Acromas Insurance Company Limited

Solvency and Financial Condition Report

31 January 2020

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Summary

This Solvency and Financial Condition Report has been prepared in accordance with Solvency II regulatory requirements. Solvency II is the solvency framework implemented on 1 January 2016 as the capital regime for the European insurance industry. This document is a requirement of the Solvency II Directive and the structure and content follow the Solvency II Delegated Regulation.

With the exception of section C.6.4 (Coronavirus disease (COVID-19) pandemic), this document reports on the position of Acromas Insurance Company Limited as at 31 January 2020.

The main sections of this report are as follows:

1. Business and Performance
2. System of Governance
3. Risk Profile
4. Valuation for Solvency Purposes
5. Capital Management

A brief summary of each section is set out below.

1. Business and Performance

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

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

All of AICL's gross written premium in the financial year 2019/20 was from contracts written in the United Kingdom.

AICL 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 2020 is summarised in the table below:

Year ended	31 January 2020	31 January 2019
	£ million	£ million
Gross Written Premiums	211.9	203.5
Net Earned Technical Income (before quota share reinsurance)	196.2	204.7
Profit before Taxation (net of quota share reinsurance)	41.2	90.3
Combined Ratio (excluding investment return)	100.5%	100.2%
Solvency Capital Requirement (SCR)	53.8	60.5
Own Funds	86.2	89.7
SCR Coverage Ratio	160%	148%

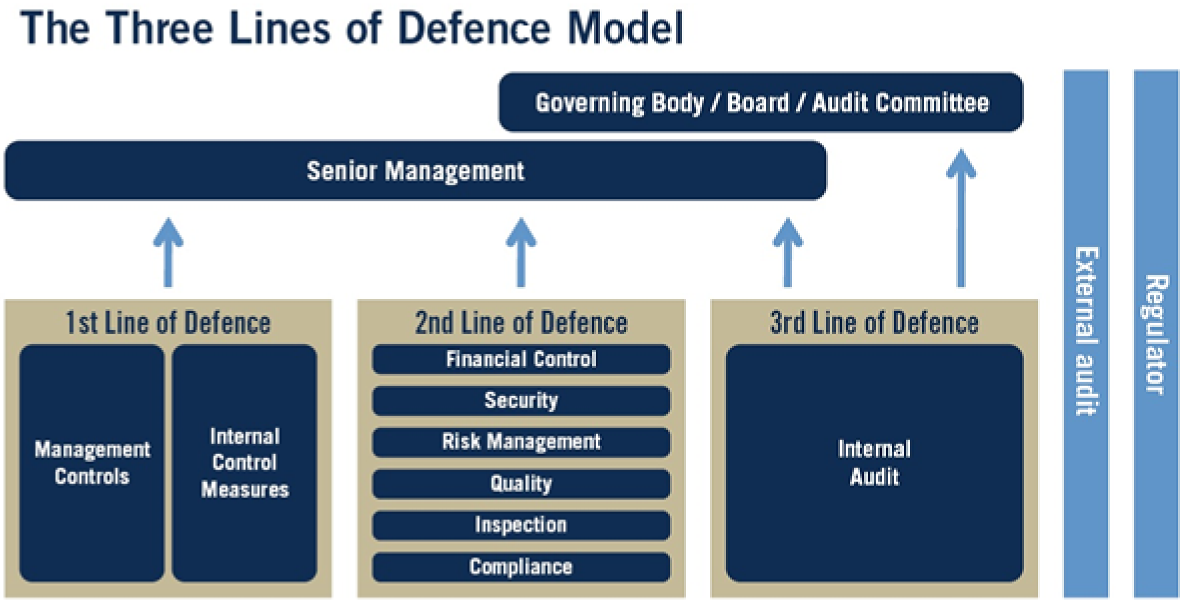
In light of the COVID-19 pandemic, the AICL executive team have assessed the impact of COVID-19 on AICL's ability to achieve the 2020 / 2021 budget. This is both in respect to the impact of COVID-19 on AICL as well as the contagion risk as a result of the impact on the wider Saga group. The AICL executive team have concluded that AICL currently remains on track to deliver the 2020 / 2021 budget whilst maintaining a solvency capital ratio in line with the AICL Board approved range of 140% to 160%.

2. System of Governance

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

- The Board of Directors
- Sub-committee
- Risk and governance Committees
- Executive Management

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



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

3. Risk Profile

The table below shows the breakdown of the Solvency Capital Requirement risk profile as at 31 January 2020 into the main risk modules:

Risk Category	**31 January 2020**	**31 January 2019**
Non-Life Underwriting Risk	72%	80%
Market Risk	46%	41%
Counterparty Default Risk	9%	7%
Life Underwriting Risk	2%	2%
Diversification Benefit	(30%)	(27%)
Operational Risk	24%	21%
LACDT Adjustment	(23%)	(23%)
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.

The non-life underwriting risk proportion has reduced over the year predominantly due to reductions in actuarial best estimate claims reserves (arising from assumption changes) and the motor quota share arrangement that commenced on 1 February 2016 (section D.2.8.1.2). The market risk proportion has increased largely due to the reduction in non-life underwriting risk.

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

The investment policy adheres to the "prudent person principle" by only allowing investments to be held in an approved list of asset classes and where appropriate, individual named assets. 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 2020:

Solvency II value (£ million)	31 January 2020	31 January 2019
Value of assets	753.4	733.7
Value of liabilities	667.2	644.0
Excess of assets over liabilities	86.2	89.7

Statutory account value (£ million)	31 January 2020	31 January 2019
Value of assets	612.1	664.7
Value of liabilities	520.5	573.4
Excess of assets over liabilities	91.6	91.4

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. These require management to maintain sufficient own funds to provide a specified margin above the Solvency Capital Requirement (SCR) at all times for AICL to continue to underwrite business. 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 next 5 years, it is expected that the SCR will reduce as a result of the motor quota share arrangement which reduces the net of reinsurance claims reserves used in the calculation of the SCR. 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 2020 is shown in the table below:

Year ended	31 January 2020	31 January 2019
	£ million	£ million
Solvency Capital Requirement	53.8	60.5
Own Funds	86.2	89.7
SCR Coverage Ratio	160%	148%
Minimum Capital Requirement (MCR)	19.2	21.8
MCR Coverage Ratio	450%	410%

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 2019/20 was from contracts written in the United Kingdom.

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.

AICL distributes its products through companies in the Saga plc Group, the AA and the RAC. . Small volumes of business are also sold through ClaimFast (a trading name of CHMC). 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 2017/18, 2018/19 and 2019/20 written premium by high level product group.

£ millions	Classification in Statutory Accounts	Gross Written Premiums		
		2019/20	2018/19	2017/18
Motor insurance and ancillaries	Motor & Other	183.9	169.5	182.4
Breakdown products	Assistance	21.8	25.3	25.4
Home emergency	Assistance	2.8	4.5	8.6
Pet insurance	Miscellaneous Financial Loss	1.5	1.7	2.0
Home and ancillaries	Other	0.8	0.8	1.0
Caravan insurance	Other	0.8	0.9	1.1
Other insurances	Other	0.4	0.5	0.6
Total		211.9	203.3	221.0

For 2019/20, 87% of written premiums were motor insurance and ancillaries, 10% were breakdown insurance and ancillaries and 1% 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

The major changes to AICL's business plan compared to those shown in the 2018/19 Solvency and Financial Condition Report are:

- Premiums have increased primarily due to a new Motor product on the RAC panel that launched in December 2018.

A.2 Underwriting Performance

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

Year ended	31 January 2020	31 January 2019
	£ million	£ million
Gross Written Premium	211.9	203.5
Profit and loss, excluding quota share reinsurance		
Net Earned Technical Income	196.2	204.7
Other Income	0.4	(0.5)
Net Claims Incurred – Current Year	(184.9)	(196.2)
Net Claims Incurred – Reserve Releases	35.3	82.4
Operating Expenses	(12.5)	(9.9)
Investment Return	8.7	13.2
Sub Total	43.2	93.8
Quota share reinsurance cost	(2.0)	(3.5)
Profit before taxation	41.2	90.3
Combined Ratio (excluding investment return)	100.5%	100.2%

Effective from 1st February 2019, the Company entered a new quota share agreement provided by two reinsurance companies with an equal split of 80% of its motor insurance risks. Both agreements are on a funds withheld basis.

Gross Written Premiums increased 4% year on year to £211.9m. This was primarily due to the new Motor product on the RAC panel, which launched in December 2018 and generated c£15m Gross Written Premiums in its first year.

Other income includes expense allowances and profit commissions. The Company achieved an increase in the expense allowance rate for co-insurance profit share arrangements driving the £0.9m year on year variance in other income.

Operating expenses increased year on year as a result of higher levy costs. A function of the higher Gross Written Premium for eligible Motor products (primarily RAC as described above) and an increase in the overall levy call, and the Company's share. Investment return was £4.5m lower than in the previous year. This was primarily due to a one-off gain from the disposal of an investment asset held for sale in 2018 of £3.9m, in addition to lower investment balances following dividend payments in 2018 and 2019.

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

Year ended 31 January 2020	Motor	Direct Assistance	Miscellaneous Financial Loss	Other	Total
	£m	£m	£m	£m	£m
Gross Written Premium	183.9	24.6	1.6	1.8	211.9
Profit and loss, excluding quota share reinsurance					
Net Earned Technical Income	166.9	25.7	1.8	1.8	196.2
Other Income	(0.1)	(1.7)	0.0	2.2	0.4
Net Claims Incurred – Current Year	(159.5)	(21.5)	(1.6)	(2.3)	(184.9)
Net Claims Incurred – Reserve Releases	35.8	0.1	0.0	(0.6)	35.3
Operating Expenses	(11.2)	(1.0)	0.0	(0.3)	(12.5)
Investment Return	6.8	0.1	0.0	0.2	7.1
Sub Total	38.7	1.8	0.2	0.9	41.6
Quota share reinsurance cost	(2.0)	0.0	0.0	0.0	(2.0)
Profit on Technical Account	36.7	1.8	0.2	0.9	39.6
Investment return on shareholders' funds					1.6
Profit before taxation					41.2

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 2020	Value as at 31 January 2019	Income in 2019/20	Expenses in 2019/20
	£ million	£ million	£ million	£ million
Fixed term deposits, floating to LIBOR & RPI deposits	49.0	69.3	1.5	0.0
Money market funds	45.9	37.1	0.4	0.0
Property	35.3	35.9	3.5	0.5
Fixed Interest Securities	274.2	280.2	3.9	0.3
Bank Loan Funds	7.7	6.2	0.3	(0.1)
Absolute Return Bond Funds	0.0	0.0	0.0	0.0
Total	412.2	428.7	9.5	0.8

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 2019	30.0	0.0	(0.7)	62.1	91.4
Profit for the financial year				33.5	33.5
Other comprehensive income					
Net gain on available for sale financial assets			8.1		8.1
Associated tax effect			(1.4)		(1.4)
Capital contributions for the year			0.1		0.1
Preference shares redemption					0.0
Dividends paid				(40.0)	(40.0)
As at 31 January 2020	30.0	0.0	6.1	55.6	91.7

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 2019/20

Year ended	31 January 2020	31 January 2019
	£ million	£ million
Instalment income	0.0	0.0
Referral fees	0.1	0.1
Expense allowances and profit shares	6.2	12.5
Total	6.3	12.7

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 2019/20

Year ended	31 January 2020	31 January 2019
	£ million	£ million
Levies payable to regulatory bodies	5.7	3.4
Acquisition costs	0.5	0.4
Administrative expenses	6.1	6.1
Reinsurer's share of expenses	(8.9)	(6.7)
Total	3.3	3.2

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:

1. The Board of Directors
2. Board Sub-committee
3. Committees
4. 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

1. Development and agreement of vision, strategy and risk appetite for Acromas
2. Establish and ensure compliance to the corporate governance framework
3. Oversight of Acromas operations and key functions, including risk management and internal control
4. Approval of key policies and governance procedures
5. Delegation of responsibilities and ensuring fitness and propriety of Board member and management
6. Ensuring the adequacy of the resources, systems and processes to run Acromas including contingency plans
7. Oversight and control over outsourced service providers

Members

1. Chair
2. Chief Executive Officer (AICL)
3. Chief Financial Officer (Saga plc)
4. Chief Executive Officer (Saga Insurance)
5. Commercial Director
6. Pricing Director
7. Executive Chair of the AICL Sub-committee
8. Non-Executive Directors

Audit

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 and Compliance

AICL Non-Executive Directors attend as invitees but are not members

Sub-committee

Underwriting and Pricing

Claims and Fraud

Customer Outcome Forum

Investments

Risk

Reinsurance

Reinsurance Security

Compliance - Home and Host states

Outsourcing

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

The Board, via the Board Sub-Committee, carry out monthly checks on progress against the Board 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.

The Audit Committee operates independently as an oversight function from all other Committees and shall make necessary recommendations to the Board.

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 AICL's current risk profile and risk maturity, compare it with the risk appetite and strategy, review the drivers for any changes in risk profile and maturity 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:

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

The executive management team oversee the day-to-day operations of the company, following the direction set by the Board and its committees. The internal audit, 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 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 Committee also reviews remuneration and incentive programmes to encourage desirable behaviour and responsible risk taking.

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 after three years' service
- A share incentive plan, which is designed to encourage all employees to become shareholders in Saga plc and thereby align their interests with shareholders.

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

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

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 £16 million was paid in July 2019
- A dividend of £24 million was paid in November 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 using 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.

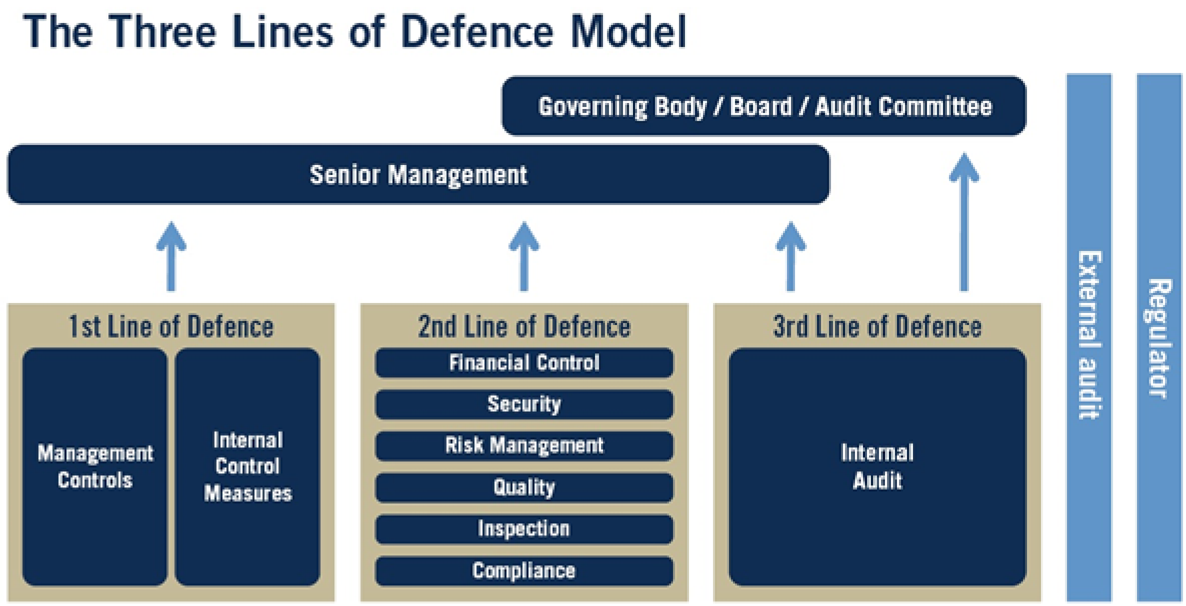
The Saga Human Resources department monitors and performs the necessary actions to ensure that AICL meets its fit and proper policy obligations. An annual review is carried out together with investigations into directors to be appointed or other relevant people. AICL's Board of directors will be advised 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 Group Risk Policy sets out Saga's approach to risk management, including risk management responsibilities and strategy, risk appetite and risk management framework. AICL's Risk Policy conforms to the Saga Group Risk 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:



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

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 first line of defence
- Independent monitoring and challenge within the second 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 through compliance with the Group Incident Management Policy
- 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 operates an enterprise risk management framework, which includes the management and oversight of the following risk types: credit, liquidity, insurance, market, commercial performance, operational, customer experience, information technology and cyber threat, legal and regulatory.

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" several insurance risk drivers, including:

- 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 commercial performance 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”.

B.3.1.1.7 Conduct Risk

The AICL Board accepts conduct risk as inherent to our business, but have no appetite for:

- Material and/or systemic customer detriment caused by our actions which could have been reasonably avoided.
- Senior management decisions that affect our strategy, product or proposition landscape that do not fully consider and manage the impact on 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, and sources of risk we are seeking, willing to accept, and looking to avoid, in pursuit of business objectives over a defined time horizon.

AICL has a set of risk appetite statements that have been agreed at Board level for all main categories of risk. AICL’s risk appetite statements follow the Group risk appetite framework but are set specifically for the level of risk and reward that is determined by the AICL Board.

B.3.2 Implementation of the Risk Management Framework

AICL acknowledges that Risk Management is both a collective and an individual responsibility. As such, every person in AICL is required to identify, escalate appropriately and manage risk. The first line Management of the business therefore have the primary responsibility for implementing the Risk Management Framework within the business, under the guidance of the CEO who is the designated Risk owner for the business, and supported by the second line Enterprise Risk Management (ERM) function who provide guidance and oversight. The ERM 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 in accordance with the Group Incident Management Policy and, where appropriate, escalated to the AICL Audit Committee and Board. Incidents are tracked through to completion and only closed on both immediate issue(s) and root cause(s) being addressed, where cost effective.

AICL adheres to the Saga Group Whistleblowing and Open-Door policy, which allow any concerns of wrongdoing to be raised in a safe environment.

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 presenting the performance of different risk groups. Areas where action should be taken are identified quickly and appropriately actioned.

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

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

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

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

- Providing a view of the current and forecasted risk and capital position, as well as the risks taken according to the company's strategy and enabling both fora to appropriately 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 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 future scenarios 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

- Providing internally driven challenge and analysis with a regulatory perspective from within the organisation, and ultimately reducing the potential for regulatory intervention and the probability of needing 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 those risks

- Providing the supervisor with insights into emerging risks within the organisation as well as help identify potential 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 completion of the annual ORSA 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 always met. A series of stress and scenario tests are then carried out, including several 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 assumes the ultimate accountability for ensuring that AICL complies with its responsibilities ensuring that a robust internal control framework is in place. As previously stated, AICL acknowledges that Risk Management is both a collective and an individual responsibility, and every person in AICL is required to identify, escalate appropriately and manage risk, which includes the continuous management and improvement of the internal control environment. Senior management and managers are responsible for the requisite procedures to ensure a compliant operational regime.

All 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.

All AICL staff are made aware of their responsibility to maintain their own compliance with the relevant risk management policies. Access to the policies is available to all AICL staff..

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 at least 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's senior management, has a representative of Saga plc as a member (the Saga plc Chief Financial Officer) and reports independently to the Saga plc Audit Committee.

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

- Consideration of control requirements in new product developments, IT developments 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 operational resilience and 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 the FCA on matters relating to Conduct issue. The compliance function also 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 Commercial Director. The audit activity is outsourced to the Saga Internal Audit team, led by the Internal Audit Director. The audit function independently assesses and reports on the effectiveness of the governance, risk management and control frameworks within AICL and assists management to identify significant risks and remedial actions necessary to improve the control environment. The Internal Audit function prepares an audit plan each year which sets out the review work they will undertake; this plan is to ensure the effectiveness of the controls within AICL and is developed taking into account AICL's risk 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. Additionally, Internal Audit complete risk-based issues assurance for completed actions. Where any issues are identified which relate to AICL's regulatory status, permissions or authority then Internal Audit Director shall immediately inform the Group Chief Risk and Compliance Officer and shall agree the steps to be taken to resolve and where appropriate the issue will be referred to the supervisory authority.

B.5.2 Independence of the internal audit function

The objective of AICL's audit policy is to ensure the availability of an independent resource to advise 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.
Internal Audit attends and submits reports to the AICL Audit Committee, which is a sub Committee of the Board and has delegated authority. Although not in attendance, Internal Audit submit a report to the AICL Board. Additionally, Internal Audit reports independently to the chair of the plc Audit Committee.

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

B.7 Outsourcing

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 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 is adopted in order to determine the level of supervision and control in respect of each outsourced activity, for example activities which are regarded as critical for the successful delivery of the customer experience are subject to a high degree of review and control. When considering whether to initially outsource and when considering the continued use of outsourcing arrangements, AICL will assess the strategic, reputational, compliance, regulatory and operational 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 considers the third party's ability to deliver the required customer experience and delivery of services to AICL. This includes 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 includes 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 also seeks 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 depends upon the nature of the services provided and the risk profile of the third parties.

B.8 Adequacy of the System of Governance

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

B.9 Any other information

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

C. Risk Profile

C.1 Underwriting risk

Underwriting risk comprises 72% of the Solvency Capital requirement as at 31 January 2020.

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 gross of reinsurance. 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 half-yearly.

C.2 Market risk

Market risk comprises 46% of the Solvency Capital Requirement as at 31 January 2020.

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.
- Spread risk – the risk that adverse changes in the value of assets, caused by increasing bond yields relative to risk-free yields, are not adequately offset by changes in the value of liabilities;
- Property risk – the risk that changes in the market value of the properties owned by AICL are not adequately offset by changes in the value of liabilities.

Market risk is mitigated by the investment policy, which is the responsibility of the AICL Finance Director. The operation of the investment policy is overseen by the Investment Committee which in turn reports to the Board 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 (Undertakings for Collective Investments in Transferable Securities) 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.

A comparison of the assets held at 31 January 2019 and at 31 January 2020 is shown in the following table:

Investment Category	31 January 2020	31 January 2019
Bank Deposits and Cash	12%	17%
Money Market Funds	11%	8%
Global Loan Funds	1%	1%
Corporate Bonds	44%	38%
UK Gilts	21%	26%
UK Property	11%	9%
Total	100%	100%

C.3 Credit Risk

Credit risk comprises 9% of the Solvency Capital Requirement as at 31 January 2020.

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:

1. 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.

2. 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 Poor's 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 fluctuations and inflation but not of changes in competitive pressures, except to the extent that the excess of contribution margin over fixed costs is influenced by business volumes through the cycle.

AICL has achieved its target profit margin of at least 3% of premiums in every year since its formation in 2004. This includes the 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 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 £2.4 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 24% of the Solvency Capital Requirement as at 31 January 2020.

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 through the risk register, regular review of top risks and response to incidents as they arise to ensure both the immediate issues and root causes are identified and resolved.

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 "something that is external to the organisation that if it occurs forces a change in strategic direction of the organisation".

Examples of strategic risk faced by AICL includes:

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

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 looks 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 Act 2018

The Civil Liability Bill 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 provides new legislation dealing with whiplash claims. The legislation seeks to change the claims process for whiplash claims with injuries lasting up to two years resulting from road traffic accidents. The changes were anticipated from Q2 2020 with savings arising from that point, however, there is some uncertainty around when this change will be implemented, with April 2021 reported recently.
- Part 2 deals with the Discount Rate. The process to determine the rate was completed in August 2019, leading to an increase in the Discount Rate from -0.75% to -0.25%.

The Damages Act Scotland separately set the discount rate to be used in Scotland. This was set in September 2019 at -0.75%.

The risk associated with part 1 of the Act remains, mainly in terms of operational readiness, however, CHMC, who handle motor claims, have a plan in place to operationalise in line with expected timelines of the Act

C.6.3.2 Brexit

Britain has left the EU, but uncertainties remain surrounding the future of many industries and relationships with the EU; not least because of the uncertainty around when the transition period will end due to the current Coronavirus outbreak (section C.6.4) which has delayed the negotiations. The existing transition period was already considered to be very tight before Covid-19 impacted the UK economy.

There are EU laws the UK is subject to which may change in time and there are several issues affecting the insurance industry directly. For example, foreign car manufacturers may change their prices due to exchange rate fluctuations, which in turn may change the mix of vehicles on the road. There may also be import duties on new vehicles and parts, increasing repair costs and the cost of new for old cover. In addition, the cost of care associated with personal injury claims could increase.

Additional Brexit impacts to AICL include relationships with European reinsurers, Gibraltar order remaining in place or being enacted into UK law and impacts to the British economy and labour market. AICL is actively monitoring Brexit progress and potential business impacts.

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.6.4 Coronavirus disease (COVID-19) pandemic

An outbreak of COVID-19 has resulted in a global pandemic and significant economic and social impacts.

In response to the COVID -19 pandemic, Saga engaged its crisis and continuity management team to ensure it has appropriate plans in place to protect its customers, staff, third parties, operations and the general public. Plans and decisions have been and continue to be constantly reviewed and are aligned to ongoing advice and guidance provided by the Government of the United Kingdom, Public Health England (PHE); the Saga Group Executive team have been closely engaged throughout.

As part of the process of responding to the COVID-19 crisis AICL increased its remote working capability to 100% of its workforce ensuring that all key sales and service functions continued to operate with minimal disruption. Performance of all remote working teams continue to be closely monitored to ensure service levels and productivity remain within overall risk appetite and that customers face no barriers in making claims or making changes to their policy.

The AICL executive team have assessed the impact of COVID-19 on AICL's ability to achieve the 2020 / 2021 budget. This is both in respect to the impact of COVID-19 on AICL as well as the contagion risk as a result of the impact on the wider Saga group. The AICL executive team have concluded that AICL currently remains on track to deliver the 2020 / 2021 budget whilst maintaining a solvency capital ratio in line with the AICL Board approved range of 140% to 160%.

C.6.4.1 COVID-19 impact

COVID-19 has the potential to impact AICL in several different ways including:

- operational resilience and key supplier risk
- the impact on solvency metrics of business profitability and movements in the market value of the investment portfolio

C.6.4.1.1 Operational Resilience

Following the start of the COVID-19 lockdown, the insurance business, including AICL, rapidly enabled colleagues to work from home resulting in minimal disruption to services to customers including operations and claims. Good feedback on Saga's preparation for working in lockdown has been received from both the GFSC and the FCA. Further detail is provided below:

1. IT capability: The Saga group responded to COVID rapidly with homeworking capability deployed at pace. This enabled colleagues to continue their work and to service customers from home. AICL is 100% homeworking enabled.

2. Distribution: Saga Services Limited has enabled 96% of front-line colleagues to work from home. Call answer rates running at normal levels. After two weeks of call centre closures, with customers diverted online, AA enabled 90% of their team to work from home and reopened call centres on 6th April with RAC call centres operational but working reduced hours.

3. Claims handling: AICL's claims handling company (CHMC) is 99% homeworking enabled.

4. External supply chain: As at June 2020, c.10% of repair garages were closed although with frequency reductions, no customer impact is reported by CHMC. Work continues to closely monitor the financial and operational stability of suppliers as well as customer and business impact.

5. Customer: In April, AICL implemented ABI pledges to amend underwriting rules and support customers through COVID-19 and a hardship fund was established to support customers with payment holidays or by waiving fees where they have been financially impacted by COVID.

6. Financial impact: Motor claims frequency reduced in March and April and crept back up during May, but not to normal levels. Longer term impacts to claims inflation are uncertain and may partially offset reduced costs – a view shared by external consultants.

7. Market and emerging risks: The FCA have moved on from focusing on operational resilience to understanding value for money to establish that customers have had fair coverage.

C.6.4.1.2 COVID-19 Stress Tests

Claims Reserves

The AICL business has built a model of the outstanding cashflows in respect of prior accident months and all cashflows in respect to future accident months for the remainder of this financial year. The impact of COVID-19 has been broken down into the three components of frequency, average severity, and additional COVID-19 related inflation.

Other than experience to date and data from other countries on the rate of positively tested infections and subsequent decline as social distancing / isolation measures take effect, data from which to estimate impacts on claims frequency is limited.

Given the lack of data, projections are based on judgement combined with rational thinking around the causes of frequency and severity changes as a result of COVID-19, taking account of any social measures put in place to delay the spread of the disease.

Rather than coming up with a single view of the likely impact of COVID-19 on the gross reserves and profit, a range of scenarios were generated to provide a set of reasonable estimates. The total reserves and profit by future month were then compared to a base "steady state" scenario that ignored the impact of COVID-19.

As well as providing a "selected" view of the likely impact of COVID-19, the scenarios therefore provide a range of possible views that can be used to gain insights. For example, the minimum and maximum scenarios provide a range of best estimates. These views were used to form a realistic scenario.

The scenario analysis indicated that large reductions in frequency would overwhelm any increases in average claims severities and result in short term reductions in reserves and increased profitability for AICL.

Reinsurance

Most of AICL's reinsurance counterparty default risk exposure is with the two reinsurers on the quota share programme, both of which are highly rated with an S&P rating of AA-. The reinsurers on the motor XL programme are also highly rated (all have an S&P rating of at least A-).

AICL consulted with Aon (AICL's reinsurance broker) for insight on any reinsurers at risk of credit rating downgrades by S&P. Based on Aon's knowledge of the market and AICL's reinsurers (quota share / excess of loss for current / prior years), Aon's working assumption was that there will be no reinsurer default but potential credit rating downgrades. Aon's view was that only reinsurers with an S&P rating of A- or lower and a negative rating outlook are at risk of downgrade. At the time of writing, there have been no credit rating downgrades. AICL has exposure to four reinsurers with an S&P rating of A- but all have either a stable or positive outlook and, in any case, the impact of a downgrade of these reinsurers is expected to be immaterial.

Investments

AICL hold a range of investments including gilts, bonds and bank loan funds. In addition, AICL owns property rented out to Saga Group Limited (SGL). AICL liaised with JPM (AICL's Investment managers) to obtain views on recovery / recession / depression and any particular investment holdings at high risk of credit rating downgrade. The overall assessment was an initial reduction in asset values and a partial recovery expected by 31 January 2021.

Premium debts

AICL premium debtors are with Saga Services Limited, the AA and the RAC. With regards to the AA and the RAC we have received feedback outlining their preparedness for COVID-19. They have both confirmed that they have staff working from home and are fully operational. We expect minimal change in procedures. Premium debt is being collected as normal.

Profitability

From the work carried out on the impact of COVID-19, the AICL executive team have concluded that AICL currently remains on track to deliver the 2020 / 2021 budget whilst maintaining a solvency capital ratio in line with the AICL Board approved range of 140% to 160%.

C.6.4.2 Saga Group Actions

AICL is a separately capitalised entity within the Saga group. The main impact of COVID-19 on SGL is in respect to the Travel business where the international lockdown has in the short term ceased sales in this business. SGL has taken prompt action to protect the group's cash flow and have considered stress scenarios and mitigating options. Consequently, SGL directors have concluded that SGL has a secure financial position that will enable it to trade through the current disruption in the market over the next 12 months.

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 2019/20 ORSA, the following stress and scenario tests were carried out:

1. Unexpected significant increase in claims liabilities.
2. A major reduction in investment values.
3. Unexpected and significant increase in business written over a 12-month period.
4. Significant reduction in reinsurance recoveries.
5. Delay in brokers paying premiums to AICL resulting in a significantly higher counterparty default risk capital charge.
6. Significant deterioration in premium and reserve volatility resulting in material adverse movement in AICL's USPs.
7. Property valued on a vacant possession basis rather than full market value.

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 7.

In scenarios 2, 4 and 6, AICL's coverage of the SCR falls below 100% to 72%, 55% and 97% respectively. In these circumstances, AICL would need to be recapitalised by its ultimate parent company SGL and/or from retained profits, in a combination to be determined.

C.7.2 1-in-200 year reverse stress tests

In the 2019/20 ORSA, the following 1-in-200 year reverse stress tests were carried out:

1. Combination of third-party failure (reinsurers and brokers), reduction in investment values and unexpected significant increase in claims liabilities.

2. Reduction in investment values, unexpected increase in claims liabilities and reduction in reinsurance recoveries.

3. Insolvency of Saga Services Limited.

4. Reinsurer failure and severe weather event leading to significant increase in claim numbers.

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

In the circumstances where there is a shortfall to the SCR, options that become available to recapitalise AICL include:

- AICL would need to be recapitalised by its ultimate parent company SGL and/or from retained profits, in a combination to be determined.
- AICL submits a plan to the FSC that restores own funds to be sufficient to cover the SCR in a timeline to be agreed with the FSC.

C.7.3 Extreme catastrophic reverse stress tests

An extreme catastrophic reverse stress test considers a scenario that goes beyond a 1-in-200 year loss event. In the 2019/20 ORSA, the reverse stress test assumed the following events happen simultaneously:

1. Unexpected significant increase in claims liabilities;
2. A major reduction in investment values;
3. Significant reduction in reinsurance recoveries.

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 into 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 2020, AICL held the following assets:

Asset Class	Solvency II value	Statutory account value (£ million)	Difference
	(£ million)		(£ million)
Intangible Assets	0.0	0.0	(0.0)
Property, Plant and Equipment for own use	0.0	0.0	(0.0)
Investments			
Property	46.1	35.3	10.7
Participations	0.0	0.0	(0.0)
Government Bonds	103.0	87.9	15.1
Corporate Bonds	221.1	236.9	(15.8)
Investment Funds	52.0	52.0	(0.0)
Deposits other than cash	0.0	0.0	0.0
Reinsurance Recoverables:	0.0	0.0	
Non-life excluding health	270.2	61.9	208.3
Life excluding health and index-linked and unit-linked	39.6	0.0	39.6
Insurance & intermediaries receivables	0.9	125.7	(124.8)
Receivables (trade, not insurance)	6.0	0.0	6.0
Cash and cash equivalents	(2.4)	0.2	(2.6)
Any other assets, not elsewhere shown	16.9	12.2	4.8
Total Assets	753.4	612.1	141.2

The differences in the valuation methods are described in section D.1.2.

Except for investments and reinsurance recoverables, the differences in the Solvency II and Statutory accounts values are a result of differences in the rules governing the classification of assets and liabilities.

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

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

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

D.2 Technical Provisions

D.2.1 Technical provisions by material line of business

The technical provisions, gross of reinsurance, as at 31 January 2020 are shown in the following table:

Line of Business	Best Estimate (£ million)	Risk Margin (£ million)	Technical Provisions (£ million)
Motor Liability	407.2	15.8	423.0
Motor Other	3.5	1.0	4.5
Fire and Other Property	0.7	0.0	0.7
Legal Expenses	5.5	0.2	5.7
Assistance	7.7	0.3	8.0
Miscellaneous financial loss	2.0	0.1	2.1
Annuities	50.6	2.1	52.7
Total Claim and Premium Technical Provisions	477.2	19.5	496.8
Adjustments	0.0	0.0	0.0
Expected Profit in Future Premiums	(0.1)	0.0	(0.1)
Insurance and intermediaries receivable[1]	(74.7)	0.0	(74.7)
Receivables (trade, not insurance)[2]	(1.5)	0.0	(1.5)
Any other assets, not elsewhere shown[3]	(10.6)	0.0	(10.6)
Reinsurances payable[4]	79.2	0.0	79.2
Total Technical Provisions	469.5	19.5	489.0
Reinsurance Recoveries	309.8	0.0	309.8
Net Technical Provisions	159.7	19.5	179.2

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 £19.5 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 2019/20 and 2018/19 accident periods.

The main sources of uncertainty include:

- The 2019/20 and 2018/19 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
- Impact of the Coronavirus (Covid-19) pandemic

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

The following table shows the difference between the Solvency II gross Technical Provisions and those reported in the Statutory Accounts as at 31 January 2020.

<table>
<tr><th>Line of Business</th><th>Solvency II Technical Provisions</th><th>Statutory Accounts Technical Provisions (£ million)</th><th>Difference (£ million)</th></tr>
<tr><td>Medical expense</td><td>0.0</td><td>0.5</td><td>(0.5)</td></tr>
<tr><td>Motor Liability</td><td>416.9</td><td rowspan="2">317.8</td><td rowspan="2">102.0</td></tr>
<tr><td>Motor Other</td><td>2.9</td></tr>
<tr><td>Fire and Other Property</td><td>0.7</td><td>0.9</td><td>(0.2)</td></tr>
<tr><td>Legal Expenses</td><td>5.7</td><td>5.3</td><td>0.4</td></tr>
<tr><td>Assistance</td><td>8.0</td><td>7.6</td><td>0.4</td></tr>
<tr><td>Miscellaneous financial</td><td>2.1</td><td>1.6</td><td>0.5</td></tr>
<tr><td>Annuities</td><td>52.7</td><td>128.4</td><td>(75.7)</td></tr>
<tr><td>Total</td><td>489.0</td><td>462.1</td><td>26.9</td></tr>
</table>

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 with in the appropriate technical account for the year in which they are settled or re-estimated.

D.2.3.2.2 Provision for unearned premiums

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

D.2.3.2.3 Provision for unexpired risks

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

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

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

D.2.4 Matching adjustment

The matching adjustment referred to in 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 quota share 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

AICL's reinsurance arrangement for this provides the following:

1. Motor risk excess of loss for liability losses (unlimited excess £3m);
2. Motor catastrophe excess of loss for physical damage losses (£9m excess £1m) comprised of:
    a. £2m excess £1m layer purely for motor physical damage losses; and
    b. £7m excess £3m layer alongside the motor risk excess of loss programme.

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 fully 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

There are no coinsurance arrangements in respect of ancillary products.

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 2020 are shown in the following table:

Liability Class	Solvency II Value (£ million)	Statutory Accounts Value (£ million)	Difference (£ million)
Deferred tax liabilities	0.4	1.6	(1.2)
Debts owed to credit institutions	0.0	3.3	(3.3)
Insurance & intermediaries payables	14.6	15.0	(0.4)
Reinsurance payables	0.0	15.5	(15.5)
Payables (trade, not insurance)	0.0	0.0	0.0
Any other liabilities, not elsewhere	163.1	23.0	140.2
Total	178.1	58.4	119.8

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

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

D.3.2.1 Solvency II valuations

D.3.2.1.1 Deferred tax liability

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

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

D.3.2.1.2 Debts owed to credit institutions

Amortised value - effective interest rate method.

D.3.2.1.3 Reinsurance payables

Amounts past due for payment.

D.3.2.1.4 Payables (trade, not insurance)

Amounts past due for payment.

D.3.2.1.5 Any other liabilities, not elsewhere shown

Amounts past due for payment.

D.3.2.2 Statutory valuations

D.3.2.2.1 Deferred tax liability

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

D.3.2.2.2 Debts owed to credit institutions

Amortised value - effective interest rate method.

D.3.2.2.3 Reinsurance payables

Expected amount due.

D.3.2.2.4 Payables (trade, not insurance)

Expected amount due.

D.3.2.2.5 Any other liabilities, not elsewhere shown

Expected amount due.

D.4 Alternative methods for valuation

AICL does not apply alternative methods for valuation.

D.5 Any other information

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

E. Capital Management

E.1 Own Funds

E.1.1 Management of own funds

AICL has a capital management policy and a medium-term capital management plan. These require management to maintain sufficient own funds to provide a specified margin above the Solvency Capital Requirement (SCR) at all times for AICL to continue to underwrite business. 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 which reduces the net of reinsurance claims reserves used in the calculation of the SCR. 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 2020 are as follows:

Description	Tier	£ millions
Ordinary Share Capital	1	30.0
Reconciliation Reserve	1	56.2
Total	1	86.2

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 2020:

Description	Solvency II value (£ million)	Statutory Accounts (£ million)
Ordinary share capital	30.0	30.0
Retained earnings including profits from the year	55.2	56.6
Other reserves from accounting balance sheet	6.0	5.0
Adjustments to assets	136.8	0.0
Adjustments to technical provisions	(26.1)	0.0
Adjustments to other liabilities	(115.7)	0.0
Total	86.2	91.6

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 2020

The SCR and MCR as at 31 January 2020 are shown in the following table:

Risk Category	£ million
Non-Life Underwriting Risk	38.5
Market Risk	24.8
Counterparty Default Risk	5.0
Life Underwriting Risk	1.2
Diversification Benefit	(15.9)
Basic Solvency Capital Requirement	53.6
Operational Risk	12.8
LACDT Adjustment	(12.6)
Solvency Capital Requirement	53.8
Minimum Capital Requirement	19.2

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	38.1
Catastrophe Risk	1.4
Lapse Risk	0.7
Diversification Benefit	(1.7)
Total	38.5

E.2.2.2 Market Risk

Market Risk	£ million
Interest Rate Risk	0.9
Equity Risk	0.0
Spread Risk	16.4
Currency Risk	1.5
Property Risk	11.5
Concentration Risk	1.3
Diversification Benefit	(6.8)
Total	24.8

E.2.2.3 Counterparty Default Risk

Counterparty Default Risk	£ million
Type 1	4.9
Type 2	0.1
Diversification Benefit	(0.0)
Total	5.0

E.2.2.4 Life Underwriting Risk

Life Underwriting Risk	£ million
Mortality Risk	0.0
Longevity Risk	1.1
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	1.2

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 premium 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 2020:

	Net technical provisions without a risk margin (£ million)	Net premium written in last 12 months (£ million)
Motor Vehicle liability insurance and proportional reinsurance	133.4	24.0
Other motor insurance and proportional reinsurance	0.0	6.0
Fire and other damage to property insurance and proportional reinsurance	0.6	0.7
Legal expenses insurance and proportional reinsurance	5.5	0.9
Assistance and its proportional reinsurance	7.7	24.6
Miscellaneous financial loss and proportional reinsurance	2.0	1.5
Other (Periodical Payment Orders)	11.0	0.0

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

A comparison of the SCR and MCR as at 31 January 2020 with the position as at 31 January 2019 is shown in the following table:

Year ended	31 January 2020	31 January 2019	Change in Year
Risk Category	£ million	£ million	£ million
Non-Life Underwriting Risk	38.5	48.5	(10.0)
Market Risk	24.8	24.8	0.1
Counterparty Default Risk	5.0	4.1	1.0
Life Underwriting Risk	1.2	1.0	0.2
Diversification Benefit	(15.9)	(16.3)	0.4
Basic Solvency Capital Requirement	53.6	62.0	(8.4)
Operational Risk	12.8	12.6	0.2
LACDT Adjustment	(12.6)	(14.2)	1.6
Solvency Capital Requirement	53.8	60.5	(6.7)
Minimum Capital Requirement	19.2	21.8	(2.7)

The material changes are therefore as follows:

- Non-Life Underwriting Risk has reduced because of the continuing impact of the quota-share reinsurance arrangement
- 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

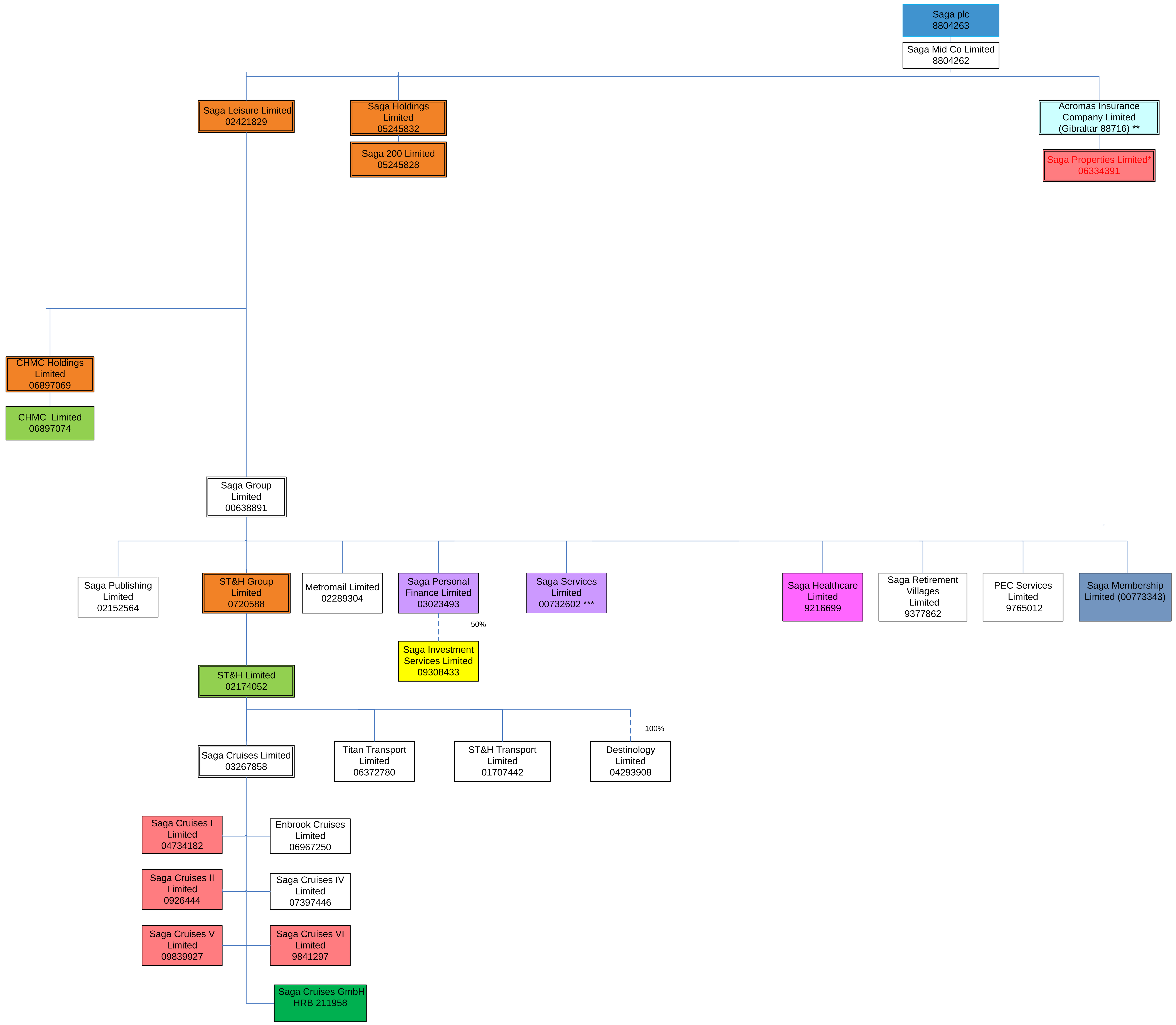
There is no other material information to be reported in this section.

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	422,167,713
Property (other than for own use)	R0080	46,050,000
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	5,772,027
Equities - listed	R0110	5,772,027
Equities - unlisted	R0120	0
Bonds	R0130	318,333,006
Government Bonds	R0140	102,998,253
Corporate Bonds	R0150	215,334,752
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	52,012,679
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	5,972,362
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	5,972,362
Reinsurance recoverables from:	R0270	309,834,192
Non-life and health similar to non-life	R0280	270,206,606
Non-life excluding health	R0290	270,206,606
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	39,627,586
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	39,627,586
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	902,219
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	-2,434,316
Any other assets, not elsewhere shown	R0420	16,910,515
Total assets	R0500	753,352,683

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	436,350,730
Technical provisions – non-life (excluding health)	R0520	436,350,730
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	418,899,652
Risk margin	R0550	17,451,078
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	52,678,580
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	52,678,580
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	50,608,486
Risk margin	R0680	2,070,094
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	396,225
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	14,596,638
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	163,132,190
Total liabilities	R0900	667,154,362
Excess of assets over liabilities	R1000	86,198,321

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	146,995,185	36,948,415	921,275	876,745	24,562,354	1,553,678	211,857,652
Gross - Proportional reinsurance accepted	R0120							0
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	123,006,905	30,774,119	206,714	0	0	9,000	153,996,738
Net	R0200	23,988,280	6,174,296	714,562	876,745	24,562,354	1,544,678	57,860,914
Premiums earned								
Gross - Direct Business	R0210	143,461,815	36,075,276	960,874	864,697	25,750,767	1,703,819	208,817,248
Gross - Proportional reinsurance accepted	R0220							0
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	116,431,706	29,123,878	179,200	0	0	9,000	145,743,784
Net	R0300	27,030,109	6,951,398	781,673	864,697	25,750,767	1,694,819	63,073,464
Claims incurred								
Gross - Direct Business	R0310	95,510,207	23,939,180	277,690	1,990,004	21,372,506	1,454,760	145,212,245
Gross - Proportional reinsurance accepted	R0320							0
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	94,936,394	23,744,467	84,558	0	0	0	117,965,418
Net	R0400	573,814	194,713	193,132	1,990,004	21,372,506	1,454,760	27,246,826
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	3,287,008	825,275	623,477	144,064	992,811	73,938	4,676,472
Other expenses	R1200							
Total expenses	R1300							4,676,472

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	211,857,652	0	211,857,652
Gross - Proportional reinsurance accepted	R0120	0	0	0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0
Reinsurers' share	R0140	153,996,738	0	153,996,738
Net	R0200	57,860,914	0	57,860,914
Premiums earned				
Gross - Direct Business	R0210	208,817,248	0	208,817,248
Gross - Proportional reinsurance accepted	R0220	0	0	0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0
Reinsurers' share	R0240	145,743,784	0	145,743,784
Net	R0300	63,073,464	0	63,073,464
Claims incurred				
Gross - Direct Business	R0310	144,544,347	0	144,544,347
Gross - Proportional reinsurance accepted	R0320	0	0	0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0
Reinsurers' share	R0340	118,765,418	0	118,765,418
Net	R0400	25,778,928	0	25,778,928
Changes in other technical provisions				
Gross - Direct Business	R0410	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0
Reinsurers' share	R0440	0	0	0
Net	R0500	0	0	0
Expenses incurred	R0550	5,946,572	0	5,946,572
Other expenses	R1200			
Total expenses	R1300			5,946,572

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 as a whole	R0020		0
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	50,608,486	50,608,486
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	39,627,586	39,627,586
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	10,980,900	10,980,900
Risk Margin	R0100	2,070,094	2,070,094
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	52,678,580	52,678,580

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	64,648,373	24,920,891	369,406	433,656	4,050,693	727,410	95,150,430
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	49,716,609	19,238,961	59,540	0	0	0	69,015,110
Net Best Estimate of Premium Provisions	R0150	14,931,764	5,681,930	309,866	433,656	4,050,693	727,410	26,135,320
Claims provisions								
Gross - Total	R0160	336,365,665	-22,982,066	343,815	5,060,076	3,675,116	1,286,615	323,749,222
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	217,881,422	-16,731,113	41,187	0	0	0	201,191,496
Net Best Estimate of Claims Provisions	R0250	118,484,243	-6,250,953	302,628	5,060,076	3,675,116	1,286,615	122,557,726
Total Best estimate - gross	R0260	401,014,039	1,938,825	713,222	5,493,733	7,725,809	2,014,026	418,899,652
Total Best estimate - net	R0270	133,416,007	-569,023	612,495	5,493,733	7,725,809	2,014,026	148,693,046
Risk margin	R0280	15,839,562	983,690	28,362	212,774	307,344	79,345	17,451,078
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	416,853,601	2,922,515	741,584	5,706,507	8,033,153	2,093,371	436,350,730
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	267,598,031	2,507,847	100,727	0	0	0	270,206,606
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	149,255,569	414,667	640,857	5,706,507	8,033,153	2,093,371	166,144,125

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											4,181,287
N-9	R0160	144,566,810	56,184,906	20,225,578	14,598,428	7,569,781	5,330,968	2,180,440	3,377,732	320,918	79,171	
N-8	R0170	139,136,367	48,629,062	16,488,363	10,262,446	10,884,245	4,789,621	845,416	1,710,094	176,964		
N-7	R0180	138,713,941	39,783,710	13,509,378	12,808,748	8,756,657	10,671,710	2,507,719	549,518			
N-6	R0190	123,236,249	32,234,381	10,483,646	10,044,220	11,568,809	5,849,205	986,333				
N-5	R0200	114,461,097	29,285,168	9,430,802	7,913,460	7,120,941	11,310,342					
N-4	R0210	114,286,203	27,108,077	8,974,231	14,562,274	10,623,503						
N-3	R0220	110,456,218	23,225,687	9,758,999	6,465,615							
N-2	R0230	107,382,269	24,738,855	7,237,747								
N-1	R0240	109,743,465	29,631,807									
N	R0250	111,802,826										

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

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	4,181,287	1,182,163,753
R0160	79,171	254,434,731
R0170	176,964	232,922,579
R0180	549,518	227,301,383
R0190	986,333	194,402,843
R0200	11,310,342	179,521,810
R0210	10,623,503	175,554,289
R0220	6,465,615	149,906,519
R0230	7,237,747	139,358,871
R0240	29,631,807	139,375,272
R0250	111,802,826	111,802,826
R0260	183,045,114	2,986,744,875

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											-7,978,073
N-9	R0160	0	0	0	0	0	0	19,801,682	-8,058,054	8,307,255	-17,118,191	
N-8	R0170	0	0	0	0	0	11,787,614	-4,371,586	-2,411,756	1,757,497		
N-7	R0180	0	0	0	0	34,624,544	-17,313,353	-6,832,430	-703,450			
N-6	R0190	0	0	0	61,383,445	-22,278,927	1,581,734	-9,891,327				
N-5	R0200	0	0	84,635,394	-19,775,005	-20,446,248	-22,819,547					
N-4	R0210	0	118,425,424	-15,765,955	-55,609,813	-21,045,381						
N-3	R0220	132,864,256	-46,106,625	-37,105,029	-10,014,200							
N-2	R0230	127,809,287	-55,558,816	-20,100,053								
N-1	R0240	91,807,178	-31,948,715									
N	R0250	101,101,473										

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

	Year end (discounted data)
	C0360
R0100	1,415,199
R0160	2,799,879
R0170	6,455,626
R0180	9,332,268
R0190	29,402,000
R0200	20,615,238
R0210	24,824,676
R0220	37,837,634
R0230	49,756,856
R0240	56,941,407
R0250	96,463,907
R0260	335,844,691

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	56,198,321	56,198,321			
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	86,198,321	86,198,321	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	86,198,321	86,198,321	0	0	0
Total available own funds to meet the MCR	R0510	86,198,321	86,198,321	0	0	
Total eligible own funds to meet the SCR	R0540	86,198,321	86,198,321	0	0	0
Total eligible own funds to meet the MCR	R0550	86,198,321	86,198,321	0	0	
SCR	R0580	53,812,183				
MCR	R0600	19,153,072				
Ratio of Eligible own funds to SCR	R0620	160%				
Ratio of Eligible own funds to MCR	R0640	450%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	86,198,321
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	56,198,321
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	2,443,705
Total Expected profits included in future premiums (EPIFP)	R0790	2,443,705

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	24,849,840	0
Counterparty default risk	R0020	5,005,525	0
Life underwriting risk	R0030	1,212,571	0
Health underwriting risk	R0040	0	0
Non-life underwriting risk	R0050	38,495,767	0
Diversification	R0060	-15,923,637	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	53,640,066	

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	12,794,728
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-12,622,611
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	53,812,183
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	53,812,183
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	18,922,473

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	133,416,007	23,986,061
Other motor insurance and proportional reinsurance	R0060	0	5,996,515
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	612,495	714,573
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	5,493,733	876,745
Assistance and proportional reinsurance	R0120	7,725,809	24,562,354
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,014,026	1,544,678
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	230,599

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	10,980,900	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation		C0070
Linear MCR	R0300	19,153,072
SCR	R0310	53,812,183
MCR cap	R0320	24,215,482
MCR floor	R0330	13,453,046
Combined MCR	R0340	19,153,072
Absolute floor of the MCR	R0350	2,155,201
Minimum Capital Requirement	R0400	19,153,072