AA UNDERWRITING INSURANCE COMPANY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT AS AT 31 JANUARY 2024

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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 based around two motor schemes and one household scheme. 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.

Investments are low risk and managed by a specialised company. Investment income represents a small proportion of profits.

In 2023, the year was dominated by significant regulatory reform, market rate recovery after GIPP, continued high inflation and increasing geopolitical instability across the world. Despite these challenges, AAUICL has focused on achieving its written target loss ratio to deliver profitability for both the Motor and Household books through better risk selection and increased rates on motor and home.

Additionally, AAUICL delivered the FCA Consumer Duty by adopting the regulation into its strategy, key performance indicators (KPIs) and wider operations.

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 has approved several policies to agree the level of acceptable risk and guide the day-to-day operations. Risk is evaluated over many areas. The Audit Risk and Compliance Committee (ARCC) monitors risks quarterly. Key risks are also reported to the AA Group which provides additional oversight and guidance. The Board also delivers 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 own funds to cover the Solvency Capital Requirement (SCR) plus a 25% management buffer but considers action once coverage drops below 150%. Over 2023, the increases in current and forecasted average premiums in response to inflationary pressures materially impacted underwriting risk, operational risk and counterparty risk (due to increased AAISL broker debtor) which has led to an increased SCR. Despite these pressures, the solvency ratio remains above target, and is currently at 160%.

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

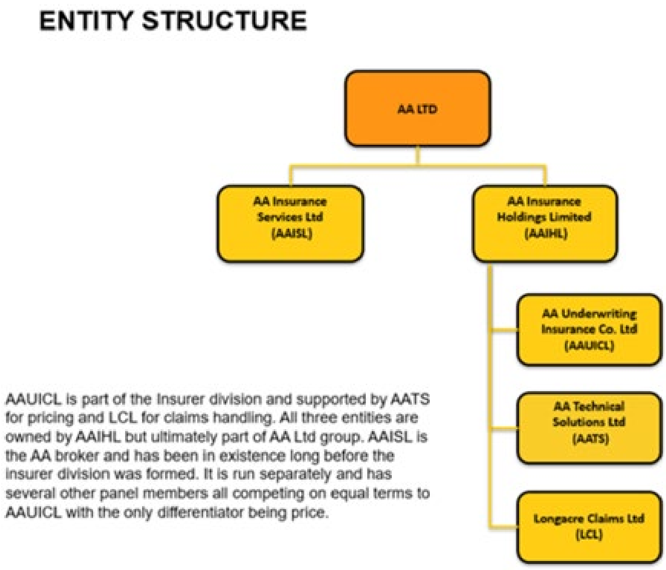
AA Insurance Holdings Limited (AAIHL) is a wholly owned subsidiary of AA Group. In turn, AAIHL wholly owns AAUICL. AAIHL also wholly owns AA Technical Solutions Limited (AATS) and Longacre Claims Limited (LCL) which act as service companies - providing pricing, underwriting and claims handling services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



A.1.5 Ultimate Shareholders

Since 10 March 2021, the immediate parent company of AA Limited has been Basing Bidco Limited (Bidco). Bidco is a subsidiary of Basing Topco Limited (Topco), an investment company controlled by a consortium of funds advised by TowerBrook Capital Partners (UK) LLP or its affiliates (TowerBrook); and private equity funds managed by Warburg Pincus LLC or its affiliates (Warburg Pincus).

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) home insurance. The following table shows the business by class for the year ended 31 January 2024, gross (net of coinsurance) and net of quota share reinsurance. All business has been conducted in the UK on a "freedom of services" basis.

	As at 31 January 2024		As at 31 January 2023	
	Amount	**% of Total**	**Amount**	**% of Total**
	£'000	**%**	**£'000**	**%**
Gross written premiums				
Motor	237,321	88%	166,331	87%
Property	31,142	12%	24,351	13%
Total	**268,463**	**100%**	**190,683**	**100%**
Net Written Premium				
Motor	38,170	87%	25,150	85%
Property	5,737	14%	4,365	15%
Total	**43,907**	**100%**	**29,515**	**100%**

A.1.7 Significant Business or Other Events

In 2023, AAISL transitioned to a new platform ('CDL') on the motor portfolio which has provided a step change in system capability, and expects to make the same transition on home during 2024. It allows customers to purchase the right product and level of cover (silver, gold or platinum) for them according to their demands and needs.

Both claims and cost 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. Whilst inflation is anticipated to fall, it remains closely monitored by our reserving function and cost controls remain in place within our claims function. Emerging trends are fed back quickly into pricing to ensure a robust feedback loop between pricing and reserving.

In July 2023 upon the commencement of the Consumer Duty regulation, a new Consumer Duty Forum was created which has delegated responsibility from the Board. The Consumer Duty Forum (previously named Consumer Outcome Forum) has terms of reference and focuses on the four outcomes of Consumer Duty. Quarterly updates are provided to the Board, and an AAUICL Non-Executive Director is the Consumer Duty Champion. Consumer Duty is now embedded into all areas of the business.

The Reinsurance market experienced the convergence of geopolitical and macroeconomic shocks – war in Europe, fractured energy markets, 40-year high inflation, interest rate hikes, depleted capital – as well as natural disasters and climate change, which introduced significant volatility into the market and reduction in capacity. The 2024 Motor and Household QS reinsurance programmes were successfully placed, along with the Motor XOL and Cat XOL programmes, and whilst there is no immediate material impact, AAUICL is watching the developments for 2025 renewals.

A.2 Underwriting Performance

AAUICL provides motor and household insurance to the UK market which continue to be its main business activities. Additionally, there are some sundry underwriting contracts which support other areas within the AA. These include two modest breakdown-related stop loss covers for car manufacturers and "After the Event" (ATE) insurance which supports the Accident Assist division.

The Company mitigates its motor and home 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, the rate increases during the latter half of 2022, which continued into 2023, helped offset the impact of inflationary increases and improve the underwriting performance in FY24 compared to FY23.

For household, underwriting performance improved into the full year 2024 (FY24), primarily driven by the fact that 2023 was a comparatively benign weather event year, compared to FY23 which was affected by severe storms, large fires, subsidence following a hot dry summer in 2022 and a freeze event in December 2022.

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.

AAUICL adopted IFRS 17 – Insurance Contracts ("IFRS 17") on 1 February 2023, which replaces IFRS 4 – Insurance Contracts ("IFRS 4"). IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. As a result, a number of new accounting policies have been introduced. IFRS 17 was applied retrospectively as at 1 February 2022. On the transition date AAUICL identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied, and derecognised any existing balances that would not exist had IFRS 17 always applied. The 2023 comparatives in the tables below have been restated (where applicable) under IFRS17 to provide a consistent presentation.

The following tables summarise the technical account performance for the year ended 31 January 2024 and the year ended 31 January 2023:

As at 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**
Other technical income	**-**	**-**	**-**	**-**
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.

As at 31 January 2023	Motor Liability £'000	Other Motor £'000	Property £'000	Total £'000
Gross written premiums	133,065	33,266	24,351	190,683
Outward reinsurance premiums	(112,945)	(28,236)	(19,986)	(161,167)
Net written premiums	**20,120**	**5,030**	**4,365**	**29,515**
Earned premiums, net of reinsurance	**19,589**	**4,897**	**4,402**	**28,888**
Other technical income	**291**	**73**	**3,856**	**4,219**
Claims incurred - gross amount	(102,414)	(25,604)	(19,947)	(147,965)
Claims incurred - reinsurers share	82,866	20,716	15,958	119,540
Claims incurred, net of reinsurance	**(19,548)**	**(4,887)**	**(3,989)**	**(28,425)**
Net operating income/(expenses)	**(1,561)**	**(390)**	**608**	**(1,344)**
Other expenses	**-**	**-**	**-**	**(5,028)**
Balance on the technical account	**(1,229)**	**(307)**	**4,876**	**(1,689)**

A.3 Investment Performance

As at 31 January 2024, the Company's investment portfolio and investment returns during the year are outlined below. Returns on the bond portfolio were positive in FY24 despite increasing interest rates and short term Money Market Funds (MMFs) performed well.

	As at 31 January 2024		As at 31 January 2023	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investible Assets				
Bonds	11,608	15%	9,872	21%
Cash and Cash Equivalents	2,044	3%	38,214	79%
Collective Investments Undertaking	64,025	81%		0%
Deposits other than cash equivalents	1,209	2%	-	0%
Total	**78,886**	**100%**	**48,086**	**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 (high inflation and the war in Ukraine and Gaza), investment risk was kept low during the year - both through limiting the size of the portfolio allocated to bonds and increasing the minimum rating of those held.

During FY24, one of AAUICL's accounts has been reclassified from cash to collective investment undertakings which represent investments in MMFs.

	As at 31 January 2023		As at 31 January 2023	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Investment Income				
Bonds	492	23%	(218)	100%
Cash and deposits	102	5%	-	0%
Collective Investments Undertakings	1,509	72%	-	0%
Total	**2,102**	**100%**	**(218)**	**100%**

A.4 Performance of Other Activities

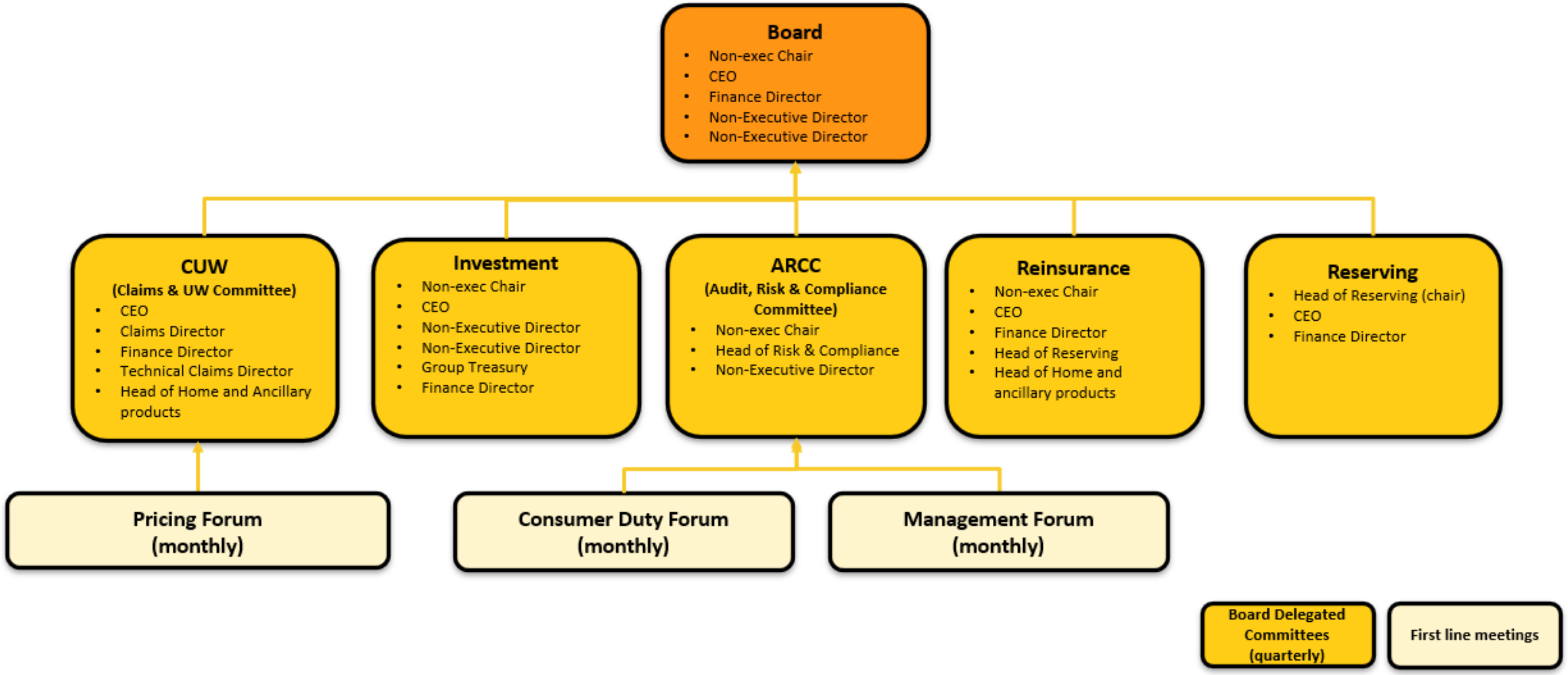
AAUICL receives ceding commission from its quota share reinsurance partners as a contribution towards costs. These commissions are deferred in line with earnings and £19.7m (2023: £16.7m) was recognised during the year. The Company receives additional profit commission depending on performance which 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 and QRT production will also be performed in-house.

AAUICL outsourced the actuarial function services to Insight Risk Consulting (IRC) until July 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 book the maximum of the internal management estimate, or the independent review, the current statutory position is based on internal estimates. Currently Standard Formula modelling is performed by Artex, with the Actuarial Function providing independent review and challenge. Once the Standard Formula production moves in-house, similar periodic independent reviews of the Solvency II Technical Provisions and Standard Formula will be performed.

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 in respect of Key Function Holders took place:

- Adam Liptak resigned as Finance Director on 8 June 2023
- Gary Barker resigned as Head of Claims on 14 August 2023
- Julie Smith appointed as temporary Head of Finance on 25 August 2023
- Melaine Garcia appointed as Risk Function Holder and Compliance Function Holder on 29 August 2023
- Briony Horvath resigned as Risk Function Holder and Compliance Function Holder on 31 August 2023
- Natalie Spurrier appointed as Head of Claims on 3 October 2023
- Paul Tysoe appointed as Chair of Audit Committee and Non-Executive Director on 8 November 2023
- Jason Cabral appointed as Chief Operating Officer on 15 January 2024
- Valentina Skachkova appointed as Executive Director and Head of Finance on 22 January 2024
- Kevin Rye resigned as Chair of Audit Committee on 24 November 2023
- Julie Smith resigned as temporary Head of Finance on 24 January 2024

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

B.1.11 Remuneration

Other than the Non-Executive Directors of the Company, as at the 31 January 2024, AAUICL had eight 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 £8.9m (2023: £6.6m) and LCL for claims handling fees £12.8m (2023: £13.0m).

As at 31 January 2024, AAUICL owed £3.1m (2023 - £2.6m) 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 and Key Function Holders are required to demonstrate they are fit and proper to fulfil their roles on an annual basis. The fitness and propriety of these key individuals is monitored and reported on by the Risk and Compliance Function.

AAUICL's 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 is committed to complying with the requirements of the Solvency II directive by ensuring that the business is always managed in a risk-focussed manner. The risk management policy is intended to identify all material risks, minimise risks wherever possible and manage and control all significant risks within acceptable parameters. The goal is to ensure policyholder protection, both now and in the future and for the Company to achieve its overall strategic objectives.

A summary of the risk management framework is set out below.

Risk culture and governance	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. AAUICL must: • 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.
Strategy and objectives	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. AAUICL must: • 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	We have a risk taxonomy to ensure that our material risk exposures are identified, monitored, and managed. AAUICL must ensure: • 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, 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	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. AAUICL follows the AA Group's risk management framework and controls which is to: • 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	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. AAUICL must: • 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).

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, solvency calculations, company secretarial and payroll. Artex also supply a Non-Executive Director (NED) to the Board.

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 produce 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. As the function is outsourced to AA Group, there is likely to be increased independence owing to the higher level of oversight within AA Group and major stakeholders.

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
Financial services	J Safra Sarasin Bank	Gibraltar
Company secretarial services	Artex Risk Solutions	Gibraltar
Actuarial function services	AATS, Insight Risk Consulting and Artex Risk Solutions	Gibraltar & United Kingdom
Internal audit	Intra – group (AA Ltd)	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.

C. Risk Profile

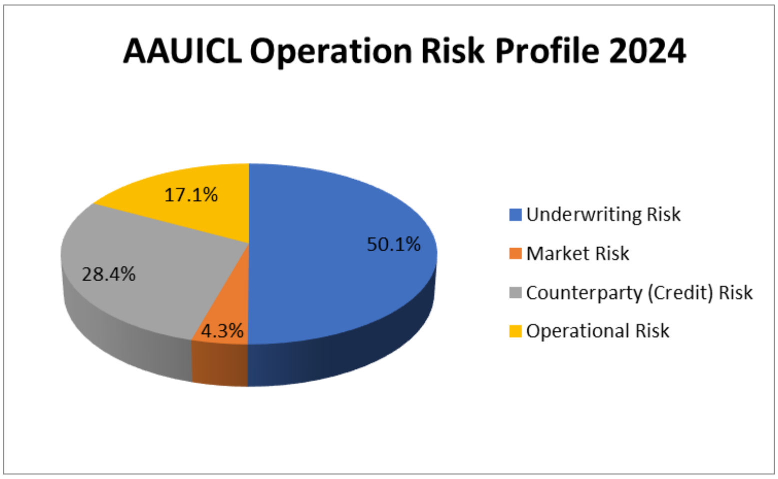
AAUICL's governance framework sets out the type and level of risk which the Company is willing to accept in the achievement of its strategic objectives. This framework provides both qualitative and quantitative risk limits. The Company seeks to maintain low levels of risk, which is reflected in its reinsurance 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 2024 is set out below:

Risk Category	2024 % of SCR	2023 % of SCR
Underwriting Risk	50.1%	65.7%
Market Risk	4.3%	1.5%
Counterparty (Credit) Risk	28.4%	15.1%
Operational Risk	17.1%	17.7%



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. 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 25%. 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 and to BBB+. 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.

This shows 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 Excess of Loss reinsurance programme and combining coinsurance with quota share reinsurance, AAUICL is highly resilient to the other stresses modelled, 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
- Interest rate derivatives

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 as at 31 January 2024 is £4.0m (2023: £0.3m).

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 Management Forum (MMF) meets monthly 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:

	2024		2023	
Description	**Solvency II Value**	**GAAP Value**	**Solvency II Value**	**GAAP Value**
	£'000	**£'000**	**£'000**	**£'000**
Investments	76,842	76,689	43,778	43,673
Insurance and Intermediaries Receivables	-	109,527	3,783	71,069
Reinsurance Recoverable	166,546	263,612	124,625	183,651
Reinsurance Receivables	-	28,466	-	21,130
Cash and cash equivalents	2,044	2,044	4,308	4,308
Deferred Acquisition Costs	-	4,206	-	2,687
Trade Receivables	919	4,270	-	3,274
Any Other Assets	-	-	355	-

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 as at 31 January 2024, except for reinsurance technical provisions, are as set out in the table above.

D.1.1 Investments

At 31 January 2024, AAUICL held £11.6m (2023: £9.8m) in bonds. 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.

During 2023, one of AAUICL's accounts has been reclassified from cash (FY23 value £35.2m) to collective investment undertaking (FY24 value £64.0m).

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. Approximately 30% of premiums are paid by policyholders in instalments and AAUICL receives these on a "pay as paid" basis, this percentage is growing as AAUICL broadens its footprint.

At the year end, the Company was owed £109.5m (2023: £71.1m) in premiums. Contracts with the broker set out payment terms and at 31 January 2024 no amounts of premiums or recoveries have ever been overdue.

At year end, AAUICL had £28.5m (2023 - £21.1m) of reinsurance receivables in GAAP due under the Quota Share arrangement and representing the reinsurer's share of claims to AAUICL which has not yet been settled. 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 £2.0m (2022 - £38.2m) 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 a related company (AATS) in respect of pricing and underwriting services.

At 31 January 2024 AAUICL had £4.2m (2023: £2.7m) 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:

2024	Motor Liability £'000	Other Motor £'000	Property £'000	Total £'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**

The comparative table for 31 January 2023 is shown below:

2023	Motor Liability £'000	Other Motor £'000	Property £'000	Total £'000
Gross Best Estimate Technical Provisions	99,757	(3,459)	16,846	113,144
Risk Margin	1,610	402	503	2,515
Total Gross Technical Provisions	**101,366**	**(3,056)**	**17,349**	**115,659**
Reinsurance Recoverables	(96,832)	(6,415)	(21,378)	(124,625)
Net Technical Provisions	**4,534**	**(9,471)**	**(4,030)**	**(8,967)**

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. This may, however, be wholly or partially offset through future cancellations of existing business. 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.

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:

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

The comparative table for 31 January 2023 for IFRS 4 technical provisions to Solvency II technical provisions is shown below:

2023	Gross Technical Reserves £'000	Reinsurance Recoverables £'000	Total £'000
IFRS Reserves	211,354	172,609	38,745
Remove Unearned Premium	(93,977)	(78,984)	(14,993)
Claims on Unexpired Risks	76,030	62,099	13,931
Receivables/Payables	(73,193)	(20,791)	(52,402)
Run-off Expenses	7,293	-	7,293
Events not in data	3,522	2,991	530
Effect of Discounting	(10,329)	(8,775)	(1,554)
Other Adjustments including Counterparty default	(7,557)	(4,524)	(3,033)
Risk Margin	2,515	-	2,515
Solvency II Technical Provisions	**115,659**	**124,625**	**(8,967)**

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:

	2024 Solvency II Value £'000	IFRS Value £'000	2023 Solvency II Value £'000	IFRS Value £'000
Insurance & Intermediaries payables	3,513	3,513	-	-
Reinsurance payables	-	85,671	(3,783)	46,462
Payables (trade, not insurance)	9,004	12,368	11,468	13,958
Deferred reinsurance commission	-	12,947	-	8,540

D.3.1 Reinsurance Payables

At year end, AAUICL had £85.7m (2023 - £46.5m) 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 the Quota Share balance is the actuarial best estimate loss ratio, as this drives the commission due to AAUICL, which varies 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 £12.4m (2023 - £13.9m) 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 2024, AAUICL had a total of £12.9m (2023 - £8.5m) deferred commission.

The Solvency II balance sheet is prepared based on best estimates of future cash flows. Deferred co-insurance and reinsurance commissions due 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 2024, together with movements during the period:

2024	Share capital £'000	Reconciliation reserve £'000	Total Own Funds £'000
As at 1 February 2024	23,800	25,922	49,722
Capital injections During the Period	5,000	-	5,000
Movement in Reconciliation Reserve	-	7,147	7,147
As at 31 January 2024	**28,800**	**33,069**	**61,869**

The comparative table for 31 January 2023 is shown below:

2023	Share capital £'000	Reconciliation reserve £'000	Total Own Funds £'000
As at 1 February 2023	23,800	24,238	48,038
Capital injections During the Period	-	-	-
Movement in Reconciliation Reserve	-	1,683	1,683
As at 31 January 2023	**23,800**	**25,922**	**49,722**

Over FY24, there has been significant increase in average premiums with GWP which is forecast to continue into next year. The increase in current and forecast GWP materially impacts underwriting risk, operational risk and counterparty risk (due to increased AAISL broker debtor) and has led to an increasing SCR. Whilst own funds are anticipated to also increase, there is a lag between the impact of the GWP increase within the SCR, and the recognition of increased profit within the own funds, which drives down the solvency ratio in the short term. AAUICL has agreed a capital injection of £5m during Q4 FY24 from AA Group to ensure they remain above target in this interim period.

The Company's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis. There are no foreseeable dividends

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:

	2024 £'000	2023 £'000
Own Funds per Financial Statements	**66,221**	**50,681**
Difference in Valuation of net Technical Provisions	(9,711)	(3,997)
Removal of Deferred Acquisitions Costs	(4,206)	(2,687)
Removal of Other Deferred Costs	(3,192)	(2,597)
Removal of Prepayments	(190)	(218)
Removal of Deferred Commissions	12,947	8,540
Deferred Tax Liability	-	-
Own Funds per Solvency II Valuation	**61,869**	**49,722**

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:

	2024 £'000	2023 £'000
Own funds	61,869	49,722
Solvency Capital Requirements	38,763	30,167
SCR Coverage	**159.6%**	**164.8%**
Minimum Capital Requirement	9,691	7,542
MCR Coverage	**638.4%**	**659.3%**

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.

	2024 £'000	2023 £'000
Market Risk	1,914	858
Counterparty (Credit) Risk	12,622	7,221
Non-Life Underwriting Risk	22,225	19,868
Diversification	(5,603)	(3,397)
Basic SCR	**31,158**	**24,551**
Operational Risk	7,604	5,615
SCR	**38,763**	**30,166**

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:

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

The comparative inputs for 31 January 2023 are as below:

2023	**Net (of reinsurance) best estimate technical provisions**	**Net (of reinsurance) written premiums in the last 12 months**
	£'000	**£'000**
Motor Vehicle Liability	4,546	29,297
Motor Vehicle Other	-	7,324
Property	-	13,372
Linear MCR	-	4,692
SCR	-	30,167
Combined MCR	-	7,542
Absolute Floor of the MCR	-	3,186
Minimum Capital Requirement	-	7,542

E.2.5 Changes over the Period

The Company’s SCR increased during the year, driven by the increases in average premium in response to the high levels of inflation observed across 2022 and 2023. The growth in GWP further acts to increase counterparty risk due to the AAISL debtor, and operational risk.

F. Annual Quantitative Reporting Templates

S.02.01.02 - Balance sheet

		Solvency II value
Assets		**C0010**
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	76,842
Bonds	**R0130**	11,608
Corporate Bonds	**R0150**	11,424
Collaterised securities	**R0170**	184
Collective Investments Undertakings	**R0180**	64,025
Deposits other than cash equivalents	**R0200**	1,209
Reinsurance recoverables from:	**R0270**	166,546
Non-life and health similar to non-life	**R0280**	166,546
Non-life excluding health	**R0290**	166,546
Receivables (trade, not insurance)	**R0380**	919
Cash and cash equivalents	**R0410**	2,044
Total assets	**R0500**	**246,352**

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	171,965
Technical provisions – non-life (excluding health)	**R0520**	171,965
Best Estimate	**R0540**	170,266
Risk margin	**R0550**	1,700
Insurance & intermediaries payables	**R0820**	3,513
Payables (trade, not insurance)	**R0840**	9,004
Total liabilities	**R0900**	**184,482**
Excess of assets over liabilities	**R1000**	**61,869**

S.05.01.02 - Premiums, claims and expenses by line of business - Table 1

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Total
		C0040	C0050	C0070	C0200
Premiums written					
Gross - Direct Business	R0110	189,857	47,464	31,142	268,463
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	
Reinsurers' share	R0140	159,321	39,830	25,405	224,556
Net	R0200	30,536	7,634	5,737	43,907
Premiums earned					
Gross - Direct Business	R0210	151,572	37,893	26,926	216,391
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	126,966	31,741	22,032	180,740
Net	R0300	24,606	6,151	4,894	35,651
Claims incurred					
Gross - Direct Business	R0310	125,440	31,360	27,959	184,759
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	
Reinsurers' share	R0340	103,297	25,824	22,057	151,178
Net	R0400	22,143	5,536	5,902	33,581
Changes in other technical provisions					
Gross - Direct Business	R0410				
Gross - Proportional reinsurance accepted	R0420				
Gross - Non- proportional reinsurance accepted	R0430				
Reinsurers share	R0440				
Net	R0500				
Expenses incurred	R0550	-396	-99	-706	-1,256
Other expenses	R1200				7,497
Total expenses	R1300				6,241

S.05.02.01 - Premiums, claims and expenses by country

		Home Country	Top five Countries (by amount of gross premiums written) - non-life obligations					Total Top Five and Home Country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**		268,463					268,463
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**		224,556					224,556
Net	**R0200**		43,907					43,907
Premiums earned								
Gross - Direct Business	**R0210**		216, 391					216,391
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**		180,740					180,740
Net	**R0300**		35,651					35,651
Claims incurred								
Gross - Direct Business	**R0310**		184,759					184,759
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**		151,178					151,178
Net	**R0400**		33,581					33,581
Changes in other technical provisions								
Gross - Direct Business	**R0410**							
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers' share	**R0440**							
Net	**R0500**							
Expenses incurred	**R0550**		-1,256					-1,256
Other expenses	**R1200**							7,497
Total expenses	**R1300**							6,241

P.17.01.02 – Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	
		C0050	C0060	C0080	C0180
Technical provisions calculated as a whole	**R0010**				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium Provisions					
Gross	**R0060**	23,050	15,220	3,381	41,651
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	26,829	16,560	1,810	45,199
Net Best Estimate of Claims Provisions	**R0150**	-3,780	-1,340	1,571	-3,548
Claims provisions					
Gross	**R0160**	112,525	-1,945	18,034	128,615
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	98,213	2,000	21,135	121,347
Net Best Estimate of Claims Provisions	**R0250**	14,312	-3,944	-3,101	7,267
Total Best Estimate – gross	**R0260**	135,575	13,275	21,415	170,266
Total Best Estimate – net	**R0270**	10,533	-5,284	-1,529	3,719
Risk Margin	**R0280**	1,330	131	238	1,700
Amount of the transitional on Technical Provisions					
Technical provisions calculated as a whole	**R0290**				
Best estimate	**R0300**				
Risk margin	**R0310**				
Technical provisions – total					
Technical provisions – total	**R0320**	136,905	13,407	21,653	171,965
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected loss due to counterparty default – total	**R0330**	125,043	18,559	22,945	166,546
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	11,863	-5,153	-1,291	5,419

S.19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure)

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

	Year	Development year												In Current year	Sum of years (cumulative)
			1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
2015	R0160												R0160		
2016	R0170												R0170		
2017	R0180	2,531	3,068	782	1,122	7,309	204	4	8				R0180	8	15,028
2018	R0190	18,358	3,307	1,396	1,481	919	521	13					R0190	13	25,996
2019	R0200	12,193	5,566	1,816	980	855	887						R0200	887	22,297
2020	R0210	31,554	10,164	8,822	2,003	2,571							R0210	2,571	55,114
2021	R0220	35,030	12,929	3,469	2,566								R0220	2,566	53,995
2022	R0230	51,263	22,373	5,992									R0230	5,992	79,627
2023	R0240	78,343	42,330										R0240	42,330	120,673
2024	R0250	95,098											R0250	95,098	95,098
												Total	R0260	149,466	467,829

S.19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure) – (continued)

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year												Year end (discounted data)
			1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
2015	R0160												R0160	
2016	R0170												R0170	
2017	R0180	12,379	9,362	6,556	4,516	342			7				R0180	7
2018	R0190	9,840	2,125	1,505	1,521	797	154	-212					R0190	-193
2019	R0200	13,411	9,392	3,883	3,122	1,195	642						R0200	604
2020	R0210	13,856	12,089	7,112	4,318	1,718							R0210	1,623
2021	R0220	13,683	6,440	11,026	5,207								R0220	4,895
2022	R0230	47,949	10,721	24,953									R0230	23,194
2023	R0240	80,532	43,802										R0240	40,754
2024	R0250	62,103											R0250	57,731
												Total	R0260	128,615

S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
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**	33,069	33,069			
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 represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	61,869	61,869			
Ancillary own funds						

S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
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 under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	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	61,869	61,869			
Total available own funds to meet the MCR	R0510	61,869	61,869			
Total eligible own funds to meet the SCR	R0540	61,869	61,869			
Total eligible own funds to meet the MCR	R0550	61,869	61,869			
SCR	**R0580**	38,763				
MCR	**R0600**	9,691				
Ratio of Eligible own funds to SCR	**R0620**	159.61%				
Ratio of Eligible own funds to MCR	**R0640**	638.43%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	61,869
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
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**	33,069
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	3,977
Total Expected profits included in future premiums (EPIFP)	**R0790**	3,977

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

-

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	1,914	-	
Counterparty default risk	R0020	12,622	-	
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	22,226		
Diversification	R0060	-5,603	-	-
Intangible asset risk	R0070		-	-
Basic Solvency Capital Requirement	**R0100**	31,158	-	-

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	R0130	7,605
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	38,763
Capital add-on already set	R0210	
Solvency capital requirement	**R0220**	38,763
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF SCR aggregation for article 304	R0440	3 – Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

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

Overall MCR calculation		**C0070**
Linear MCR	**R0300**	4,768
SCR	**R0310**	38,763
MCR cap	**R0320**	17,444
MCR floor	**R0330**	9,691
Combined MCR	**R0340**	9,691
Absolute floor of the MCR	**R0350**	3,495
		C0070
Minimum Capital Requirement	**R0400**	**9,691**