Aioi Nissay Dowa Insurance UK Limited

Solvency and Financial Condition Report

Year ended 31 December 2021

Table of contents

Summary

1. Business and performance summary

The Company's principal activity is as an insurer and its main business is retail general insurance, with a focus on auto-centric products. The Company operates as a general insurer in the UK. The Company is a subsidiary of Aioi Nissay Dowa Europe Limited ("ANDEL"), a company incorporated in the United Kingdom and part of the Aioi Nissay Dowa Europe Group ("the Group").

This is the Company's Solo (company-only) Solvency and Financial Condition Report ("SFCR"). The Group SFCR for ANDEL is prepared separately.

The Company is a private company incorporated, domiciled and registered in England in the United Kingdom. Its company number is 11105895. Its registered office is 7th Floor, 52-56 Leadenhall Street, London, EC3A 2BJ. The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its Financial Services Register Number is 816870. The Prudential Regulation Authority has its offices at 20 Moorgate, London, EC2R 6DA. The Financial Conduct Authority has its offices at 12 Endeavour Square, London, E20 1JN.

The Company's parent entity ANDEL is a wholly-owned subsidiary of Aioi Nissay Dowa Insurance Company Limited ("ADJ"), a company incorporated in Japan. MS&AD Insurance Group Holdings, Inc., a company incorporated in Japan, is the ultimate parent company and ultimate controlling party. The MS&AD Insurance Group is Japan's largest non-life insurer and one of the largest non-life insurance groups in the world.

The Company's key business is the provision of auto-centric insurance products either directly or on behalf of its strategic partners. The Company's has an important strategic relationship with Toyota and the Company's fellow subsidiary TIM, which is part-owned by Toyota Financial Services (UK) plc ("Toyota Financial Services"), provides Toyota's insurance expertise and works in support of Toyota in both the UK and Europe. The link with Toyota will be critical to the achievement of the Group's and the Company's ambitions with regards to its underwriting business and realising the potential of telematics, not only in the UK but also more widely in support of Toyota and the Group's Japanese parent company ADJ.

2021 was the Company's second year of trading and the first in which all of the Group's UK business was written through ANDI UK, both new business and renewals. The Company made a pre-tax loss for the year ended 31 December 2021 of £12.7m (2020: loss of £4.0m).

Before the Company began to trade as an insurer, the Group's UK business was written by the Group's fellow subsidiary Aioi Nissay Dowa Insurance Company of Europe SE ("ANDIE"), with the Company gradually taking on the underwriting of UK portfolios as part of the Group's approach to addressing the challenges posed to the Group's corporate structure by Brexit. The UK policies written in prior years by ANDIE, which is domiciled in Luxembourg, are expected to be maintained within that ANDIE's UK branch until all policies expire and all claims are fully settled.

The Company's gross written premium ("GWP") for the year was £208.5m (2020: £113.6m). Its premium income is derived from retail motor and related products, and retail motor, motor fleet and motor-related commercial Japanese Interests Abroad ("JIA"). The Company considers its business across four areas: Insure the Box ("ITB"), Commercial Fleet and Partnerships ("Fleet"), Toyota insurance and JIA.

ITB underwriting comprises the brands Insure The Box, Tesco Bank Box and Drive Like A Girl. Sales through these brands, all of which focus on the UK young driver and telematics market, contributed £66.8m (2020: £8.3m) to the Company's GWP during the year.

The Company began to underwrite the Fleet portfolio in March 2020, so 2021 was the first full year of operations. The retention rates achieved on the Fleet portfolio continue to exceed expectations, at over 80% for the full year. Sales of fleet policies contributed £82.9m (2020: £68.7m) to the Company's GWP during the year.

In addition to this, £8.6m (2020: £nil) was written through partnerships. In June 2021 the Company partnered with ibott, a division of Apollo Syndicate Management Limited ("Apollo"), to develop a range of innovative insurance solutions for the fast-growing shared mobility sector. ANDI UK is providing capacity to ibott and has entered into a quotashare reinsurance arrangement with the Apollo syndicate. Also in June 2021, the Company partnered with Flock Limited, a managing general agent ("MGA"), to develop two connected motor fleet insurance products available to self-drive hire, own goods, courier and tradesperson fleets across the UK. ANDI UK provides capacity to the Flock MGA.

The Group's UK Toyota business, which comprises retail motor and related products, relies heavily on sales of new and used Toyota vehicles through dealerships. The closure of dealerships for several periods during 2021 as a result of national and local lockdowns in the UK meant fewer sales and this had an adverse impact on sales of insurance products. Overall, the Toyota business contributed £42.0m (2020: £28.4m) to the Company's GWP in the year.

The JIA business includes Motor Ichiban – a retail motor business marketed to Japanese expatriates – some commercial fleets and a motor trade business. GWP for the year was £8.1m (2020: £8.3m). The business is all 100% reinsured by the Group's parent company ADJ, with the Company's income derived from a commission on business sales.

Business interruption cover

The Company writes a small number of motor trade policies for Toyota dealerships in the UK. These policies are part of the Company's JIA business and are 100% reinsured by the Group's parent company, ADJ.

On 15 January 2021, the Supreme Court delivered its judgement relating to the FCA "test case" on business interruption coverage wordings in the UK. This judgement is relevant to the Company's motor trade policies and the customers covered by these.

The Company treated the Supreme Court judgement as an "adjusting post-balance sheet event" for reporting at the 2020 year-end as the judgement provided additional information about conditions that existed prior to 31 December 2020 (that is, potential claims for business interruption, as the Company had not received any before the date of the judgement).

We have worked proactively with our policyholders and with specialist loss adjustors to analyse the effect of Covid-19 on our customers' businesses and to determine the amounts to be indemnified by the business interruption cover. The Company expects to pay out on three business interruption claims relating to Covid-19 and the Company's balance sheet as at 31 December 2021 includes the reserves for these claims, with a gross of reinsurance impact of £0.7m (2020: £3.85m). As the policies are fully reinsured by ADJ there is no net effect on the Company's results.

The ultimate gross liabilities for the business interruption claims could be materially different from the current estimate, particularly as legal opinion develops regarding the treatment of furlough payments. The Company's financial position and net results, however, are not expected to be affected, as the reinsurance provided for the JIA business by ADJ will cover all claims.

Post-balance sheet events – Russian invasion of Ukraine

On 24 February 2022, Russian troops began an invasion of Ukraine. In response, many countries and organisations have imposed economic sanctions on Russia and on Belarus. In addition, a growing number of public and private companies have announced voluntary actions to curtail business activities in both Russia and Belarus.

The directors have assessed the impact of the invasion and the subsequent imposition of sanctions on its business operations and finances, including in particular the exposure of the Company's fixed income investment portfolio. At the date of this report, there has been no significant direct impact on the Company as a result of the invasion or the sanctions imposed and this is not expected to change within the course of 2022. Nonetheless, the directors are continuing to monitor the situation in Ukraine and Russia and the wider economic ramifications of the invasion closely.

2. System of governance summary

The system of governance is considered to be appropriate for the Company taking into account the nature, scale and complexity of the risks inherent in the business.

The Company received its insurance licence in July 2019 and established a governance framework suitable for its insurance activities. The Company is part of the Group's risk management system and operates a Three Lines of Defence Model consistent with that in place in the rest of the Group. The system of governance has not changed materially since the Company received its insurance licence.

The Board is ultimately responsible and accountable for the performance and strategy of the Company and for ensuring that the Company complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Company, the Board has delegated certain functions to committees, though by doing this the Board does not absolve itself of its ultimate responsibility for the Company.

The Board has delegated responsibilities to the Corporate Governance Committees and the Business Committees. The Corporate Governance Committees are: the Audit, Risk and Compliance Committee and the Investment Committee. The Business Committees are the UK Executive Committee, the Reserving Committee and the Underwriting and Pricing Committee.

The Group maintains a risk management system with which the Company is aligned. The Group operates an enterprise-wide risk management framework that is designed to identify, evaluate, manage and monitor exposure to risk. The process is subject to continuous review and development. The risk management system must comply with regulatory standards at all times.

The Company operates a Three Lines of Defence Model as part of its overall control environment and its risk management system. The main elements of the Three Lines of Defence Model as it pertains to the Company may be summarised as follows:

- First line: the first level of the control environment is the business operations which perform the day-to-day risk management activity.
- Second line: these are the oversight functions of the Company, such as Risk and Compliance, and also include financial controls. These functions set direction, define policy and provide assurance.
- Third line: Internal Audit is the third line of defence. Internal Audit offers independent challenge to the levels of assurance provided by business operations and oversight functions.

The Company considers outsourcing arrangements for an activity when it is not cost-effective or possible to carry out the activity internally. The Company recognises that it remains responsible for discharging all legal and regulatory responsibilities relating to the outsourced activity. In order to reduce the risks associated with outsourcing, the Company has an established outsourcing policy.

3. Risk profile summary

Overall responsibility for the management of the Company's exposure to risk lies with the Board. To support it in its role, the Board has established an enterprise risk management framework comprising risk identification, risk assessment, control and reporting processes. The Board is assisted in its oversight of the risk management framework by the Corporate Governance and Business committees.

The following table sets out the standard formula risk capital components as at 31 December 2021:

Component	2021 £m	2020 £m
Non-life underwriting risk	33.8	19.5
Market risk	4.0	3.2
Counterparty default risk	16.3	12.6
Diversification credit	(8.5)	(6.2)
Operational risk	7.6	2.7
SCR	**53.2**	**31.8**
MCR	**17.9**	**9.8**

The largest component of the SCR is non-life underwriting risk. This is the risk that arises from the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. It manifests itself in variability in the contribution towards expenses and profits.

Market risk is the risk of external market influences affecting the Company's net asset value, for example changes in interest rates affecting the value of assets, changes in the levels of investment return, changes in exchange rates, etc.

Counterparty default risk is the risk that counterparties will be unable to pay amounts in full when due. Key areas where the Company is exposed to counterparty (or credit) risk are:

- exposure to corporate bonds;
- exposure to the failure of bank counterparties;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

Operational risk is the risk that errors caused by people, processes or systems lead to losses to the Company, or the risk that arises from unanticipated or poorly anticipated external events.

Other important risks managed by the Company are strategic risk and reputational risk. Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions and the lack of responsiveness to changes in the business environment. Reputational risk is a form of strategic risk within the Company's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Company or of other companies on which the Company's fortunes depend.

4. Valuation for solvency purposes summary

ANDI UK's valuation for solvency purposes is derived from the Company's financial statements, which are then adjusted in accordance with Solvency II regulation. The most significant adjustments between the financial statement balance sheet and the valuation for solvency purposes are due to the revaluation of technical reserves to Solvency II technical provisions, and the elimination of deferred acquisition costs (replaced by future cash flows in the Solvency II technical provisions). These differences can be summarised as follows:

	2021 £m	2020 £m	Reason
Net asset value per UK GAAP	**77.3**	**72.1**	**Per accounts**
Revaluation of net technical reserves	42.4	5.7	Differing reserving basis under Solvency II
Deferred acquisition costs	(33.9)	(14.1)	No DAC for Solvency II
Intangible assets	(3.6)	(4.0)	Intangible asset eliminated under Solvency II
Adjustments to other assets and liabilities (net)	(0.0)	(0.0)	Different valuation bases between Solvency II and UK GAAP
Own funds under Solvency II	**82.3**	**59.7**	**Solvency II own funds**

5. Capital management summary

The SCR coverage ratio as at 31 December 2021 was 154.7% (2020: 187.7%), with eligible own funds of £82.3m (2020: £59.7m) and an SCR of £53.2m (2020: £31.8m). The MCR coverage ratio as at 31 December 2021 was 459.8%% (2020: 609.1%), with eligible own funds of £82.3m (2020: £59.7m) and an MCR of £17.9m (2020: £9.8m). Annual and quarterly reporting throughout both 2021 and the prior year has shown that the Company has complied continuously with both the MCR and the SCR throughout the reporting period.

The Company is funded only by share capital and retained reserves, which, together with a Solvency II reconciliation reserve, comprise Solvency II "own funds". The capital management objective of the Company is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Company's growth ambitions as set out in its business plan. The Board and the Board Committees consider regularly the ratio of eligible own funds over the SCR and MCR. The Company prepares solvency projections over a five year period as part of the business planning process.

S&P Global Ratings have assessed the Company's long-term financial strength rating as "A+ / Stable".

A. Business and Performance

A1. Information regarding our business

As noted in the "Business and Performance Summary" the Company's principal activity is insurance and its main business is retail general insurance, with a focus on auto-centric products. The Company's four main areas of business are: ITB, Fleet and Partnerships, Toyota and JIA. The split of business across these business units was as follows during 2021. All of the risks underwritten were in the UK.

Business unit	2021 gross written premium £m (% of total GWP)	2020 gross written premium £m (% of total GWP)
ITB	66.9 (32.1%)	8.3 (7.3%)
Fleet and Partnerships	91.5 (43.9%)	68.7 (60.4%)
Toyota	42.0 (20.1%)	28.4 (25.0%)
JIA	8.1 (3.9%)	8.3 (7.3%)
Total	**208.5**	**113.6**

The Company's financial year end is 31 December each year. The Company reports its results in Pounds Sterling.

Supervisory authorities

The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its Financial Services Register Number is 816870. The Prudential Regulation Authority has its offices at 20 Moorgate, London, EC2R 6DA. The Financial Conduct Authority has its offices at 12 Endeavour Square, London, E20 1JN.

Auditor

The Company's auditor is KPMG LLP, 15 Canada Square, London, E14 5GL.

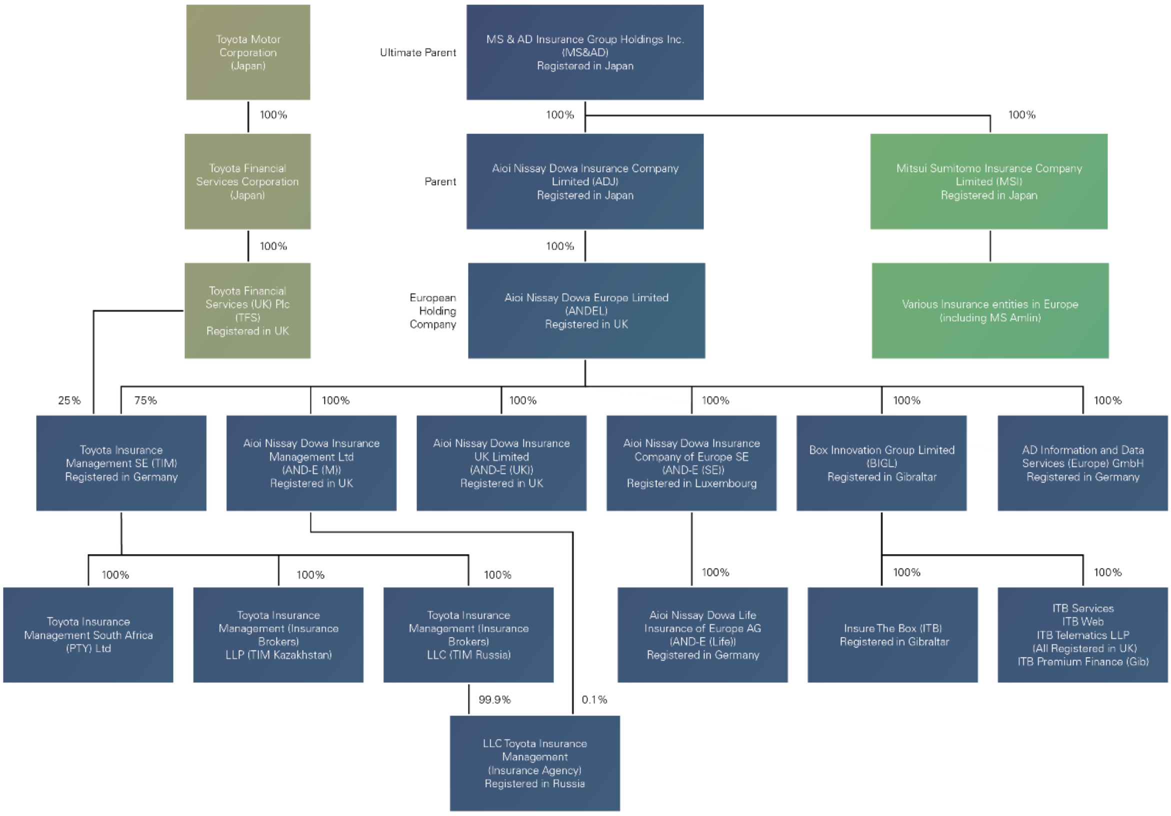
Credit rating

S&P Global ratings have assessed the Company's long-term financial strength rating as "A+ / Stable".

Group structure

ANDI UK is a UK-domiciled company which operates as a general insurer in the UK. It is part of the ANDEL Group.

As at the year-end, the Group's structure was as follows:



Any significant business or other events that have occurred over the year that have had a material impact on the undertaking

No matters to report.

A2. Underwriting performance

The following table summarises the underwriting performance of the Company, as per the Company's financial statements:

	2021 £m	2020 £m
Gross written premiums	208.5	113.6
Net earned premiums	75.8	21.8

Net claims incurred	68.9	20.9
Loss ratio	90.9%	95.8%

The Company's gross written premium ("GWP") for the year was £208.5m (2020: £113.6m). Its premium income is derived from retail motor and related products, and retail motor, motor fleet and motor-related commercial Japanese Interests Abroad ("JIA"). The Company considers its business across four areas: Insure the Box ("ITB"), Commercial Fleet and Partnerships ("Fleet"), Toyota insurance and JIA.

ITB underwriting comprises the brands Insure The Box, Tesco Bank Box and Drive Like A Girl. Sales through these brands, all of which focus on the UK young driver and telematics market, contributed £66.8m (2020: £8.3m) to the Company's GWP during the year.

The Company began to underwrite the Fleet portfolio in March 2020, so 2021 was the first full year of operations. The retention rates achieved on the Fleet portfolio continue to exceed expectations, at over 80% for the full year. Sales of fleet policies contributed £82.9m (2020: £68.7m) to the Company's GWP during the year.

In addition to this, £8.6m (2020: £nil) was written through partnerships. In June 2021 the Company partnered with ibott, a division of Apollo Syndicate Management Limited ("Apollo"), to develop a range of innovative insurance solutions for the fast-growing shared mobility sector. ANDI UK is providing capacity to ibott and has entered into a quotashare reinsurance arrangement with the Apollo syndicate. Also in June 2021, the Company partnered with Flock Limited, a managing general agent ("MGA"), to develop two connected motor fleet insurance products available to self-drive hire, own goods, courier and tradesperson fleets across the UK. ANDI UK provides capacity to the Flock MGA.

The Group's UK Toyota business, which comprises retail motor and related products, relies heavily on sales of new and used Toyota vehicles through dealerships. The closure of dealerships for several periods during 2021 as a result of national and local lockdowns in the UK meant fewer sales and this had an adverse impact on sales of insurance products. Overall, the Toyota business contributed £42.0m (2020: £28.4m) to the Company's GWP in the year.

The JIA business includes Motor Ichiban – a retail motor business marketed to Japanese expatriates – some commercial fleets and a motor trade business. GWP for the year was £8.1m (2020: £8.3m). The business is all 100% reinsured by the Group's parent company ADJ, with the Company's income derived from a commission on business sales.

The net underwriting results for Toyota and ITB in 2021 were in line with expectations, albeit lower sales than anticipated will mean a challenge for future years as the Company's insurance portfolios are smaller than expected. Average new business premiums were below expectations as prices fell across the UK market. The lower sales and average premiums were offset by a reduction in claims frequency. However, the Company experienced some increase in claims severity, as disruption to motor supply chains and repair shops fed through to claims costs.

The underwriting performance for the Fleet book was ahead of expectations due to releases of prior year reserves in 2021. As in the prior year this was a new portfolio for the Company we adopted a cautious approach at the prior year-end and booked reserves in line with a planned loss ratio. With a further 12 months of development, we are now able to say with more confidence that the true loss ratio for 2020 was better than expected and to reflect that in the 2021 results.

The performance by the four business units was as follows, as disclosed in the Company's financial statements:

	ITB	Fleet	Toyota	JIA
	2021 £m	2021 £m	2021 £m	2021 £m
Gross written premiums	66.8	91.5	42.0	8.1
Gross premiums earned	37.6	81.8	26.0	8.1
Gross claims incurred	(49.2)	(50.4)	(16.2)	(2.1)
Gross acquisition and technical expenses	(15.4)	(13.9)	(14.9)	(2.7)
Gross technical result	(27.0)	17.5	(5.1)	3.3
Reinsurers' share of technical result	5.1	(10.8)	0.9	(3.4)
Net technical result	(21.9)	6.3	(4.2)	(0.1)

	ITB	Fleet	Toyota	JIA
	2020 £m	2020 £m	2020 £m	2020 £m
Gross written premiums	8.3	68.7	28.4	8.3
Gross premiums earned	0.4	31.5	7.8	4.2
Gross claims incurred	(0.4)	(33.6)	(5.9)	(6.2)
Gross acquisition and technical expenses	(0.5)	(5.8)	(3.9)	(1.2)
Gross technical result	(0.5)	(7.9)	(2.0)	(3.2)

Reinsurers' share of technical result	0.2	4.4	0.2	3.3
Net technical result	**(0.3)**	**(3.5)**	**(1.8)**	**0.1**

The performance by material line of business is summarised in the tables below:

	Motor vehicle liability	Miscellaneous financial loss	Other
	2021 £m	2021 £m	2021 £m
Gross written premiums	184.7	22.0	1.8
Net earned premiums	66.4	9.4	-
Net claims incurred	64.6	0.4	-
Net loss ratio	97.3%	4.2%	-

	Motor vehicle liability	Miscellaneous financial loss	Other
	2020 £m	2020 £m	2020 £m
Gross written premiums	100.6	11.5	1.5
Net earned premiums	21.2	0.6	0.0
Net claims incurred	20.8	0.1	0.0
Net loss ratio	98.1%	16.7%	-

Business interruption cover

The Company writes a small number of motor trade policies for Toyota dealerships in the UK. These policies are part of the Company's JIA business and are 100% reinsured by the Group's parent company, ADJ.

On 15 January 2021, the Supreme Court delivered its judgement relating to the FCA "test case" on business interruption coverage wordings in the UK. This judgement is relevant to the Company's motor trade policies and the customers covered by these.

The Company treated the Supreme Court judgement as an "adjusting post-balance sheet event" for reporting at the 2020 year-end as the judgement provided additional information about conditions that existed prior to 31 December 2020 (that is, potential claims for business interruption, as the Company had not received any before the date of the judgement).

We have worked proactively with our policyholders and with specialist loss adjustors to analyse the effect of Covid-19 on our customers' businesses and to determine the amounts to be indemnified by the business interruption cover. The Company expects to pay out on three business interruption claims relating to Covid-19 and the Company's balance sheet as at 31 December 2021 includes the reserves for these claims, with a gross of reinsurance impact of £0.7m (2020: £3.85m). As the policies are fully reinsured by ADJ there is no net effect on the Company's results.

The ultimate gross liabilities for the business interruption claims could be materially different from the current estimate, particularly as legal opinion develops regarding the treatment of furlough payments. The Company's financial position and net results, however, are not expected to be affected, as the reinsurance provided for the JIA business by ADJ will cover all claims.

A3. Investment performance

The Company invests principally in high quality corporate, agency and supra-national fixed income securities. The Company also has significant money market holdings with high quality investment managers. The overall portfolio is highly liquid. The Company has outsourced the management of its bond portfolio.

Investment income as per the Company's financial statements was £0.4m (2020: £0.3m), net of investment management expenses. This income is derived mainly from corporate, government, agency and supra-national bond holdings. These are fixed income securities, which generate income for the Company through regular interest payments. Other components of income are interest income from cash and money market holdings.

Unrealised gains and losses on these fixed income securities are recognised directly in equity in the revaluation reserve, so do not directly affect the Company's reported profit and loss account result. The amount taken to the revaluation reserve for the year was an unrealised loss of £2.1m (2020: gain of £1.0m), reflecting the decrease in the fair value of the Company's bond portfolio. These fair value gains and losses affect the Company's solvency position, as the movements are reflected in the balance sheet values, but are not reported as income in the annual accounts.

The Company continues to invest in high quality fixed income securities with the preservation of capital underpinning the Company's investment strategy.

A4. Performance of other activities

The Company has other income and charges of £6.8m (2020: £1.6m). This mainly comprises non-technical ancillary income which does not constitute insurance premium income, including add-on income and rebates.

Administrative expenses relate to the Company's insurance business and are included within its underwriting performance by business unit, as detailed above. The Company does not have any lease costs. Leases are entered into by other group entities within the UK and the Company receives a recharge for these leases as part of the administrative overhead recharged to it.

A5. Any other disclosures

No other information.

B. System of Governance

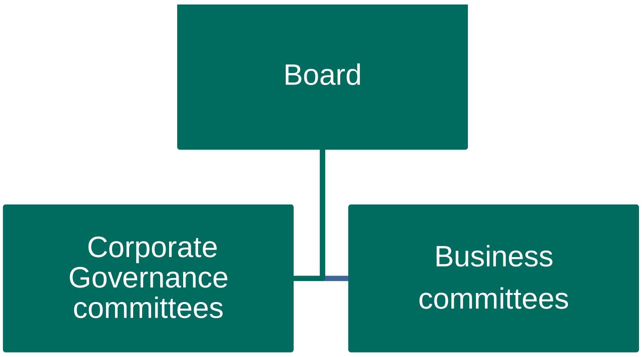
B1. General governance arrangements

The system of governance, which is set out below, is considered to be appropriate for the Company taking into account the nature, scale and complexity of the risks inherent in the business.

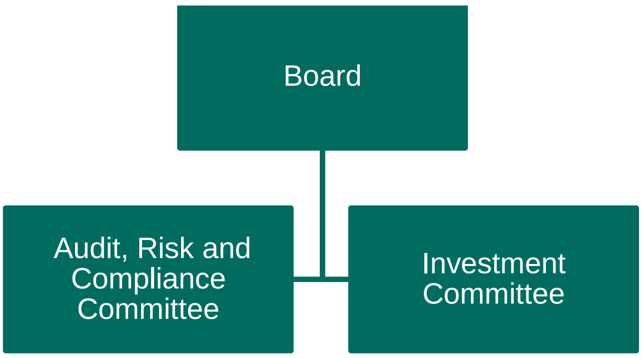
Overview of the Board and its committees

The Board is ultimately responsible and accountable for the performance and strategy of the Company and for ensuring that the Company complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Company the Board has delegated certain functions to committees, though by doing this the Board does not absolve itself of its ultimate responsibility for the Company.

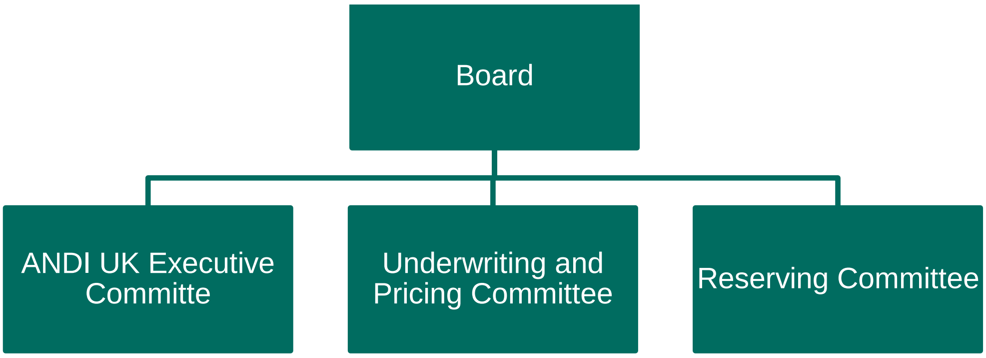
The established corporate governance framework is as follows:



The Corporate Governance committees are structured as follows:



The Business Committees are structured as follows, with the UK Executive Committee reporting to the Board:



<u>The Board</u>

The Board functions as the corporate decision-making body and provides leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the strategic aims of the Company and ensures that the necessary resources, both financial and staff, are in place to allow the Company to meet its objectives. The Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to its shareholder. The Board sets the strategy and risk appetite for the Company and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set. Implementation of the strategy set by the Board is delegated to the UK Executive Committee, which is led by the Chief Executive Officer.

The Board meets at least four times a year. As at 31 December 2021, the members of the Board were:

- R McCorriston — Chair
- W Hetz — Chief Executive (appointed 17 February 2021)
- H Clarke — Senior independent non-executive director
- J Crotty — Independent non-executive director
- M Kainzbauer — Non-executive director, Group Chief Operating Officer
- H Sadleir — Chief Financial Officer (appointed 17 February 2021)
- M Swanborough — Non-executive director, Group Chief Executive Officer
- N Yamahara — Non-executive director (appointed 29 September 2021), Deputy Group Chief Executive Officer

Mr Ohnishi resigned as a non-executive director on 8 March 2021. He was replaced in his role by Mr Yamahara, who, following the receipt of regulatory approval, was appointed as a director on 29 September 2021.

Following the appointment of Mr Hetz and Mr Sadleir to the Board in February 2021 as executive directors, the Board agreed that Mr Swanborough, Mr Ohnishi and Mr Kainzbauer would assume non-executive roles on the Company's Board. Mr Hetz assumed the role of the Company's Chief Executive Officer.

In January 2022 Mr Swanborough announced his resignation as the Group's Chief Executive Officer, effective 31 May 2022. Mr Kainzbauer will be assuming the role of Group Chief Executive Officer.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is a key element of the Company's internal control framework. The Committee controls and monitors the activities of the Company's Audit, Risk and Compliance activities, which are the key oversight and assurance functions at the core of the Company's second and third lines of defence. The Committee is responsible for providing focused support and advice on risk governance to the Board, for ensuring that material risks facing the Company have been identified and that appropriate arrangements are in place to manage those risks effectively in accordance with the risk appetite set by the Board. The Committee is also responsible for Internal Audit, the Company's audited accounts and financial and other statutory and regulatory reporting, oversight of the relationship with the Company's external auditors, and Compliance.

To ensure independence, the Internal Audit function is directly accountable to the Chairman of the Audit, Risk and Compliance Committee but reports on a daily basis to the Group Chief Executive.

The Committee receives and reviews the report of the independent auditors. Furthermore the non-executive members of the committee have the opportunity to discuss in private with the external auditors any matters arising or any matters the auditors feel should be bought to their attention.

The Committee meets at least four times a year. It comprises of the Company's independent non-executive directors, with other directors and members of executive management attending as appropriate.

Investment Committee

The Group has a centralised Treasury function and an outsourced investment management provider which operates on behalf of both the Company and its fellow subsidiary ANDIE SE. The Board has authorised the Group Investment Committee to oversee the investments and treasury activity of the Company and to ensure that these comply with ANDI UK's investment risk appetite, investment strategy and regulatory requirements. Ultimate responsibility for the Company's investments lies with the Company's Board. The Board has delegated to the Investment Committee the responsibility for ensuring that the Group's Investment Committee has carried out its activities effectively. These activities include the management and administration of the Company's investments, oversight of all treasury activity and the funding of all operating units. The Group Investment Committee considers the investment and treasury strategies of the Company, translates the investment risk appetite of the Company into an investment policy, and monitors the cash flow and working capital of the Company. The Group Investment Committee also oversees the performance of the Company's outsourced investment management provider.

The Company's Investment Committee meets at least twice a year. The Committee is chaired by the Chief Executive. The other members are the CFO, the Chief Underwriting Officer, the Group Capital Senior Manager and the Group's Deputy CEO.

UK Executive Committee

The purpose of the ANDI UK Executive Committee is to manage generally the business of the Company within the agreed financial limits and risk parameters set by the Board. Subject to these financial limits, the Committee has primary authority for the day to day management of the Company's operations save for those matters which are reserved for the Board and the Board's committees.

The Committee comprises two members, the Chief Executive Officer and the Chief Financial Officer. Members of the Company's executive management are normally in attendance, as is the Group Risk Assurance Director. The Group Director of Internal Audit has the right to attend meetings. Meetings take place ten times a year.

Reserving Committee

The Group has a centralised Actuarial team which carries out actuarial reserving on behalf of both the Company and its fellow subsidiary ANDIE SE. The Board has authorised the Group Reserving Committee to oversee reserving activity and to ensure that this is carried out in accordance with the Company's reserving policy. Ultimate responsibility for the Company's reserves lies with the Company's Board.

The Board has delegated to the Reserving Committee the responsibility for ensuring that the Group's Reserving Committee has carried out its activities effectively. The purpose of the Reserving Committee is to set the reserving policy for the Company and to monitor ongoing compliance with that policy. The Committee receives reserve reports from the Actuarial function, covering best estimates and risks and provides input and challenge to the best estimates and the risk assessment.

The Committee determines the amount of reserves to be booked in the Company's annual accounts and the level of Solvency II technical provisions.

The Committee meets at least twice a year. The Chair of the Committee is the Chief Executive. Other members are the Chief Underwriting Officer, the Chief Financial Officer, the Actuarial Function Holder and the Group Deputy Chief Executive.

Underwriting and Pricing Committee

The Committee is responsible for putting in place the pricing and underwriting policies for the Company and for monitoring compliance with those policies. The Committee agrees performance benchmarks for the Company's insurance portfolios and monitors compliance with those benchmarks. It also reviews and approves new underwriting products or portfolios. The Committee provides a written report to the Audit, Risk and Compliance Committee on the current underwriting risks faced by the Company, the Company's adherence to underwriting risk appetite and the underwriting risks which may arise in the future.

The Committee meets at least four times a year. Membership of the Committee comprises at least one representative from each of the Company's business units and representatives from the Pricing and Finance teams. The Committee is chaired by the Company's Chief Underwriting Officer.

Relevant Group Committees

As noted above, the Group has centralised Treasury and Reserving functions and the Company's Investment and Reserving Committees oversee the regular activity of the Group Investment and Reserving Committees as they carry out their responsibilities.

Other relevant Group committees are the Outward Reinsurance Committee and the Risk Modelling Committee.

The purpose of the Outward Reinsurance Committee is to ensure that the Group's outwards reinsurance programme is enacted correctly and in line with the Board approved risk appetite and other relevant policies. The Committee is charged with formulating and placing the most appropriate reinsurance programme and monitoring the programme to ensure the Group remains protected. The Outward Reinsurance Committee considers the specific needs of both the Company and ANDI UK as part of its activities. The Committee reports to the Group Executive Directors' Committee and ANDEL's Group Risk and Assurance Committee and meets at least four times a year. The Committee is chaired by the Group's Chief Executive Officer. The other members of the Committee are the Group Head of Actuarial, the Group Chief Financial Officer, the Group Deputy

CEO, the Head of Reinsurance and both the Company's Chief Underwriting Officer and the Chief Underwriting Officer for ANDIE SE.

The Risk Modelling Committee is a sub-committee of ANDEL's Group Risk and Assurance Committee. Its responsibility is to propose, for approval by the Group Risk and Assurance Committee, policies, specifications and schedules of activity relating to the appropriate modification, application and validation of risk modelling techniques utilised by the Group and its subsidiaries (collectively, the "adopted risk modelling approach") and to provide oversight of risk modelling activity relative to that adopted approach. The Committee typically meets four times a year. The Committee is chaired by an independent non-executive director. In addition to the non-executive director, the Committee's members are the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Risk Assurance Director, the Group Head of Actuarial and the Group Capital Senior Manager.

Remuneration Policy

The Group's remuneration policy is designed so as to attract and retain suitable employees to assist the Company in meeting its aims. The Group seeks to provide a base salary together with a benefits package that will ensure the long-term security and health of its employees. Salaries and benefits are reviewed regularly to take account of the success of the Group and the latest employment trends. The Group is committed to being a fair and equal employer and the remuneration policy is designed in order to support this objective. In the UK, there are two employing entities: ANDEL, the Group's holding company and regional headquarters, and ANDIM, the management services company. The staff of these two companies provide services to the Company. In other countries, the Group's employees are employed by either ANDIE or TIM, fellow subsidiaries of the Company. Where employees of these companies have provided services to the Company a relevant proportion of cost is recharged to the Company.

The most important element of remuneration for the Group's employees is base salary. The Group considers that its base salaries are competitive in the market and appropriate for attracting and retaining the right staff. All salaries are reviewed in accordance with market practice and with any statutory, regulatory or taxation requirements.

The Group operates an annual bonus plan based on business unit and individual employee performance. The objective of the bonus scheme is to offer participants an incentive to contribute to the Group's performance by linking pay to performance in areas within the employee's influence and control. The bonus amount payable for each employee depends on the achievement of set financial objectives relative to the business plan, evaluation of performance against a competency matrix and evaluation on the contribution to the Group's performance through the successful completion of individual objectives. The variable element of remuneration is capped at a percentage of fixed salary, such as to promote sound and effective risk management and to avoid excessive risk taking.

The Group also offers a range of benefits to employees. The Group operates a company pension scheme and pays contributions to the scheme on behalf of employees based on a percentage of salary. The scheme is a defined contribution scheme and the assets of the scheme are held separately from the Group in independently administered funds. Employees contribute additional voluntary contributions to suit their circumstances. The Group has no defined benefit pension liabilities.

Among the other benefits offered are life assurance, private medical insurance, permanent health insurance, company car, salary sacrifice options and long service awards.

The Company and the Group do not operate any share option schemes and no shares in the Company are held by employees.

B2. Fit and proper policy

The Group is committed to ensuring that all its staff have the appropriate skills, knowledge and experience to perform their roles and this is set out in the Group's governance manual and in its policies and procedures.

Assessment of fitness and propriety

When appointing any member of staff, including members of the Board, senior management and other certification functions, as part of the process the Group considers whether the candidate is fit and proper to undertake the required role. This means that the following in particular are considered:

- honesty, integrity and reputation;
- competence and capability (including professional qualifications, knowledge and experience); and
- financial soundness.

In addition, staff should be sufficiently qualified to enable them to discharge their duties. In significant areas of responsibility, senior management and those undertaking other certification functions should be qualified to provide sound and prudent management of the Group.

Appropriate policies and processes have been established for assessing and ensuring ongoing compliance with fitness and propriety requirements.

Technical and professional development

All employees' training needs are assessed upon joining and at regular intervals thereafter (including if their role changes). Appropriate training and support is provided to ensure that any relevant training needs are satisfied. The quality and effectiveness of such training is reviewed by the Human Resources department.

All employees' competence is reviewed on a regular and frequent basis and appropriate action is taken to ensure that they remain competent for their role. Maintaining competence will take into account, where relevant, such matters as:

- Technical knowledge and its application;
- Skills and expertise; and
- Changes in the market to products, legislation and regulation.

"Competence" means having the skills, knowledge and expertise needed to discharge the responsibilities of an employee's role. This includes achieving a good standard of ethical behaviour.

B3. Risk Management System

As an insurance company, ANDI UK is fundamentally concerned with the management of risk. The Group maintains a risk management system with which the Company is aligned.

Enterprise risk management framework

The Group operates an enterprise-wide risk management framework that is designed to identify, evaluate, manage and monitor exposure to risk. The process is subject to continuous review and development. The risk management system must comply with regulatory standards at all times.

The risk management systems and processes at ANDI UK are required to cover all risks included in the calculation of the Solvency Capital Requirement ("SCR"), and so must cover the following areas:

- Underwriting and reserving;
- Asset-liability management;
- Investment activity;
- Liquidity and concentration risk;

- Operational risk; and
- Reinsurance and other risk mitigation techniques.

Group, Company, business unit and departmental management are required to identify, assess, manage and monitor their key risks, within the risk management framework overseen by the Audit, Risk and Compliance Committee. The Head Office Risk Management team is responsible for making available appropriate risk management tools to support the business in the evaluation and reporting of risks. Risk management tools are designed to be easy to understand and capable of being applied consistently at all levels of the organisation. The overall risk management system provides for the aggregation of risk management information as required by the Board and the Board committees.

The risk management framework covers the management of the risk categories and sub-categories as detailed in the Board's Risk Appetite Statement.

The high level risk categories currently set out in that document are:

- Strategic risk (including reputational risk);
- Insurance risk;
- Credit risk;
- Market risk;
- Operational risk;
- Liquidity risk;
- Financial risk; and
- Conduct risk.

The assessment of capital requirements (for both internal and regulatory capital measures) is based explicitly on the risks identified and evaluated through the risk management processes. For regulatory purposes, the Company uses the standard formula without undertaking-specific parameters to assess the solvency capital requirements.

The risk management framework supports the achievement of the Company's objectives by providing a structured mechanism for assessing the impact of decisions on capital requirements and capital efficiency, and the range of outcomes from each potential decision.

Risk and capital management principles are required to be embedded into several business processes and decision frameworks, including pricing assessment, asset allocation, reinsurance purchase, counterparty selection, reserve assessment and capital planning.

Business change initiatives that require senior manager or Board level approval are required to include an assessment of the inherent risks involved and any anticipated change to ANDI UK's overall risk profile.

Three Lines of Defence Model

The Company operates a Three Lines of Defence Model as part of its overall control environment and its risk management system. The main elements of the Three Lines of Defence Model as it pertains to the Company may be summarised as follows:

- First line: the first level of the control environment is the business operations which perform the day-to-day risk management activity.
- Second line: these are the oversight functions of the Company, such as Risk and Compliance, and also include financial controls. These functions set direction, define policy and provide assurance.
- Third line: Internal Audit is the third line of defence. Internal Audit offers independent challenge to the levels of assurance provided by business operations and oversight functions.

There is a regular flow of information across the three lines of defence and from the three lines to the governing bodies (Board and Committees). Likewise executive decisions and directions flow in the opposite direction from the governing bodies.

B4. Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") process is part of ANDI UK's risk management system. Insurance undertakings are required to assess their own short and long term risks and the amount of own funds necessary to cover them. The ORSA is the process used to assess the Company's overall solvency needs based on a forward looking assessment of the Company's risk profile, risk tolerance and business plan. It is used to identify, quantify, monitor, manage and report on the risks that ANDI UK may face as a solo entity. The process includes the use of an Internal Capital Model, the parameterisation and validation of which is overseen by the Group's Risk Modelling Committee.

The ORSA considers all the key risks that face the business, including those not in the SCR such as liquidity, group, reputational and regulatory risks, as well as those in the SCR. Both internal and external risks are considered.

The full ORSA process is performed at least annually, and a report is produced by the Risk Management function based upon the results of the Capital Model output and taking account the future business plan. Many of the structures and analyses which underlie the ORSA process are on-going parts of the risk management framework; nonetheless the Board considers that an annual review cycle is proportionate to the nature and scale of the risks which the Company faces. In addition, we would run element of the ORSA process and produce an appropriate analysis as soon as practically possible following any significant change in the Company's risk profile. The analysis must inform the Board of the nature of the change in the risk assessment and the implications for solvency under standard and stressed operating scenarios. These changes could affect both the internal and external risk environment. These changes could include, but are not limited to the following events, where they have the potential to significantly alter ANDI UK's overall risk profile:

- The start of a material or significant new line of business;
- Capital injection;
- A change in risk tolerance limits;
- Changes to reinsurance or other risk mitigation arrangements;
- A portfolio transfer;
- Major changes in asset mix;
- Long term market disruption resulting in changes to our business or capital plans;
- Occurrence of risk events leading to a significant change in available capital and solvency; and
- Other external change which significantly affects the viability of ANDI UK's business model.

For a fundamental change, we may choose to follow a full ORSA process. The Risk Management function will assess the impact of a change in risk profile and advise the Board whether a full ORSA process needs to be run and a full set of documentation produced. The Board can request the Risk Management team to run the full ORSA process, even if the Risk Management function determines it is not necessary.

The Board reviews the ORSA report and uses this to guide key decisions for the business, such as:

- Deciding the Company's strategy and setting the risk appetite;
- Agreeing the business plan for the Company;
- Any necessary risk mitigation actions;
- Forward looking identification and assessment of material risks arising from the business strategy or in the business plan;
- Challenging the results of the standard formula SCR calculation; and
- Assessing the Company's short- and long-term capital position.

In relation to the SCR, the Company produces a five year projection of the Company's SCR position. The ORSA, which is also prepared on a three year basis, is compared to the results of the SCR projection in order to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the regulator as required.

B5. Overview of Internal Control System

Internal controls are the processes established by the Board to provide reasonable assurance of effectively and efficiently meeting, inter alia, the Company's various operational, financial and compliance objectives.

The system of internal control includes all policies and procedures adopted by management to assist in achieving the Company's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business.

The system of internal control relates to every aspect of the Company's operations, including but not limited to the:

- Adherence to management policies;
- Safeguarding of assets;
- Prevention and detection of fraud and error;
- Data protection and generally assuring information security;
- Prevention and detection of cyber threats;
- Accuracy and completeness of accounting records; and
- Timely preparation of reliable financial information.

System of internal control objectives

Senior managers are charged with the responsibility for designing, implementing and communicating a network of procedures and processes. These have the objective of controlling the operations of the Company in a manner which provides the Board with reasonable assurance that:

- Data and information published either internally or externally is accurate, reliable, complete and timely;
- The actions of all employees are in compliance with the Company's policies, standards, plans and procedures, and all relevant laws and regulations;
- The Company's resources (including its people, systems, data / information bases, and client goodwill) are adequately protected; and

- The Company's internal controls promote the achievement of the Company's plans, programs, goals and objectives.

<u>Components of internal control</u>

The following components make up the Company's system of internal control and help to achieve the objectives of controlling the operations of the Company:

a) Control Environment
b) Risk Assessment
c) Control Activities
d) Information and Communication
e) Monitoring

a. Control Environment

The control environment is set by the Board and senior management in line with the Company's risk appetite as well as its priorities and direction. The control environment sets the tone for the Company. It provides discipline and structure and strongly influences the control consciousness of all staff. Key factors in the control environment include the integrity, ethical values and competence of all personnel.

The Board is responsible for:

- Approving and periodically reviewing the overall business strategies and significant policies of the Company;
- Understanding the major risks run by the Company, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks;
- Approving the organisational structure; and
- Ensuring that senior management is monitoring the effectiveness of the internal control system.

The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

Senior management is responsible for:

- Implementing the strategies and policies approved by the Board;

- Developing processes that identify, measure, monitor and control risks incurred by the Company;
- Maintaining an organisational structure that clearly assigns responsibility, authority and reporting relationships;
- Ensuring that delegated responsibilities are effectively carried out;
- Setting appropriate internal control policies; and
- Monitoring the adequacy and effectiveness of the internal control system.

Both the Board and senior management are responsible for promoting high ethical and integrity standards, and for establishing and communicating a culture within the Company that emphasises and demonstrates to all levels of personnel the importance of internal controls.

b. Risk Assessment

Risk assessment is the identification and analysis of relevant risks which may prevent the Company or a specific business unit from meeting its operational, financial and compliance objectives. The Audit, Risk and Compliance Committee identifies risks affecting the Company, both internally and externally, and recommends risk strategy to the Board.

c. Control Activities

Control activities are the policies and procedures established to ensure that Board and senior management's directives are implemented and risks identified are mitigated. All employees need to be aware of the Company's policies and procedures. Managers should supplement these with departmental guidance where necessary.

Control is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the Company to:

- Identify and evaluate the exposures to loss relating to their particular sphere of operations;
- Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimise, mitigate, and/or limit the risks associated with the exposures identified;
- Establish practical controlling processes that require and encourage all employees to carry out their duties and responsibilities in a manner that achieves the control objectives outlined above; and
- Maintain the effectiveness of the controlling processes established and foster continuous improvement to these processes.

d. Information and Communication

Pertinent information must be identified, captured and communicated in a form and timeframe that enables staff to carry out their responsibilities. Continuous communication is essential to the effectiveness of the system of internal control and reaching its objectives.

e. Monitoring

Monitoring is the process that assesses the quality of the internal control system and follows the three lines of defence philosophy. The Company requires the following monitoring to take place:

- Managers are responsible for monitoring activities performed within their department;
- The Compliance function assesses the appropriateness of and compliance with the Company's policies and procedures;
- Internal Audit is responsible for examining and evaluating the functioning and adequacy of the internal controls and compliance with policies and procedures; and
- The Audit, Risk and Compliance Committee reviews the effectiveness of monitoring actions.

Compliance Function

The Compliance Function is responsible for:

- Advising the Company on applicable regulatory requirements as well as for all internal policies, processes and procedures; and
- Reporting to management and the Audit, Risk and Compliance Committee on the appropriateness of the Company's compliance procedures; following up identified deficiencies and suggesting improvements as necessary.

The Compliance Function comprises of the Group Risk Assurance Director, supported by the Head of Compliance UK and the UK Compliance team. There is also a central Risk Assurance team in the UK. The Group Risk Assurance Director has independent access to both the Group CEO and the Company CEO, and to the Company's Audit, Risk and Compliance Committee.

B6. Internal Audit Function

The Board has established an Internal Audit Function, which is the third line of defence in the Company. Internal Audit is independent from all operational activities.

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

The Company's Internal Audit Function is overseen by the Audit, Risk and Compliance Committee. In this capacity, the Audit, Risk and Compliance Committee is responsible for agreeing an annual programme of internal audit activity, overseeing the performance of internal audits and determining that all major issues reported by the Internal Audit function have been satisfactorily addressed.

On a day-to-day basis the internal audit activity is overseen by the Director of Internal Audit. Where appropriate, the Company makes use of specialist resource from external providers or internally where there are no conflicts of interest. The use of specialist external resources helps to ensure the independence of the function and provides the business with a wider range of skills for carrying out audit activities than is available from suitably independent internal staff. Internal Audit reports through the Audit, Risk and Compliance Committee quarterly but also has a regular reporting line to the Group Chief Executive Officer. Internal Audit is also able to report directly to the Audit, Risk and Compliance Committee outside the regular committee meetings.

B7. Actuarial Function

The Company currently outsources the role of Actuarial Function Holder to a specialist third party provider, Insight Risk Consulting. The Actuarial Function Holder for ANDI UK has a direct reporting line to the Chief Executive Officer. The day-to-day actuarial work in support of the holder of the function is carried out by the Group's Actuarial team.

The Actuarial Function Holder is a qualified member of the UK Institute and Faculty of Actuaries and has complied continuously with the specific professional obligations that the Institute requires. The wider Actuarial team is made up of qualified members and associated members of the UK Institute and Faculty of Actuaries, equivalent international actuarial bodies, analysts and data management specialists, all of whom comply with relevant professional obligations.

The Actuarial Function Holder has suitable ability, experience, resources and independence to carry out the prescribed tasks of the function holder.

The Actuarial Function is responsible for:

- Co-ordinating the calculation of technical provisions;

- Reviewing the appropriateness of methods, models and assumptions used in the calculation of the technical provisions
- Reviewing the sufficiency and quality of the data used in the calculation of technical
- provisions
- Providing an opinion to the Board on the Company's underwriting policy and effectiveness of reinsurance; and
- Producing the annual actuarial function report for the Company.

B8. Outsourcing

The Company considers outsourcing arrangements for an activity when it is not cost-effective or possible to carry out the activity internally. The Company recognises that it remains responsible for discharging all legal and regulatory responsibilities relating to the outsourced activity.

In order to reduce the risks associated with outsourcing, the Company has an established outsourcing policy. This policy covers the following:

- Assessment of outsourcing risks;
- Selection and due diligence of outsource service provider;
- Definition of contractual requirements and confidentiality arrangements; and
- Schedule of Audits and compliance monitoring.

The UK Executive Committee is responsible for designating suitable owners for each outsourced arrangement, overseeing the outsourced activities and ensuring that the outsourcing policy is followed. Each outsourced business process has an owner, responsible for ensuring that appropriate controls to manage the risks from outsourcing are in place and that there is regular monitoring of performance. Outsourced business process owners work in conjunction with Risk Management, Compliance and other functions including IT, Legal and Human Resources.

The Company is currently using a number of service providers to undertake critical or important functions on its behalf. Details of these are as follows:

a. Policy administration

The Company has outsourced the policy administration of its Toyota motor insurance business to Lloyd Latchford Limited. The administration of other Toyota-branded motor-related insurance products is undertaken by Nukula Limited trading as InsureThat and AutoProtect Limited.

b. Claims

The Company has outsourced certain of its claims handling and settlement arrangements. The most significant of these arrangements are with FM Global Limited and the Davies Group Limited. The arrangements with FM Global Limited were fully insourced from 1 November 2021. Other important claims handling arrangements are with InsureThat and AutoProtect.

c. Audits

Day-to-day internal audit activity is overseen by the Company's Director of Internal Audit. Where appropriate, the Director of Internal Audit engages third parties to provide specialist skills to support with audit activity.

d. Business continuity planning

The Group has an established and tested Business Continuity Policy, which sets out the requirements for local BCP plans and coordination with Disaster Recovery (e.g. in the event of a major systems or network outage). Depending upon the size and nature of each local operation, contracts are in place with dedicated workplace recovery sites. Where the nature of the local operations allows, staff are equipped to work securely from home. This capability has recently been proven over an extended period due to the COVID-19 crisis, during which over 95% of our employees were able to continue business as usual.

e. Management services

The Group companies Aioi Nissay Dowa Europe Limited and Aioi Nissay Dowa Insurance Management Limited provide management services to the Company including the recharge of expenses incurred on the Company's behalf. Other Group companies, including ANDIE SE, also provide services to the Company, principally IT services.

f. Investment management

The Company has outsourced the management of its bond portfolio to Goldman Sachs Asset Management, based in London.

B9. Adequacy of system of governance

The system of governance, is considered to be appropriate for the Company taking into account the nature, scale and complexity of the risks inherent in the business.

B10. Any other information

No further information.

C. Risk Profile

Overall responsibility for the management of the Company's exposure to risk lies with the Board. To support it in its role, the Board has established an enterprise risk management framework comprising risk identification, risk assessment, control and reporting processes. This enterprise risk management framework is aligned with that of the Group. The Board is assisted in its oversight of the risk management framework by the Corporate Governance and Business committees.

An annual suite of stress tests and reverse stress tests, including underwriting (pricing, reserving and catastrophe), market, operational and credit related scenarios is performed as part of other regulatory reports (ORSA report, Actuarial Function Report).

The Risk Management team has been implementing 'Scenario Thinking' within the management team. The method may be summarised as follows:

a. Setting of a focal issue (for the Group, 'Achieving profitability') and time horizon (3 years)
b. Determining the driving forces that affect the organisation
c. Clustering the driving forces
d. Defining plausible possible extreme outcomes for each cluster of driving forces
e. Carrying out impact and uncertainty analysis
f. Defining possible extreme outcomes for the most uncertain high impact outcomes
g. Building description of the main outcomes
h. Developing the key events, chronology and actors for the scenarios

The above approach aims to:

- open up a wider set of perspectives on the present than currently exists;
- provide a set of conditions under which to test existing strategies, to check robustness across the full range of plausible possible futures
- to provide feedback into the development (by the Board) of new strategies and plans in response to what are perceived to be alternative future business environments

We carried out various tests and examined plausible scenarios against the ORSA capital requirements. These included a failure to meet growth targets, loss of significant strategic partners, operational losses through a loss of key business sites, exchange rate volatility and the failure of a banking partner. We also considered the exhaustion of reinsurance cover, events with significant losses in countries with no natural catastrophe reinsurance cover, an accumulation of natural catastrophe events below the level of the franchise, an increase in claim frequency and a financial market shock.

We also performed various reverse stress tests, including:

- Scenarios leading to insolvency (i.e. those that could result in a loss of at least £30m, i.e. enough to erode our surplus capital resources);
- Scenarios leading to business model becoming unviable; and
- Scenarios leading to loss of confidence of key stakeholders.

Additionally to the tests above mentioned we have also considered the impact on the company's solvency of the following sensitivities:

- A 1% increase of the Company's net loss ratio; and
- A movement of 10% in exchange rates/

Additional comments are provided below for liquidity risk, credit risk and operational risk.

C1. Insurance risk

Nature of the risk

This is the risk that arises from the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. It manifests itself in variability in the contribution towards expenses and profits.

The risk arises both from current year activity (premium risk) and the run-off of claims which occurred in the current year and prior years (reserving risk).

Methods used to assess and quantify the risk

The Company also assesses its underwriting risk through experience analysis (analysis of actual performance against the performance expected according to the Company's business plan) and through its reserving process, which is overseen by the Reserving Committee.

As part of the ORSA process, insurance risks are quantified internally using a simulation model which is used to assess variability of the contribution compared to the business plan. Our modelling approach has been independently validated by third parties over the past few years.

Risk parameters are selected for the following variables, for each portfolio individually, and the simulation model is used to create a distribution of values for each portfolio in order to identify the portfolios with the greatest contribution to the overall insurance risk:

- Volume of business;

- Current year loss ratio;
- Claim frequency and severity;
- Natural catastrophe;
- Reserve run-off, and
- Events not in data ("ENID") scenarios.

a. Volume of business

The risk of the volume of business being higher or lower than expected, for example due to higher or lower levels of new business, or changes in the rate at which customers renew their policies.

b. Current year loss ratio

The risk of the current loss ratio being different from the expected level, due to market wide trends or company specific variability.

Some examples of market-wide trends are claims inflation, changes in the level of competition, etc. In effect this represents the variability that exists within each market's insurance cycle.

Separate risk parameters are selected for frequency and severity of small, large and natural catastrophe claims. Deviation from plan can occur due to natural random variability, but can also be because of variation in the Company's success at achieving planned claims savings.

The mitigating impact of excess of loss and quota-share reinsurance is incorporated into the model, to ensure that the result net of reinsurance can be estimated appropriately.

c. Claim frequency and severity

For both small and large claims (greater than £100k), we model the typical variation in the frequency and severity of claims.

d. Natural Catastrophe

We model the typical variation in frequency and severity of losses due to Natural Catastrophe events. Our greatest exposure to Natural Catastrophes differs by geographic location. Our exposures include hail, windstorm and flood.

e. Reserve runoff and ENID scenarios

We model the reserve runoff using a standard market practice: the one-year Mack bootstrap. This approach and its implementation were reviewed by an external party. One-year parameters are applied every year until reaching the 3-year time horizon. ENID scenarios are applied on top of the reserve runoff in order to capture Events Not In Data. This is achieved through the use of pre-defined events to which we have assigned a "ladder-step" impact and probability (i.e. for example some scenarios could have 3, 4, or 5 outcomes, each of them with a probability of occurrence).

Risk mitigation

Disciplined underwriting including appropriate risk management and pricing control is essential to the Company's success. The Company maintains underwriting and claims policies which define the approach in respect of risk selection and management and each underwriter has an individual mandate governing the acceptance of risks based on their competence. The Company makes use of its own data in making such decisions supplemented by data and advice from expert third parties and insurance partners. In addition, the Company has a centrally managed forum reviewing underwriting issues and performance, including the approval of new products.

Reinsurance is used to manage insurance risk. Much of the reinsurance is placed with the Company's parent, ADJ, which is A+ rated. The Company also enters into quota share and co-insurance arrangements with third parties. These arrangements vary depending on the product and country in question. The Company also places an excess of loss programme with a high quality panel of reinsurers, including its parent company. The risk of default by reinsurers is discussed in the section on Credit risk.

Risk sensitivity for underwriting risks

As mentioned in the introduction of this section, we have considered the impact on the Company's solvency of a 1% increase of the Company's net earned loss ratio: the Company's year-end solvency would be reduced by £0.8m. At year-end 2021, our net earned loss ratio was slightly behind the reforecast by 3.1%. For 2022, we expect the earned loss ratio to be in line with what we experienced in 2021 (a slight increase by 0.8%).

C2. Market risk

Nature of the risk

This is the risk of external market influences affecting the Company's net asset value, for example changes in interest rates affecting the value of assets, changes in the levels of investment return, changes in exchange rates, etc.

At the end of 2021, ANDI UK's investments consisted of £80.6m in bonds (2020: £56.0m) and £51.1m in cash, deposits and money market funds (2020: £25.0m).

The bond portfolio is expected to be held until maturity. As mark-to-market pricing is required when drawing up the Solvency II balance sheet day-to-day market values have an effect on the available Solvency II capital. However, the mark-to-market movements do not affect the Company's cash flows from investments. The risk of being required to sell bonds at a loss to cover unexpected liabilities is considered under liquidity risk.

An alternative to investing in fixed income bonds is to invest in cash or money market funds. As at the end of 2021 the Company's cash holdings were £30.8m (2020: £9.5m) and money market fund holdings £20.3m (2020: £15.5m). Cash, deposits and money market funds are not typically affected by market value fluctuations and are therefore more secure from a capital point of view. However, investing in cash and money market funds introduces greater uncertainty as to the level of income that can be achieved, as this is affected by fluctuating (and in recent years persistently low) interest rates.

The Company's investment policy does not permit investments in equities.

The Company has assets and liabilities in one main currency, which is GBP.

Methods used to assess and quantify the risk

Market risks are quantified using a simulation model, separate from that used for insurance risks. Variability parameters for interest rates, bond yields and exchange rates for each currency are selected and the model is then used to create a distribution of the change in net asset and liability values due to each risk, from which the capital requirement can be measured.

- Bond yields – a range of potential movements in yields are chosen and the model calculates for each movement the impact on the value of each bond held; and
- Risk-free yields – a range of risk-free yields is chosen and the model calculates the impact on the value of technical provisions and on investments.

Risk mitigation

The Company manages its market risk in a number of ways, among which the following can be highlighted:

- The Company has an asset liability management ("ALM") framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The principal technique of the Company's ALM framework is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of settlement of liabilities. The Company's ALM framework is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations;
- The Company has a defined investment policy which sets limits on exposure to securities both in aggregate terms and by geography, industry and counterparty. Investment management meetings are held quarterly. The Company invests principally in high quality government, surpranational agency and corporate bonds, with the average rating of the bond portfolio of A+ (2020: average rating of A) and a duration of 4.4 years (2020: 4.8 years). Bond holdings below investment grade are not permitted.
- The Company maintains the outsourced management of its bond portfolio with Goldman Sachs Asset Management in London.

The Company does not currently use derivative financial instruments. This is kept under regular review.

Risk sensitivity for market risks

The Company is exposed to movements in interest rates, which affect the value of the Company's mark-to-market financial investment holdings and the value of its technical provisions. The standard formula SCR calculation includes upward and downward interest rate shock scenarios. Neither the upward nor the downward shock has a material effect on the Company's SCR.

C3. Credit risk

Nature of the risk

Credit risk is the risk that counterparties will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- exposure to corporate bonds;

- exposure to the failure of bank counterparties;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

Methods used to assess and quantify the risk

The Company measures the capital requirement for credit risk using a simulation model to determine the distribution of the total amount of defaults. For each exposure, a probability of default, based on credit rating, is assumed and there is an assumed recovery percentage on default. We also make assumptions about the correlation between exposures, for example allowing for a 50% positive correlation between reinsurance counterparties due to the interconnected nature of the reinsurance market in which one event can hit many reinsurers simultaneously. Some debts are with counterparties which do not have credit ratings – for example, overdue premiums owed by insurance customers or intermediaries – and in this case the assumed default probabilities are higher, albeit the risk is diversified due to the number of policyholders and intermediaries. For the purposes of the Solvency II balance sheet, premium debtors over three months past due are written off in accordance with the requirements.

Risk mitigation

The Company's risk appetite places limits on credit risk by specifying the minimum credit rating that counterparty must have for us to do business with them. Reinsurers must have a credit rating of at least A-, and investment counterparties must have a rating of at least A- with the exception that the risk appetite permits a limited exposure to BBB bonds. In some cases a counterparty's credit rating changes after a debt has been accrued, and the Company considers the appropriate response to this occurrence on a case by case basis. Typically balances are minimised in response to a downgrade, and in some cases we would no longer allow debt to accrue with a counterparty. The Company considers the advice of its investment manager Goldman Sachs Asset Management.

The Company places limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. The Group does not have an explicit limit on reinsurance with its parent ADJ. However, all intra-group reinsurance transactions are conducted on an arm's length basis and as such counterparty credit risk is assessed and managed.

The existence of reinsurance arrangements does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, the recent payment history of reinsurers is used to update the reinsurance purchasing strategy. Much of the reinsurance is placed with the parent company, which is A+ rated.

Risk sensitivity for credit risks

The Company's largest single exposure is to its parent ADJ, which is A+ rated.

The Company has some exposure to BBB rated bonds. The total amount is not permitted to be more than 15% of the overall bond portfolio and individual holdings in BBB investments are typically restricted to 1.25% of the bond portfolio. All BBB investments are closely monitored with the assistance of Goldman Sachs Asset Management. As at the balance sheet date, the total BBB investment exposure was £9.7m (2020: £6.6m) or 12% (2020: 11.8%) of the Company's portfolio.

C4. Liquidity risk

Nature of the risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The Company's portfolio is kept in highly liquid marketable securities to meet liabilities as they fall due.

Liquidity risk affects the Company in two main ways:

- Cash flow uncertainty. There can be an uncertainty in the liability, either in terms of its value or its timing. In either case, insufficient funds would be available to meet the requirement. This can arise as a result of claims (the most significant area), through a mismatch between the timing of gross claims being paid and reinsurance recoveries collected, from creditor invoices and expenses and from country risk and currency controls (where a sovereign may restrict the cross-border movement of cash).
- Asset values. There are a number of circumstances which can prevent or restrict the sale of an asset or access to liquid funds. These include the downgrade or failure of a counterparty, bank failure or market or segment downturn. However, given the nature of the Company's investment portfolio this risk is deemed to be low.

Methods used to assess and quantify the risk

Liquidity risk is not considered to be a significant risk for the Company. Although there are scenarios in which the Company would not be able to meet its cash flow requirements as they fall due these are considered extreme.

Risk mitigation

The Company carries out the following to mitigate liquidity risk:

- Cash flow forecasting. The Company monitors its cash flows closely across all branches to ensure they are correctly funded, and matches the cash flow of its assets and liabilities.
- A significant proportion of liquid assets are held at all times to meet expected liabilities.
- The investment policy has been set to avoid concentration risk and to ensure high quality liquid assets.
- Liquidity is regularly monitored by the Treasury department and quarterly by the Investment Committee.

Risk sensitivity for liquidity risks

Cash, deposits and money market funds at the year-end totalled £51.1m (2020: £25.0m) and there are also £80.6m (2020: £56m) of fixed income bonds which are highly liquid in most market circumstances. It would therefore require an extreme cash flow shock for a material liquidity risk to arise.

C5. Operational risk

Nature of the risk

This is the risk that errors caused by people, processes or systems lead to losses to the Company, or the risk that arises from unanticipated or poorly anticipated external events.

Among the most important contributors to operational risk considered by the Company are:

- Internal and external fraud;
- Legal action against the Company;
- Significantly higher than expected inflation of costs;
- Changes in employment law;
- Improper market practices;
- Failure to comply with regulations;
- Project overruns or failures;

- Poor performance or failure of an outsourced provider;
- Business disruption and system failures;
- Damage to physical assets (e.g. due to natural catastrophe);
- Loss of key personnel;
- Pandemic;
- Unexpected subsidiary funding requirements;
- Inadequate or inaccurate systems;
- Unauthorised access to sensitive data; and
- Cyber-crime and system security.

Methods used to assess and quantify the risk

The Company maintains a record of significant materialised risk events experienced within ANDI UK, and also takes account of materialised risk events within the wider market.

The Company maintains risk registers for each significant business function and unit. These are used to inform the approach for modelling operational risk, which relies on expert judgement on the likelihood and severity of various scenarios. The resulting risk profile for operational risk is assessed quantitatively and is incorporated in the assessment of solvency requirements.

Risk mitigation

The Company manages operational risk mainly through the use of detailed procedure manuals and a structured programme of testing of processes and systems, carried out by Internal Audit and by the parent company's Compliance and Internal Audit departments. The Company's enterprise risk management framework also requires all key functions and units to maintain risk registers, which are reviewed and challenged by the Risk Management Function, with a process of escalation of key issues to the Company's Risk Committee. Materialised risk events experienced within ANDI UK are captured, remediation co-ordinated and root cause analysis performed using the Group's risk management application.

Risk sensitivity for operational risks

The operational risk per the SCR standard formula calculation is 14.3% (2020: 8.5%) of the SCR as at the balance sheet date. However, the Company's ORSA includes a higher amount for operational risk in order to reflect management and the Board's view that the Company's operational risk is higher than the SCR standard formula indicates.

While the Group's response to Covid-19 has proved that our operational model and business continuity procedures are robust, there is a possibility of further waves of the pandemic, which may result in further situations of compulsory home working and associated operational costs and complexity. Following the Covid-19 pandemic, there was an increase in cyber-crime worldwide and this remains the case with further recent examples of cyber-attacks.

The analysis of operational risk carried out for the ORSA completed September 2021 (based on data as at 31 December 2020) arrived at an operational risk of £15.0m, which is 97.4% higher than the amount calculated according to the SCR standard formula (£7.6m). The SCR coverage ratio would be sufficient to absorb a loss at this level.

C6. Other risks

Strategic risk

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions and the lack of responsiveness to changes in the business environment.

An important element of the Company's business relies on the parent company's relationship with Toyota. For the Group, this mono-customer strategy (which applies to much of the business other than that written in the UK through Fleet and Insure the Box) is considered to be the Group's most significant strategic risk, as according to our reverse stress testing exercise it is the risk that is most likely to render the business model unviable. In the UK in particular, the Group and the Company have diversified the product base and business lines, meaning that the relationship with Toyota is not the Company's largest distribution channel. Nonetheless, the relationship with Toyota remains very important to the Group. This risk is mitigated by the close relationship at all levels with Toyota and in the medium-term by the diversification in our client base and distribution channels.

Reputational risk

Reputational risk is a form of strategic risk within the Company's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Company or of other companies on which the Company's fortunes depend.

The main forms of reputational risk affecting the Company are:

- Damage to the Toyota brand, as much of the Company's business is Toyota branded;
- The Company's own reputation with Toyota and credibility as an insurance partner;
- Reputational damage to the Insure The Box brand; and

- Damage as a result of failures by out-sourced providers, co-insurance partners or problems in the wider MS&AD Insurance Group.

Issues from a Toyota perspective are largely confined to reductions in car sales and hence lower levels of new insurance business. This has been demonstrated by the effect on the business of various safety recalls that have been instigated by Toyota over the past few years. Retention was unaffected across all countries as customers were able to distinguish between the issues relating to the safety recall and the insurance product. In these circumstances the short-term financial impact is small, growing only over an extended period of time. The Company uses a wide range of outsourced suppliers, including co-insurance arrangements. Brand damage to a co-insurer would potentially be more visible and could have an impact on our operations although the main focus of the branding is Toyota. Problems at other MS&AD group entities could also potentially affect relationships with regulators or other partners.

In terms of our own competitiveness and customer service the most important mitigation is to promote strong relationships at all levels to ensure problems are addressed and explained at an early stage to prevent escalation into more serious issues. This starts with regular reviews of key performance indictors and complaints to external management meetings at various levels to ensure that we are strategically and operationally aligned with Toyota.

C7. Other information

No other information.

D. Valuation for Solvency Purposes

D1. Assets

The following table sets out the Company's assets and liabilities as at 31 December 2021:

31 December 2021	Annual Accounts value	Reclassification/Valuation	Solvency II Value
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	33.9	(33.9)	-
Intangible assets	3.6	(3.6)	-
Bonds	80.0	0.6	80.6
Collective investment undertakings	-	20.3	20.3
Reinsurance recoverables	97.9	(13.6)	84.3
Insurance receivables	60.8	-	60.8
Cash and cash equivalents	51.0	(20.3)	30.8
Other assets	25.1	(0.7)	24.4
Total assets	**352.3**	**(51.2)**	**301.1**
Liabilities:			
Technical provisions	229.4	(56.2)	173.2
Insurance payables	12.3	-	12.3
Reinsurance payables	10.8	-	10.8
Other liabilities	22.5	-	22.5
Total liabilities	**274.9**	**(56.2)**	**218.8**
Excess assets over liabilities	**77.3**	**5.0**	**82.3**

31 December 2020	Annual Accounts value	Reclassification/Valuation	Solvency II Value
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	14.1	(14.1)	-
Intangible assets	4.0	(4.0)	-
Bonds	55.5	0.5	56.0
Collective investment undertakings	-	15.5	15.5
Reinsurance recoverables	56.6	(11.1)	45.5

Insurance receivables	62.4	-	62.4
Cash and cash equivalents	24.9	(15.5)	9.5
Other assets	10.5	(0.5)	10.0
Total assets	**228.1**	**(29.3)**	**198.8**
Liabilities:			
Technical provisions	115.0	(16.9)	98.2
Insurance payables	2.2	-	2.2
Reinsurance payables	18.3	-	18.3
Other liabilities	20.5	-	20.5
Total liabilities	**156.0**	**(16.9)**	**139.2**
Excess assets over liabilities	**72.1**	**(12.4)**	**59.7**

Below is set out the Solvency II valuation basis for each class of asset. Any significant differences in the valuation under Solvency II and the valuation in the annual accounts are explained for the class of asset in question. Technical provisions are discussed in section D2 and liabilities are considered in section D3.

Deferred acquisition costs

In the annual accounts, deferred acquisition costs are earned over the term of the policy, in proportion to the earning of premium. Deferred acquisition costs are shown separately as an asset. Under Solvency II, however, there is no concept of deferred acquisition costs and the asset is written off. This is because although the amounts may not yet have been earned in the annual accounts they relate to acquisition cash flows that have already been paid.

Intangible assets

Under Solvency II intangible assets are assigned a value only when they can be sold separately and a valuation can be derived from an active market for a similar intangible. As the intangibles of the Company do not meet these requirements no value is assigned to them for Solvency II reporting.

Bonds

As at the reporting date the Company held investments in fixed income securities of £80.6m (2020: £56.0m). The holdings are split between the asset classes government bonds (including supranationals), corporate bonds and collateralised securities. As at the reporting date, the balance held in each of these asset classes is £24.5m (2020: £8.2m) in government bonds, £56.1m (2020: £47.1m) in corporate bonds and £nil (2020: £0.6m) in collateralised securities.

The bond portfolio is valued at fair value based on the market price as at the reporting date, which are either quoted prices in active markets for identical assets or quoted prices for similar assets in active markets. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The appropriate quoted market price for an asset held is usually the current bid price. Changes in the market value of the bonds are included in the reported value. There are no material estimates, assumptions or judgements made when reporting the value of the bonds. Under Solvency II the value reported includes any interest accrued on each holding as at the reporting date. In the annual accounts this accrued interest is reported as a separate asset under "Accrued interest".

Collective investments undertakings

In the annual accounts, assets held in short-term deposits or collective investment schemes (known as "money market funds") are reported as "Deposits with credit institutions". Under Solvency II, these amounts are treated either as cash when they are short-term deposits held with banks or collective investment undertakings when they are money market funds.

As at the reporting date, the Company had £20.3m (2020: £15.5m) held in collective investments undertakings. The collective investments undertakings are valued at fair value based on the market price as at the reporting date, which are quoted prices in active markets for identical assets. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held is usually the current bid price. Changes in the market value of the collective investments undertakings are included in the reported value. There are no material estimates, assumptions or judgements made when reporting the value of the collective investments undertakings.

Reinsurance recoverables

Technical provisions include the cash flows from amounts recoverable under programmes of reinsurance. The Company uses quota-share (proportional) reinsurance and excess of loss reinsurance:

- For the quota-share reinsurance arrangements, the cash flows are the relevant percentage of the gross cash flows. Where actuarial methods have been used for the gross best estimates, these are implicitly used to calculate quota share recoveries. A delay is included between the gross cash flows and the corresponding reinsurance recoveries; and
- For the excess of loss treaty contracts, the expected recoveries are not determined using traditional actuarial methods. They are based on an individual assessment of each large claim by the relevant Branch claims manager with the cash flows modelled from the terms of the applicable reinsurance treaty.

Allowance has also been made for the possible default of a reinsurer, as prescribed under Solvency II, using the second highest credit rating for each reinsurance counterparty.

The reinsurance recoverables calculated as part of the Solvency II technical provisions replace the reinsurance recoverables in the annual accounts, which are valued in accordance with the reinsurers' share of the insurance liabilities. Please refer to the technical provisions section D2 for further details.

Insurance receivables

As at the reporting date, the Company had £60.8m (2020: £62.4m) in insurance and intermediaries receivables. Insurance and intermediaries receivables comprise mostly of insurance premiums past due from policyholders or amounts due from intermediaries in relation to amounts collected from policyholders.

Receivables are initially recognised at transactional value plus directly related costs. They are subsequently measured at the lower of their nominal and probable realisation value. As the majority of receivables are short-term in nature (and doubtful balances are provided for) the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Cash and cash equivalents

As at the reporting date, the Company had £30.8m (2020: £9.5m) held as cash and cash equivalents. Cash and cash equivalents are valued at fair value as reported to the Company by the relevant financial institutions as at the reporting date. As these are cash amounts held in bank accounts the valuation does not rely on market prices. The amount under Solvency II differs from the annual accounts because short-term deposits held with banks are presented as "deposits with credit institutions" in the annual accounts and as cash and cash equivalents under Solvency II. There are no material estimates, assumptions or judgements when reporting the value of cash and cash equivalents.

Any other assets, not elsewhere shown

As at the reporting date, the Company had £24.4m (2020: £10.0m) of other assets. These other assets include amounts due from group companies and prepayments. As the majority of these assets are short-term in nature the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value of these assets. The balance of other assets differs by £0.7m (2020: £0.5m) from the value in the annual accounts. As noted above, accrued interest on the bond portfolio is included as part of the overall bond valuation for Solvency II, so is removed from the equivalent balance in the annual accounts. This is the main component of the difference.

D2. Technical provisions

The technical provisions comprise the claims technical provision, the premium technical provision (which together form the best estimate liability) and the risk margin. They are set in accordance with Solvency II regulations. As at 31 December 2021, the net technical provisions were:

Class of business	2021 Net best estimate £m	2021 Risk margin £m	2020 Net best estimate £m	2020 Risk margin £m
Motor third party liability	60.8	5.4	25.1	3.6
Motor other	16.8	0.6	22.0	0.1
Other	4.3	1.0	1.4	0.5
Total	**81.9**	**7.0**	**48.5**	**4.2**

The technical provisions are split into the two largest Solvency II classes of business (both motor), with all other business grouped together in "Other". The majority of the business grouped into "Other" is the Solvency II class "Miscellaneous non-life insurance", which includes Guaranteed Asset Protection cover and Extended Warranty.

The basis on which the technical provisions are calculated is outlined below. While premium and claims patterns have been updated for another year's worth of business, there have been no material changes in assumptions made in the technical provisions calculation since the prior year. There are no material differences in bases, methods or assumptions for the different classes of business set out above.

Under Solvency II, the provision for outstanding claims is the best estimate of the cost of all existing open cases and all possible future claims. This contrasts with the value for technical provisions in the annual accounts which are the undiscounted best estimate of all open cases plus future claims as far as they are represented in the claims history (or market history, depending on the method).

The difference between these two bases has been termed “Events Not In Data” or ENIDs. An allowance for ENIDs has been added to the Solvency II technical provisions by loading each future cash flow by a percentage which increases as the length of time to the cash flow increases. Due to the inherent difficulty of estimating the impact of events which have not occurred in the past and which have an extremely low likelihood, these percentages are extremely subjective. However, a previous benchmarking exercise carried out by an independent third party indicated that the Company’s approach to ENIDs was broadly in line with that of peer entities.

The undiscounted best estimates in both cases (annual accounts and Solvency II) have been calculated using standard deterministic actuarial models. For most classes, development factor (or “chain-ladder”) methods have been used. For some liability classes, Bornheutter-Ferguson models (or similar methods which combine our own experience with an average market claims experience) have been used.

Future inflation is implicitly assumed to follow historic inflation except in the case of models based on market average experience where inflation is explicitly considered.

For each homogenous underwriting risk group, a premium payment pattern has been derived using historical data about policy lengths and frequency of premium payments. Future premium payments are calculated by applying these patterns to anticipated gross written premium.

The premium provision includes not only the unearned exposures at the balance sheet date but also the value of policies the Company has committed to writing at a future date but that have not incepted at that date. The contracts written by the Company are non-life business, do not include guaranteed renewals (either explicit or implicit), neither do they include any options or guarantees with a significant financial impact on the company. The contract boundary used is usually one year after inception, although there are contracts with shorter or longer terms. There is allowance for ENIDs for future claims in the premium provisions in the same way as for the outstanding claims provisions.

In some cases, there is insufficient historical data to derive the necessary cash-flow patterns for both premiums and claims. In these cases, cash flows are modelled in proportion to similar accounts where we do have sufficient data. These classes do not make up a significant proportion of the net best estimate as at 31 December 2021.

The technical provisions include a risk margin. A simplification has been used for the calculation of the margin, as permitted, by approximating the whole SCR for each future year using a ratio to technical provisions. This simplification is deemed appropriate because there are no negative best estimates at the valuation or subsequent dates, the Company's reinsurers are A- rated or better and there are no unavoidable market risks.

Technical provisions include the cash flows from amounts recoverable under programmes of reinsurance. The Company uses quota-share (proportional) reinsurance and excess of loss reinsurance.

- For the quota-share reinsurance arrangements, the cash flows are the relevant percentage of the gross cash flows. Where actuarial methods have been used for the gross best estimates, these are implicitly used to calculate quota share recoveries. A delay is included between the gross cash flows and the corresponding reinsurance recoveries.
- For the excess of loss contracts, the expected recoveries are not determined using traditional actuarial methods. They are based on an individual assessment of each large claim by the relevant Branch claims manager with the cash flows modelled from the terms of the applicable reinsurance treaty.

Allowance has also been made for the possible default of a reinsurer, as prescribed under Solvency II, using the second highest credit rating for each reinsurance counterparty.

Business interruption claims

The Company writes a small number of motor trade policies for Toyota dealerships in the UK. These policies are part of the Company's JIA business and are 100% reinsured by the Group's parent company, ADJ.

On 15 January 2021, the Supreme Court delivered its judgement relating to the FCA "test case" on business interruption coverage wordings in the UK. This judgement is relevant to the Company's motor trade policies and the customers covered by these.

The Company treated the Supreme Court judgement as an "adjusting post-balance sheet event" for reporting at the 2020 year-end as the judgement provided additional information about conditions that existed prior to 31 December 2020 (that is, potential claims for business interruption, as the Company had not received any before the date of the judgement).

We have worked proactively with our policyholders and with specialist loss adjustors to analyse the effect of Covid-19 on our customers' businesses and to determine the amounts to be indemnified by the business interruption cover. The Company expects to pay out on three business interruption claims relating to Covid-19 and the Company's balance sheet as at 31 December 2021 includes the reserves for these claims, with a gross of reinsurance impact of £0.7m (2020: £3.85m). As the policies are fully reinsured by ADJ there is no net effect on the Company's results.

The ultimate gross liabilities for the business interruption claims could be materially different from the current estimate, particularly as legal opinion develops regarding the treatment of furlough payments. The Company's financial position and net results, however, are not expected to be affected, as the reinsurance provided for the JIA business by ADJ will cover all claims.

D3. Other liabilities

Below is set out the Solvency II valuation basis for each material class of liability. Any significant differences in the valuation under Solvency II and the valuation in the annual accounts is explained for the class of liability in question.

The Company does not have any material leasing arrangements.

<u>Insurance and intermediaries payable</u>

As at the reporting date, the Company had £12.3m (2020: £2.2m) of insurance and intermediaries payable. These are valued in the annual accounts at expected settlement value. However, as these liabilities represent the amounts to be paid to insurance claimants these amounts are not revalued to amortised cost as they are typically settled in the short-term, with the settlement amount rarely differing from the initial valuation. The annual accounts valuation therefore substantially equates to fair value and there is no adjustment made for Solvency II valuation purposes. Similarly, there is no adjustment for the valuation of other insurance payables between the annual accounts and Solvency II. There are no material estimates, assumptions or judgements when reporting the value of insurance and intermediaries payable.

<u>Reinsurance payables</u>

As at the reporting date, the Company had £10.8m (2020: £18.3m) of reinsurance payables. Reinsurance payables represent premiums due to reinsurers. They are valued initially at transaction value plus attributable costs. They are subsequently measured at expected settlement value. As the majority of payables are short-term in nature the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Any other liabilities, not elsewhere shown

As at the reporting date, the Company had £22.5m (2020: £20.5m) of other liabilities, not elsewhere shown. These amounts represents accruals and other liabilities. Accruals are recognised in line with generally accepted accounting principles, so the Company accrues when it is probable that the Company will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation. Other liabilities are recognised initially at transaction value plus directly attributable costs. As the majority of liabilities are short-term in nature the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

D4. Alternative methods for valuation

The Company has not used any alternative valuation methods.

D5. Other information

No other information.

E. Capital Management

E1. Own funds

The capital management objective of the Company is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Company's growth ambitions as set out in its business plan. The Board and the Board Committees consider at least quarterly the ratio of eligible own funds over the SCR and MCR. The Company prepares solvency projections over a five year period as part of the business planning process. The ORSA, which is prepared on a three year basis, is compared to the results of the SCR projection at the three year point in order to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the regulator as required.

The Company's eligible own funds are primarily invested in high quality fixed income securities, in cash in bank accounts or in money market funds. The Company does not intend to change its investment policy in the short term or to make any change to the disposition of own fund items.

The Company is funded only by share capital and retained reserves. The share capital as at 31 December 2021 is £95.1m (2020: £75.1m). The share capital is fully paid up and comprises 95,100,000 ordinary shares with a nominal value of £1 each. There is a negative reconciliation reserve of £12.8m (2020: £15.4m).None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds. There are no own shares held.

As at 31 December 2021, the net asset value of the Company as calculated for the annual accounts was £77.3m (2020: £72.1m). This is a £5.2m increase since 31 December 2020. The table below shows the annual account movement in net asset value:

	2021 £m	2020 £m
Brought forward 1 January	72.1	60.1
Issue of new share capital	20.0	15.0
Loss for the year	(12.7)	(4.0)
Movement in other reserves	(2.1)	1.0
Carried forward 31 December	**77.3**	**72.1**

For Solvency II purposes, eligible own funds to meet the MCR and SCR were £82.3m (2020: £59.7m). The main differences (the reconciliation reserve) between eligible own funds and the net asset value in the annual accounts are set out below.

	2021 £m	2020 £m	Reason
Net asset value per UK GAAP	**77.3**	**72.1**	**Per accounts**
Revaluation of net technical reserves	42.4	5.7	Differing reserving basis under Solvency II
Deferred acquisition costs	(33.9)	(14.1)	No DAC for Solvency II
Intangible assets	(3.6)	(4.0)	Intangible asset eliminated under Solvency II
Adjustments to other assets and liabilities (net)	(0.0)	(0.0)	Different valuation bases between Solvency II and UK GAAP
Own funds under Solvency II	**82.3**	**59.7**	**Solvency II own funds**

The movement of own funds on a Solvency II basis during 2021 was as follows:

	2021 £m	2020 £m
Own funds brought forward at 1 January	59.7	60.1
Movement in year	22.6	(0.4)
Own funds carried forward as at 31 December	**82.3**	**59.7**

The SCR coverage ratio as at 31 December 2021 was 154.7% (2020: 187.7%), with eligible own funds of £82.3m (2020: £59.7m) and an SCR of £53.2m (2020: £31.8m). The MCR coverage ratio as at 31 December 2021 was 459.8%% (2020: 609.1%), with eligible own funds of £82.3m (2020: £59.7m) and an MCR of £17.9m (2020: £9.8m). Annual and quarterly reporting throughout both 2021 and the prior year has shown that the Company has complied continuously with both the MCR and the SCR throughout the reporting period.

E2. Solvency Capital Requirement and Minimum Capital Requirement

The standard formula is used to calculate the SCR, without modification for undertaking specific parameters. The Company has not used any simplifications permitted by the regulations.

The table below shows the components of the SCR as at 31 December 2021:

Component	2021 £m	2020 £m
Non-life underwriting risk analysed by:		
- **Premium and reserve risk**	32.6	18.8
- **Catastrophe risk**	3.2	1.8
- **Lapse risk**	4.5	1.8
- **Diversification credit**	(6.4)	(3.0)
Market risk analysed by:		
- **Interest rate risk**	1.0	-
- **Equity risk**	-	-
- **Property risk**	-	-
- **Spread risk**	3.9	3.2
- **Currency risk**	-	-
- **Concentration risk**	-	0.2
- **Diversification credit**	(0.9)	(0.2)
Counterparty default risk	16.3	12.6
Diversification credit	(8.5)	(6.2)
Operational risk	7.6	2.7
SCR	**53.2**	**31.8**
MCR	**17.9**	**9.8**

The inputs used to calculate the MCR are the net technical provisions and the net written premiums in the last twelve months.

E3. Material changes to the SCR and MCR over the reporting period

At the end of the reporting period the Company's MCR is £17.9m (2020: £9.8m). This is calculated using from the net technical provisions and net written premiums.

The Company's SCR was £53.2m as at the end of 2021 (2020: £31.8m). The increase is due to the gradual increase in the Company's underwriting volumes as it wrote a full year of ITB business during 2021 and also a full year of the Fleet business, as well as expanding into partnership business with Flock and ibott.

E4. Any other information

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

The Company applies the standard formula and does not use an internal model for the purposes of calculating the SCR.

The Company has complied continuously with both the MCR and the SCR throughout the reporting period.

No other information.

Templates

The following reporting templates are provided as appendices to this document, as required by the regulations:

Template name	*Template code*
Balance sheet	S.02.01.02
Premiums, claims and expenses by line of business	S.05.01.02
Premiums, claims and expenses by country	S.05.02.01
Non-life technical provisions	S.17.01.02
Non-life insurance claims by line of business	S.19.01.21
Own funds	S.23.01.01
Solvency capital requirement – on standard formula	S.25.01.21
Minimum capital requirement – only non-life	S.28.01.01

Aioi Nissay Dowa Insurance UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in GBP thousands)

General information

Undertaking name	Aioi Nissay Dowa Insurance UK Limited
Undertaking identification code	213800OSAPC1OK4N2D76
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	100,861
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	80,585
R0140	*Government Bonds*	21,035
R0150	*Corporate Bonds*	58,937
R0160	*Structured notes*	0
R0170	*Collateralised securities*	612
R0180	*Collective Investments Undertakings*	20,277
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	84,291
R0280	*Non-life and health similar to non-life*	84,291
R0290	*Non-life excluding health*	84,291
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	54,688
R0370	Reinsurance receivables	6,066
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	30,772
R0420	Any other assets, not elsewhere shown	24,390
R0500	**Total assets**	301,068

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	173,201
R0520	*Technical provisions - non-life (excluding health)*	173,201
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	166,196
R0550	*Risk margin*	7,005
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	12,308
R0830	Reinsurance payables	10,754
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	22,495
R0900	**Total liabilities**	218,759
R1000	**Excess of assets over liabilities**	82,309

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

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	60		184,655	926	2	548	295	0	0	0	21,996					208,482
R0120	Gross - Proportional reinsurance accepted	0	0		0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	0	60		93,414	926	2	548	295	0	0	0	41					95,287
R0200	Net	0	0		91,241	0	0	0	0	0	0	0	21,955					113,196
	Premiums earned																	
R0210	Gross - Direct Business	0	62		140,651	863	2	504	283	0	0	0	11,119					153,486
R0220	Gross - Proportional reinsurance accepted	0	0		0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	0	62		74,297	863	2	504	283	0	0	0	1,687					77,699
R0300	Net	0	0		66,354	0	0	0	0	0	0	0	9,432					75,786
	Claims incurred																	
R0310	Gross - Direct Business	0	0		115,620	886	0	37	85	0	0	0	1,270					117,899
R0320	Gross - Proportional reinsurance accepted	0	0		0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	0	0		51,064	886	0	37	85	0	0	0	878					52,949
R0400	Net	0	0		64,557	0	0	0	0	0	0	0	393					64,949
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0		0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0		0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	0	0		0	0	0	0	0	0	0	0	0					0
R0500	Net	0	0		0	0	0	0	0	0	0	0	0					0
R0550	**Expenses incurred**	0	-2		25,081	-40	0	-1,175	-4	0	0	0	6,909					30,769
R1200	**Other expenses**																	
R1300	**Total expenses**																	30,769

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0		0	0	0	0	0	0	0	0	0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0		48,395	25,565	1	226	116	0	0	0	7,304					81,608
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0		23,705	12,316	1	223	114	0	0	0	3,183					39,542
R0150	**Net Best Estimate of Premium Provisions**	0	0		24,691	13,249	0	3	2	0	0	0	4,121					42,066
	Claims provisions																	
R0160	Gross	0	0		76,431	7,266	0	0	72	0	0	0	819					84,588
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0		40,316	3,703	0	0	71	0	0	0	659					44,749
R0250	**Net Best Estimate of Claims Provisions**	0	0		36,114	3,564	0	0	1	0	0	0	160					39,838
R0260	**Total best estimate - gross**	0	0		124,826	32,831	1	226	188	0	0	0	8,123					166,196
R0270	**Total best estimate - net**	0	0		60,805	16,813	0	3	3	0	0	0	4,281					81,905
R0280	**Risk margin**	0	0		5,419	601	0	21	13	0	0	0	950					7,005
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	0	0		130,245	33,433	1	247	201	0	0	0	9,074					173,201
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0		64,021	16,019	1	223	186	0	0	0	3,842					84,291
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	0		66,224	17,414	0	24	16	0	0	0	5,232					88,910

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2013	0	0	0	0	0	0	0	0	0			0	0
R0180	2014	0	0	0	0	0	0	0	0				0	0
R0190	2015	0	0	0	0	0	0	0					0	0
R0200	2016	0	0	0	0	0	0						0	0
R0210	2017	0	0	0	0	0							0	0
R0220	2018	0	0	0	0								0	0
R0230	2019	0	0	0									0	0
R0240	2020	7,044	18,811										18,811	25,854
R0250	2021	33,402											33,402	33,402
R0260												Total	52,213	59,256

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0		0
R0170	2013	0	0	0	0	0	0	0	0	0			0
R0180	2014	0	0	0	0	0	0	0	0				0
R0190	2015	0	0	0	0	0	0	0					0
R0200	2016	0	0	0	0	0	0						0
R0210	2017	0	0	0	0	0							0
R0220	2018	0	0	0	0								0
R0230	2019	0	0	0									0
R0240	2020	33,144	17,410										17,410
R0250	2021	69,722											69,722
R0260												Total	87,133

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	95,100	95,100		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-12,791	-12,791			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	82,309	82,309	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	82,309	82,309	0	0	0
R0510	Total available own funds to meet the MCR	82,309	82,309	0	0	
R0540	Total eligible own funds to meet the SCR	82,309	82,309	0	0	0
R0550	Total eligible own funds to meet the MCR	82,309	82,309	0	0	
R0580	**SCR**	53,179				
R0600	**MCR**	17,940				
R0620	**Ratio of Eligible own funds to SCR**	154.78%				
R0640	**Ratio of Eligible own funds to MCR**	458.80%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	82,309
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	95,100
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-12,791
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	4,002		
R0020	Counterparty default risk	16,282		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	33,807		
R0060	Diversification	-8,542		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	45,549		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	7,630
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	53,179
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	53,179
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	17,940

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	60,805	59,999
R0060	Other motor insurance and proportional reinsurance	16,813	28,659
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	3	1,466
R0090	General liability insurance and proportional reinsurance	3	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	4,281	23,071
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	17,940
R0310	SCR	53,179
R0320	MCR cap	23,930
R0330	MCR floor	13,295
R0340	Combined MCR	17,940
R0350	Absolute floor of the MCR	3,126
R0400	**Minimum Capital Requirement**	17,940