SOLVENCY AND FINANCIAL CONDITION REPORT
Year ended 31 December 2023

AIOI NISSAY DOWA INSURANCE UK LIMITED

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Summary

1. Business and performance summary

1.1 Background

The principal activity of Aioi Nissay Dowa Insurance UK Limited ("ANDI UK", "the Company") is auto-centric general insurance 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"). 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 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 ("PRA") and regulated by the Financial Conduct Authority ("FCA") 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 has a strategic relationship with Toyota that is important to the achievement of the Group's and the Company's plans.

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

All of the insurance risks are underwritten in the UK.

1.2 Development and performance of the business in 2023

The Company's key financial performance indicators during the year are set out below. The loss ratio is calculated by dividing net insurance claims by net earned premiums. A lower loss ratio indicates a better underwriting performance.

	2023 £'000	2022 £'000
Gross written premiums	294.0	260.0
Earned premiums, net of reinsurance	112.2	113.2
Claims incurred, net of reinsurance	(106.3)	(98.1)
Administration and acquisition costs	(50.4)	(49.1)
Non-risk income	11.1	8.3
Underwriting result	**(33.4)**	**(25.7)**
Investment income	5.0	1.5
Result before tax	**(28.4)**	**(24.2)**
Loss ratio	94.7%	86.7%
Admin and acquisition cost ratio	35.0%	36.0%
Combined operating ratio	**129.7%**	**122.7%**

2023 was a challenging year for the UK motor insurance market. Inflation in the UK has proven to be more persistent than initially expected, and the wider UK motor insurance market was slower to respond to this inflationary pressure than hoped, making required price increases difficult to achieve. Reinsurer appetite for UK motor insurance remained muted, driving up the cost to maintain the Company's retained net exposure at £2m per claim. Further, inflation also impacted operational costs, primarily through wages. In addition, large losses, which are inherently less predictable, were worse than longer-term expectations in 2023. The cost-of-living crisis and inherent vulnerabilities in certain Toyota and Lexus models have driven an increase in thefts. The UK also saw a significant number of named winter storms in Q4 2023, increasing the cost of weather-related claims.

The Company made a pre-tax loss for the year ended 31 December 2023 of £28.4m (2022: loss of £24.2m).

Premium

The Company's gross written premiums ("GWP") for the year were £294.0m (2022: £260.0m), an increase of 13%. The increase in the GWP was primarily driven by increases to average premiums and not through significant increases in exposure. The wider UK motor market has seen corrections to average premiums in 2023, reflecting a catch up with inflationary pressures on claims costs. In particular, the Fleet and telematics business saw significant rate increases.

Investment income

The Company invests principally in high quality corporate and government fixed income securities. The Company also has significant money market holdings with high-quality investment managers. The overall portfolio is highly liquid, with the majority of investments capable of being turned into cash within five working days. The Company continues to outsource the management of its bond portfolio to a specialist investment manager.

During 2023, the investment return increased to £5.0m (2022: £1.5m), an increase of 233.3%. The increase to investment income reflects general increases to bond yields available in the market. The investment strategy of capital preservation and maintaining a high degree of liquidity is unchanged.

Tax

The Company has a deferred tax asset of £8.0m (2022: £6.7m) as at 31 December 2023. The Company does not have sufficient projected profits to support this deferred asset and so has elected to sell this asset for consideration to a fellow Group entity, Aioi Nissay Dowa Insurance Management (ANDIM) Limited, which has a strong projected profit stream. Additionally, the Company has recognised a current tax asset of £3.9m (2022: nil) on a similar basis to the deferred tax asset.

Future developments

The Company will take action in 2024 to improve profitability and simplify its business.

During 2024, the Company will exit an unprofitable distribution agreement with a third-party managing general agent for connected Fleet business. In addition, it will also exit the telematics market in the second half of 2024. These exits will also support a reduction in the complexity of the business, with telematics in particular leading to higher operational costs. The Company will also invest in automation in service and claims, seeking to reduce operational demand and improve the customer experience. The Company has, following an industry-wide challenge from the Financial Conduct Authority , voluntarily removed its Total Loss Asset Protection ("TLAP", commonly referred to as "GAP") product from sale. The product will only be placed on sale once the Company obtains agreement from the FCA. Outside of the connected fleet and telematics exits, we Company will seek modest, profitable growth in Fleet and aggregator business, supported by the current rating environment and investments in underwriting and pricing.

Notwithstanding the loss in 2023, the Company has seen material improvements in its lead metrics, including increased rates and a lower risk mix in its main business lines and expects to deliver an improved combined operating ratio in 2024.

On 7 March 2024, the Company's direct partner, ANDEL, injected an additional £40m of capital into the business, which will move the SCR coverage ratio comfortably above the Company's risk appetite of 150%.

The Company's investment strategy is unlikely to change materially in the short term and it will maintain a conservatively invested bond portfolio and liquid assets will be materially above the Company's minimum risk appetite of £20m.

Post-balance sheet events

A capital injection of £40m received from ANDEL on March 7, 2024.

2. System of governance summary

The system of governance is appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business. 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 did not change materially during the year.

The Board is ultimately responsible and accountable for the performance and strategy of the Company and for complying 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. In 2023, a new Outwards Reinsurance Committee has been established.

The Group and Company operate 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. and complies with regulatory standards at all times.

The main elements of the Three Lines of Defence Model are summarised as follows:

- First line: the first level of the control environment is the business operations and functions that own and manage risk through the performance of the day-to-day risk management activity
- Second line: the Risk and Compliance function which co-ordinates the elements of the risk framework, provide assurance as well as provide oversight and challenge to the first line of defence
- Third line: Internal Audit, which offers independent assurance on the effectiveness of controls

The Company considers outsourcing arrangements 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. 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 2023:

Component	2023 £m	2022 £m
Non-life underwriting risk	49.4	41.7
Market risk	3.1	3.2
Counterparty default risk	10.7	8.4
Diversification credit	(6.7)	(5.9)
Operational risk	9.6	7.8
SCR	**66.1**	**55.2**
MCR	***18.9***	***19.4***

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, leading to variability in the contribution towards 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, excluding premium receivables not yet due
- 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 and is defined as the risk of loss 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

The Company's valuation for solvency purposes is derived from its 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:

	2023 £m	2022 £m	Reason
Net asset value per UK GAAP	**96.5**	**70.9**	**Per accounts**
Revaluation of net technical reserves	108.3	116.8	Differing reserving basis under Solvency II. Reclassification of insurance receivables to form part of technical provisions.
Deferred acquisition costs	(38.5)	(36.6)	No DAC for Solvency II
Intangible assets	(2.7)	(3.1)	Intangible asset eliminated under Solvency II
Adjustments to other assets and liabilities (net)	(70.4)	(84.8)	Different valuation bases between Solvency II and UK GAAP. Reclassification of insurance receivables to form part of technical provisions.
Own funds under Solvency II	**93.2**	**63.2**	**Solvency II own funds**

5. Capital management summary

The capital management objective of the Company is to maintain sufficient eligible Own Funds ("OF") to cover the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR") with an appropriate buffer that takes account of the Company's business plan. The Board and the Board Committees consider regularly the ratio of OF over the SCR. The Company prepares solvency projections over a five-year period as part of the business planning process.

The Company is subject to the UK regulatory regime and will be obliged to meet its requirements accordingly. Capital in the Company is actively managed having regard to the following:

- Matching the profile of assets and liabilities considering the risks inherent in the business
- Maintaining financial strength to support new business growth and to satisfy the requirements of policyholders and regulators
- Retention of financial flexibility by maintaining strong liquidity; and
- Meeting all obligations to policyholders on a timely basis

Due to profit headwinds in 2023, the Company's immediate parent, ANDEL, injected £45m of capital to support its solvency position. As at 31 December 2023, the Company's Solvency II Own Funds were £93.2m (2022: £63.2m) and the Solvency Capital Requirement was £66.1m (2022: £55.2m), providing a SCR coverage ratio of 141.0% (2022: 114.4%). While this is below the Company's target of 150%, the Company remains well capitalised, with a further capital injection in March 7, 2024 to move the Company materially above its internal risk appetite.

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

6. External audit requirements

The Company is above the Solvency II external audit threshold and so Sections D and E in this report are subject to external audit. Other sections in this SFCR are not subject to external audit.

Directors' statement in respect of the Solvency and Financial Condition Report

We acknowledge our responsibility for preparing the Company's SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable; and

b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

Warren Hetz

Chief Executive Officer

7th Floor,

52-56 Leadenhall Street,

London, EC3A 2BJ

5 April 2024

Report of the external independent auditor to the Directors of Aioi Nissay Dowa Insurance UK Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by Aioi Nissay Dowa Insurance UK Limited ('the Company') as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2023, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;

- Company templates S05.01.02, S19.01.21; and

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report. The Solvency and Financial Condition Report is prepared in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors have prepared the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Solvency and Financial Condition Report ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- the impact of more severe claims than expected, adversely affecting the Company's operations, financial and solvency position, and

- the parent does not intend to make scheduled capital contributions

We also considered less predictable but realistic second order impacts, such as ongoing macroeconomic events on the Company's results and operations and solvency position.

We considered whether these risks could plausibly affect the solvency position in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in the directors' downside scenarios relevant to solvency and assessing whether the directors' took into account all reasonably possible downsides; and

- Evaluating the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included capital injection from the parent company and a revised quota share reinsurance arrangement where the ultimate parent company will take a greater share of the Company's underwriting result, taking into account the extent to which the directors can control the timing and outcome of these.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit, Risk and Compliance Committee, the compliance function and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's policies for "whistleblowing" as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board, Audit, Risk and Compliance Committee and Reserving Committee meeting minutes
- Considering remuneration incentive schemes and performance targets for directors
- Using analytical procedures to identify any usual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of technical provision.

Accordingly, we identified a fraud risk related to the valuation of technical provision, given the direct impact on the Company's results and the opportunity for management to manipulate assumptions due to the subjectivity involved.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included material post-closing journals and unusual journals posted to cash accounts where the opposite entry was to a non-cash account
- Assessing significant accounting estimates for bias, including assessing the valuation of technical provision for bias

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, including financial reporting aspects of PRA rules and Solvency II regulations, distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements for the year ended 31 December 2023. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

This engagement is separate from the audit of the annual financial statements of the Company and the report here relates only to the matters specified and does not extend to the Company's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Company's Directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Company's Directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the

PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company through its governing body, for our audit, for this report, or for the opinions we have formed.

Thomas Tiplin (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London, E14 5GL

5 April 2024

A. Business and Performance

A1. Information regarding our business

Information regarding the Company’s business is set out in the Business and Performance summary.

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

Supervisory authorities

The Company’s Supervisory authorities are the PRA and FCA, and details are set out in the Business and Performance Summary

Auditor

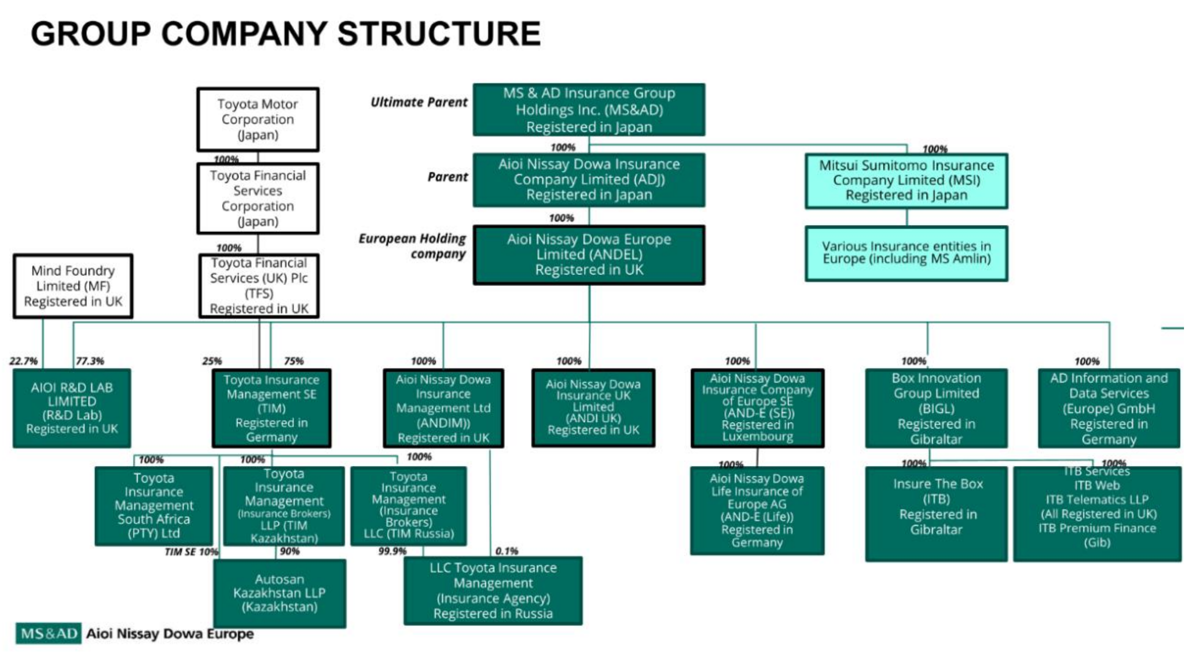
The Company’s auditor is KPMG LLP, 15 Canada Square, London, E14 5GL.

Credit rating

S&P Global ratings have assessed the Company’s long-term financial strength rating as “A+ / Stable”

Group structure

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

Significant performance and capital movements in the year are set out in the Business and Performance Summary.

A2. Underwriting performance

The Company's gross written premiums ("GWP") for the year were £294.0m (2022: £257.8m), an increase of 14%.

Gross Written Premium	2023 £m	2022 £m	%
Telematics	80.5	69.0	*17%*
Aggregator	19.9	10.8	*84%*
Toyota	17.0	17.6	*(3)%*
Commercial Fleet	133.7	121.8	*10%*
Affinity	33.0	30.4	*9%*
JIA	9.9	8.2	*21%*
TOTAL	**294.0**	**257.8**	***14%***

The increase in the GWP was primarily driven by increases to average premiums and not through significant increases in exposure. The wider UK motor market has seen corrections to average premiums in 2023, reflecting a catch up with inflationary pressures on claims costs. In particular, the Fleet and telematics business saw significant rate increases. Growth in aggregator premiums under the Toyota and KwikFit brands is a high percentage but on a low prior year comparator, reflecting the launch of KwikFit in 2023 and expansion of the aggregator sits on which the Toyota brand is sold. Affinity sales substantially reflect growth in the overall personal motor book.

	2023 £m	2022 £m
Gross written premiums	294.0	260.0
Net earned premiums	112.2	113.2
Net claims incurred	(106.3)	(98.1)
Acquisition and administration costs	(50.4)	(49.1)
Non-risk income	11.1	8.3
Underwriting result	(33.4)	(25.7)
Investment income	5.0	1.5
Operating profit	**(28.4)**	**(24.2)**
Loss ratio	94.7%	86.7%
Expense ratio	35.0%	36.0%
Combined operating ratio	**129.7%**	**122.7%**

2023 was a challenging year for the UK motor insurance market. Inflation in the UK has proven to be more persistent than initially expected, and the wider UK motor insurance market was slower to respond to this inflationary pressure than hoped, making required price increases difficult to achieve.

Inflation impacted upon the cost of claims relating to premiums earned in 2023 but also on those claims already open at the end on 2022, which cost more to settle, on average, than envisaged.

In addition, claims costs are impacted by large bodily injury losses, which are inherently less predictable, that were worse than longer-term expectations in 2023. The cost-of-living crisis and inherent vulnerabilities in certain Toyota and Lexus models has driven an increase in theft claims in 2023. The UK also saw a significant number of named winter storms in Q4 2023, increasing the cost of weather-related claims.

Reinsurer appetite for UK motor insurance remained muted, driving up the cost to maintain the Company's retained loss under the excess of loss program at £3m. The Company additionally used quota share insurance with its parent entity, ADJ, to reduce the total net retained loss below the £2m risk appetite. During 2023, the quota share percentage was 70%, an increase on the 2022 level of 40%.

Inflation also impacted operational costs, primarily through wage increases, but also via supplier cost increases. The impact of cost inflation was mitigated by management cost savings, and with employee level being below budgeted levels.

A combination of the above factors led to the Company making a pre-tax loss for the year ended 31 December 2023 of £28.4m (2022: loss of £24.2m). This is a combined operating ratio of 129.7% (2022: 122.7%)

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

	2023 £m	2023 £m	2023 £m	2023 £m
	Telematics	Fleet	Toyota	JIA
Gross Written Premium	80.5	134.2	69.4	9.9
Net earned premium	25.0	51.6	35.8	-
Operating profit/(loss)	(2.3)	(16.9)	(9.1)	(47.0)
Combined operating ratio	113.0%	132.4%	137.4%	0.0%

	2022 £m	2022 £m	2022 £m	2022 £m
	Telematics	Fleet	Toyota	JIA
Gross Written Premium	69.0	122.3	60.5	8.2
Net earned premium	31.7	54.3	27.2	0.0
Operating profit/(loss)	(10.1)	(2.8)	(11.5)	0.2
Combined operating ratio	136.6%	101.0%	148.4%	(500.0%)

A3. Investment performance

The Company invests principally in high quality corporate and government fixed income securities. The Company also has significant money market fund holdings with high quality investment managers. The overall portfolio is highly liquid, with the majority of investments capable of being turned into cash within five working days. The Company's approach is to hold bonds until maturity. Unrealised gains and losses on fixed income securities are recognised directly in equity in the revaluation reserve and do not directly affect the Company's reported profit and loss account result but do impact the Company's solvency position. Overall, the Company has continued with its strategy of capital preservation and of maintaining a high degree of liquidity. The Company is not expecting to change this investment strategy within the near future.

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

Investment income as per the Company's financial statements was £5.0m (2022: £1.5m), net of investment management expenses, reflecting higher bond yields available and interest rates on money market funds.

As at 31 December, the unrealised loss on the bond portfolio was £6.4m (2022: (£10.1m)), a reduction of £3.7m during the year.

The Company's approach of maintaining immediately liquid assets in the form of cash and money market fund holdings means that it was not required to sell any of its fixed income securities to meet cash needs. This position is not expected to change, and the combination of cash and capital buffers means that the Company expects to be able to maintain its fixed income portfolio to maturity, by which time the current level of unrealised losses will have unwound.

A4. Performance of other activities

The Company has other income and charges of £11.1m (2022: £8.3m). This comprises non-risk ancillary income and 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 information

No other information.

B. System of Governance

B1. General information on the system of governance

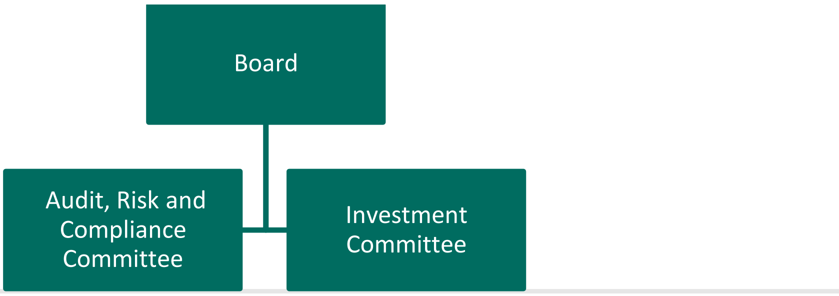
The system of governance, which is set out below, is considered to be appropriate for the Company taking into account the nature, scale and complexity of the risks inherent in the business.

Overview of the Board and its committees

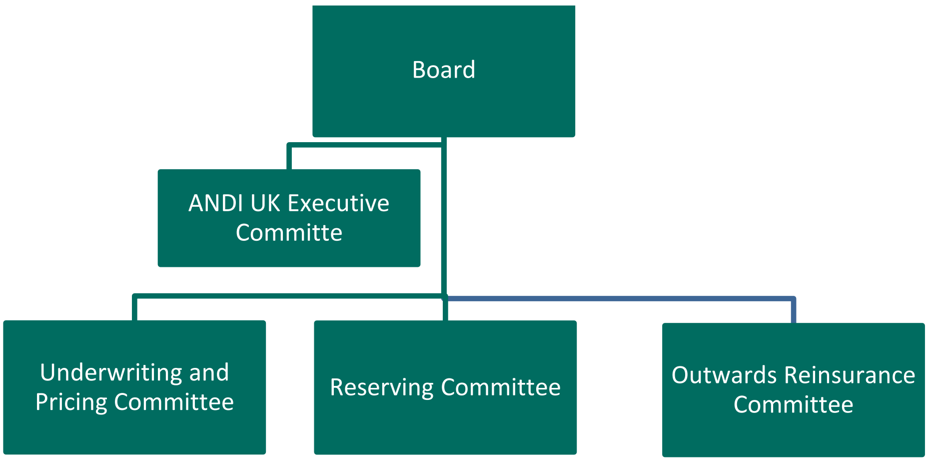
The Board is ultimately responsible and accountable for the performance and strategy of the Company and for ensuring that the Company complies with all legal, statutory, regulatory and administrative requirements. To support the efficient management of the Company the Board has delegated certain functions 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:



The Board

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 2023, the members of the Board were:

- R McCorriston — Chair
- W Hetz — Chief Executive Officer
- H Clarke — Senior independent non-executive director
- J Crotty — Independent non-executive director
- M Kainzbauer — Non-executive director, Group Chief Executive Officer
- P Senior — Chief Financial Officer
- H Iwasawa — Non-executive director, Deputy Group Chief Executive Officer

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee controls and monitors the activities of the Company's Audit, Risk and Compliance functions, 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 oversighting that material risks facing the Company have been identified and that appropriate arrangements are in place to manage those risks within 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 auditor, and compliance.

For independence, the Internal Audit function is directly accountable to the Chairman of the Audit, Risk and Compliance Committee but reports on a day-to-day basis to the Group Chief Executive. Internal Audit services are provided by an external professional services firm, BDO LLP. The Committee receives and reviews the report of the external auditor, KPMG LLP. Non-executive directors are able to discuss, in private, any matters with the external auditor.

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 Company has a Treasury function and an outsourced investment management provider. The Board has authorised the Investment Committee to oversee the investments and treasury activity of the Company and to oversee that these comply with the Company's investment risk appetite, investment strategy and regulatory requirements. Delegated activities include the management and administration of the Company's investments and oversight of all treasury activity. The 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 Investment Committee also oversees the performance of the Company's outsourced investment management provider.

The Company's Investment Committee meets at least three times a year. The Committee is chaired by the Finance Director. The other members are the CEO, the Group CFO, the Chief Actuary and the Group's Deputy CEO.

UK Executive Committee

The purpose of the Company 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 Finance Director. Members of the Company's executive management are normally in attendance, as is the UK Risk and Compliance Director. The Internal Audit function 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 the Company. The Board has authorised the Reserving Committee to oversee reserving activity in accordance with the Company's reserving policy. Ultimate responsibility for the Company's reserves lies with the Board.

The Board has delegated to the Reserving Committee the responsibility for effectively carrying out reserving activities. 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 six times per year. The Chair of the Committee is the Chief Executive. Other members are the Chief Underwriting Officer, Finance Director, Chief Actuary, Claims Director and Group Chief Financial Officer.

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 performance against those benchmarks. It reviews and approves new underwriting products. 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 per year but usually monthly The Committee is chaired by the Chief Underwriting Officer, and members are the Chief Actuary, Chief Executive Officer, Finance Director, Group Deputy CEO, Head of Fleet Underwriting, Head of Retail Underwriting and Head of Pricing.

Reinsurance Committee

The purpose of the UK Outward Reinsurance Committee is to deliver the UK's outwards reinsurance programme in line with the Board's 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 protect the UK business. The Committee reports to the Executive Directors Committee ("EDC"), Group Risk Assurance Committee ("GRAC"), Group Outwards Reinsurance Committee ("GORC") and to the Company Board.

The Committee meets at least four times a year. The Chair of the Committee is the Chief Executive Office. Other members are the Finance Director, Chief Underwriting Officer, Group Deputy CEO, Group Chief Reinsurance Officer and Reinsurance Manager.

Relevant Group Committees

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 meets at least four times a year. The Committee is chaired by an independent non-executive director. The Committee's other members include the Group Chief Financial Officer, UK and European Finance Directors, the Chief Actuary and the Group Capital Actuary.

Remuneration Policy

The Company's remuneration policy is designed to attract and retain suitable employees to enable the Company to deliver the strategy and plan. The Group provides a base salary together with a benefits package aimed at meeting the long-term security and health of its employees. Salaries and benefits are reviewed regularly to take account of the success of the Company and the latest employment trends. The Company is committed to being a fair and equal employer and the remuneration policy is designed in order to support this objective. In the UK, the main employing entity is ANDIM, an insurance management services company and the ANDIM staff of these provide services to the Company.

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

The Company operates an annual bonus plan based on business and individual employee performance. The bonus amount payable depends on the achievement of set financial, operational and individual objectives relative to the plan. The variable element of remuneration is capped at a percentage of 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 requirements

The Group is committed to its staff having the appropriate skills, knowledge and experience to perform their roles, as set out in the Group's 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, the Company considers whether the candidate is fit and proper to undertake the required role. This means that the following 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 ongoing compliance with fitness and propriety requirements.

Technical and professional development

Employees' competence is assessed as part of the recruitment process and at regular intervals thereafter (including if their role changes). Appropriate training and support are provided to meet relevant training needs. The quality and effectiveness of training is reviewed by line managers as part of ongoing performance management. Feedback is sought on the efficacy of the training by the People Development Team. Maintaining competence considers:

- Technical knowledge and its application
- Skills and expertise; and
- Changes in the market in respect of 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 including the Own Risk and Solvency Assessment

As an insurance company, the Company 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 the Company are required to cover all risks included in the calculation of the 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 key risks, overseen by the Audit, Risk and Compliance Committee. The UK Risk Management team is responsible for supporting the business in the evaluation and reporting of risks. Risk management tools are designed to be 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 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 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 the Company'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 and functions that own and manage risk through the performance of the day-to-day risk management activity.
- Second line: this is the Risk and Compliance Function which co-ordinates the elements of the risk framework, provide assurance as well as provide oversight and challenge to the first line of defence.
- Third line: Internal Audit is the third line of defence. Internal Audit offers independent assurance on the effectiveness of controls across the first and second lines

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.

During 2023, the Internal Audit function undertook the following audits:

- Consumer Duty
- Fraud

Underwriting and pricing

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") process is part of the Company's risk management system. Insurance undertakings are required to assess their own short and long-term risks and the amount of Own Funds ("OF") required 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 the Company faces 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 the key risks that face the business, including those not in the SCR such as liquidity, reputational and regulatory risks, as well as those in the SCR.

The ORSA process is performed at least annually, and a report is produced by the Risk and Compliance 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. In addition, an ad-hoc ORSA is produced as soon as practically possible following any significant change in the Company's risk profile. The analysis informs the Board of the nature of the change in the risk assessment and the implications for solvency. Scenarios could include, but are not limited to:

- The start or cession of a material or significant 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; or
- Other external change which significantly affects the viability of the Company's business model

The Board can request the Risk Management team to run the full ORSA process, even if the Risk and Compliance 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 prepared on a three-year basis, is compared to the results of the SCR projection 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.

B4. Internal Control System

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

The system of internal control includes all policies and procedures adopted by management to achieve the Company's objective if an 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:

- 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 and implementing effective risk-mitigating processes to provide the Board with reasonable assurance that:

- Data and information published internally or externally is accurate and timely
- The actions of employees comply with the Company's policies, standards, plans and procedures, and relevant laws and regulations;
- The Company's resources are adequately protected; and
- The Company's internal controls promote the achievement of its plans

Components of internal control

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. The control environment provides structure and influences the control consciousness of staff. A key factor in the control environment is 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 faced by the Company, setting acceptable appetite levels for these risks and confirming that senior management takes the steps necessary to identify, measure, monitor and control these risks;
- Approving the organisational structure; and
- Confirming that senior management is monitoring the effectiveness of the internal control system

The Board is ultimately responsible for establishing and maintaining an adequate and effective system of internal control. 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 assigns responsibility, authority and reporting relationships
- Effectively delivering delegated responsibilities
- 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 the importance of internal controls.

b. Risk Assessment

Risk assessment is the identification and analysis of relevant risks that may prevent the Company from meeting its operational, financial and compliance objectives. The Audit, Risk and Compliance Committee identifies risks affecting the Company and recommends a risk strategy to the Board.

c. Control Activities

Control activities are the policies and procedures established to implement the Board and senior management's directives and that risks are identified and mitigated. All staff need to be aware of the Company's policies and procedures. Managers supplement Company policies with departmental guidance as necessary.

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

- Identify and evaluate the exposure to losses relating to their operations

- Establish and maintain policies, processes, controls and systems to effectively manage the risks associated with the exposures identified
- Establish requirements for employees to carry out their responsibilities that achieves the control objectives; and
- Drive continuous improvement to the risk-management processes

d. Information and Communication

Relevant information must be identified 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.

e. Monitoring

Monitoring is the process that assesses the quality of the internal control system and follows the three lines of defence model. 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.

Risk and Compliance Function

The Risk and Compliance Function is headed by the Risk and Compliance Director and consists of two compliance teams, "Compliance Advisory & Regulatory Intelligence" and "Compliance Monitoring & Regulatory Relationships" and one Risk team.

The Risk and Compliance Function is responsible for:

- Confirming that the Company complies with applicable laws, regulatory requirements and internal policies, processes and procedures
- Reporting to management and the ARCC on the appropriateness of the Company's compliance procedures
- Following up identified deficiencies and suggesting improvements as necessary; and.
- Providing oversight on the adequacy of risk identification and management including performance of controls by the first line
- Advice, guidance and challenge where required

The Director of Risk and Compliance UK reports to the Chief Executive Officer UK and has independent access to the Audit, Risk and Compliance Committee.

B5. Internal Audit Function

The Internal Audit Function is the third line of defence in the Company. The Internal Audit function 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

- 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. 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 Audit function have been satisfactorily addressed.

Internal Audit is outsourced to BDO LLP. Internal Audit reports through the Audit, Risk and Compliance Committee quarterly but has a regular reporting line to the Chief Executive Officer. Internal Audit can report directly to the Audit, Risk and Compliance Committee outside the regular committee meetings.

B6. Actuarial Function

The Actuarial Function Holder for the Company has a direct reporting line to the Group Chief Financial Officer. The day-to-day actuarial work in support of the holder of the function is carried out by the Group's Actuarial team which supports both the Company and the Group.

The Actuarial Function Holder is a qualified member of the UK Institute and Faculty of Actuaries and has complied continuously with the professional obligations that the Institute requires. The 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

B7. 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. 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
- Schedule of Audits and compliance monitoring; and
- Expectations of the responsible parties

The UK Executive Committee is responsible for designating suitable owners for each outsourced arrangement, overseeing the outsourced activities and complying with the outsourcing policy. Each outsourced business process has an owner, responsible for establishing appropriate controls to manage the risks from outsourcing and delivering regular monitoring of performance. Outsourced business process owners work with Risk Management, Compliance and other functions.

The Company is currently using several service providers, as set out below:

a. Policy administration

The Company previously outsourced the policy administration of its Toyota motor insurance business to Lloyd Latchford Limited, with ended on 1 November 2022 when the processes were insourced.

The Company uses a third-party policy administrator, InsureThat (a trading style of Nukula Limited) for its affinity products.

b. Claims

The Company has outsourced claims handling for a significant proportion of its Commercial Fleet book to Davies Group Limited. The arrangement will transferred to another part of that Group, Keoghs, in February 2024.

InsureThat provide claims handling for our affinity products.

c. Audits

The Company has outsourced the role of internal auditor to BDO LLP from January 2023.

d. Business continuity planning

The Company has an established and tested Business Continuity Policy, which sets out the requirements for local BCP plans and coordination with Disaster Recovery. Depending upon the size and nature of each local operation, contracts are in place with dedicated workplace recovery sites. Where feasible, staff are equipped to work securely from home, covering the vast majority of our employees.

e. Management services

Fellow Group companies, ANDEL and ANDIM, provide management services to the Company including the recharge of expenses incurred on the Company’s behalf. Other Group companies provide services to the Company, principally IT.

f. Investment management

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

B8. Any other information

No further information.

C. Risk Profile

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.

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 and Compliance Function has supported an Operational Resilience programme, focused on the important business services the business provides to customers. A series of reviews were also conducted around significant risks such as data management, outsourcing and 3rd party risk management and complaints handling.

During the year various stress tests were carried out against the ORSA capital requirements. These included a failure to meet growth targets, loss of significant strategic partners, macroeconomic scenarios (impact of inflation, Ogden rate change, and deterioration in corporate credit quality), loss of motor fleet business, cyber-attack and GDPR breach.

Reverse stress tests were also performed, including:

- Scenarios leading to capital exhaustion (i.e. accumulation of risks, perfect storm)
- Scenarios leading to loss of capital / reinsurance support from ADJ; and
- Scenarios leading to loss of confidence by Business Partners, who become unwilling or unable to transact business

C1. Underwriting risk

Nature of the risk

This is the risk that arises from the inherent uncertainty as to the occurrence, amount or timing of insurance liabilities, impacting 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 assesses its underwriting risk through experience analysis 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 to assess variability of the contribution compared to the business plan. Various validation tests have been performed focusing on the reasonableness of the ORSA capital results. Independent validation on the ORSA model is planned for 2024, previously completed in 2018.

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 to identify the portfolios with the greatest contribution to the overall insurance risk:

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

a. Current year loss ratio

The risk of the current attritional 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.

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.

b. Claim frequency and severity

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

c. Natural Catastrophe

We model the variation in frequency and severity of losses due to Natural Catastrophe events. Our greatest exposure to Natural Catastrophes differs by geographic location, noting that Natural Catastrophe risks are not material for the Company. Our exposures include hail, windstorm and flood.

d. Reserve runoff and Event Not In Data (ENID) scenarios

We model the reserve run-off using a standard market practice: the one-year Mack bootstrap. ENID scenarios are applied on top of the reserve run-off in order to capture Events Not In Data considering the likelihood/severity of such scenarios.

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 that define the approach to 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. A significant reinsurance quota share is placed with the Company's parent, ADJ, which is A+ rated. The Company also enters quota share and co-insurance arrangements with third-parties. The Company also places an excess of loss programme with a high-quality panel of reinsurers, including its parent company. The mitigating impact of reinsurance is allowed for in the ORSA capital model results.

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 if multiple large losses were to materialise above its planned performance. This scenario considered the effect of multiple large losses in excess of those expected by the plan. The net impact of this would be £6.8m. The Company's solvency would be sufficient to absorb a shock at this level, and the Company would remain 100% above its SCR.

C2. Market risk

Nature of the risk

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

At the end of 2023, the Company's investments consisted of £92.6m in bonds (2022: £91.2m) and £134.5m in cash, deposits and money market funds (2022: £58.0 m).

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, market values affect the available Solvency II capital. 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 2023, the Company's cash holdings were £31.3m (2022: £23.8m) and money market fund holdings £103.2m (2022: £34.2m). Cash, deposits and money market funds are not typically affected by market value fluctuations.

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 the standard formula which is calibrated based on long term market risk parameters. The following risks are material to the Company:

- Interest rates risk – the movement on net assets from applying a yield curve shock to both assets and liabilities
- Spread risk – the movement on net assets from applying a shock to credit spreads
- Concentration risk – a charge is estimated where the exposure to a single counterparty (including related counterparties) exceeds specific thresholds.

Risk mitigation

The Company manages its market risk in the following ways:

- The Company has an asset liability management ("ALM") framework whose principal aim is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of future cashflows
- 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 asset and liability durations is minimised by means of buying and selling fixed interest securities of different durations
- The Company has a defined investment policy that 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 corporate bonds, with the average rating of the bond portfolio of AA- (2022: average rating of A+) and a duration of 2.9 years (2022: 3.2 years). Bond holdings below investment grade are not permitted.
- Outsourced management of the Company's bond portfolio with Goldman Sachs Asset Management

The Company does not currently use derivative financial instruments.

Risk sensitivity for market risks

Interest rate risk

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. The upward shock being the greater shock, increased the Company's SCR by £1.4m (2022: £1.3m).

Inflation risk

Inflation risk arises primarily from the Company's exposure to general insurance claims and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. There is no specific inflation risk within the standard formula model.

The UK economic and political outlook remains uncertain and there is a risk of inflation continuing at elevated levels for a prolonged period. Heightened geo-political risk in the Middle East has the potential to impact inflation. The Company continues to actively monitor inflation and its potential to impact on the Company's capital resources.

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:

- Corporate bonds
- Failure of bank counterparties
- Reinsurers' share of paid claims and insurance liabilities
- 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 the Standard formula. The Standard formula considers probability of default and recovery rate (given default) on reinsurance recoveries/investments and bank balances based on long term market information. For insurance receivables (premium receivable and intermediaries), different charges are applied depending on how long the balances are overdue. Correlations between all the risks are also considered within the Standard formula.

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 managed accordingly.

Reinsurance arrangements do 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 considered. 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 risk appetite for BBB rated bonds is set at not 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 £8.8m (2022: £9.8m) or 9.6% (2022: 10.8%) 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: Uncertainty in the value or timing of the cashflow requirements meaning insufficient funds available to meet requirements. The most significant risk arises from claims through a mismatch between a gross claim being paid and the reinsurance recovery collected
- Asset values: Restrict to 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. Given 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. The Company has a minimum risk appetite of £20m in liquid funds available at all times.

Risk mitigation

The Company carries out the following to mitigate liquidity risk:

- Cash flow forecasting
- A minimum of £20m of liquid assets are held at all times
- The investment policy has been set to avoid concentration risk and to maintain high quality liquid assets; and
- Liquidity is regularly monitored by the Treasury department and Investment Committee

Risk sensitivity for liquidity risks

Cash, deposits and money market funds at the year-end totalled £134.6m (2022: £68.8m). The Company's fixed income bonds have an average duration of 2.9 years (2022: 3.2 years), which is closely matched with the expected duration of the Company's liabilities of 3 years (2022: 3 years).

The £92.6m (2022: £91.2m) of fixed income bonds are also highly liquid in most market circumstances. Fixed income securities would not be sold under normal circumstance but, in extremis, the Company could take this step. The directors are satisfied that it would 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:

- Business disruption and system failures
- Changes in employment law
- Cyber-crime and system security (in Ransomware attacks)
- Unauthorised access to sensitive data
- Damage to physical assets (e.g., due to natural catastrophe);
- Failure to comply with regulations
- Inadequate or inaccurate systems
- Internal and external fraud
- Legal action against the Company
- Loss of key personnel
- Outsourcing and third-party management
- Pandemic
- Poor performance or failure of an outsourced provider;
- Project overruns or failures
- Cost inflation
- Unauthorised access to sensitive data

Methods used to assess and quantify the risk

The Company maintains a record of significant risk events and takes account of risk events within the wider market.

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

Risk mitigation

The Company manages operational risk through a robust control framework. A structured testing programme of processes and systems is carried out by Internal Audit and by the Compliance monitoring team. Risk registers are reviewed and challenged by the Risk and Compliance Function, with a process of escalation of key issues to the Company's Audit, Risk & Compliance Committee. Risk events experienced within the Company are captured, remediation co-ordinated and root cause analysis performed.

In response to increased cyber-crime, the Company has continued to strengthen its controls around phishing emails, by enhancing multi-factor authentication across the business, updating the Company's key business applications, applying additional data security and protection applications and running focused cyber scenario exercises.

The Company is continuing its operational resilience program focused on important customer business services, to effectively protect the delivery of the most critical services.

Risk sensitivity for operational risks

The operational risk per the SCR standard formula calculation is 14.5% (2022: 14.1%) of the SCR as at the balance sheet date 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, as the ORSA model considers more detailed components such as inflation risk, non-optional change programmes and costs of new and ongoing projects.

The analysis of operational risk carried out for the ORSA completed November 2023 (based on data as at 31 December 2022) arrived at an operational risk of £9.9m, which is 103% of 2023 standard formula £9.6m.

C6. Other material

Strategic risk

Strategic risk is the 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.

The Company has diverse sources of income with the Fleet business now surpassing the telematics portfolio in size. Strategically, our biggest risk is our concentration of exposure to the UK motor market.

Our parent company (ANDEL) has a significant dependence upon Toyota, which is expected to remain the Group's single largest distribution channel. If the relationship with Toyota deteriorated, ANDEL could lose its largest distribution channel and rights to use the Toyota brand. The Toyota distribution channel is a smaller and less critical source of business for the Company.

Reputational risk

Reputational risk is a form of strategic risk 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 we have business that is Toyota branded
- Reputational damage to Insure the Box brand (e.g., arising from failed technology)
- Increased threats posed by cyber-crime; and
- Failures by outsourced suppliers
- Issues in other parts of the MS&AD Group

Issues from a Toyota perspective are largely confined to reductions in car sales and hence lower levels of new insurance business and car security features which have led to higher theft losses on certain specific models. The Company uses a wide range of outsourced suppliers and operational failure in those third-parties could impact on the Company. Problems at other MS&AD group entities could also potentially affect relationships with regulators or other partners.

In terms of customer service, the most important mitigation is to address issues proactively to prevent escalation into more serious issues. Conduct and complaints MI is reviewed regularly identify potential issues and escalated as appropriate.

C7. Any other information

No other information.

D. Valuation for Solvency Purposes

Summary of assets and liabilities

The following table sets out the Company's assets and liabilities as at 31 December 2023:

31 December 2023	Annual Accounts value	Reclassification/ Revaluation	Solvency II value
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	53.0	(53.0)	-
Intangible assets	2.7	(2.7)	-
Deferred tax assets	8.0	-	8.0
Bonds	91.7	0.9	92.6
Collective investment undertakings	-	103.2	103.2
Reinsurance recoverables	287.0	(59.8)	227.2
Insurance receivables	68.1	(67.0)	1.1
Cash and cash equivalents	134.5	(103.2)	31.3
Other assets	10.7	(1.0)	9.7
Total assets	**655.7**	**(182.6)**	**473.1**
Liabilities:			
Technical provisions	493.2	(168.2)	325.0
Insurance payables	5.5	3.3	8.8
Reinsurance payables	18.4	-	18.4
Other liabilities	42.1	(14.4)	27.7
Total liabilities	**559.2**	**(179.3)**	**379.9**
Excess assets over liabilities	**96.5**	**(3.3)**	**93.2**

The following table sets out the Company's assets and liabilities as at 31 December 2022:

31 December 2022	Annual Accounts value	Reclassification/ Revaluation	Solvency II value (as reported)
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	46.0	(46.0)	0.0
Intangible assets	3.1	(3.1)	0.0
Deferred tax assets	6.7	-	6.7
Bonds	90.4	0.8	91.2
Collective investment undertakings	-	34.2	34.2
Reinsurance recoverables	176.3	(36.2)	140.1
Insurance receivables	87.1	(84.8)	2.3
Cash and cash equivalents	58.0	(34.2)	23.8
Other assets	19.3	(0.9)	18.4
Total assets	**486.9**	**(170.2)**	**316.7**
Liabilities:			
Technical provisions	366.8	(150.8)	216.0
Insurance payables	9.9	(2.3)	7.6
Reinsurance payables	4.3	-	4.3
Other liabilities	35.0	(9.4)	25.7
Total liabilities	**416.0**	**(162.5)**	**253.5**
Excess assets over liabilities	**70.9**	**(7.7)**	**63.2**

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. Technical provisions are discussed in section D2 and liabilities are considered in section D3.

D1. Assets

Deferred acquisition costs

In the annual accounts, deferred acquisition costs are earned over the term of the policy, in line with the earning of premium and shown separately as an asset. Under Solvency II, there is no concept of deferred acquisition costs and the asset is removed.

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.

Deferred tax asset

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that they will not be recovered. Deferred tax assets and liabilities are calculated at the tax rates expected to apply when the assets are realised or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the balance sheet date.

The Company has elected to sell deferred tax assets to a fellow Group entity, ANDIM, for consideration. ANDIM has a strong expected profit stream and the Company has therefore recognised a deferred tax asset of £8.0m (2022: £6.7m).

Bonds

As at the reporting date the Company held investments in fixed income securities of £92.6m (2022: £91.2m).

The bond portfolio is valued at fair value based on market prices as at the reporting date. Changes in the market value of the bonds are included in the reported Solvency II valuation. There are no material estimates or judgements made when reporting the value of the bonds. Under Solvency II, the value reported includes any interest accrued on each holding. 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 as cash and cash equivalent, when they are readily accessible from banking counterparties within 24 hours, or collective investment undertakings, when they are money market funds.

As at the reporting date, the Company had £103.2m (2022: £34.2m) held in collective investments undertakings. There are no material estimates or judgements made when reporting the value of the collective investments undertakings.

Reinsurance recoverables

Reinsurance recoverables are 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. A delay is included between the gross cash flows and 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 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 £1.1m (2022: £2.3m) in insurance and intermediaries receivables. Insurance and intermediaries receivables comprise mostly amounts due from intermediaries in relation to amounts previously collected from policyholders, with some amounts of insurance premiums past due 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. For Solvency II purposes, receivables relating to future premiums not yet due are eliminated, discounted and included within the Company's technical provisions. At the reporting date £70.4m was transferred to technical provisions, (2022: £84.8m) There are no material estimates or judgements when reporting the value.

Cash and cash equivalents

As at the reporting date, the Company had £31.3m (2022: £23.8m) 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. The amount under Solvency II differs from the annual accounts because the Company's money market funds are presented as "Collective investment undertakings" under Solvency II but as cash and cash equivalents in annual accounts. There are no material estimates 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 £9.7m (2022: £18.4m) of other assets. These other assets include amounts due from group companies . 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 or judgements when reporting the value of these assets.

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 2023, the UK Gapp technical provisions movements to Solvency II bases were:

Technical provisions	Motor Vehicle Liability (£m)	Motor, Other Classes (£m)	Miscellaneous Non-Life Insurance (£m)	General Liability (£m)	Fire and Other Damage (£m)	Total (£m)
UK Gaap gross best estimate	360.0	64.3	15.2	0.4	0.3	**440.2**
Solvency II adjustments	(77.0)	(37.2)	(3.8)	(0.4)	(0.5)	**(118.9)**
Solvency II gross best estimate	283.0	27.1	11.4	-	(0.2)	**321.3**
UK Gaap net best estimate	131.3	21.8	14.8	-	-	**167.9**
Solvency II adjustments	(37.0)	(31.2)	(4.7)	(0.3)	(0.4)	**(73.6)**
Solvency II net best estimate	94.3	(9.4)	10.1	(0.3)	(0.4)	**94.3**
Risk margin	2.5	0.8	0.5	-	-	**3.8**
Solvency II total net best estimate	**96.8**	**(8.6)**	**10.6**	**(0.3)**	**(0.4)**	**98.1**

The main differences between the two valuations are the deduction of future premium receivables, unincepted lapse adjustment, discounting, inclusion of events not in data or ("ENIDs"). The addition of overhead expenses and Solvency II margin.

Technical provisions	2023		2022	
Class of business	**Net best estimate (£m)**	**Risk margin (£m)**	**Net best estimate (£m)**	**Risk margin (£m)**
Motor Vehicle Liability	94.3	2.5	67.6	2.1
Motor, Other Classes	(9.4)	0.8	(0.2)	0.8
Miscellaneous Non-Life Insurance	10.1	0.5	4.1	1.7
General Liability	(0.3)	-	-	-
Credit and Suretyship	-	-	-	-
Marine, Aviation and Transport	-	-	-	-
Income Protection	-	-	-	0.3
Legal Expenses	-	-	-	-
Assistance	-	-	-	-
Medical Expenses	-	-	-	-
Fire and Other Damage	(0.4)	-	-	-
Total	**94.3**	**3.8**	**71.5**	**4.9**

The largest Solvency II classes of business within the technical provisions are "Motor vehicle liability" and "Motor other". The Company also has a smaller provision under Solvency II class "Miscellaneous non-life insurance", which includes Guaranteed Asset Protection cover and Extended Warranty. There are no other material amounts within the Solvency II technical provisions.

There have been no material changes in assumptions made in the technical provision calculations. There are no material differences in bases, methods or assumptions for the different classes of business.

Under Solvency II, the provision for outstanding claims is the discounted best estimate of the cost of all existing open cases and all possible future claims. Technical provisions in the annual accounts are undiscounted. The technical provisions in the annual accounts also include a margin above best estimate. Under Solvency II, this is replaced by a loading for “events not in data” or “ENIDs”, as well as the Solvency II risk margin.

The allowance for ENIDs has been calculated 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 a remote likelihood, these percentages are subjective. However, it has been confirmed that the Company’s approach to ENIDs is broadly in line with that of peer entities.

The technical provisions under Solvency II also include a risk margin that has been calculated by approximating the whole SCR for each future year using a ratio to technical provisions. This simplification is deemed appropriate because there are no significant negative best estimates at the valuation or subsequent dates, the Company’s material reinsurers are A- rated or better and there are no unavoidable market risks. The Company uses simplification 3 to simplification 1 to better reflect its risk profile, which is a standard change.

The undiscounted best estimates in both cases (annual accounts and Solvency II) are 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) have been used.

High inflation rates have been used in 2022 and 2023 and beyond above the estimated rates in the claims history. This involved estimating the current level of inflation contained within the claims history and then using market inflation estimates to apply a payment pattern of excess inflation over current inflation included in the case estimates to the future cashflows.

For each 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 neither do they include any options or guarantees with a significant financial impact on the company. Contracts are typically of one year duration, 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 2023.

Reinsurance recoverables 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. A delay is included between the gross cash flows and the corresponding reinsurance recoveries
- 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 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.

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.

Insurance and intermediaries payable

As at the reporting date, the Company had £8.8m (2022: £7.6m) of insurance and intermediaries payable. These are valued in the annual accounts at expected settlement value. These liabilities represent the amounts to be paid to insurance claimants and 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. Some insurance related balances are kept on a net basis of payable to and receivable due from a counterparty in the annual accounts however for the purpose of Solvency II valuation, these balances have been recognised separately between payables and receivables and reclassified. There is no adjustment for the valuation of other insurance payables between the annual accounts and Solvency II. There are no material estimates or judgements when reporting the value of insurance and intermediaries payable.

Reinsurance payables

As at the reporting date, the Company had £18.4m (2022: £4.3m) 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 or judgements when reporting the value.

Any other liabilities, not elsewhere shown

As at the reporting date, the Company had £27.7m (2022: £25.7m) of other liabilities, not elsewhere shown. These amounts represent 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. 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. Any other information

No other information.

E. Capital Management

E1. Own funds

The capital management objective of the Company is to maintain sufficient eligible 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 OF 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 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 OF 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.

	2023 £m Tier 1	2023 £m Tier 3	2022 £m Tier 1	2022 £m Tier 3
Ordinary share capital	160.1	-	115.1	-
Reconciliation reserve	(74.9)	-	(58.6)	-
Net deferred tax asset	-	8.0	-	6.7

The Company's Solvency II OF comprise ordinary share capital and retained reserves, a Solvency II reconciliation reserve and a deferred tax asset. The share capital as at 31 December 2023 is £160.1m (2022: £115.1m). The share capital is fully paid up and comprises 160,100,000 ordinary shares with a nominal value of £1 each. There is a negative reconciliation reserve of £74.9m (2022: £58.6m). The net of the Company's ordinary share capital and retained reserves and the negative reconciliation reserve are "Tier 1" OF per the Solvency II regulation. Tier 1 OF are not subject to any restrictions.

The deferred tax asset is classified as Tier 3 own funds. Tier 3 own funds are restricted to 15% of the amount of the SCR and are not eligible to cover the MCR. The Company's Tier 3 own funds are in line with the value of the deferred tax asset held in the UK GAAP accounts and are below 15% of the SCR, so are considered eligible OF.

None of the Company's OF 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 2023, the net asset value of the Company as calculated for the annual accounts was £96.5m (2022: £70.9m). This is a £25.6m increase since 31 December 2022. The table below shows the annual account movement in net asset value:

	2023 £m	2022 £m
Brought forward 1 January	**70.9**	**77.3**
Issue of new ordinary share capital	45.0	20.0
Loss for the year pre taxation	(28.4)	(24.2)
Recognition of deferred tax asset	1.3	6.7
Current tax asset	3.9	-
Movement in other reserves	3.8	(8.9)
Carried forward 31 December	**96.5**	**70.9**

For Solvency II purposes, eligible own funds to meet the MCR were £85.2m (2022: £56.5m) and to meet the SCR were £93.2m (2022: £63.2m). The Tier 3 own funds, which comprise the deferred tax asset, are not eligible to meet the MCR.

The main differences (the reconciliation reserve) between OF and the net asset value in the annual accounts are set out below:

	2023 £m	2022 £m	Reason
Net asset value per UK GAAP	**96.5**	**70.9**	**Per accounts**
Revaluation of net technical reserves	108.3	116.8	Differing reserving basis under Solvency II. Reclassification of insurance receivables to form part of technical provisions
Deferred acquisition costs	(38.5)	(36.6)	No DAC for Solvency II
Intangible assets	(2.7)	(3.1)	Intangible asset eliminated under Solvency II
Other assets and liabilities	(70.4)	(84.8)	Different valuation bases between Solvency II and UK GAAP. Reclassification of insurance receivables to form part of technical provisions
OF under Solvency II	**93.2**	**63.2**	**Solvency II own funds**

The movement of own funds on a Solvency II basis during 2023 was as follows:

	2023 £m	2022 £m
Own funds brought forward at 1 January	**63.2**	**82.3**
Movement in year	30.0	(19.1)
Own funds carried forward as at 31 December	**93.2**	**63.2**

The SCR coverage ratio as at 31 December 2023 was 141.0% (2022: 114.4%), with OF of £93.2m (2022: £63.2m) and an SCR of £66.1m (2022: £55.2m). The MCR coverage ratio as at 31 December 2023 was 451.6% (2022: 291.7%), with an MCR of £18.9m (2022: £19.4m). The deferred tax asset of £8.0m is considered as Tier 3 own funds and is not eligible to cover the MCR. Annual and quarterly reporting throughout both 2023 and the prior year have shown that the Company has complied continuously with both the MCR and the SCR coverage requirements.

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 2023:

Component	2023 £m	2022 £m
Non-life underwriting risk analysed by:		
Premium and reserve risk	48.4	40.4
Catastrophe risk	3.7	4.0
Lapse risk	0.3	2.0
Diversification credit	(3.0)	(4.8)
Market risk analysed by:		
Interest rate risk	1.4	1.2
Equity risk	-	-
Property risk	-	-
Spread risk	2.6	3.0
Currency risk	-	-
Concentration risk	0.1	-
Diversification credit	(1.0)	(1.0)
Counterparty default risk	10.7	8.4
Diversification credit	(6.7)	(5.9)
Operational risk	9.6	7.8
SCR	**66.1**	**55.2**
MCR	**18.9**	**19.4**

The inputs used to calculate the MCR are the net technical provisions and the net written premiums in the last twelve months. At the end of the reporting period the Company's MCR is £18.9m (2022: £19.4m).

The Company's SCR was £66.1m as at the end of 2023 (2022: £55.2m). The increase is mainly due to the increase in the Company's reserves underwriting volumes. The Company also experienced a worsening in its loss experience (in particular from large losses). These factors led to increases in the SCR but have been offset to a degree by:

- Reduction in natural catastrophe risk due to quota share in the year
- The decrease in the average duration of the bond portfolio during the year
- Reduction in BBB rated bonds held at the end of the reporting period

E3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

E4. Differences between the standard formula and any internal model used

The Company applies the standard for the purposes of calculating the SCR.

E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E6. Any other information

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
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

Solvency and Financial Condition Report

Disclosures

31 December

2023

(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 2023
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: Non-life insurance and reinsurance obligations
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	0
R0040	Deferred tax assets	7,971
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	195,744
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	92,577
R0140	*Government Bonds*	24,004
R0150	*Corporate Bonds*	68,020
R0160	*Structured notes*	0
R0170	*Collateralised securities*	553
R0180	*Collective Investments Undertakings*	103,167
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	227,007
R0280	*Non-life and health similar to non-life*	227,007
R0290	*Non-life excluding health*	227,007
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*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	1,091
R0370	Reinsurance receivables	318
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
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	31,289
R0420	Any other assets, not elsewhere shown	9,704
R0500	**Total assets**	473,124

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	325,009
R0520	*Technical provisions - non-life (excluding health)*	325,009
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	321,260
R0550	*Risk margin*	3,748
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*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	8,809
R0830	Reinsurance payables	18,407
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	27,687
R0900	**Total liabilities**	379,912
R1000	**Excess of assets over liabilities**	93,212

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		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	44	0	264,452	7,097	3	765	474	0	0	0	21,192					294,027
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	0	44	0	194,833	1,428	3	765	474	0	0	0	277					197,824
R0200	Net	0	0	0	69,619	5,669	0	0	0	0	0	0	20,915					96,203
	Premiums earned																	
R0210	Gross - Direct Business	0	47	0	245,540	5,291	3	661	392	0	0	0	19,753					271,687
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	0	47	0	155,597	1,208	3	661	392	0	0	0	1,520					159,427
R0300	Net	0	0	0	89,943	4,083	0	0	0	0	0	0	18,232					112,259
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	245,039	2,269	0	-118	65	0	0	0	7,359					254,614
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	0	0	0	146,656	1,459	0	-118	65	0	0	0	232					148,294
R0400	Net	0	0	0	98,383	811	0	0	0	0	0	0	7,127					106,320
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	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					0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	0	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					0
R0550	**Expenses incurred**	0	5	0	19,600	3,648	-1	-346	65	0	0	0	16,324					39,296
R1200	**Other expenses**																	
R1300	**Total expenses**																	39,296

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					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	0	35,155	12,210	-1	-213	-142	0	0	0	8,057					55,066
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	43,579	25,960	1	194	114	0	0	0	1,397					71,244
R0150	**Net Best Estimate of Premium Provisions**	0	0	0	-8,424	-13,749	-2	-407	-256	0	0	0	6,660					-16,177
	Claims provisions																	
R0160	Gross	0	0	0	247,875	14,881	0	0	123	0	0	0	3,314					266,194
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	145,109	10,533	0	0	121	0	0	0	0					155,763
R0250	**Net Best Estimate of Claims Provisions**	0	0	0	102,766	4,349	0	0	3	0	0	0	3,313					110,430
R0260	**Total best estimate - gross**	0	0	0	283,031	27,092	-1	-213	-19	0	0	0	11,371					321,260
R0270	**Total best estimate - net**	0	0	0	94,343	-9,401	-2	-407	-254	0	0	0	9,974					94,253
R0280	**Risk margin**	0	0	0	2,514	757	0	0	0	0	0	0	477					3,748
	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	0	285,545	27,849	-1	-213	-19	0	0	0	11,848					325,009
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0	0	188,688	36,492	1	194	235	0	0	0	1,397					227,007
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	0	0	96,857	-8,644	-2	-407	-254	0	0	0	10,451					98,001

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	-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	-8	0	0	0	0	0	0	0	0	0			0	0
R0180	-7	0	0	0	0	0	0	0	0				0	0
R0190	-6	0	0	0	0	0	0	0					0	0
R0200	-5	0	0	0	0	0	0						0	0
R0210	-4	0	0	0	0	3							3	3
R0220	-3	7,575	19,119	-3,570	415								415	23,539
R0230	-2	38,881	50,061	8,849									8,849	97,791
R0240	-1	56,257	59,304										59,304	115,562
R0250	0	83,299											83,299	83,299
R0260												Total	151,870	320,195

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	-9	0	0	0	0	0	0	#NAME?	0	0	0		0
R0170	-8	0	0	0	0	0	0	#NAME?	0	0			0
R0180	-7	0	0	0	0	0	0	#NAME?	0				0
R0190	-6	0	0	0	0	0	0	#NAME?					0
R0200	-5	0	0	0	0	0	0						0
R0210	-4	0	0	0	0	-1							-1
R0220	-3	33,144	17,410	13,385	4,941								4,562
R0230	-2	69,722	33,670	27,897									25,439
R0240	-1	151,964	119,909										106,605
R0250	0	139,029											129,590
R0260												Total	266,194

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)	160,100	160,100		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	-74,859	-74,859			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	7,971				7,971
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**	93,212	85,241	0	0	7,971
	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	93,212	85,241	0	0	7,971
R0510	Total available own funds to meet the MCR	85,241	85,241	0	0	
R0540	Total eligible own funds to meet the SCR	93,212	85,241	0	0	7,971
R0550	Total eligible own funds to meet the MCR	85,241	85,241	0	0	
R0580	**SCR**	66,098				
R0600	**MCR**	18,876				
R0620	**Ratio of Eligible own funds to SCR**	141.02%				
R0640	**Ratio of Eligible own funds to MCR**	451.58%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	93,212
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	168,071
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-74,859
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	851
R0790	**Total Expected profits included in future premiums (EPIFP)**	851

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,945		
R0020	Counterparty default risk	10,728		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	49,446		
R0060	Diversification	-6,659		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	56,460		

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	9,638
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**	66,098
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	66,098
	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	18,876

		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	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	94,343	42,879
R0060	Other motor insurance and proportional reinsurance	0	31,720
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	541
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	9,974	20,915
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	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	18,876
R0310	SCR	66,098
R0320	MCR cap	29,744
R0330	MCR floor	16,524
R0340	Combined MCR	18,876
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	18,876