital add-on.

The ORSA report adds value to supervisors by:

- Providing the supervisor with assurance that the company has executed the ORSA capital assessment to align its risk and capital positions with the company's strategy – both now and in the near future

- Providing the supervisor with a view of AICL's key risks (and their diversification as well as accumulation potential), risk appetite (or equivalent concept), stress scenarios, and identify the scenarios or occasions when actions will be taken to manage these risks

- Providing the supervisor with insights into emerging risks within the organisation as well as help identify possible emerging risks to the insurance industry as a whole

- Evidencing to the supervisor that the underlying ORSA processes are delivering the risk results information consistently, accurately and in a timely manner.

Although the AICL Board has delegated day-to-day responsibility for the ORSA process to the AICL Risk Committee, it retains overall responsibility for the ORSA.

The Board gains ownership of the ORSA by reviewing and approving the ORSA process and the ORSA report produced by the Risk Committee.

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

The risk information also includes information on historical business which falls outside the current risk acceptance profile.

The ORSA is approved by the Risk Committee before being recommended to the Board.

The ORSA reviews AICL's capital requirements taking into account all of the risks to which AICL is exposed and therefore determines whether the SCR is sufficient.

B.3.3.2 Frequency of the ORSA process

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

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

B.3.3.3 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 risk profile. The solvency needs are then projected for the duration of the planning period to ensure that the SCR and the Minimum Capital Requirement (MCR) are met at all times. A series of stress and scenario tests are then carried out, including a number of reverse stress tests. The projected capital requirements are monitored by the Risk 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 bears the ultimate accountability for ensuring that AICL complies with its responsibilities to ensure that a robust internal control framework is in place. Senior management and managers are responsible for the procedures that need to be in place to ensure a compliant operational regime.
All AICL staff are responsible for their compliance with the relevant policies. Access to the policies is available to all AICL staff, who have been made aware of the requirement to adhere to the policies.
All staff have an obligation to inform the compliance, risk management, internal audit and actuarial functions of any matters which those bodies may need to be aware of in the performance of their respective duties

In addition to the required internal functions of internal audit, compliance, actuarial and risk management, 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 Saga plc and to AICL's Audit Committee. The Audit Committee, under the chairmanship of a non-executive director, meets twice annually to review, in particular, AICL's risk management processes as documented by its risk register, to consider internal audit reports and ensure that timely action is taken to rectify any identified internal control weaknesses and to review the integrity of AICL's financial records as documented in its annual report and accounts.
The Audit Committee is independent of AICL senior management, has a representative of Saga plc as a member (the Saga plc Chief Financial Officer) and reports independently to the Saga plc Audit Committee.

Other ways in which AICL ensures that it has a robust internal control framework in place are:
- Consideration of control requirements in new product developments, IT developments etc
- 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 robustness and efficacy of operational controls.
- Regular operational audits of third party providers to review the quality of their operational controls.
- Regular reviews of its disaster recovery processes to ensure that significant business disruption cannot occur
- Documentation of detailed procedures and controls for all important financial and operational systems
- Reinforcement of the need for a robust internal controls environment when recruiting and training staff.

B.4.2 Implementation of the compliance function

The compliance function is responsible for the monitoring, managing and reporting of compliance risks to which AICL is exposed. The compliance function has the necessary authority, resources, expertise and access to all relevant information to carry out its activities. It also has ultimate recourse to the GFSC and has the right to obtain any records necessary to allow it to carry out its responsibilities and has the right to access to or with any member of staff or the AICL Board.

The activities of the compliance function are subject to periodic review by internal audit.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

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

Where recommendations are made following audits, or an audit has identified any issues, these will be raised with management and suitable action plans to resolve issues will be agreed and actions tracked until completion. 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 Chief Risk Officer of AICL and shall agree the steps to be taken to resolve and where appropriate the issue will be referred to the supervisory authority.

B.5.2 Independence of the internal audit function

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

- Be free to deliver assignments and express opinions without interference
- Have freedom and total access to information and staff
- 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 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 AICL CEO. The work of the actuarial function is carried out by members of AICL's actuarial department and includes, at least on an annual basis:

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

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

B.7 Outsourcing

The operation of the outsourcing policy is overseen by the Outsourcing Committee which in turn reports to the Board Sub-committee. The Board Sub-committee reviews the activity of the outsourcing committee and escalates to the Board any areas of concern. This includes where any activities are outsourced to internal or group companies.

Outsourced activity will be regarded as critical and/or important where it involves functions which are:

- essential to the operation of the business, and or
- are services without which AICL would not be able to deliver its services.

AICL outsources some functions considered to be critical and / or important. These outsourced arrangements include the following:

Function	Location
IT outsourcing	UK
Facilities management	UK
HR and payroll services	UK
Intermediary activities (including sales, fulfilment and administration of insurance policies)	UK
Claims management	UK
Internal audit	UK
Compliance	Gibraltar and UK
Investment Management	UK

The decision whether or not to outsource is based on a consideration of the risks and the costs and benefits of outsourcing any responsibilities. The decision is made after a careful review of the background to the request, the review of the risks associated with outsourcing the activities, the selection process of the preferred third party and the conclusion of an acceptable contractual agreement. The review and decision process is documented.

A risk based approach will be adopted in order to determine the level of supervision and control in respect of each outsourced activity, for example activities which are regarded as critical for the successful delivery of the customer experience will be subject to a high degree of review and control. When considering whether or not 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.

When assessing and evaluating third parties as part of the selection process, AICL will consider the third party's ability to deliver the required customer experience and delivery of services to AICL. This will include a review of the following (areas are reviewed where they are relevant to the service / activity to be outsourced):

- Telephony
- Claims handling processes
- Management information
- Complaint handling
- Management of the business (finance, HR, operational capability)

- Disclosure of any significant events (including significant complaints made to ombudsmen, refusal or revocation of licences by professional or regulatory bodies)
- Financial due diligence
- Information security
- Fit and proper nature of the organisation and or its directors or senior managers

In order to formalise the arrangements AICL enters into a written agreement with the third party. This takes place after internal approval has been sought in line with AICL's contract approval process. The written agreement will include the following:

- The respective rights and obligations of both parties
- Requirement to comply with all applicable laws, regulatory requirements and to cooperate with AICL's or its supervisors / regulators in connection with the outsourced function or activity
- The third party's requirement to disclose any developments that may have a material impact on its ability to carry out the outsourcing and any material changes to its financial resources or risk profile
- Rights of termination and exit management processes
- Requirement to protect any confidential information relating to AICL and its clients
- Compliance with data protection legislation
- Establishment and maintenance of contingency plans for disaster recovery and periodic testing of back-up facilities
- Indemnities

The extent and frequency with which AICL measures and monitors the performance of the third party depends on the risk profile allocated to the third party. In addition, deterioration in the performance of the third party would increase the risk assessment and therefore the monitoring by AICL of that third party's activities. In addition to carrying out its own risk assessment of the third parties, AICL will also seek confirmation from the third parties of any breaches and risks identified and the steps taken to address the breaches and mitigate the risks. The frequency of the requests to the third parties will depend upon the nature of the services provided and the risk profile of the third parties.

B.8 Adequacy of the System of Governance

AICL's has a governance model which uses 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 operation are reviewed at least on an annual basis to ensure that they remain aligned to the Board's direction. In addition, the oversight afforded by the independent internal audit function ensures that the system of governance adopted by AICL is adequate and proportionate for the operation of the business.

B.9 Any other information

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

C. Risk Profile

C.1 Underwriting risk

Underwriting risk comprises 62% of the undiversified Basic Solvency Capital Requirement as at 31 January 2019.

Underwriting risk can be divided into premium risk, which is the risk that the premium charged does not reflect the risks being taken on, and reserve risk, which is the risk of adverse claims development.

Most of this risk relates to motor insurance, which contributes more than 80% of AICL's premium income and 95% of technical provisions. The premium risk is assessed and managed by a suite of management information reports which are produced monthly and analysed by the actuarial team and senior management. The management information shows the performance of the business at both an overall level and also at a detailed level, allowing a view to be taken on the performance of the rating structures and segments of the business. Pricing levels are reviewed on a monthly basis and allow for the effect of claims inflation and changes in expense levels when appropriate. Price changes are proposed by the Underwriting and Pricing Committee and approved by the Board Sub-committee.

The premium risk is also controlled by the use of an underwriting guide 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.

Any breaches of the underwriting policy are reported to the Risk Committee.

The underwriting risk is further mitigated by reinsurance, with both proportional and non-proportional excess of loss covers in place. The proportional quota share arrangement has reduced the level of this risk during the reporting period.

Reserve risk is managed by monthly reviews of claims experience and reserve calculations. The monthly reserves are agreed by an executive director. In addition, reserves are reviewed by a non-executive director with appropriate actuarial experience on a quarterly basis and by an independent external actuary as part of the year-end review. The level of reserves and reserve margin is approved by the Reserving Committee bi-annually.

C.2 Market risk

Market risk comprises 32% of the undiversified Basic Solvency Capital Requirement as at 31 January 2019.

AICL defines market risk as "the risk of changes in values caused by market prices or volatilities of market prices differing from their expected values"

AICL is exposed to the following types of market risk:

- Investment risks – the risk of volatility in the expected returns on AICL's investment portfolio as well as the risk that changes in the value of liabilities are not adequately offset by changes in the value of assets, as a result of adverse movements in investment prices;

- Interest rate risks – the risk that changes in the value of liabilities are not adequately offset by changes in the value of assets, as a result of adverse movements in interest rates;
- Foreign exchange risks – exposures arising from payables or receivables denominated in a currency other than AICL's domestic currency;
- Concentration - all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of undertakings which can originate from a series of sources, including geographical areas, (entity or group) counterparties, economic sectors;
- Illiquidity - the risk that assets will become liquid at a slower pace than the rate at which the liabilities will have to be paid, because the maturity of assets is longer.

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

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

All investments must be approved by the AICL Investment Committee prior to purchase, although Saga Group Treasury Officers retain a delegated authority to manage cash and UCITS balances on behalf of AICL to ensure continuing liquidity. The sale or transfer of any asset requires sign-off by an AICL director.

The investment policy requires that all deposit and bond investments are to be held to maturity. Only in exceptional circumstances will disinvestment be considered (eg if a counterparty's credit rating falls below the required standard), with any such decision to take account of the potential effect on AICL's continuing ability to account for investments on an amortised cost basis.

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 should be given to the likelihood of uninsurable events, and on-going property maintenance arrangements.

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

When selecting investments, the Investment Committee should seek as far as possible to match investments with the profile of the underlying liabilities, in accordance with the asset liability policy and the liquidity policy but should not seek to do so if any of the detailed requirements of this investment policy would be breached. In this context, liabilities will be defined as AICL balance sheet technical liabilities, i.e. outstanding claims including claims handling fees, plus IBNR plus unearned premium reserves.

For assets in excess of those backing technical liabilities the investment policy will also be 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 Risk Committee.

During the financial year AICL has completed the implementation of a new investment strategy. A comparison of the assets held immediately before transition (at the end of July 2017) and at 31 January 2019 is shown in the following table:

Investment Category	31 January 2019	31 July 2017
Bank Deposits and Cash	17%	48%
Money Market Funds	8%	25%
Hedge Funds	0%	0%
Global Loan Funds	1%	1%
Absolute Return Bond Funds	0%	4%
Supranational Bonds	0%	14%
Corporate Bonds	38%	0%
UK Gilts	26%	0%
Equities	0%	0%
UK Property	9%	9%
Total	100%	100%

C.3 Credit Risk

Credit risk comprises 5% of the undiversified Basic Solvency Capital Requirement as at 31 January 2019.

AICL defines credit risk as "The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations."

AICL is exposed to the following type of credit risk:

- Counterparty risk typically arising from intermediaries to whom the company has an exposure, reinsurance contracts and profit share arrangements.

The intermediary risks are measured by 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.

Reinsurance default risk arises from the following:

The quota share arrangements in place for motor and home insurance. These risks are measured on a continual basis. The risk of default is mitigated by the credit rating of the reinsurers used.

The motor insurance excess of loss reinsurance is placed with a panel of reinsurers at each renewal. The reinsurers must be approved by the Reinsurance Security Committee and must have a minimum Standard and Poors rating of A-.

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

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

C.4 Liquidity risk

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

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

AICL aims to achieve a target profit of at least 3% of premiums on its business, irrespective of the point of the insurance cycle and always sets its premium rates with the aim of achieving this target. The intermediaries that distribute AICL's policies (primarily Saga Services, the AA and the RAC) then calculate the gross price to be paid by the customer. This arrangement means that AICL delivers unusually stable results for a primary motor insurer. In essence, the risk of adverse competitive pressure is borne by the intermediaries. AICL bears the risk of claim fluctuation but not of changes in competitive pressures.

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

The expected profit included in future premiums has therefore been set as between 3% and 10% of premiums, depending on the line of business, based on recent experience and the profit target margin. This amounts to £2.2 million in total.

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

C.5 Operational risk

Operational risk is equivalent to 12% of the undiversified Basic Solvency Capital Requirement as at 31 January 2019.

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

Operational risk is identified, measured and monitored by the risk register. This identifies the level of risk before and after controls and identifies risk and control owners. Controls are tested by the use of snap checks on a regular basis.

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

C.6 Other material risks

C.6.1 Strategic Risk

AICL defines strategic risk as "the risk of a change in value due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. "

AICL is exposed to the following types of strategic risk:

- Failure to anticipate technology shift, particularly in the digital arena
- Erosion of market share by the arrival of a unique competitor
- Inability to derive expected benefits from new projects
- Failure to understand business aims and objectives
- Inability to meet strategic targets and budget.

Strategic risk is managed by a range of activities which include:

- Well understood annual budgets and 5 year plans
- Market knowledge and participation in market forums
- Robust project planning processes, including internal audit reviews of projects and post-implementation reviews.

C.6.2 Group Risk

AICL is a subsidiary of Saga plc, a company which has a range of activities including:

- Insurance underwriting
- Insurance broking
- Holiday tour operations
- A holiday cruise operation
- An investment management platform and advice for individual investors

AICL is a wholly owned subsidiary of Saga MidCo Limited and its ownership position within Saga plc ensures that its viability cannot be directly affected by the failure of any other Saga group company. The impact on AICL of the failure of Saga Services and other group contagion risks are covered by the stress tests carried out as part of the ORSA process.

C.6.3 Emerging risks

As part of the risk management framework, AICL continually look to identify and review emerging risks. Emerging risks currently being monitored include Driverless cars and potential changes to the structure of the insurance market.

The following risks have been considered and where appropriate, taken into account, as part of this process:

C.6.3.1 Civil Liability Bill 2018

The Civil Liability Bill has now received Royal Assent and came into force as the Civil Liability Act 2018 on 20 December 2018. There are 2 parts to this bill, as follows:

- Part 1 is currently planned to commence in April 2020 and will provide new legislation dealing with whiplash claims
- Part 2 requires that the Lord Chancellor conducts a review of the Personal Injury Discount Rate and determines whether the rate should be changed or kept unchanged within 140 days of the day on which the review starts. It also requires the Lord Chancellor, in conducting the review, must consult (a) the Government Actuary and that this consultation must start within 20 days of and including the start of the review; and (b) the Treasury. The Lord Chancellor started the review on 19 March 2019 and must complete the process to determine the rate 5 August 2019.

It should be noted that the Damages Act Scotland will separately set the discount rate to be used in Scotland and the Scottish Government has suggested that the discount rate might be lower than that used in England and Wales.

C.6.3.2 Brexit

The decision that the UK will leave the EU has caused the value of sterling to fall against other currencies, in particular the Euro and the US dollar. The fall in value against the Euro has increased the cost of parts for most cars manufactured in the UK or Europe.

As the deadline for the UK to leave the EU approaches and with a deal yet to be agreed, the basis of any future trading relationship with the EU is uncertain. The impact on new car prices and the cost of spare parts is unknown and import controls may cause delays, increasing the duration of repairs and increasing car hire costs. There may also be a cost to the provision of care in severe injury cases, which would impact the cost of settled claims.

The provision of motor insurance cover for customers wishing to take their cars to the EU may require Green Cards to be issued. This would involve major systems changes for insurers.

C.6.3.3 Autonomous vehicles

Whilst driving assistance systems such as anti-lock braking and dynamic stability control systems have been in existence for many years and are now compulsory on new vehicles in many countries, partial and conditional automation systems are relatively new. Partial automation requires the driver to remain in control of the vehicle at all times, whereas conditional automation allows the car to be in control in limited circumstances.

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

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

C.7 Any other information

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

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

C.7.1 Stress and scenario tests

In the 2018/19 ORSA, the following stress and scenario tests were carried out:

1. A rail disaster (similar to the Selby rail crash) in which an insured vehicle collides with a passenger train causing it to derail resulting in severe personal injury and loss of life, as well as damage to property and interruption to services.

2. A major reduction in asset values of 10% caused by rising interest rates which result in depressed bond, equity and property prices.

3. Failure of multiple insurers on the Saga Motor Panel coupled with AICL maintaining inadequate policy records which result in AICL writing 25% more business than expected over the course of a 12 month period.

4. Overseas catastrophe impacting multiple international reinsurers to which AICL has exposure resulting in reduction in reinsurance recoveries of 25%.

5. Delay in The AA paying premiums to AICL (premiums paid more than 90 days after due date) resulting in a significantly higher counterparty default risk capital charge.

6. Deterioration in premium and reserve volatility resulting in a doubling of AICL's USPs.

In each of the scenarios, AICL's coverage of the Minimum Capital Requirement (MCR) remains above 100% and therefore has sufficient capital. AICL's coverage of the Solvency Capital Requirement (SCR) remains above 100% for scenarios 1, 3, 5 and 6.

In scenarios 2 and 4, AICL's coverage of the Solvency Capital Requirement (SCR) falls below 100% to 91% and 50% respectively. In these circumstances, AICL could be recapitalised immediately to 110% of the SCR which can be funded from the credit facility available to Saga plc and from retained profits, in a combination to be determined. Alternatively, AICL could submit a plan to the FSC that restores own funds to be sufficient to cover the SCR. Again, this can be funded from the credit facility available to Saga plc and from retained profits, in a combination to be determined.

C.7.2 1-in-200 year stress tests

In the 2018/19 ORSA, the following 1-in-200 year stress tests were carried out:

1. Combination of third party failure (10% reduction in reinsurance recoveries and 50% reduction in broker balances), 8% reduction in asset values and unexpected significant increase in liabilities of 10%. In this scenario we would expect to see a downturn in the economic environment and increases in insurance premiums following the increase in claims experience. Assuming this is a market-wide phenomenon, we would expect the premium increases will not affect AICL's competitive position but for there to be increased levels of new business as retention rates fall in the market. Saga Services is typically competitive in these conditions and can be expected to increase volumes.

2. A major reduction in asset values of 8% with an unexpected increase in liabilities of 15%. This scenario reflects the situation following the 2008 financial crisis, with pressure on asset values and an increase in liability claims.
3. Failure of Saga Services combined with 2% reduction in asset values and unexpected increase in liabilities of 5%. Saga Services enters and subsequently exits administration as a going concern. Stress tests carried out by Saga Services show that the company is cash positive after 6 trading days but policy volumes and hence profits are at 50% of previously planned levels. AICL profits are also assumed to reduce in proportion and that no future reserve releases are available.
4. The failure of Saga Services combined with 2% reduction in asset values and unexpected increase in liabilities of 5%. Saga Services is insolvent and no further business is written. AICL profits are assumed to reduce in proportion and that no future reserve releases are available.
5. AICL suffers from a 1% fall in asset values and a 1% increase in personal injury costs (totalling £6m). Saga Services suffers a combination of events (totalling £82m) specified in their annual FCA Threshold Condition 4 assessment (a breach of law or regulations that results in a fine; industry-wide mis-selling resulting in fines and repayments to customers; and negative PR for the Saga brand).
6. Reinsurer failure (circa 20% reduction in recoveries) and severe weather event (storm, flood and hailstorm) across London leads to significant number of motor and home claims putting severe strain on CHMC

In scenarios 1-4 and 6, AICL's coverage of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) falls to less than 100% immediately after the event.

In scenario 5, AICL's coverage of the SCR remains above 100% and therefore has sufficient capital.

In the circumstances where there is a shortfall to the SCR, two options become available to recapitalise AICL, as follows:

1. AICL is recapitalised immediately to 110% of the SCR. The capital can be funded from the revolving credit facility available to Saga plc and from retained profits, in a combination to be determined.
2. AICL submits a plan to the FSC that restores own funds to be sufficient to cover the SCR by the end of the financial year 2018/19. Again, this can be funded from the

revolving credit facility available to Saga plc and from retained profits, in a combination to be determined.

C.7.3 Reverse stress tests

In the 2018/19 ORSA, the reverse stress test assumed the following events happen simultaneously:

1. A rail disaster (similar to the Selby rail crash) in which an insured vehicle collides with a passenger train causing it to derail resulting in severe personal injury and loss of life, as well as damage to property and interruption to services.
2. A major reduction in asset values of 10% caused by rising interest rates which result in depressed bond, equity and property prices.
3. Overseas catastrophe impacting multiple international reinsurers to which AICL has exposure resulting in reduction in reinsurance recoveries of 25%.

The result of the above test is to leave AICL in an insolvent position. Its shareholder would then need to decide on one of two courses of action:

- To recapitalise AICL through the facilities available to it.
- To place AICL in an orderly run-off.

D. Valuation for Solvency Purposes

D.1 Assets

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

At 31 January 2019, AICL held the following assets:

Asset Class	Solvency II value	Statutory account value	Difference
	(£ million)	(£ million)	(£ million)
Intangible Assets	0.0	0.0	(0.0)
Property, Plant and Equipment for own use	0.0	0.0	(0.0)
Property	46.1	35.9	10.2
Participations	0.0	3.6	(3.6)
Government Bonds	128.1	128.3	(0.2)
Corporate Bonds	221.5	221.3	0.3
Investment Funds	43.2	43.3	(0.1)
Deposits other than cash	0.0	0.0	0.0
Reinsurance Recoverables:			
Non-life excluding health	259.4	96.3	163.1
Life excluding health and index-linked and unit-linked	33.3	0.0	33.3
Insurance & intermediaries receivables	(0.2)	122.4	(122.6)
Receivables (trade, not insurance)	0.0	0.0	0.0
Cash and cash equivalents	2.4	4.7	(2.3)
Any other assets, not elsewhere shown	0.0	9.0	(9.0)
Total Assets	733.7	664.7	68.9

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:

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

The differences in the asset values in the table in section D.1.1 is also influenced by the Solvency II look-through approach to investment funds.

Note that the total value of the investments is similar in both the Solvency II and statutory reporting; the differences are presentational. Similarly, the amounts due to be received by AICL are accounted for elsewhere in Solvency II.

D.2 Technical Provisions

D.2.1 Technical provisions by material line of business

The technical provisions, gross of reinsurance, as at 31 January 2019 are shown in the following table:

Line of Business	Best Estimate (£ million)	Risk Margin (£ million)	Technical Provisions (£ million)
Motor Liability	422.9	18.6	441.5
Motor Other	7.7	1.0	8.7
Fire and Other Property	0.6	0.0	0.6
Legal Expenses	(1.8)	0.0	(1.8)
Assistance	13.2	0.6	13.8
Miscellaneous financial loss	1.3	0.1	1.4
Annuities	42.8	2.0	44.8
Total Claim and Premium Technical Provisions	486.9	22.2	509.1
Adjustments			
Expected Profit in Future Premiums	(0.0)	0.0	(0.0)
Insurance and intermediaries receivable[1]	(87.8)	0.0	(87.8)
Receivables (trade, not insurance)[2]	(1.7)	0.0	(1.7)
Any other assets, not elsewhere shown[3]	(9.3)	0.0	(9.3)
Reinsurances payable[4]	69.5	0.0	69.5
Total Technical Provisions	457.5	22.2	479.7
Reinsurance Recoveries	292.7	0.0	292.7
Net Technical Provisions	164.9	22.2	187.1

Notes:
[1]Premiums due from brokers, which are within the agreed contractual time limits for passing on those premiums
[2] Mainly allowance for accrued reimbursement from a Profit Share contract with one of the brokers (AA) in respect of various Roadside and Add-On products that AICL underwrites on the AA's behalf.
[3]Total value of a few float accounts held in respect of relatively minor products
[4] Premiums effectively payable to our Quota Share reinsurer. That arrangement is a Funds Withheld basis and therefore premiums are not directly passed on. Premiums payable to our excess of loss reinsurers are also included.
*The non-life risk margin of £20.3 million (excluding annuities) is allocated to line of business in proportion to the non-negative technical provisions.

Actuarial projections have been carried out to estimate the ultimate cost of claims for each class of business. For all major types of claim except motor large third party injury claims, the chain ladder method has been used. This is a commonly used actuarial technique for estimating ultimate claim costs. It assumes that the development of claims costs in the future can be based on an analysis of the development of historic claim costs for past accident periods. The analysis produces “development factors” which can be used to estimate the progression of claim costs for each period. The result of the method 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. Bornhuetter-Ferguson methods are typically used to estimate ultimate claims costs in classes of business where there is a low claim frequency but high claim severity. For each accident period, an initial assumption is made about the ultimate claims experience, in this case that the claims cost will be in line with the pricing assumption. As the accident period develops, the estimated ultimate claims are based less on the initial assumption and more on the actual experience until after a period of time (in this case approximately 10 years) 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 for each monthly extract produced since January 2004 there have been no material discrepancies between the two data sources.

The following reasonableness checks are performed to ensure that the data is sufficiently accurate, relevant and complete for the report to be reliable:

- A comparison with the data used in the previous calculations
- The data has been checked for consistency with data from other sources
- It has also been reviewed for reasonableness

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

D.2.2 Uncertainty in the technical provisions

Projections of future cashflows are subject to a degree of 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 projected values of claims projected in this way will vary from year to year, especially projections relating to the most recent 2018/19 and 2017/18 accident periods.

The main sources of uncertainty include:

- The 2018/19 and 2017/18 accident periods.
- Changes in claims reporting and handling, particularly in respect of the small personal injury claims. This includes the targeting of open claims with no development in the last 12 months, which will result in initial favourable development, but it is expected that future development may worsen as claims are re-opened.
- The frequency and severity of large motor third party liability claims
- Periodical Payment Orders (PPOs) are subject to considerable uncertainty because of uncertain life expectancies and the variability of inflation and investment returns over considerable periods of time.
- Any further change to the Ogden discount rate.
- Changes to the regulatory environment, for example changes such as the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act and Periodical Payment Orders which apply to all open claims. This includes the Government's review of soft tissue injuries.
- Claims inflation higher than expected
- Brexit

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

The following table shows the difference between the Solvency II Technical Provisions and those reported in the Statutory Accounts as at 31 January 2019.

Line of Business	Solvency II Technical Provisions (£ million)	Statutory Accounts Technical Provisions (£ million)	Difference (£ million)
Medical expense	0.0	0.5	(0.5)
Motor Liability	418.0	410.0	10.9
Motor Other	2.8		
Fire and Other	0.6	1.5	(0.9)
Legal Expenses	(1.8)	4.4	(6.1)
Assistance	13.8	12.8	1.0
Miscellaneous	1.4	1.7	(0.3)
Annuities	44.8	79.5	(34.7)
Total	479.7	510.4	(30.7)

D.2.3.1 Solvency II valuation bases

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

D.2.3.1.1 Claims provision

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

D.2.3.1.2 Premium provision

The premium provision is the discounted best estimate of the total cash flows in respect of the claims occurring after the valuation date, together with the corresponding claims handling expenses, premiums received after the valuation date and the expenses of administering the business in respect of the business that AICL is contractually obliged to cover as at the valuation date.

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

D.2.3.1.3 Risk margin

The risk margin is the cost of providing the capital to cover the SCR over the lifetime of the liabilities.
It is intended to ensure that the value of the technical provisions is equivalent to the amount that an insurer would be expected to require in order to take over and meet the insurance obligations.

The risk margin is calculated net of reinsurance.

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

D.2.3.2 Statutory Accounts valuation bases

D.2.3.2.1 Claims outstanding provision

The provision for claims outstanding is made on an individual basis and is based on 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 also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. The claims outstanding provision is not discounted for the time value of money with the exception of periodical payment orders ('PPOs'), awarded in the settlement of bodily injury claims.

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

Differences between the estimated cost and subsequent settlement of claims are dealt within 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 on a daily pro-rata basis.

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 Article 77b of Directive 2009/138/EC 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 Article 77d of Directive 2009/138/EC 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 Article 308c of Directive 2009/138/EC 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 Article 308d of Directive 2009/138/EC has not been applied in any of the calculations of the technical provisions, the SCR, the MCR, the basic own funds and the amounts of own funds eligible to cover the SCR and the MCR.

D.2.8 Other

D.2.8.1 Recoverables from reinsurance contracts and special purpose vehicles

AICL has three primary reinsurance arrangements and 3 coinsurance arrangements in place:

- An arrangement providing excess of loss and aggregation covering all motor policies
- A quota share arrangement covering all motor policies
- A reinsurance arrangement covering all household policies

D.2.8.1.1 Excess of Loss and Catastrophe cover covering all motor policies

Since AICL's inception in 2004, AICL has annually purchased reinsurance cover to mitigate the risks of

- Particularly large motor liability claims
- A concentration of claims in any short period due to, for example weather events

Our reinsurance arrangement for this provides the following

- Motor liability excess of loss: unlimited excess of £3,000,000.
- Motor other catastrophe excess of loss: £9,000,000 excess of £1,000,000, comprised of:
    a. £2,000,000 excess £1,000,000 drop down layer purely for motor other catastrophes;
    b. £7,000,000 excess £3,000,000 alongside the motor liability excess of loss programme.

The maximum motor third party property damage contribution to the ultimate net loss is £20,000,000 indemnity and £5,000,000 expenses in respect of any one vehicle.

D.2.8.1.2 Motor insurance quota share

AICL signed a three-year quota share reinsurance treaty in early 2016 to provide reinsurance cover on a quota share basis. The principal terms of this arrangement are set out below:

- The treaty covered the three accident years from 1 February 2016 to 31 January 2019 on a funds withheld basis.
- The quota share arrangement applied to AICL's residual claims and premiums after the impact of the excess of loss arrangements described above.
- AICL retained 25% of the residual earned premiums and incurred claims.
- Investment and other income and all expenses and levies were shared in the same proportions.
- The treaty covered all motor policies, regardless of distribution channel.
- All earned premiums and claims incurred between 1 February 2016 and 31 January 2019 are included, other than in respect of earned premiums and incurred accidents arising from new business written by Saga Services prior to 1 July 2015 and renewal business written by Saga Services prior to 1 August 2015.
- The reinsurer's exposure for any given accident year was limited to a loss ratio of 120%. Any exposure with a loss ratio greater than 120% would have returned to AICL.
- There were no sliding commission scales in this arrangement as AICL and the reinsurer's experience was aligned.
- A profit share arrangement applies at the point of commutation, 3 years after the expiry of the contract.

A new quota share reinsurance contract commenced on 1 February 2019. The new contract has an initial three year term with a three year notice period for both AICL and the reinsurers. The principal terms of the new contract are similar to the previous contract, with the following main exceptions:

- AICL retains 20% of the earned premiums and incurred claims
- The remainder of the earned premiums and incurred claims are shared equally between two reinsurers

D.2.8.1.3 Home insurance arrangement

AICL began underwriting home insurance business (buildings and contents insurance) on both the Saga Services and AA Insurance Services panels during 2012. This business is written on a coinsurance basis with the coinsurance partner taking 99% of the risk. AICL's remaining 1% share of the risk is quota share reinsured. AICL therefore retains no risk apart from the risk of insolvency of the quota share partner. This business will therefore not make a material change to the risk profile.

D.2.8.1.4 Ancillary product coinsurances

The following products are coinsured with external partners:

Product	Percentage coinsured
Saga Motor Legal	99%
Saga Breakdown Assistance	99%

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 2019 are shown in the following table:

Liability Class	Solvency II Value (£ million)	Statutory Accounts Value (£ million)	Difference (£ million)
Deferred tax liabilities	0.2	0.2	0.0
Debts owed to credit institutions	0.0	2.3	(2.3)
Insurance & intermediaries payables	15.4	17.1	(1.7)
Reinsurance payables	0.0	11.9	(11.9)
Payables (trade, not insurance)	0.0	0.0	0.0
Any other liabilities, not elsewhere	148.7	31.5	117.2
Total	164.3	63.0	101.3

The difference in reinsurance payables is influenced by the statutory accounting treatment of the motor quota share reinsurance.

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.

D.3.2.1.2 Debts owed to credit institutions

Amortised value - effective interest rate method.

D.3.2.1.3 Reinsurance payables

Amounts past due for payment.

D.3.2.1.4 Payables (trade, not insurance)

Amounts past due for payment.

D.3.2.1.5 Any other liabilities, not elsewhere shown

Amounts past due for payment.

D.3.2.2 Statutory valuations

D.3.2.2.1 Deferred tax liability

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

D.3.2.2.2 Debts owed to credit institutions

Amortised value - effective interest rate method.

D.3.2.2.3 Reinsurance payables

Expected amount due.

D.3.2.2.4 Payables (trade, not insurance)

Expected amount due.

D.3.2.2.5 Any other liabilities, not elsewhere shown

Expected amount due.

D.4 Alternative methods for valuation

AICL does not apply alternative methods for valuation

D.5 Any other information

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

E. Capital Management

E.1 Own Funds

E.1.1 Management of own funds

AICL has a capital management policy and a medium term capital management plan which require management to maintain sufficient own funds which will provide a specified margin above the SCR at all times. The projections are reviewed at least annually as part of the ORSA process and ensure that appropriate funds are available for the duration of the 5 year planning period.

During the planning period, it is expected that the SCR will reduce as a result of the motor quota share arrangement. In order to maintain the margin above the SCR at an appropriate level, the surplus own funds will be distributed to the shareholder via dividend payments.

E.1.2 Amount of own funds by tier

AICL's own funds as at 31 January 2019 are as follows:

Description	Tier	£ millions
Ordinary Share Capital	1	30.0
Reconciliation Reserve	1	59.7
Total	1	89.7

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

All of the own funds shown in the table above are eligible to cover both the SCR and the MCR

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

All of the own funds shown in the table above are eligible to cover both the SCR and 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 2019:

Description	Solvency II value (£ million)	Statutory Accounts (£ million)
Ordinary share capital	30.0	30.0
Retained earnings including profits from the year	62.1	63.1
Other reserves from accounting balance sheet	(1.2)	(1.7)
Adjustments to assets	78.8	0.0
Adjustments to technical provisions	30.7	0.0
Adjustments to other liabilities	(110.8)	0.0
Total	89.7	91.4

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 Solvency Capital Requirement and the Minimum Capital Requirement as at 31 January 2019

The SCR and MCR as at 31 January 2019 are shown in the following table:

Risk Category	£ million
Non-Life Underwriting Risk	48.5
Market Risk	24.8
Counterparty Default Risk	4.1
Life Underwriting Risk	1.0
Diversification Benefit	(16.3)
Basic Solvency Capital Requirement	62.0
Operational Risk	12.6
LACDT Adjustment	(14.2)
Solvency Capital Requirement	60.5
Minimum Capital Requirement	21.8

The SCR calculations remain subject to supervisory assessment.

E.2.2 The amount of the Solvency Capital Requirement split by risk modules

The following tables show the detailed breakdown of the SCR by risk modules. The SCR is calculated using the standard formula, except for the Non-Life Risk where undertaking-specific parameters are used.

E.2.2.1 Non-Life Underwriting Risk

Non-Life Underwriting Risk	£ million
Premium and Reserve Risk	48.1
Catastrophe Risk	1.5
Lapse Risk	1.3
Diversification Benefit	(2.4)
Total	48.5

E.2.2.2 Market Risk

Market Risk	£ million
Interest Rate Risk	1.8
Equity Risk	0.0
Spread Risk	16.2
Currency Risk	1.5
Property Risk	11.5
Concentration Risk	1.8
Diversification Benefit	(8.1)
Total	24.8

E.2.2.3 Counterparty Default Risk

Counterparty Default Risk	£ million
Type 1	4.1
Type 2	(0.0)
Diversification Benefit	0.0
Total	4.1

E.2.2.4 Life Underwriting Risk

Life Underwriting Risk	£ million
Mortality Risk	0.0
Longevity Risk	0.9
Disability & Morbidity Risk	0.0
Lapse Risk	0.0
Expense Risk	0.1
Revision Risk	0.2
Catastrophe Risk	0.0
Diversification Benefit	(0.2)
Total	1.0

The life underwriting risk arises from third party personal injury claims which have settled as periodical payment orders and are currently being paid.

E.2.3 Simplified calculations

No simplified calculations are used in the calculation of the SCR

E.2.4 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 reserve risk

E.2.5 Use of the option provided for in the third subparagraph of Article 51 (2) of Directive 2009/138/EC

The GFSC has not made use of the third subparagraph of Article 51(2) of Directive 2009/138/EC in respect of AICL's SCR

E.2.6 Use of undertaking-specific parameters that undertaking is required to use in accordance with Article 110 of Directive 2009/138/EC

The GFSC has not required the use of undertaking-specific parameters in accordance with the Article 110 of Directive 2009/138/EC.

E.2.7 Inputs used to calculate the Minimum Capital Requirement

The following inputs were used to calculate the MCR as at 31 January 2019:

	Net technical provisions without a risk margin (£ million)	Net premium written in last 12 months (£ million)
Motor Vehicle liability insurance and proportional reinsurance	155.8	31.7
Other motor insurance and proportional reinsurance	0.0	7.9
Fire and other damage to property insurance and proportional reinsurance	0.5	0.9
Legal expenses insurance and proportional reinsurance	0.0	0.9
Assistance and its proportional reinsurance	13.2	29.8
Miscellaneous financial loss and proportional reinsurance	1.3	1.9
Other (Periodical Payment Orders)	9.5	0.0

E.2.8 Material changes to the SCR and MCR in the reporting period

A comparison of the SCR and MCR with the position as at 31 January 2018 is shown in the following table:

Year ended	31 January 2019	31 January 2018	Change in Year
Risk Category	£ million	£ million	£ million
Non-Life Underwriting Risk	48.5	63.5	(15.0)
Market Risk	24.8	34.4	(9.6)
Counterparty Default Risk	4.1	3.9	0.2
Life Underwriting Risk	1.0	0.8	0.2
Diversification Benefit	(16.3)	(21.0)	4.7
Basic Solvency Capital Requirement	62.0	81.5	(19.5)
Operational Risk	12.6	15.5	(2.9)
LACDT Adjustment	(14.2)	(18.4)	4.3
Solvency Capital Requirement	60.5	78.6	(18.1)
Minimum Capital Requirement	21.8	29.2	(7.3)

The material changes are therefore as follows:

- Non-Life Underwriting Risk has reduced because of the volumes of motor insurance business written and the continuing impact of the quota-share reinsurance arrangement

- Market Risk has reduced because the value of the assets has fallen
- The MCR has reduced as a consequence of the reduction in the SCR

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 Article 304 of Directive 2009/138/EC for the calculation of its SCR

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

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

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

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

E.6 Any other information

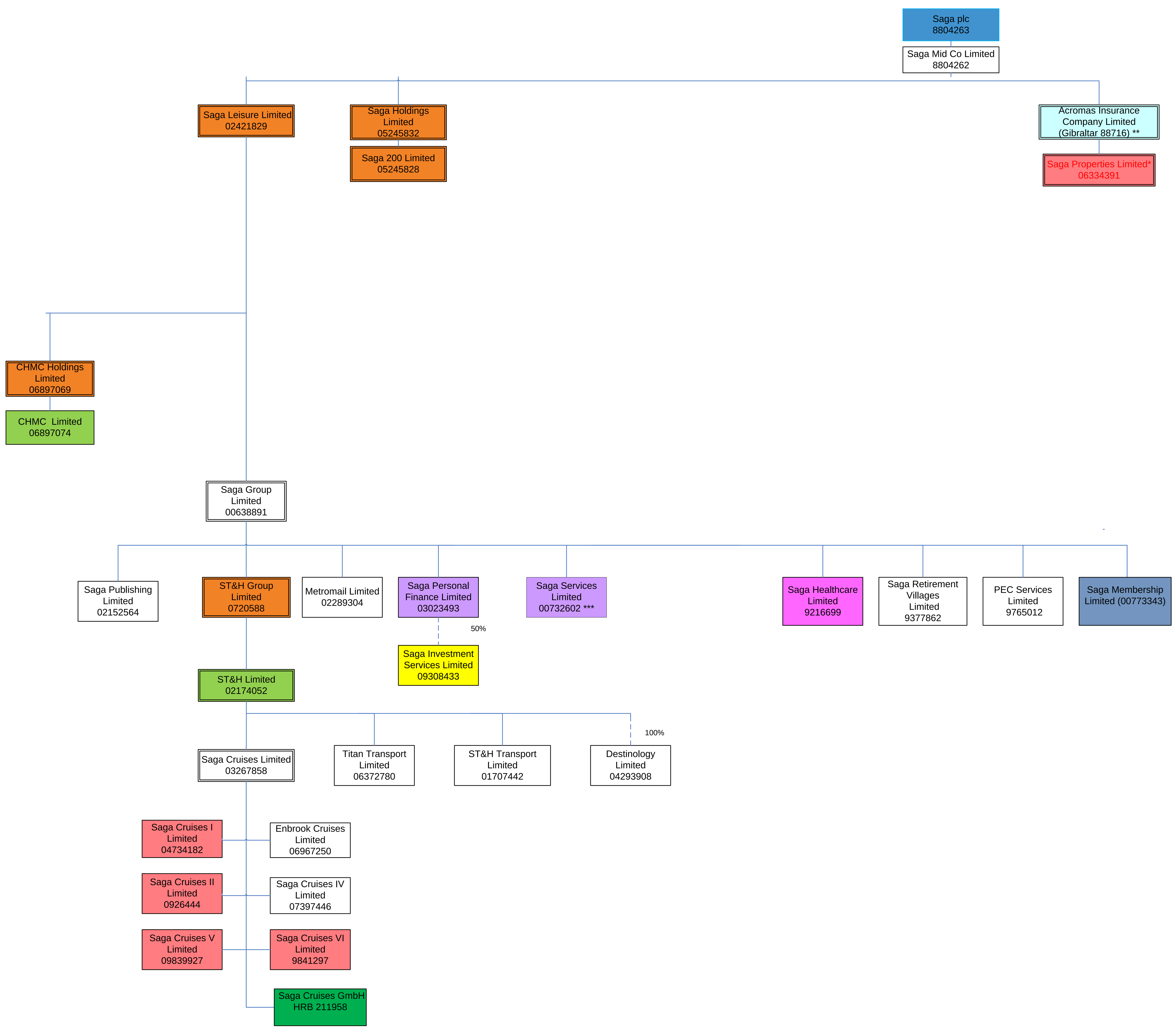
There is no other material information to be reported in this section

F. Additional Information

F.1 Saga plc company structure

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

SAGA PLC
Group Structure as at 13th February 2018 - Trading / Holding companies



KEY

* May be voluntarily struck off

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

NOTES:

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

F.2 SFCR Templates

S.02.01.02 Balance sheet

		Solvency II value
		C0010
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	438,865,853
Property (other than for own use)	R0080	46,050,000
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	349,621,992
Government Bonds	R0140	128,092,460
Corporate Bonds	R0150	221,529,533
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	43,193,861
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	292,653,814
Non-life and health similar to non-life	R0280	259,402,005
Non-life excluding health	R0290	259,402,005
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	33,251,809
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	33,251,809
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	-215,812
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	2,363,119
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	733,666,975

S.02.01.02 Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	434,969,240
Technical provisions – non-life (excluding health)	R0520	434,969,240
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	414,713,390
Risk margin	R0550	20,255,851
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	44,753,376
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	44,753,376
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	42,801,035
Risk margin	R0680	1,952,341
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	202,542
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	15,387,104
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	0
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	148,695,039
Total liabilities	R0900	644,007,301
Excess of assets over liabilities	R1000	89,659,673

S.05.01.02 Non-Life & Accepted non-proportional reinsurance

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0040	C0050	C0070	C0100	C0110	C0120	C0200
Premiums written								
Gross - Direct Business	R0110	136,451,430	34,112,858	120,524	881,467	29,817,564	1,897,389	203,281,232
Gross - Proportional reinsurance accepted	R0120							0
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	104,040,367	26,010,092	113,903	0	0	18,000	130,182,362
Net	R0200	32,411,063	8,102,766	6,621	881,467	29,817,564	1,879,389	73,098,870
Premiums earned								
Gross - Direct Business	R0210	143,004,041	35,751,010	121,034	949,399	34,790,311	2,007,600	216,623,396
Gross - Proportional reinsurance accepted	R0220							0
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	108,735,047	27,183,762	112,479	0	0	18,000	136,049,288
Net	R0300	34,268,994	8,567,249	8,556	949,399	34,790,311	1,989,600	80,574,108
Claims incurred								
Gross - Direct Business	R0310	61,166,173	15,291,543	170,673	1,144,808	31,458,713	1,671,956	110,903,866
Gross - Proportional reinsurance accepted	R0320							0
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	88,048,285	22,012,071	174,337	0	0	0	110,234,694
Net	R0400	-26,882,112	-6,720,528	-3,665	1,144,808	31,458,713	1,671,956	669,172
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non- proportional reinsurance accepted	R0430							0
Reinsurers'share	R0440							0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	4,329,100	1,082,275	1,448,962	188,740	2,500,718	159,132	9,708,927
Other expenses	R1200							
Total expenses	R1300							9,708,927

S.05.02.01 Non-life obligations for home country

		Home country	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			IE	
		C0080	C0090	C0140
Premiums written				
Gross - Direct Business	R0110	203,281,232	0	203,281,232
Gross - Proportional reinsurance accepted	R0120	0	0	0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0
Reinsurers' share	R0140	130,182,362	0	130,182,362
Net	R0200	73,098,870	0	73,098,870
Premiums earned				
Gross - Direct Business	R0210	216,603,222	20,173	216,623,396
Gross - Proportional reinsurance accepted	R0220	0	0	0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0
Reinsurers' share	R0240	136,049,288	0	136,049,288
Net	R0300	80,553,935	20,173	80,574,108
Claims incurred				
Gross - Direct Business	R0310	110,883,697	20,169	110,903,866
Gross - Proportional reinsurance accepted	R0320	0	0	0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0
Reinsurers' share	R0340	123,874,724	0	123,874,724
Net	R0400	-12,991,027	20,169	-12,970,858
Changes in other technical provisions				
Gross - Direct Business	R0410			0
Gross - Proportional reinsurance accepted	R0420			0
Gross - Non-proportional reinsurance accepted	R0430			0
Reinsurers' share	R0440			0
Net	R0500	0	0	0
Expenses incurred	R0550	9,708,916	11	9,708,927
Other expenses	R1200			
Total expenses	R1300			

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		0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated	R0020		0
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	42,801,035	42,801,035
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	33,251,809	33,251,809
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	9,549,226	9,549,226
Risk Margin	R0100	1,952,341	1,952,341
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110		0
Best estimate	R0120		0
Risk margin	R0130		0
Technical provisions - total	R0200	44,753,376	44,753,376

S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0050	C0060	C0080	C0110	C0120	C0130	C0180
Technical provisions calculated as a whole	R0010							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050							
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	R0060	42,656,111	17,779,153	406,969	420,620	5,202,659	839,773	67,305,285
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	45,513,636	17,152,427	56,645	0	0	0	62,722,708
Net Best Estimate of Premium Provisions	R0150	-2,857,524	626,726	350,323	420,620	5,202,659	839,773	4,582,577
Claims provisions								
Gross - Total	R0160	356,780,282	-15,909,447	210,390	-2,191,721	8,013,588	505,014	347,408,105
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	207,708,802	-11,094,096	64,591	0	0	0	196,679,298
Net Best Estimate of Claims Provisions	R0250	149,071,480	-4,815,351	145,799	-2,191,721	8,013,588	505,014	150,728,807
Total Best estimate - gross	R0260	399,436,393	1,869,706	617,359	-1,771,101	13,216,247	1,344,787	414,713,390
Total Best estimate - net	R0270	146,213,956	-4,188,625	496,122	-1,771,101	13,216,247	1,344,787	155,311,385
Risk margin	R0280	18,583,219	977,996	27,753	19,186	587,333	60,364	20,255,851
Amount of the transitional on Technical Provisions								
TP as a whole	R0290							0
Best estimate	R0300							0
Risk margin	R0310							0
Technical provisions - total								
Technical provisions - total	R0320	418,019,612	2,847,702	645,112	-1,751,915	13,803,580	1,405,150	434,969,240
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	253,222,438	6,058,331	121,237	0	0	0	259,402,005
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	164,797,174	-3,210,629	523,875	-1,751,915	13,803,580	1,405,150	175,567,235

S.19.01.21 Non-life insurance claims Total Non-Life Business

Unit	GBP

Accident year	Z0020	1

Gross Claims Paid (non-cumulative) - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											607,996
N-9	R0160	137,375,518	63,677,124	18,252,869	14,225,863	9,364,685	4,866,653	2,849,611	761,422	126,585	33,012	
N-8	R0170	144,524,937	56,178,065	20,225,578	14,598,428	7,569,781	5,329,968	2,180,440	3,377,732	320,918		
N-7	R0180	139,186,438	48,603,546	16,488,363	10,262,446	10,883,478	4,790,221	845,266	1,706,282			
N-6	R0190	138,817,221	39,696,046	13,493,651	12,644,126	8,741,953	10,656,058	2,491,551				
N-5	R0200	123,306,226	32,202,138	10,470,073	10,049,055	11,569,184	5,836,453					
N-4	R0210	114,563,123	29,223,801	9,436,688	7,913,835	7,114,934						
N-3	R0220	114,410,609	27,007,675	8,996,244	14,542,067							
N-2	R0230	110,632,123	23,134,249	9,703,667								
N-1	R0240	107,295,281	24,592,127									
N	R0250	105,623,050										

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

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	607,996	607,996
R0160	33,012	251,533,342
R0170	320,918	254,305,845
R0180	1,706,282	232,766,040
R0190	2,491,551	226,540,607
R0200	5,836,453	193,433,130
R0210	7,114,934	168,252,381
R0220	14,542,067	164,956,595
R0230	9,703,667	143,470,039
R0240	24,592,127	131,887,409
R0250	105,623,050	105,623,050
R0260	172,572,058	1,873,376,435

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											8,606,829
N-9	R0160								2,984,734	-1,511,105	-609,625	
N-8	R0170							19,801,682	-8,058,054	8,307,255		
N-7	R0180						11,787,614	-4,371,586	-2,411,756			
N-6	R0190					34,624,544	-17,313,353	-6,832,430				
N-5	R0200				61,383,445	-22,278,927	1,581,734					
N-4	R0210			84,635,394	-19,775,005	-20,446,248						
N-3	R0220		118,425,424	-15,765,955	-55,609,813							
N-2	R0230	132,864,256	-46,106,625	-37,105,029								
N-1	R0240	127,809,287	-55,558,816									
N	R0250	91,807,178										

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

	Year end (discounted data)
	C0360
R0100	7,928,960
R0160	797,127
R0170	18,415,684
R0180	4,598,563
R0190	9,617,444
R0200	37,356,614
R0210	40,780,744
R0220	43,191,553
R0230	45,519,598
R0240	66,024,829
R0250	84,224,276
R0260	358,455,392

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	30,000,000	30,000,000			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0			
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0	0			
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	59,659,673	59,659,673			
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	89,659,673	89,659,673			
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				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	89,659,673	89,659,673			
Total available own funds to meet the MCR	R0510	89,659,673	89,659,673			
Total eligible own funds to meet the SCR	R0540	89,659,673	89,659,673	0	0	0
Total eligible own funds to meet the MCR	R0550	89,659,673	89,659,673	0	0	
SCR	R0580	60,491,669				
MCR	R0600	21,846,549				
Ratio of Eligible own funds to SCR	R0620	148%				
Ratio of Eligible own funds to MCR	R0640	410%				

S.23.01.01 Own funds

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	89,659,673
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	59,659,673
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	2,231,070
Total Expected profits included in future premiums (EPIFP)	R0790	2,231,070

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	24,799,653	0
Counterparty default risk	R0020	4,051,487	0
Life underwriting risk	R0030	970,193	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	48,527,210	0
Diversification	R0060	-16,301,477	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	62,047,066	

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	12,634,006
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-14,189,404
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	60,491,669
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	60,491,669
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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

Linear formula component for non-life insurance and reinsurance obligations		**MCR components**
		C0010
MCRNL Result	R0010	21,646,015.37

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	146,213,956	31,676,402
Other motor insurance and proportional reinsurance	R0060	0	7,919,101
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	496,122	924,947
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	0	881,468
Assistance and proportional reinsurance	R0120	13,216,247	29,817,539
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,344,787	1,879,413
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	200,534

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	9,549,226	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	21,846,549
SCR	R0310	60,491,669
MCR cap	R0320	27,221,251
MCR floor	R0330	15,122,917
Combined MCR	R0340	21,846,549
Absolute floor of the MCR	R0350	2,179,848
Minimum Capital Requirement	R0400	21,846,549