

**AA UNDERWRITING
INSURANCE COMPANY
LIMITED**

**SOLVENCY AND
FINANCIAL CONDITION
REPORT AS AT
31 JANUARY 2025**

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1. EXECUTIVE SUMMARY

AA Underwriting Insurance Company Limited (AAUICL or 'the Company') launched in 2016 and continues to target profitable growth in its UK car and household insurance portfolio.

AAUICL distributes solely via the AA Group's insurance broker, Automobile Association Insurance Services Limited, (AAISL). AAUICL and AAISL are distinct and separate companies within AA Group. AAISL supports its customers through a panel of insurers which includes AAUICL.

AAUICL is a strategic part of the Group's operations - allowing AA Group to strengthen its insurance offering to the Group's customers.

AAUICL uses the AA Group IT infrastructure to ensure the best-in-class data management, pricing, underwriting, counter-fraud and claims management.

This SFCR is compiled of five key sections summarised below:

1.1 Section A: Business and Performance

Section A sets out the legal structure of the underwriting entity, details the related parties that support its activities and evaluates the performance during the year.

Underwriting is focused on UK motor and home insurance business, each with multiple tiers. Good performance is reliant on the expertise of our underwriting, pricing and data teams – which aims to avoid anti-selection using precise data and sophisticated modelling techniques. Additionally, our claims handling company uses proactive processes to handle claims alongside market-leading systems to detect and reduce fraudulent claims.

On 1 February 2024, AA Ltd acquired KeyCare Limited. KeyCare was founded in 1977 and distributes Key Insurance and Assistance products in the UK. AAUICL has been underwriting the book since 16 July 2024. The KeyCare product is incorporated and monitored via the AAUICL governance forums.

In 2024, the UK motor market saw substantial rate softening following the rate increases seen in 2023, which in part was driven by the reduction in the level of inflation and lower claims frequency seen across the market. Prices however remained substantially higher than those seen in early 2023. The home market, in contrast, saw prices continue to harden in early 2024 before stabilising. Despite these challenges, AAUICL has focused on achieving its written target loss ratio to deliver profitability for both the motor and household books through improved risk selection.

1.2 Section B: System of Governance

Section B sets out the systems of governance used by the Board to control and oversee the Company. As the Company develops, the Board is increasingly delegating functions to a growing number of more focused committees and forums, with updates provided to the Board at each meeting.

The Board Terms of Reference describe the reserved matters and authority delegated to the committees.

AAUICL has an effective system of governance in place which is proportionate to the nature and scale of the business.

1.3 Section C: Risk Profile

The Board formally approves the risk appetite and has established several policies to define the acceptable level of risk, guiding day to day operations. Risk is evaluated across multiple areas, with the Audit Risk and Compliance Committee (ARCC) conducting quarterly monitoring. Key risks are also reported to the AA Group, which provides additional oversight and guidance. Additionally, the Board reviews the Own Risk and Solvency Assessment (ORSA) at least annually and refers to this document throughout the year.

1.4 Section D: Valuation for Solvency Purposes

This section provides details of the year end solvency position and how the Solvency II balance sheet differs from the statutory accounts.

1.5 Section E: Capital Management

Solvency coverage is central to business planning and decision making. The solvency coverage is calculated quarterly as part of the Quantitative Reporting Template (QRT) submission with a revised annual position included within this report. Solvency is also incorporated into the budget which forms the basis for the ORSA, and on which key risks are stress tested. Additionally, each forecast and strategic initiative includes a separate solvency calculation to ensure a strong capital position at all times.

The Board aims to maintain a minimum own funds to cover the Solvency Capital Requirement (SCR) plus a 25% management buffer. Over 2024, we have observed a moderate drop in average premiums reflecting reductions in inflation which impact underwriting risk, operational risk and counterparty risk. Furthermore, our own funds have increased, reflecting the earned benefits of the risk in average premiums during 2023. This has resulted in a solvency ratio to 174%, which comfortably surpasses the target.

A. BUSINESS AND PERFORMANCE

A.1 Business Information

A.1.1 Company Details

AA Underwriting Insurance Company Limited
Unit 2/1 Waterport Place
Europort Road
Gibraltar
GX11 1AA

AAUICL is incorporated in Gibraltar and is a Company limited by shares.
Incorporation number 106606

Permitted to write the following insurance classes in the United Kingdom: 1 (Accident); 2 (Sickness); 3 (Land Vehicles); 8 (Fire & Natural Forces); 9 (Damage to Property); 10 (Motor Vehicle Liability); 13 (General Liability); 16 (Miscellaneous Financial Loss); 17 (Legal Expenses); 18 (Assistance).

A.1.2 Supervisory Authority

Gibraltar Financial Services Commission
P.O. Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar
GX11 1AA

A.1.3 Auditors

PricewaterhouseCoopers Limited
327 Main Street
Gibraltar
GX11 1AA

A.1.4 Group Structure

AA Insurance Holdings Limited (AAIHL) is a wholly owned subsidiary of AA Group. In turn, AAIHL wholly owns AAUICL. AAIHL also wholly owns AA Technical Solutions Limited (AATS) and Longacre Claims Limited (LCL) which act as service companies - providing pricing, underwriting and claims handling services to AAUICL respectively.

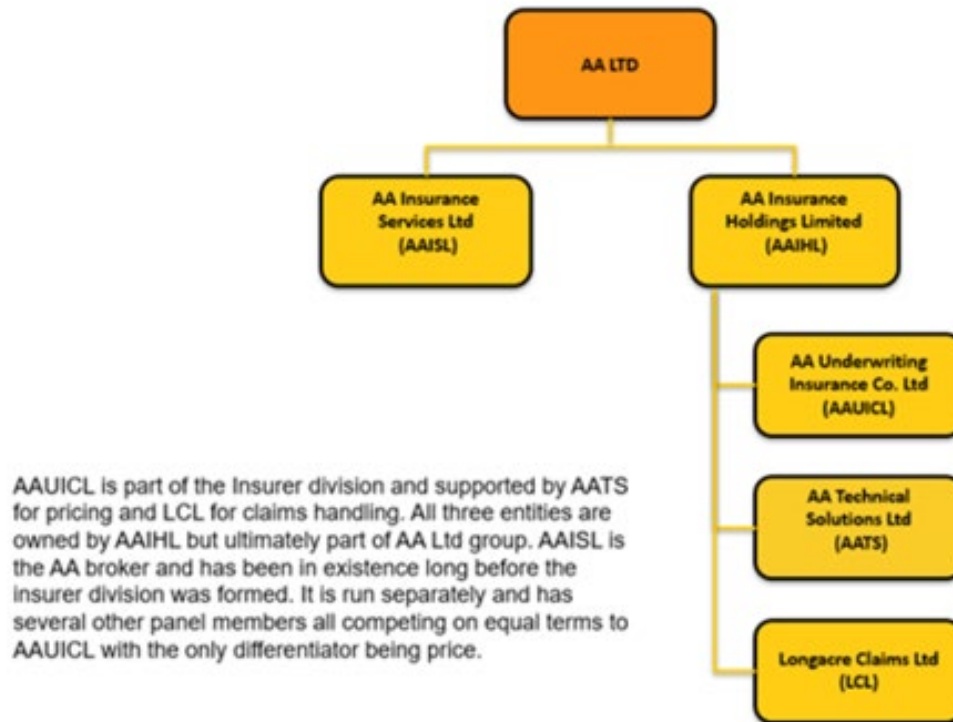
Following a private acquisition, AA plc was delisted in March 2021 and the ultimate parent is now Basing Consortium Co Limited, a joint venture between Towerbrook, Warburg Pincus & Stonepeak.

Being the underwriting vehicle, AAUICL is registered in Gibraltar and is authorised and regulated by Gibraltar Financial Services Commission (GFSC).

AA Group, AAIHL, AATS and LCL are all UK companies.

An overview of the group structure is shown below:

ENTITY STRUCTURE



A.1.5 Ultimate Shareholders

Since 10 March 2021, the immediate parent company of the Company has been Basing Bidco Limited (Bidco). Bidco is a subsidiary of Basing Topco Limited (Topco), an investment company controlled by a consortium of (i) funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates (TowerBrook); and (ii) private equity funds managed by Warburg Pincus LLC or its affiliates (Warburg Pincus). On 26 July 2024, Stonepeak Alpine Bidco Limited, an investment company acting on behalf of Stonepeak, a leading alternative infrastructure firm, became a minority shareholder of Topco.

A.1.6 Material Lines of Business & Geographical Areas

AAUICL's main business is UK motor insurance, complimented by a portfolio of private property (buildings and contents) household insurance. On 1 February 2024, AA Ltd acquired KeyCare Limited which distributes Key Insurance and Assistance products in the UK. AAUICL has been underwriting the book since 16 July 2024. The following table shows the business by class for the year ended 31 January 2025, gross and net of quota share reinsurance. All business has been conducted in the UK under the extended transitional arrangements, which previously operated on a 'freedom of services' basis.

As at 31 January 2025			As at 31 January 2024	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Gross written premiums				
Motor	252,149	86.4%	237,321	88.0%
Property	38,543	13.2%	31,142	12.0%
Other	1,154	0.4%	-	-
Total	291,846	100%	268,463	100%
Net Written Premium				
Motor	43,838	85.4%	38,170	87.0%
Property	6,341	12.4%	5,737	13.0%
Other	1,154	2.2%	-	-
Total	51,333	100%	43,907	100%

A.1.7 Significant Business or Other Events

In 2024, AAISL continued its transition to a new platform ('CDL') on both the motor and home portfolio which has provided a step change in system capability. The 'On Renewal' migration of policies from the previous system began in 2024, and in 2025 all policies will be written via the new platform.

Claims inflation became a dominant issue for insurers writing business in the UK in 2022, and remained high during 2023, with supply chains and repair delays leading to higher overall claims costs. In 2024 we have seen inflation return to pre-2022 levels. We saw motor claims frequency reduce across the market which has driven faster repair times and substantially lower credit hire durations. There is a large degree of uncertainty surrounding 2025 inflation due to the uncertainty surrounding American tariff changes and their global impact on supply chains. Inflation remains closely monitored by our reserving function and cost controls continue in place within our claims function. Emerging trends are fed back quickly into pricing to ensure a robust integration between pricing and reserving.

In July 2023 following the commencement of the Consumer Duty regulation, the Consumer Duty Forum was established with delegated responsibility from the Board. Formerly known as the Customer Outcome Forum, it operates under defined terms of reference and focuses on the four outcomes of Consumer Duty. Quarterly updates are provided to the Audit Risk and Compliance Committee (ARCC) with an AAUICL Non-Executive Director serving as the Consumer Duty Champion. Consumer Duty is now embedded into all areas of the business.

A.2 Underwriting Performance

AAUICL continues to focus on motor and household insurance as its primary business activities within the UK market. Additionally, it manages several sundry underwriting contracts that support various areas within the AA. These include two modest breakdown-related stop loss covers for car manufacturers "After the Event" (ATE) insurance which supports the Accident Assist division, and KeyCare acquired in 2024, and which provides key insurance and assistance.

The Company mitigates its motor and household exposures through a mixture of quota share, motor excess of loss and catastrophe reinsurances providing protection against adverse performance from attritional losses, large claims and severe weather events.

For motor, there was substantial rate softening during the latter half of 2024, however this was following substantial rate increases in 2023. All historical underwriting years continue to develop favourably.

For household, loss ratio performance improved in 2024 (FY25), driven primarily by the rate strengthening applied within the current and prior underwriting years flowing through into earnings.

AAUICL prepares its financial statements in accordance with Generally Accepted Accounting Principles in Gibraltar (IFRS) and the underwriting performance information given in this section is therefore on an IFRS basis.

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The following tables summarise the technical account performance for the year ended 31 January 2025 and the year ended 31 January 2024:

As at 31 January 2025					
	Motor Liability £'000	Other Motor £'000	Property £'000	Misc £'000	Total £'000
Gross written premiums	163,482	88,667	38,543	1,154	291,846
Outward reinsurance premiums	(135,402)	(72,909)	(32,202)	-	(240,513)
Net written premiums	28,080	15,758	6,341	1,154	51,533
Earned premiums, net of reinsurance	27,262	15,287	5,658	275	48,482
Claims incurred - gross amount	(104,673)	(56,483)	(32,697)	(251)	(194,104)
Claims incurred - reinsurers share	84,870	45,699	24,520	-	155,089
Claims incurred, net of reinsurance	(19,803)	(10,784)	(8,177)	(251)	(39,015)
Net operating income/(expenses)	(1,261)	(3,340)	841	-	(3,760)
Other expenses	(1,859)	(1,298)	(42)	-	(3,200)
Balance on the technical account	4,339	(136)	(1,720)	24	2,507

As at 31 January 2024				
	Motor Liability £'000	Other Motor £'000	Property £'000	Total £'000
Gross written premiums	189,857	47,464	31,142	268,463
Outward reinsurance premiums	(159,321)	(39,830)	(25,405)	(224,556)
Net written premiums	30,536	7,634	5,737	43,907
Earned premiums, net of reinsurance	24,606	6,151	4,894	35,651
Claims incurred - gross amount	(125,440)	(31,360)	(27,959)	(184,759)
Claims incurred - reinsurers share	103,297	25,824	22,057	151,178
Claims incurred, net of reinsurance	(22,143)	(5,536)	(5,902)	(33,581)
Net operating income/(expenses)	396	99	760	1,256 *
Other expenses	-	-	-	(7,497)
Balance on the technical account	2,859	715	(247)	(4,170)

* This balance includes ceded commission.

A.3 Investment Performance

The Company's investment portfolio and investment returns are outlined below. Returns on the bond portfolio were positive in FY25 and short-term Money Market Funds (MMFs) performed well.

As at 31 January 2025			As at 31 January 2024	
	Amount £'000	% of Total %	Amount £'000	% of Total %
Investible Assets				
Bonds	13,599	13%	11,608	15%
Cash and Cash Equivalents	1,479	2%	2,044	2%
Collective Investments Undertaking	85,555	85%	64,025	81%
Deposits other than cash equivalents	-	0%	1,209	2%
Total	100,633	100%	78,886	100%

Preservation of capital remains the Board's primary investment strategy objective. The bond portfolio continues to be managed by J Safra Sarasin (Gibraltar) (Safra bank) within strict parameters. Considering the volatile economic environment (inflation and the wars in Ukraine and Gaza), investment risk was kept low during the year through limiting the size of the portfolio allocated to bonds.

As at 31 January 2025			As at 31 January 2024	
	Amount £'000	% of Total %	Amount £'000	% of Total %
Investment Income				
Bonds	539	15%	492	23%
Cash and deposits	79	2%	102	5%
Collective Investments Undertakings	3,078	83%	1,509	72%
Total	3,696	100%	2,102	100%

A.4 Performance of Other Activities

AAUICL receives ceding commission from its quota share reinsurance partners as a contribution towards costs. These commissions are deferred in line with earnings and £25.8m (2024: £19.77m) was recognised during the year.

The Company receives additional profit commission depending on performance which is booked once the underwriting year has developed.

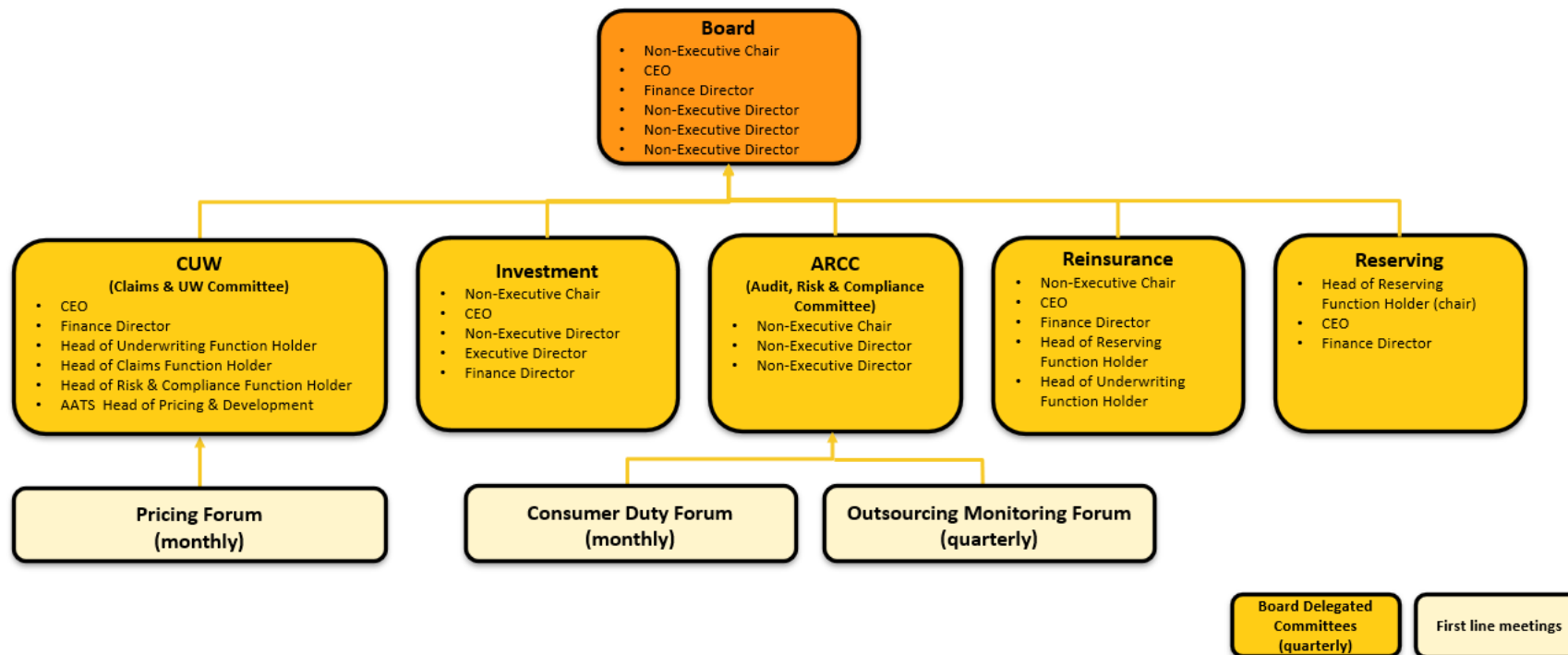
A separate AA division manages non-fault accidents and AAUICL receives income from subrogation.

B. Systems of Governance

B.1 General Information

B.1.1 Structure of the Board and Committees

AAUICL operates via a Board and five Committees as set out below:



B.1.2 Key Functions

AAUICL has the following eight control functions in place, which is consistent with its obligations under Solvency II and the Corporate Governance requirements.

- Risk Management
- Compliance
- Actuarial
- Internal Audit
- Finance
- Claims
- Underwriting
- Chief Operating Officer

These functions are responsible for providing oversight and challenge to the business and providing assurance to the Board in relation to the AAUICL overall risk management and internal control framework.

B.1.3 Risk Management Function

The Risk Management Function has overall day to day responsibility for the effective operation of AAUICL's risk management. However, the Risk Function Holder reports to the ARCC on a quarterly basis. The ARCC has delegated oversight from the Board of AAUICL.

B.1.4 Compliance Function

The Compliance Function is an integral and significant element of AAUICL's business and is responsible for ensuring the Company complies with all relevant rules, regulations, guidance and legislation regarding both Gibraltar and UK requirements. The Compliance Function also reports to the ARCC and the Board on any relevant changes in the legal environment in which the Company operates.

The Compliance Function is authorised to access all areas of the business and is therefore entitled to full and unrestricted access to all information, records, property, personnel and activities.

The ARCC considers and approves the compliance programme on an annual basis to ensure that all relevant areas are captured and receives the quarterly compliance reports, but does not otherwise seek to instruct or influence the Compliance Function.

B.1.5 Actuarial Function

The Actuarial Function has specific duties and responsibilities under Solvency II which include the following:

- Quarterly production of reserves for all business underwritten by AAUICL, in addition to production of IFRS 17 reserves and related disclosures for statutory reporting
- Production of the Solvency II Technical Provisions
- From H2 2024, the Standard Formula modelling has been performed in-house.

AAUICL outsourced the actuarial function services to Insight Risk Consulting (IRC) until 2022 when the function was brought in house with the hiring of a Head of Reserving who is also the Actuarial Function Holder. IRC continues to perform an independent annual external reserve review. AAUICL books the higher of the internal management estimate, or the independent review, with the current statutory position based on internal estimates. The calculation of the SII Technical Provisions was brought in-house in 2023, and Standard Formula modelling is also now performed internally.

B.1.6 Internal Audit

AAUICL's Internal Audit function is overseen by a Non-Executive Director of the Company. Internal Audit is responsible for evaluating the approach to risk management and governance, with emphasis on the internal control system.

AAUICL outsources the Internal Audit function to AA Ltd's internal audit team, who have the skills, knowledge and expertise to provide the services and are entirely independent from operational aspects of the business.

B.1.7 Finance

AAUICL's Finance function is overseen by a Director of the Company. Finance is responsible for providing the financial information that other business functions require to operate effectively and efficiently and to support business planning and decision-making. Furthermore, Finance is responsible for external financial and regulatory reporting.

B.1.8 Claims

AAUICL's Claims function is responsible for the efficient and fair processing of claims, in a timely and accurate manner and in accordance with contractual obligations.

AAUICL Claims function holder is Longacre Claims Ltd Claims Director, who has the skills, knowledge and expertise to provide the services and is entirely independent from operational aspects of the business.

B.1.9 Underwriting

AAUICL's Underwriting function is responsible for evaluating and assessing the risks associated with insuring a particular person, property, or event. The function is responsible for determining the premium rates, policy terms and conditions, and coverage limits which will be offered to the customer.

AAUICL outsources the Underwriting function to a Head of Underwriting within AATS, who has the skills, knowledge and expertise to provide the services and is entirely independent from operational aspects of the business.

B.1.10 Main Changes during the Period

During the period, the following changes to the Board of Directors took place:

- Thomas Mackay, resigned as Non-Executive Director on 31 December 2024
- Michael Wing, appointed as Non-Executive Director on 1 January 2025
- Nigel Birrell, appointed as Non-Executive Director on 10 January 2025

All the above changes were approved and communicated to the GFSC.

B.1.11 Remuneration

Other than the Non-Executive Directors of the Company, AAUICL had nine employees covering CEO, Finance, Compliance and Risk. All employees receive remuneration based on skills, knowledge, experience, qualifications and role within the Company in the form of a fixed salary and associated benefits. A discretionary annual bonus scheme is in place which rewards based on both the performance of employee and AA Ltd. All our independent Non-Executive Directors receive a fixed monthly fee. The remuneration of Executive Directors and Officers of the Company is related to the performance of AAUICL under short and/or long-term incentive schemes. Due to the simplicity of the remuneration arrangements, AAUICL does not currently operate a separate Remuneration Committee - with responsibility for this area being retained by the Board. However, all remuneration arrangements are in line with AA Ltd Group requirements.

B.1.12 Material Transactions

During the year, AAUICL contracted for services from various companies within the Group. The value of these services during year, including profit share, was: AATS for policy administration fees £9.4m (2024: £8.9m) and LCL for claims handling fees £15.9m (2024: £12.8m).

AAUICL owed £2.2m (2024 - £3.1m) to AA Group companies in respect of policy administration and claims handling services.

B.1.13 Adequacy of Systems of Governance

AAUICL's operations are relatively straightforward, and the Directors are actively involved in all key aspects of the business. The Company is focused on two main lines of business, with a single source of distribution and with known risks fully understood. The systems of governance have therefore been established appropriately to the size, nature and scale of AAUICL's operations.

The Board is satisfied that appropriate systems of governance were in place during the reporting period. AAUICL reviews its systems of governance on a regular basis. In addition, governance falls within the remit of both internal and external audit, and the risk management function continuously assesses relevant legislation, guidance, advice and best practice to ensure that the systems of governance are always updated and maintained.

B.2 Fit and Proper Requirements

AAUICL ensures that Fit and Proper Requirements are applied to all individuals involved in the management of the business and all Function Holders have Statements of Responsibility in place.

B.2.1 Skills, Knowledge and Expertise of Board Members and Key Function Holders

AAUICL requires that members of the Board, Committees, and those individuals conducting other significant functions, are fit to conduct their roles, have the necessary skills, knowledge and experience and that all such individuals are of good repute and integrity. This ensures an appropriate variety of skills for managing the business.

B.2.2 Fit and Proper Requirement and Process

All Board members and Key Function Holders must annually demonstrate they are fit and proper to fulfil their roles. The Risk and Compliance Function monitors and reports on their fitness and propriety. Additionally the Risk and Compliance Function ensures that appropriate Regulated Individual forms, including Statements of Responsibility (SoRs) are prepared for all individuals carrying out regulated functions for the Company and are submitted for regulatory approval.

B.3 Risk Management System including Own Risk and Solvency Assessment**B.3.1 Risk Management System Overview**

AAUICL remains compliant with the requirements of the Solvency II directive, ensuring that the business is consistently managed with a risk-focussed manner. The risk management policy aims to identify all material risks, minimise risks wherever possible and control significant risks within acceptable parameters. The primary objective is to safeguard the policyholders, both now and in the future while supporting the Company in achieving its strategic goals.

A summary of the risk management framework is outlined below

Risk culture and governance	<p>The processes and structures to demonstrate to the AAUICL Board that effective risk management, oversight and assurance is being undertaken for all key risks faced.</p> <p>AAUICL must:</p> <ul style="list-style-type: none"> • Ensure each Business area has documented accountabilities and responsibilities for Risk management, which are proportionate for the activities that those business areas undertake. • Have a code of conduct that sets out behavioural expectations for all staff to support a positive risk culture.
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Strategy and objectives	<p>The process to ensure that risk is considered as part of strategy and objectives, including the direction it sets for taking, avoiding and considering opportunity from risk.</p> <p>AAUICL must:</p> <ul style="list-style-type: none"> • Identify and discuss key risks to at the highest level within the strategic planning process and document them in a risk register or /and Emerging risks. • Ensure Project / Programme activities have consideration to Risk Management within their process, for example risk and issues logs. • Ensure, on at least an annual basis, each business area reviews, discusses and documents its Emerging and Horizon Risks in the Audit, Risk and Compliance Committee. • Ensure that risk appetite is considered in strategic decision making by ensuring adherence to the Group's policies and procedures. Where this is not possible, and the risk exposure is outside of the Group's risk appetite, AAUICL must follow the AA Group's risk acceptance process.
Risk identification and prioritisation	<p>We have a risk taxonomy to ensure that our material risk exposures are identified, monitored, and managed.</p> <p>AAUICL must ensure:</p> <ul style="list-style-type: none"> • Risks are identified in key operational processes and important business services as well as considering regulatory and legislative expectations. (Key operational processes are the processes that have the biggest impact to our customers, our employees and the AA overall. Processes that underpin our important business services are also key processes.) • Key Risks to plan are identified and discussed at the highest level within the strategic planning process. This would include at least 3 times a year, reviewing the current top risks to ensure key risks linked to strategy are captured and monitored. • As an additional check, Risk Registers are reviewed by the AA Group at least every 6 months or at any material change in operational environment.
Risk management and controls	<p>A set of processes to review and assess the risk and control environment. Risks are assessed on an inherent (no controls), residual (with controls) and target basis to help senior management understand and manage their risk exposures.</p> <p>AAUICL follows the AA Group's risk management framework and controls which is to:</p> <ul style="list-style-type: none"> • Have a defined process and frequency, including the assessment methodology, AAUICL will perform control self-assessments which are in a prescribed format set by the AA Group. • Ensure self-assessments take place on a quarterly basis as determined by Group Risk and Compliance through the Group's RCSA process. Risk and control owners will be accountable for ensuring that all applicable controls are assessed in the AA Group Risk Management System. • Ensure Mitigating actions are in place for any controls rated amber, pink or red or any risks that are deemed outside of the Board's risk appetite statements, have appropriate treatment plans and/ or follow formal governance to be risk accepted.

Risk reporting and communication	<p>The information and reporting in place to support senior management in discharging their risk management accountabilities effectively and to help them make informed, risk-based decisions.</p> <p>AAUICL must:</p> <ul style="list-style-type: none"> • Follow the correct escalation processes after the identification of risks outside of the Board’s stated appetite or for all risk events. • Provide accurate and up to date risk management information through the executive and Board level committees as requested, including the Group Executive Risk and Compliance Committee (ERCC). • At least 3 times a year report to the ERCC on current, emerging and horizon risks • Appoint a Head of Risk Function Holder (who must be approved by the GFSC).
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AAUICL adopts a “three lines of defence” methodology, as typically seen in corporate Enterprise Risk Management (ERM) frameworks.

The three lines of defence model can be summarised as follows:

- **1st Line of Defence – Operating Management**
First line of defence: the business units that run the business, they are accountable for the day-to-day management of the AA, which includes identifying and managing their business areas risks.
- **2nd Line of Defence – Risk and Compliance**
Second line of defence: the AA’s Group Risk and Compliance function, they are accountable for providing oversight, challenge, and advice to the first line. The Risk and Compliance team is an independent function from the 1st line of defence. In addition, the Risk and Compliance Team is supported in providing assurance to AAUICL by the AA Group Enterprise Risk Management Team who provide additional assurance work for the whole AA Group (including AAUICL).
- **3rd Line of Defence - The AA’s Internal Audit**
The AA’s Internal Audit, as the third line of defence, provides assurance to the business by performing independent reviews of the first and second lines of defence.

B.3.2 Other Key Roles

An independent external review of reserves will be undertaken at least once per annum (as part of the external reserving review) by Insight Risk Consulting (IRC). IRC will document their results and produce a detailed actuarial report which will be submitted to the Board.

Artex Risk Solutions (Artex) is contracted to provide insurance management services to AAUICL. Artex continues to provide support with compliance, QRT preparation, company secretarial and payroll. Artex continued to supply a Non-Executive Director (NED) to the Board throughout 2024.

B.3.3 Identification, Measurement, Monitoring, Management and Reporting of Risks

The AAUICL Board sets risk appetites to clarify the Board’s broad willingness to accept risk in the pursuit of its strategic objectives and business plan and these are identified and recorded in a Risk Register. For each risk, the Board sets:

- Risk appetite – broad principle for acceptable exposure to risk.
- Risk threshold – limit up to which management is allowed to operate without further reference to the Board. When the risk threshold is breached, this must be flagged to the Board for further action.
- Risk limit – unacceptable level of risk at which severe action must be taken to return to within risk appetite.

B.3.4 *Own Risk and Solvency Assessment*

B.3.4.1 *ORSA Process and Integration*

AAUICL has established a policy setting out the requirement to carry out an Own Risk and Solvency Assessment (ORSA). The purpose of the policy is to ensure that all material risks faced by AAUICL are appropriately assessed and the level of capital required to manage these risks or other risk mitigation measures are determined and put in place. The ORSA provides the Board and the wider Group with a thorough understanding of the Company's risk profile. AAUICL conducts at least an annual ORSA after which a formal report is prepared, however the ORSA process is ongoing throughout the year.

The ORSA takes account of historic performance and future forecasts/budgets over the business planning horizon, which is a period of at least three years. Various members of the management team will contribute the ORSA. The ARCC and ultimately the Board always maintain oversight and control, steering how the assessment is performed and challenging the results to ensure they properly take account of the Company's material risks.

B.3.4.2 *Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management*

The ORSA enables the Board to assess the Company's capital needs over the planning horizon. The ORSA is conducted taking due account of AAUICL's specific risk profile. This includes risks explicitly captured in the Standard Formula, as well as risks which are either not captured or not able to be mitigated through capital. A range of risks are considered in the ORSA process.

AAUICL's capital management policy has been established to ensure that the Company has in place the appropriate levels and quality of capital both as required by the SCR calculation and as determined by the ORSA. The policy aims to ensure that appropriate plans are in place to enable the Company to meet its capital requirements both in the immediate and the medium-term future and that all items of own funds comply with the relevant rules, regulations and legislation.

The risk management function takes due account of the available capital, the Company's risk profile, future business plans and the outcome of the ORSA in an iterative cycle.

B.4 *Internal Control System*

B.4.1 *Internal Control System*

AAUICL is committed to managing its business in a risk-focused manner. To achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and the adherence to the internal controls are an integral part of the business culture.

Responsibility for establishing an appropriate internal control environment rests with the Board and its Directors individually. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.

The internal control measures are targeted at ensuring that:

- Processes and procedures exist for the identification and assessment of risks;
- Appropriate processes and procedures are in place to control identified risks;
- Individuals involved in the business are trained and aware of their role regarding internal controls;
- Appropriate monitoring and review processes are in place.

Key controls that operate to mitigate risks are recorded in the Company's risk register. The internal control framework is subject to review by AAUICL's Internal Audit function.

B.5 Internal Audit Function

B.5.1 Implementation of the Internal Audit Function

Internal Audit is one of the outsourced services provided to AAUICL from AA Group, featuring as the ‘third line of defence’ as outlined in section B.3. Audit plans and underlying areas of focus are presented to the Board on an annual basis and discussed quarterly. The audit plan will typically focus on areas deemed to have a high inherent risk.

Ultimately, the Internal Audit Function will seek to evaluate the adequacy and effectiveness of business controls focusing on governance, underlying business operations, operational processes, and IT systems

B.5.2 Independence and Objectivity of the Internal Audit Function

The Internal Audit function is outsourced to AA Group who are a key stakeholder in AAUICL. The objective for AA Group is to ensure that AAUICL is being governed in a fit and proper way, is upholding the AA brand reputation both internally and externally, and to ensure the business controls are operating effectively.

Internal Audit operates as an independent function but is overseen by a Non-Executive Director who is kept informed of updates and who has the opportunity to challenge.

B.6 Actuarial Function

B.6.1 Implementation of the Actuarial Function

The role of the Actuarial Function is to provide the Board with an independent perspective on key insurance aspects of the Company’s operations. This ensures that the Board is fully informed of matters that may impact the business.

The Actuarial Function reports its findings to the Reserving Committee on a quarterly basis covering all areas for which it is responsible. The report assists the Board in its decision-making process and identifies areas where improvements are required. The report also identifies any material uncertainty about data accuracy and explains the approach taken in light of this uncertainty.

B.7 Outsourcing

B.7.1 Outsourcing Policy

Outsourcing is defined as the contracting out of all or part of an internal process or internal activities to a third-party provider on a continuous basis.

Whilst AAUICL outsources certain key activities to intra-group service providers, the Company retains ultimate responsibility for any activity that is outsourced.

B.7.2 Outsourced Functions and Activities

The following table sets out the key functions outsourced by AAUICL:

Function/Services	Outsourced To	Jurisdiction
Policy administration	Intra - group (AAISL)	United Kingdom
Underwriting, pricing and processing including provision of management information	Intra - group (AATS)	United Kingdom
Claims handling, reserving and settlement	Intra -group (Longacre Claims Ltd)	United Kingdom
Investment Management	J Safra Sarasin Bank	Gibraltar
Company secretarial services	Artex Risk Solutions	Gibraltar
Actuarial function services	Intra - group (AATS)	United Kingdom
Internal audit	Intra – group (AA Ltd)	United Kingdom
Complaints Handling	Intra – group (AAISL)	United Kingdom

Outsourced providers, whether part of the Group or external, are under ongoing oversight by the Company. In particular, the following controls and safeguards are in place:

- Outsourced services fall fully within the remit of the Internal Audit function and are therefore included in the internal audit programme in the same manner as if they were inhouse activities.
- AAUICL Directors and Key Function Holders are directly involved in all key areas of the business and therefore maintain continuous oversight.
- Periodic audits are carried out to ensure service standards are met.
- Formal outsourcing agreements in place, which sets out the responsibilities of each party.
- Material Group Outsourced functions are being monitored quarterly in the Outsourcing Monitoring Forum

C. Risk Profile

AAUICL's governance framework sets out the type and level of risk which the Company is willing to accept in the achievement of its strategic objectives. This framework provides both qualitative and quantitative risk limits. The Company seeks to maintain low levels of risk, which is reflected in its reinsurance and co-insurance arrangements. Regarding investments, AAUICL pursues a strategy which is focussed on capital preservation, thus adopting a careful and conservative investment policy.

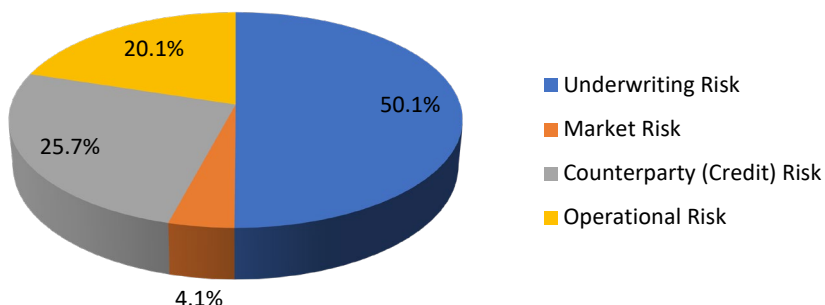
The Standard Formula SCR risk profile for AAUICL is dominated by its underwriting risk profile, quantitative measures and limits which are considered in making key business decisions. The material underwriting risk is significantly reduced through extensive quota share and excess of loss reinsurances.

AAUICL's underwriting risk appetite is for the business to focus on well-known market segments in the UK motor and household markets, with distribution through the Group broker. The Company seeks to retain low levels of risk, which is reflected in its reinsurance arrangements.

AAUICL's risk profile at 31 January 2025 is set out below:

Risk Category	2025 % of SCR	2024 % of SCR
Underwriting Risk	50.1%	50.1%
Market Risk	4.1%	4.3%
Counterparty (Credit) Risk	25.7%	28.4%
Operational Risk	20.1%	17.1%

AAUICL Operation Risk Profile 2025



C.1 Underwriting Risk

C.1.1 Material Risks

Underwriting risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses). This includes pricing uncertainty/risk selection, catastrophe risk, inappropriate reserving or other fluctuations in the timing, frequency and severity of insured events.

AAUICL distributes all business via a Group intermediary, AA Insurance Services Limited. It underwrites personal lines motor and residential property insurance. Following the acquisition of KeyCare Limited in February 2024, AAUICL has been underwriting key insurance and assistance since 16 July 2024. All contracts are for a 12-month period, after which AAUICL can offer to decline the business for renewal or renew with a change to the premium or terms of the policy.

This risk is comprised of both underwriting and reserving risk:

- High and Persistent Claims Inflation
- Deterioration in Technical Reserves

C.1.2 Material Risk Concentrations

AAUICL's largest class of business is motor insurance and it has some concentration risk. AAUICL also writes household insurance. Both are written across the whole of the UK geographic region, thus reducing the level of concentration and providing a level of risk diversification. In addition, ATE business further increases the level of diversification. The Directors therefore do not consider there to be any material underwriting risk concentration.

There are not anticipated to be any material underwriting risk concentrations over the business planning period.

C.1.3 Risk Mitigations

During the year, AAUICL mitigated underwriting risk through the purchase of reinsurance protection and the implementation of appropriate controls.

AAUICL purchases Excess of Loss (XoL) reinsurance on the motor business and Catastrophe (Cat) cover on the household business to protect against the impact of large individual or aggregated claims. In addition, the Company had in place Quota Share reinsurance and coinsurance arrangements to mitigate the impact of lower value, attritional losses on both motor and household business.

AAUICL further mitigates underwriting risk through the following:

- Regular actuarial analysis of claims data to review rates
- Review of monthly underwriting management information
- Regular review of claims performance KPIs
- Oversight and management of the claims handling
- Committee oversight of large claims
- Regular updates of the risk register, including reporting of any risk events
- Stress testing of loss ratios as part of the ORSA process

C.1.4 Stress and Sensitivity Testing

AAUICL conducts stress and sensitivity testing as part of the ORSA process, which is carried out at least annually. This considers stresses regarding premium volumes, future claims performance and claims development on the existing business. As part of the recent ORSA, multiple stress tests were run on historic reserves as well as the performance of future business and on premium volumes.

The stress tests demonstrated that, due to the reinsurance protection in place, AAUICL is resilient to these risks: with the SCR headroom being eroded, the absolute SCR continues to be met with a comfortable capital coverage ratio.

C.2 Market Risk

C.2.1 Material Risks

Market risk arises from changes in the income generated by investments or from changes in the value of such investments and includes:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Property risk
- Concentration risk

C.2.2 Material Risk Concentrations

Concentration risk within AAUICL's investment portfolio was mitigated through J Safra Sarasin bank, who invest small amounts in a diversified range of investments. AAUICL historically has aimed to invest half of available cash in bonds but due to market uncertainty, this was reduced to 15%. The remaining balance is held in current accounts with Lloyds, Barclays, and a JP Morgan Money Market Fund. This risk is reflected in the SCR.

C.2.3 Risk Mitigations

The investment policy requires the credit quality of all investible assets to be in the range of AAA (MMFs) and to BBB+ (cash investments). To further minimise risk exposure, AAUICL currently holds a minimum of A rated due to market uncertainty. Further control and mitigating actions are outlined as part of the investment policy.

The Investment Committee meets at least quarterly to review the portfolio position and underlying performance.

C.2.4 Prudent Person Principle

The Board has adopted a prudent approach to investment strategy, with the primary objective being the preservation of solvency capital.

C.2.5 Stress and Sensitivity Testing

Testing is undertaken as part of the annual ORSA as discussed and approved by the Board. Stress tests were performed considering changes in interest rates and market yield curves on the investment portfolio and the SCR. These demonstrated that AAUICL's SCR is not sensitive to the impact of changes in market conditions to the investment portfolio, and AAUICL does not expect there to be a material risk of the SCR ratio falling below 125% due to changes in market risk.

C.3 Credit Risk

C.3.1 Material Risks

Credit risk is the risk of the change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations. Credit risk can arise on issuers of securities (in the Company's investment portfolio), debtors, reinsurers and intermediaries to whom the Company has an exposure. These areas are tightly controlled.

The risk register identifies and records the actual, potential and emerging credit risks to which the Company is exposed. These risks are discussed on at least a six-monthly basis and their potential impact is assessed, thus enabling focus to be directed towards the areas of highest risk.

Reports against measures are provided to the relevant forums and, where appropriate, the Board on at least a quarterly basis.

C.3.2 Material Risk Concentrations

AAUICL's credit risk exposures during the year were diversified as set out below:

- Investible assets are split between banks and investments
- Reinsurance exposure is diversified between more than one counterparty
- AAUICL fund investments were diversified between counterparties
- Premium held by AAISL

However, while the Company distributes solely through the Group intermediary, it used several banking counterparties and a number of reinsurance partners during the year. Some level of risk concentration remains.

C.3.3 Risk Mitigations

AAUICL aims to mitigate exposure to credit risk through the implementation of appropriate controls. Key business controls include:

- No premiums to be overdue as per contract terms
- Reinsurance recoveries to be received promptly as per contract terms
- Collection from policyholders to be managed actively by AAISL
- Minimum rating for all reinsurance counterparties to be A- (as per Standard & Poor's or equivalent)
- Minimum rating for all coinsurance counterparties to be A- (as per Standard & Poor's or equivalent)
- Multiple reinsurance partners across both insurance products

C.3.4 Stress and Sensitivity Testing

As part of the ORSA process, credit risk is subject to stress, scenario, and sensitivity tests. These tests are intended to assess the likely impact of adverse situations on the Company's capital requirement. AAUICL depends, to a large extent, on its reinsurance programme in mitigating risk, and the risks of reinsurers suffering a credit downgrade or failing altogether are therefore stresses considered as part of the ORSA process.

Stress tests show that the extreme stress of a failure of the largest business partner would result in a shortfall below the SCR. However, due to the diversification of the reinsurance programme, and all reinsurance partners being highly rated, this scenario is expected to be highly remote. AAUICL is highly resilient to the other stresses, including credit downgrades.

C.4 Liquidity Risk**C.4.1 Material Risks**

Managing the Company's liquidity is necessary to ensure that it can meet its liabilities as they fall due, whilst balancing this with achieving returns on the less liquid, invested assets.

The requirement for liquidity is balanced with the goal of achieving adequate investment returns while ensuring that additional funds are available should they be required. Investments during the year have largely been in highly liquid funds. It is the Board's policy that a further cash buffer should be held to allow for unexpected changes in anticipated cash. Specifically, AAUICL must ensure that it has sufficient funds to settle its liabilities as they fall due. Due to the premium and claims profile of AAUICL's non-life portfolio, liquidity risk is not considered material.

The investments held by AAUICL comprise:

- Funds at call with banks
- Investments in bonds

All investments are highly liquid and regularly traded. The nature, duration and liquidity of AAUICL's investments therefore allow the Company to meet its liabilities as they fall due and do not result in liquidity risk.

C.4.2 Material Risk Concentrations

There are no material liquidity risk concentrations.

C.4.3 Risk Mitigations

It is the Board's policy that an appropriate cash buffer should be held to allow for unexpected changes in anticipated cash flows.

The main risk mitigation is the balance in the investment portfolio, the fact that most assets are highly liquid and the close monitoring of the Company's cash position. Regular cash flow forecasts and monthly management accounts with comparisons against budget will assist in managing this risk.

C.4.4 Stress and Sensitivity Testing

As part of the ORSA process, liquidity risk is indirectly subject to stress, scenario, and sensitivity tests via other risk areas. These tests will reflect the cash flow impact of stresses, such as deteriorating loss ratios and lower business volumes, which in turn directly impact on both the SCR and the Solvency II free reserves.

C.4.5 Expected Profit in Future Premiums

Expected profit in future premium is £0.4m.

C.5 Operational Risk**C.5.1 Material Risks**

Operational risk arises from failed internal processes, procedures, or controls, from personnel or systems failures, from external events or from a failure to comply with legislation, regulations or other obligations. Reputational, strategic and Group risks have also been considered in this category.

AAUICL has identified the following key operational risks:

- Absent, incomplete, inaccurate or inadequate management information
- Accounting system/accuracy of financial reporting does not meet requirements
- Application fraud, criminal or fraudulent activity, malicious activity
- Loss of key member of Board or management team
- Management stretch
- Inaccurate or misstated financial accounts
- Sales and administration systems not fit for purpose
- Brand/reputational damage
- Loss of working environment (offices, IT, communications)
- Malicious acts – hacking, viruses, industrial espionage

AAUICL has in place strong risk management processes and procedures, supported by AA Ltd, which are proportional for the type of business and the size of the operation. Although many services are outsourced, the outsourced providers are commonly part of the wider AA Group and senior management is closely involved in all aspects of the operation.

Operational risks are identified, assessed and set out in AAUICL's risk register, along with appropriate controls. There is a process for regular reporting of risk events. The risk register is discussed on a regular basis by the ARCC and the Board, with input from all relevant functions and activities within the business.

C.5.2 Material Risk Concentrations

The main sources of operational risk currently facing AAUICL are IT systems and Third Party relationships.

C.5.3 Risk Mitigations

AAUICL has a strong internal control framework to mitigate operational risk. This encompasses the following key controls in managing operational risk:

- Data analysis checks
- Establishment of appropriate financial reporting systems
- Oversight of financial reporting
- Four-eyes authorisation and approval controls
- Segregation of duties
- Data checks, including between internal and external sources
- Reconciliations
- Monthly management accounts and comparisons against budget
- Appropriate checks on key personnel
- Oversight of service providers
- Complaints monitoring and reporting
- Appropriate Disaster Recovery and Business Continuity Plans
- Appropriate IT and system security controls

There are no anticipated changes in risk mitigations over the business planning period.

C.5.4 Stress and Sensitivity Testing

Operational risk is included in the Standard Formula, with an appropriate risk charge calculated. In addition, several operational risks would directly impact underwriting risk and are therefore also captured. As part of the ORSA process, AAUICL also considers those risks which may not be fully captured in the Standard Formula, the exposure to outsourced service providers and various reputational risks. These risks are managed through appropriate controls and other mitigating actions, such as close involvement of the Board in all key operational decisions.

C.6 Conduct Risk

AAUICL has no appetite for unfair customer outcomes and therefore seeks to minimise this risk. Claims and complaints data is regularly shared with AAISL as part of its management of conduct risk.

A sub-committee of the Audit, Risk and Compliance Committee, the Outsourcing Monitoring Forum meets quarterly to monitor material Group outsourced functions which are subsequently reported to the Board on a quarterly basis.

The forum in addition to monitoring the outsourced functions, will discuss processes and complaints arising from the different areas of the business to identify areas which can be improved.

Whilst commission is controlled by the broker, AAUICL performs regular analysis on gross performance to ensure fair pricing across the portfolio. Consumer Duty is reported at Board level via the Consumer Duty Forum and a Consumer Duty Champion sits on the AAUICL Board.

C.7 Other Material Risks

The Board continues to monitor developments as they occur to ensure that actions are taken to mitigate any potential adverse impact as far as possible.

D. Valuation for Solvency Purposes

The valuation of assets and liabilities are the same for Generally Accepted Accounting Principles (IFRS) and Solvency II purposes, with the exception of:

- Differences in the valuation of technical provisions
- Differences in the valuation of reinsurance recoverables on technical provisions
- Removal of items which do not result in cash flows

The asset differences are summarised in the table below:

Description	2025		2024	
	Solvency II Value £'000	IFRS Value £'000	Solvency II Value £'000	IFRS Value £'000
Investments	99,436	99,245	76,842	76,689
Insurance and Intermediaries Receivables	-	165,035	-	109,527
Reinsurance Recoverable	187,371	275,194	166,546	263,612
Reinsurance Receivables	-	35,294	-	28,466
Cash and cash equivalents	1,479	1,479	2,044	2,044
Deferred Acquisition Costs	-	1,762	-	4,206
Trade Receivables	122	7,912	919	4,270
Any Other Assets	-	-	-	-

D.1 Assets

The following bases, methods and assumptions have been used in valuing each material class of assets of Solvency II purposes.

The material classes of assets, except for reinsurance technical provisions, are as set out in the table above.

D.1.1 Investments

At 31 January 2025, AAUICL held £13.4m (2024: £11.6m) in bonds, £85.6m (2024: £64.1m) in short-term Money Market Funds (MMFs) and Nil (2024: £1.2m) in short-term deposits.

The bonds are actively traded and therefore have readily ascertainable market values and assets are valued at market value both for IFRS and for Solvency II, with no significant estimate or judgements being utilised. There has been no change in the valuation or recognition basis.

D.1.2 Insurance and Intermediaries Receivables

Insurance and intermediaries receivable items represent premiums owed to AAUICL from its distributor, net of commission and including IPT. Over 30% of premiums are paid by policyholders in instalments and AAUICL receives these on a “pay as paid” basis.

At the year end, the Company was owed £165.0m, including £108.9m (2024: £109.5m) in premiums. Contracts with the broker set out payment terms and no amounts of premiums or recoveries have ever been overdue.

At year end, AAUICL had £35.3m (2024: £28.5m) of reinsurance receivables due under the Quota Share arrangement and representing the reinsurer's share of claims to AAUICL outstanding. Settlements are made in arrears monthly.

Premiums are valued at fair value, being the amounts recoverable, and as no amounts are overdue, there have been no significant estimates or judgements made in arriving at the valuation.

While the assets are valued on a consistent basis both for IFRS and Solvency II, for Solvency II valuation purposes, such assets are set against technical provisions to the extent that they are not overdue. There has been no change in the valuation or recognition basis for such assets and these items are shown net of coinsurance.

D.1.3 Deposits, Cash and Cash Equivalents

At the year end, AAUICL held £1.5m (2024: £2.0m) either in term deposits, or in cash and cash equivalents with banking counterparties. All amounts are held in GBP and either in the UK or in Gibraltar. Deposits, cash and cash equivalents are valued at fair value, based on the actual balances held, and AAUICL receives monthly statements. The valuation of these assets is the same for IFRS and Solvency II, no estimates or judgements have been used, and there has been no change in the valuation or recognition basis.

D.1.4 Deferred Acquisition Costs

Deferred acquisition costs represent commission and similar expenses directly related to the acquisition of policies which are deferred over the period relating to the underlying unearned premiums. While AAUICL does not incur commission costs on its policies, it is charged an acquisition cost by related companies: AATS in respect of pricing and underwriting services, and by AAISL (Broker) for marketing services.

At 31 January 2025 AAUICL had £1.8m (2024: £4.2m) of deferred acquisition costs in the IFRS balance sheet.

The Solvency II balance sheet is prepared based on best estimates of future cash flows. Deferred acquisition costs do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

D.1.5 Trade Receivables

This represents the net balance receivable from the coinsurance partner. For IFRS purposes this is included in premium receivables and coinsurance payables but is netted off for Solvency II reporting.

D.1.6 Other Assets

Other assets represent prepaid expenses and a Motor Insurance Database (MIB) deferral. Prepayments have not been given a Solvency II value as they will not result in future cash flows.

D.2. Technical Provisions

Technical Provisions represent the insurance liabilities as at the reporting date. AAUICL's gross and net Technical Provisions by business line are set out in the table below:

2025	Motor Liability	Other Motor	Property	Misc Financial Loss	Total
	£'000	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisions	166,570	6,026	29,101	86	201,783
Risk Margin	2,094	0	420	0	2,514
Total Gross Technical Provisions	168,665	6,026	29,521	86	204,297
Reinsurance Recoverables	(145,378)	(12,042)	(29,952)	0	(187,371)
Net Technical Provisions	23,287	(6,016)	(431)	86	16,926

The comparative table for 31 January 2024 is shown below:

2024	Motor Liability	Other Motor	Property	Total
	£'000	£'000	£'000	£'000
Gross Best Estimate Technical Provisions	135,575	13,275	21,415	170,266
Risk Margin	1,330	131	238	1,700
Total Gross Technical Provisions	136,905	13,407	21,653	171,965
Reinsurance Recoverables	(125,043)	(18,559)	(22,945)	(166,546)
Net Technical Provisions	11,863	(5,153)	(1,291)	5,419

D.2.1 Bases, Methods and Assumptions

D.2.1.1 Best Estimate

The starting point for the valuation of technical provisions is the booked reserves - being the best estimate of claims costs at the year end. Earned claims are estimated with reference to standard reserving techniques. Unearned claims are estimated with reference to pricing loss ratios. Reasonable assumptions based on historic patterns are then applied to convert the best estimate to future cash flows.

D.2.1.2 Expenses

The cost of running off the existing insurance obligations is estimated on the basis that the Company will continue to write other business. This is based on the current levels of expenditure and takes due account of increasing activity across the business.

D.2.1.3 Events Not in Data

There may be possible future events which are not reflected in the historical data of the Company or the market. Such events are referred to as Events Not in Data (ENIDs). An allowance is made in the technical provisions where the impact of potentially negative ENIDs (i.e. events which increase reserves) is considered to be greater than the impact of potentially positive ENIDs (i.e. those which reduce reserves).

D.2.1.4 Bound but not Incepted

AAUICL may be contractually obligated to write certain business at the year end, although the risks will not incept until the following year. For example, renewal business for February will be invited prior to 31 January. An appropriate allowance has been made for bound but not incepted business as at the year end.

D.2.1.5 Discounting

Cash flows are discounted using the risk-free interest rate structure as provided monthly by European Insurance and Occupational Pensions Authority (EIOPA).

D.2.1.6 Risk Margin

In addition, a risk margin is calculated for Solvency II. This represents the margin that would have to be paid to a third party for them to take over and meet the insurance obligations of the Company. The risk margin has been calculated based on an approximation of the partial SCR for each future year.

D.2.1.7 Allocation to Lines of Business

For Solvency II purposes, motor business is required to be split into motor liability and other motor. The Company uses claims heads of damage to split its motor business into the Solvency II classes. Bodily injury and third-party property damage are allocated to motor liability, with accidental damage, windscreen, fire and theft being allocated to other motor. The Keycare business is allocated to Miscellaneous Financial Loss Solvency II class.

D.2.1.8 Reinsurance Recoverables

AAUICL has reinsurance recoverables arising from its Excess of Loss and Quota Share arrangements. Such items are calculated on a consistent basis with gross technical reserves, reflecting best estimates of both expired and unexpired risks. Amounts due from and payments due to reinsurers are included in the technical provision to the extent they are not overdue.

D.2.1.9 Simplifications

No material simplifications have been used in the calculation of technical provisions.

D.2.1.10 Uncertainty

Technical provisions require judgement and estimations and therefore contain an element of uncertainty. In addition, uncertainty in terms of methods, assumptions and results are volatile for an underwriter but are reducing as AAUICL continues to mature. Key areas of uncertainty in AAUICL's technical provisions are:

- Outstanding reserves: Reserves on reported claims are based on reasonable estimates, reflecting information known at the balance sheet date. Ultimate settlement of these claims may differ from estimates. While solvency is based on a 50:50 best estimate, the financial statements include a management buffer which reduces each year as we gain additional claims experience.
- Future losses: Future losses arise on both expired and unexpired risks and the estimation of these losses is based on actuarial assumptions. Such assumptions will take account of past performance and known or anticipated future changes and may ultimately prove to differ from actual experience.
- Volumes: As AAUICL continues to grow, volatility associated with low volumes is reducing and the Company is becoming more resilient to adverse movements.
- Other estimates: Technical provisions include assumptions as to expenses, events not in data and bound but not incepted risks. While these assumptions are prepared on a best estimate basis, reflecting historical experience where appropriate, they could ultimately prove to be inappropriate.
- Legislative and market factors: The UK motor market has been subject to material changes in the past, encompassing legislative, economic and behavioural changes. Similar changes in the future are difficult to predict but could ultimately impact best estimates and future cash flow.

AAUICL seeks to minimise the level of uncertainty through a robust process involving external actuarial advice. Claims performance is closely monitored and benchmarked against our peers to ensure that changes in trends are identified and appropriately reflected in future projections.

D.2.1.11 Differences between Solvency II and IFRS Valuation

The starting point for Solvency II valuation purposes are the IFRS reserves. AAUICL has transitioned to reporting on an IFRS 17 basis as at 31 January 2024. The earned reserves under IFRS 17 are on a discounted basis, and include explicit ENIDs and counterparty default assumptions, which is akin to the calculation of the Solvency II Claims Provision. Key difference between IFRS 17 and Solvency II valuation bases are:

- IFRS valuation of gross reserves include a risk adjustment calibrated to the 80th percentile. Solvency II valuation is required to be at best estimate and any management load is removed
- IFRS valuation includes unearned premium, being the premium which reflects the unexpired risk exposure. Under Solvency II, the unearned premium is replaced by future claims expected to arise on this unearned exposure
- IFRS reserves do not make allowance for bound but not incepted business
- IFRS reserves are discounted using a different discount rate to Solvency II (IFRS reserving discount rate uses an illiquidity premium assumption, Solvency II is risk free only)
- IFRS reserves are calculated without a risk margin
- Insurance and intermediary's receivables are set against total gross technical provisions for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as a separate item on the balance sheet for IFRS reporting
- Reinsurance receivables and payables are set against technical provision reinsurance recoverables for Solvency II valuation purposes, to the extent that they are not overdue, while they are shown as separate items on the balance sheet for IFRS reporting

The following table shows the movement from IFRS 17 technical provisions to Solvency II technical provisions:

2025	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
IFRS Reserves	341,521	275,194	66,327
Remove Risk Adjustment	(8,555)	(6,899)	(1,657)
Remove Unearned Premium	(146,331)	(120,181)	(26,149)
Reserves for Unexpired Risks	128,702	96,727	31,974
Receivables/Payables	(106,546)	(51,598)	(54,948)
Effect of Discounting on Unexpired Risks	(8,114)	(7,006)	(1,108)
Other Adjustments (e.g. change in yield curve on claims provision)	1,107	1,134	(28)
Risk Margin	2,514	-	2,514
Solvency II Technical Provisions	204,297	187,371	16,926

The comparative table for 31 January 2024 for IFRS 17 technical provisions to Solvency II technical provisions is shown below:

2024	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
IFRS Reserves	308,094	263,612	44,482
Remove Risk Adjustment	(8,034)	(7,268)	(766)
Remove Unearned Premium	(146,100)	(122,800)	(23,300)
Reserves for Unexpired Risks	134,353	102,039	32,314
Receivables/Payables	(112,192)	(64,197)	(47,995)
Effect of Discounting Unexpired Risks	(7,704)	(6,775)	(929)
Other Adjustments (e.g. change in yield curve on claims provision)	1,849	1,936	(87)
Risk Margin	1,700	-	1,700
Solvency II Technical Provisions	171,965	166,546	5,419

D.2.1.12 Transitional Adjustments

AAUICL has not used any transitional adjustments regarding the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or transitional deduction.

D.2.1.13 Changes over the Period

There have not been any material changes over the period.

D.3 Other Liabilities

The following bases, methods and assumptions have been used in valuing each material class of liabilities for Solvency II purposes.

The material classes of liabilities at the year end, except for gross technical provisions, are as set out in the table below:

	2025 Solvency II Value £'000	IFRS Value £'000	2024 Solvency II Value £'000	IFRS Value £'000
Insurance & Intermediaries payables	98	(92)	3,513	3,513
Reinsurance payables	-	83,411	-	85,671
Payables (trade, not insurance)	6,988	10,637	9,004	12,368
Deferred reinsurance commission	-	12,220	-	12,947

D.3.1 Reinsurance Payables

At year end, AAUICL had £83.4m (2024: £85.7m) of reinsurance payables, being net payments due under the Quota Share arrangement and representing the reinsurer's share of premiums and commission to AAUICL which has not yet been settled. Settlements are made in arrears monthly.

These amounts are valued at fair value, being the actual amounts payable. The key estimate in deriving profit and sliding commission balances is the actuarial best estimate loss ratio, as these vary with the performance of the business.

There is no difference in the underlying valuation for IFRS and Solvency II and there have been no changes in the valuation or recognition basis. However, for Solvency II purposes these items, to the extent they are not considered overdue, are set against technical provisions reinsurance recoverables, whereas under IFRS they are shown separately on the balance sheet.

D.3.2 Payables (trade, not insurance)

The balance of £10.6m (2024: £12.4m) represents amounts owed to the coinsurance partner, taxes, accruals and other amounts payable. These are valued at fair value, being the actual amount due for settlement and there are no differences in valuation for IFRS and Solvency II purposes, except that the coinsurance creditor has been netted against premium debtors owed to the coinsurance partner.

D.3.3 Deferred Commission

AAUICL receives commission from its partners under the Quota Share and coinsurance arrangements. This is earned in line with the underlying premium and commission relating to premium unearned at the reporting date is deferred to future periods. At 31 January 2025, AAUICL had a total of £12.2m (2024: £12.9m) deferred commission.

The Solvency II balance sheet is prepared based on best estimates of future cash flows. Deferred co-insurance and reinsurance commissions do not result in future cash flows and these amounts are therefore excluded from the Solvency II balance sheet.

E. Capital Management

E.1 Own Funds

E.1.1 Management of Own Funds

E.1.1.1 Objectives, Policies and Processes in Managing Own Funds

AAUICL has in place a capital management process to ensure that the Company has the appropriate levels and quality of capital to meet both the SCR and the internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

Whilst AAUICL's ORSA process is conducted formally on an annual basis, the capital requirements and own funds to meet these requirements are considered at least quarterly as part of the quarterly regulatory reporting process and as part of all strategy discussions. Additionally, capital requirements are also considered as part of the budgeting and forecasting process. The ARCC and the Board discuss the Company's capital position at all meetings as part of their risk management processes and monitor ongoing performance through monthly management accounts.

There have been no changes in capital management processes during the period.

E.1.1.2 Time Horizon for Business Planning and Material Changes

AAUICL's business planning period for capital management encompasses a three-year time horizon, with emphasis on the current and next year. Given the unpredictability and historic volatility of the UK motor market, a longer time horizon would not be realistic. There have been no changes in the planning time horizon over the year.

E.1.2 Description of Own Funds

E.1.2.1 Structure, Amount and Quality of Own Funds

AAUICL currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds.

The table below set out AAUICL's own funds at 31 January 2025, together with movements during the period:

2025	Share capital £'000	Reconciliation reserve £'000	Total Own Funds £'000
At 1 February 2024	28,800	33,069	61,869
Capital Injections during the Period	-	-	-
Movement in the Reconciliation Reserve	-	15,156	15,156
At 31 January 2025	28,800	48,225	77,025

The comparative table for 31 January 2024 is shown below:

2024	Share capital £,000	Reconciliation reserve £,000	Total Own Funds £,000
At 1 February 2023	23,800	25,922	49,722
Capital Injections during the Period	5,000	-	5,000
Movement in the Reconciliation Reserve		7,147	7,147
At 31 January 2024	28,800	33,069	61,869

We have observed increases in own funds over the year as a result of earning through premium increases during 2023.

The Company's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis.

E.1.2.2 Terms and Conditions of Own Funds

AAUICL's own funds are fully comprised of Tier 1 funds and have no terms or conditions attached and there are no restrictions affecting the availability and transferability of the Company's own funds. The own funds are not redeemable and do not carry any guaranteed dividend or other return.

E.1.2.3 Difference in Own Funds between Financial Statements and Solvency II Valuation

The difference in the valuation of own funds as shown in the Financial Statements compared to the Solvency II valuation is due to the valuation differences in the underlying assets and liabilities, as set out in the table below:

	2025 £'000	2024 £'000
Own Funds per Financial Statements	81,723	66,221
Difference in Valuation of net Technical Provisions	(7170)	(9,711)
Removal of Deferred Acquisitions Costs	(4,172)	(4,206)
Removal of Other Deferred Costs	(5,373)	(3,192)
Removal of Prepayments	(203)	(190)
Removal of Deferred Commissions	12,220	12,947
Deferred Tax Liability	-	-
Own Funds per Solvency II Valuation	77,025	61,869

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The standard dependencies, as set out by EIOPA, between the risks covered by the risk modules and sub-modules of the Standard Formula have been used in the Mazar's Horizon model, which is the tool used by AAUICL to calculate the SCR and the MCR.

E.2.1 SCR and MCR

AAUICL's SCR and MCR coverage is set out below:

	2025 £'000	2024 £'000
Own funds	77,025	61,869
Solvency Capital Requirements	44,163	38,763
SCR Coverage	174.4%	159.6%
Minimum Capital Requirement	11,041	9,691
MCR Coverage	697.6%	638.4%

All capital is Tier 1 and therefore fully eligible to cover the SCR and MCR, and the Company complied with both the SCR and the MCR throughout the year.

E.2.2 SCR by Risk Module

The table below sets out the risk module components of AAUICL's SCR. This demonstrates that, in line with the Company's business model, non-life underwriting risk and counterparty risk are the two largest elements of the capital requirement.

	2025	2024
	£'000	£'000
Market Risk	2,049	1,914
Counterparty (Credit) Risk	12,872	12,622
Non-Life Underwriting Risk	25,086	22,225
Diversification	(5,934)	(5,603)
Basic SCR	34,073	31,158
Operational Risk	10,090	7,604
SCR	44,163	38,763

E.2.3 Simplifications

No simplified calculations have been used in applying the standard model and no undertaking specific parameters have been used.

E.2.4 Inputs used to Calculate the MCR

The following inputs have been used to calculate the Company's MCR:

2025	Net (of reinsurance) best estimate technical provisions £'000	Net (of reinsurance) written premiums in the last 12 months £'000
Motor Vehicle Liability	21,193	30,111
Motor Vehicle Other	-	16,248
Property	-	16,362
Misc Financial Losses	86	1,154
Linear MCR	-	7,234
SCR		44,163
Combined MCR		11,041
Absolute Floor of the MCR		3,500
Minimum Capital Requirement		11,041

The comparative inputs for 31 January 2024 are as below:

2024	Net (of reinsurance) best estimate technical provisions £'000	Net (of reinsurance) written premiums in the last 12 months £'000
Motor Vehicle Liability	10,533	30,536
Motor Vehicle Other	-	7,634
Property	-	5,737
Linear MCR	-	4,768
SCR	-	38,763
Combined MCR	-	9,691
Absolute Floor of the MCR	-	3,495
Minimum Capital Requirement	-	9,691

E.2.5 Changes over the Period

The Company's SCR increased during the year, driven by the increase in Operational Risk due to growth of the business over the last two years, partially offset by the recent decreases in average premium, in response to the softening market. Non-Life Underwriting Risk has also increased, this is primarily due to changes in deductibles across motor and home excess of loss reinsurance programmes.

Responsibility Statement

The Directors are responsible for preparing the SFCR in accordance with the Financial Services (Insurance Companies) Regulations 2020 and applicable Solvency II Regulations (SII), as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations ('the relevant legal requirements').

Each of the Directors, whose names are listed in the Board of Directors section of the Company's Annual Report & Accounts, confirm that, to the best of their knowledge:

- a) throughout the financial year in question, the Company has complied in all material respects with all relevant legal requirements; and
- b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply, and will continue to comply in future.

By Order of the Board



.....
Valentina Skachkova (Director)

Date: 3rd July 2025

G. Annual Quantitative Reporting Templates

IR.02.01.02

Balance sheet

Quarterly solo and group, disclosure solo and group

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked	R0070	99,436
Property (other than for own use)	R0080	282
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	13,599
Government Bonds	R0140	1,071
Corporate Bonds	R0150	12,528
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	85,555
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	187,371
Non-life and health similar to non-life	R0280	187,371
Life and health similar to life, excluding index-linked and unit-linked	R0315	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	387
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	-265
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not	R0400	
Cash and cash equivalents	R0410	1,479
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	288,408
Liabilities		
Technical provisions - total	R0505	204,297
Technical provisions - non-life	R0510	204,297
Technical provisions - life	R0515	
Best estimate - total	R0542	201,783
Best estimate - non-life	R0544	201,783
Best estimate - life	R0546	
Risk margin - total	R0552	2,514
Risk margin - non-life	R0554	2,514
Risk margin - life	R0556	
Transitional (TMTP) - life	R0565	

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Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	98
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	6,988
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	211,383
Excess of assets over liabilities	R1000	77,025

IR.05.02.01

Premiums, claims and expenses by country
Annual solo, group and branch, disclosure solo and

		Home country	Home Country - non-life obligations Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Country	R0010		GB					
Premiums written								
Gross - Direct Business	R0110		291,846					291,846
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140		240,513					240,513
Net	R0200		51,333					51,333
Premiums earned								
Gross - Direct Business	R0210		291,638					291,638
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240		243,156					243,156
Net	R0300		48,482					48,482
Claims incurred								
Gross - Direct Business	R0310		194,104					194,104
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340		155,089					155,089
Net	R0400		39,015					39,015
Net expenses incurred	R0550		6,960					6,960

		Home country	Home Country - life obligations Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Country	R1400							
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610							
Reinsurers' share	R1620							
Net	R1700							
Net expenses incurred	R1900							

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IR.05.04.02

Non-life income and expenditure

Annual group, quarterly solo, group and branch, disclosure solo, disclosure group

IR.05.04.02.01

Non-life income and expenditure : reporting period

			All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Motor vehicle liability insurance - personal lines - (line of business 4)	Motor vehicle other motor insurance - personal lines - (line of business 5)	Fire and other damage to property insurance - personal lines - (Line of business 7)	Miscellaneous financial loss (Lines of business 12 and 24)
		COO10	C0015	C0140	C0150	C0170	C0260
Income							
Premiums written							
Gross written premiums	R0110		291,846	163,481	88,667	38,543	1,154
Gross written premiums - insurance (direct)	R0111		291,846	163,481	88,667	38,543	1,154
Gross written premiums - accepted reinsurance	R0113		0	0	0	0	0
Net written premiums	R0160		51,333	28,080	15,758	6,341	1,154
Premiums earned and provision for unearned							
Gross earned premiums	R0210		291,638	166,155	90,076	35,132	275
Net earned premiums	R0220		48,482	27,262	15,287	5,658	275
Expenditure							
Claims incurred							
Gross (undiscounted) claims incurred	R0610		194,104	104,673	56,483	32,697	251
Gross (undiscounted) direct business	R0611		194,104	104,673	56,483	32,697	251
Gross (undiscounted) reinsurance accepted	R0612		0	0	0	0	0
Net (undiscounted) claims incurred	R0690		39,015	19,803	10,784	8,177	251
Net (discounted) claims incurred	R0730	39,015	39,015				
Analysis of expenses incurred							
Technical expenses incurred net of reinsurance ceded	R0910	6,960					
Acquisition costs, commissions, claims management costs	R0985	39,756	39,756	22,313	14,676	2,768	0
Other expenditure							
Other expenses	R1140	1,544					
Total expenditure	R1310	50,458					

IR.17.01.02

Non-life technical provisions - Quarterly solo and branch, disclosure solo

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	
Best estimate																		
Premium provisions																		
Gross	R0060	0	0	0	16,555	10,217	0	5,274	0	0	0	0	86	0	0	0	0	32,131
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	17,396	17,687	0	10,255	0	0	0	0	0	0	0	0	0	45,337
Net Best Estimate of Premium Provisions	R0150	0	0	0	-841	-7,470	0	-4,981	0	0	0	0	86	0	0	0	0	-13,206
Claims provisions																		
Gross	R0160	0	0	0	150,016	-4,191	0	23,828	0	0	0	0	0	0	0	0	0	169,652
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	127,982	-5,645	0	19,697	0	0	0	0	0	0	0	0	0	142,034
Net Best Estimate of Claims Provisions	R0250	0	0	0	22,034	1,454	0	4,131	0	0	0	0	0	0	0	0	0	27,618
Total Best estimate - gross	R0260	0	0	0	166,570	6,026	0	29,101	0	0	0	0	86	0	0	0	0	201,783
Total Best estimate - net	R0270	0	0	0	21,193	-6,016	0	-850	0	0	0	0	86	0	0	0	0	14,412
Risk margin	R0280	0	0	0	2,094	0	0	420	0	0	0	0	0	0	0	0	0	2,514
Technical provisions - total (best estimate plus risk margin)																		
Technical provisions - total	R0320	0	0	0	168,665	6,026	0	29,521	0	0	0	0	86	0	0	0	0	204,297
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	145,378	12,042	0	29,952	0	0	0	0	0	0	0	0	0	187,371
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	23,287	-6,016	0	-431	0	0	0	0	86	0	0	0	0	16,926

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IR.19.01.21

Non-life insurance claims

Disclosure solo

Accident year /
Underwriting
year

Z0020	Accident year [AY]
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		Gross Claims Paid (non-cumulative) - Development year. Total Non-Life Business										
			1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170	2,531	3,068	786	1,122	7,309	204	4	4	10		
N-7	R0180	18,295	3,310	1,400	1,481	919	521	70	55			
N-6	R0190	12,203	5,569	1,821	976	858	866	319				
N-5	R0200	31,285	10,480	8,824	2,002	2,526	809					
N-4	R0210	35,031	12,962	3,487	2,519	2,305						
N-3	R0220	51,102	22,521	5,994	5,635							
N-2	R0230	77,846	42,797	16,098								
N-1	R0240	94,683	39,335									
N	R0250	104,371										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170	10	15,039
N-7	R0180	55	26,051
N-6	R0190	319	22,611
N-5	R0200	809	55,926
N-4	R0210	2,305	56,304
N-3	R0220	5,635	85,251
N-2	R0230	16,098	136,741
N-1	R0240	39,335	134,018
N	R0250	104,371	104,371
Total	R0260	168,938	636,311

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**Gross undiscounted Best Estimate Claims Provisions - Development year.
Total Non-Life Business**

			1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170									0		
N-7	R0180								-215			
N-6	R0190							678				
N-5	R0200						1,022					
N-4	R0210					3,217						
N-3	R0220				21,478							
N-2	R0230			27,082								
N-1	R0240		43,710									
N	R0250	86,688										

		Year-end (discounted data)
		C0360
Prior	R0100	
N-9	R0160	
N-8	R0170	0
N-7	R0180	-217
N-6	R0190	668
N-5	R0200	977
N-4	R0210	3,060
N-3	R0220	20,237
N-2	R0230	25,303
N-1	R0240	40,209
N	R0250	79,414
Total	R0260	169,652

		Gross earned premium at reporting reference date	Estimate of future gross earned premium
		C0570	C0580
Prior	R0100		
N-9	R0160		
N-8	R0170	8,888	
N-7	R0180	37,272	
N-6	R0190	31,106	
N-5	R0200	68,127	
N-4	R0210	114,737	
N-3	R0220	139,233	
N-2	R0230	168,182	
N-1	R0240	216,611	
N	R0250	291,765	

IR.23.01.01

Own funds

Annual and quarterly solo, disclosure solo

		Total C0010	Tier 1 - C0020	Tier 1 - C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	28,800	28,800			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	48,225	48,225			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be						
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					
Total basic own funds	R0290	77,025	77,025			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees	R0340					
Letters of credit and guarantees other	R0350					
Supplementary members calls	R0360					
Supplementary members calls - other	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	77,025	77,025			
Total available own funds to meet the MCR	R0510	77,025	77,025			
Total eligible own funds to meet the SCR	R0540	77,025	77,025			
Total eligible own funds to meet the MCR	R0550	77,025	77,025			
SCR	R0580	44,163				
MCR	R0600	11,041				
Ratio of Eligible own funds to SCR	R0620	174.41%				
Ratio of Eligible own funds to MCR	R0640	697.65%				

IR.23.01.01.02**Reconciliation reserve**

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	77,025
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Deductions for participations in financial and credit institutions	R0725	
Other basic own fund items	R0730	28,800
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	48,225

IR.25.04.21

Solvency Capital Requirement

Disclosure solo

Net of loss-absorbing capacity of technical provisions		C0010
Market risk	R0140	2,049
Interest rate risk	R0070	1,033
Equity risk	R0080	
Property risk	R0090	70
Spread risk	R0100	1,711
Concentration risk	R0110	281
Currency risk	R0120	
Other market risk	R0125	
Diversification within market risk	R0130	-1,046
Counterparty default risk	R0180	12,872
Type 1 exposures	R0150	6,146
Type 2 exposures	R0160	7,604
Other counterparty risk	R0165	
Diversification within counterparty default risk	R0170	-878
Life underwriting risk	R0270	
Mortality risk	R0190	
Longevity risk	R0200	
Disability-Morbidity risk	R0210	
Life-expense risk	R0220	
Revision risk	R0230	
Lapse risk	R0240	
Life catastrophe risk	R0250	
Other life underwriting risk	R0255	
Diversification within life underwriting risk	R0260	
Total health underwriting risk	R0320	
Health SLT risk	R0280	
Health non SLT risk	R0290	
Health catastrophe risk	R0300	
Other health underwriting risk	R0305	
Diversification within health underwriting risk	R0310	
Non-life underwriting risk	R0370	25,086
Non-life premium and reserve risk (ex-catastrophe risk)	R0330	20,778
Non-life catastrophe risk	R0340	9,790
Lapse risk	R0350	162
Other non-life underwriting risk	R0355	
Diversification within non-life underwriting risk	R0360	-5,644
Intangible asset risk	R0400	
Operational and other risks	R0430	10,090
Operational risk	R0422	10,090
Other risks	R0424	
Total before all diversification	R0432	57,664
Total before diversification between risk modules	R0434	50,096
Diversification between risk modules	R0436	-5,934
Total after diversification	R0438	44,163
Loss-absorbing capacity of technical provisions	R0440	
Loss-absorbing capacity of deferred taxes	R0450	
Other adjustments	R0455	
Solvency capital requirement including undisclosed capital add-on	R0460	44,163
Disclosed capital add-on - excluding residual model limitation	R0472	
Disclosed capital add-on - residual model limitation	R0474	
Solvency capital requirement including capital add-on	R0480	44,163
Biting interest rate scenario	R0490	Increase
Biting life lapse scenario	R0495	

IR.28.01.01

Minimum Capital Requirement - Only life or only non-life activity
Annual solo , disclosure solo

MCRNL Result

R0010

C0010
7,234

Linear formula component for non-life insurance and reinsurance obligations

Background information

Net (of
reinsurance/SPV)
best estimate
and TP
calculated as a
wholeNet (of
reinsurance)
written
premiums in the
last 12 months

C0020

C0030

Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	21,193	30,111
Other motor insurance and proportional reinsurance	R0060		16,248
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		16,362
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	86	1,154
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

C0040

MCR Result	R0200	
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Total capital at risk for all life (re)insurance obligations

Net (of
reinsurance/SPV)
best estimate
and TP
calculated as a
wholeNet (of
reinsurance/SPV)
total capital at
risk

C0050

C0060

Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

C0070

Linear MCR	R0300	7,234
SCR	R0310	44,163
MCR cap	R0320	19,873
MCR floor	R0330	11,041
Combined MCR	R0340	11,041
Absolute floor of the MCR	R0350	3,500
Minimum Capital Requirement	R0400	11,041



**Independent auditors report
To the directors of AA Underwriting Insurance Company Limited**

**Report on the audit of the relevant Annual Quantitative Reporting Template of the
Solvency and Financial Condition Report**

Our opinion

We have audited the following Annual Quantitative Reporting Template prepared by AA Underwriting Insurance Company Limited (the 'Company') as at 31 January 2025:

- Company template IR.23.01.01 (**"the relevant AQRT subject to audit"**).

All other narrative disclosures and templates included within the Solvency and Financial Condition Report ('SFCR') are not subject to audit. We are therefore not required to audit, nor have we audited, and consequently do not express an opinion on the following:

- The 'Executive Summary', 'Business and Performance', 'System of Governance', and 'Risk Profile' elements of the SFCR,
- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 January 2025,
- Company templates IR.02.01.02, IR.05.02.01, IR.05.04.02, IR.17.01.02, IR.19.01.21, IR.23.01.01.02, IR.25.04.21 and IR.28.01.01 of the SFCR, and
- The written acknowledgement by management of their responsibilities, including for the preparation of the SFCR (**"the Responsibility Statement"**).

In our opinion, the relevant AQRT subject to audit as at 31 January 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the Financial Services (Insurance Companies) Regulations 2020 and applicable Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) including ISA 800, ISA 805 and applicable laws. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the relevant AQRT subject to audit section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Independent auditors report

To the directors of AA Underwriting Insurance Company Limited - continued

Report on the audit of the relevant Annual Quantitative Reporting Template of the Solvency and Financial Condition Report - continued

Emphasis of matter - Basis of accounting

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the Financial Services (Insurance Companies) Regulations 2020 and applicable Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations, and therefore in accordance with a special purpose financial reporting framework. This SFCR is required to be published, and intended users include but are not limited to the Gibraltar Financial Services Commission (GFSC). As a result, the SFCR may not be suitable for another purpose. Our opinion on the relevant AQRT subject to audit is not modified in respect of this matter.

Other information

The Directors are responsible for the Other Information. More specifically the Other Information includes the Valuation for Solvency Purposes, the Capital Management, the Executive Summary, the Business and Performance, the System of Governance, the Risk Profile and the Responsibility Statement.

Our opinion on the relevant AQRT subject to audit does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the relevant AQRT subject to audit, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant AQRT subject to audit, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant AQRT subject to audit or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR, including the relevant AQRT subject to audit, in accordance with the financial reporting provisions of the Financial Services (Insurance Companies) Regulations 2020 and applicable Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR, including the relevant AQRT subject to audit, that is free from material misstatement, whether due to fraud or error.



Independent auditors report

To the directors of AA Underwriting Insurance Company Limited - continued

Report on the audit of the relevant Annual Quantitative Reporting Template of the Solvency and Financial Condition Report - continued

Auditors' Responsibilities for the relevant AQRT subject to audit

It is our responsibility to form an independent opinion as to whether the relevant AQRT subject to audit is prepared, in all material respects, in accordance with the financial reporting provisions of the Financial Services (Insurance Companies) Regulations 2020 and applicable Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the relevant AQRT subject to audit is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant AQRT subject to audit.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors; and
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent auditors report

To the directors of AA Underwriting Insurance Company Limited - continued

Report on the audit of the relevant Annual Quantitative Reporting Template of the Solvency and Financial Condition Report - continued

Auditors' Responsibilities for the relevant AQRT subject to audit - continued

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the relevant AQRT subject to audit. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to applicable laws and regulations in Gibraltar, for example compliance with regulatory licenses. Our tests included inspecting correspondence with regulators, testing particular classes of transactions and involving experts to assist in auditing the liability for incurred claims and in determining the Solvency II technical provisions and the SCR. We did not identify any matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the relevant AQRT subject to audit.



Independent auditors report

To the directors of AA Underwriting Insurance Company Limited - continued

Report on the audit of the relevant Annual Quantitative Reporting Template of the Solvency and Financial Condition Report - continued

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with our letter of engagement dated 3 March 2025 and for no other purpose. We acknowledge that our report will be provided to the GFSC for the use of the GFSC solely. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Gibraltar

4 July 2025