Aioi Nissay Dowa Insurance UK Limited

Solvency and Financial Condition Report

Year ended 31 December 2022

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Summary

1. Business and performance summary

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

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

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

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

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

2022 was the Company's third year of trading and it does not yet have a large book of prior year reserves, so the result is largely dependent on current year trading conditions. The Company made a pre-tax loss for the year ended 31 December 2022 of £24.2m (2021: loss of £12.7m).

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

The Company's gross written premiums ("GWP") for the year were £260.0m (2021: £209.5m). Its premium income is derived from retail motor and related products, and retail motor, motor fleet and motor-related commercial Japanese Interests Abroad ("JIA"). The Company considers its business across four areas: Insure the Box ("ITB"), Commercial Fleet and Partnerships ("Fleet"), Toyota insurance and JIA.

ITB underwriting now comprises the brands Insure The Box and Tesco Bank Box. The Drive Like A Girl brand was discontinued in 2022. Sales through these brands, which focus on the UK young driver and telematics market, contributed £69.0m (2021: £67.3m) to the Company's GWP during the year.

The retention rates achieved on the Fleet portfolio continue to exceed expectations, at over 80% for the full year. Sales of fleet policies contributed £86.2m (2021: £83.4m) to the Company's GWP during the year. The Commercial Fleet and Partnerships business includes two business arrangements which started in June 2021, ibott and Flock. Ibott is a managing general agent ("MGA") and a division of Apollo Syndicate Management Limited ("Apollo") ANDI UK provides capacity to ibott, with the results of the MGA subject to a quota share reinsurance arrangement with the Apollo syndicate. The Company has partnered with Flock Limited, also an MGA, to develop connected motor fleet insurance products. ANDI UK provides underwriting capacity to Flock. In 2021 £8.6m of GWP was written through the ibott and Flock partnerships. This has increased to £36.1m in 2022, with the increase being due to the planned growth of these two partnerships and the consequence of a full year of operations.

Until 2022 the UK Toyota business, which comprises retail motor and related products, was exclusively distributed through car dealerships and the Toyota website. In 2022, the Company launched a Toyota motor insurance product on Price Comparison Websites ("PCW"). This product is not exclusive to Toyota and Lexus vehicles and is available for some non-Toyota manufactured vehicles. The dealership channel did underperform against sales targets for 2022 but the PCW channel outperformed. The Company's GWP from the UK Toyota business overall in 2022 was £60.5m (2021: £42.0m).

The JIA business includes Motor Ichiban – a retail motor business marketed to Japanese expatriates – some commercial fleets and a motor trade business. GWP for the year was £8.2m (2021: £8.1m). The business is all 100% reinsured by the Group's parent company ADJ, with the Company's income derived from a commission on business sales.

Post-balance sheet events

On 24 January 2023, the Company issued a further £20m of ordinary share capital to its parent company, ANDEL. This was to support the Company's financial position and Solvency Capital Requirement ("SCR") coverage.

Prior year comparatives

In the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. We are able to make this change for the 2022 year-end because we now have more comprehensive information on the premiums receivables balances than we had previously, along with enhanced processes to analyse and age the future premiums due to the Company.

In this 2022 year-end SFCR, we have set out both the comparatives as reported in our 2021 year-end SFCR and those which have been restated using the approach adopted for the current year.

There is no impact to the Company's previously reported Solvency II own funds of £82.3m as a consequence of this restatement. However, there is a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Company's 2021 year-end Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR"). The restated 2021 SCR is £47.7m, compared with £53.2m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £13.5m, compared with £17.9m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 154.8% to 172.4% and the previously reported MCR coverage from 458.8% to 608.4%.

The directors have presented this prior year comparative information in order to provide better comparative information to users of this SFCR.

Further details on this change are included within the relevant sections of this SFCR.

2. System of governance summary

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

The Company has an established governance framework which it deems suitable for its insurance activities. The Company is part of the Group's risk management system and operates a Three Lines of Defence Model consistent with that in place in the rest of the Group. The system of governance did not change materially during the year.

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

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

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

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

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

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

3. Risk profile summary

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

The following table sets out the standard formula risk capital components as at 31 December 2022:

Component	2022 £m	2021 *(as restated)* £m	2021 *(as reported)* £m
Non-life underwriting risk	41.7	33.6	33.8
Market risk	3.2	4.1	4.0
Counterparty default risk	8.4	8.9	16.3
Diversification credit	(5.9)	(6.5)	(8.5)
Operational risk	7.8	7.6	7.6
SCR	**55.2**	**47.7**	**53.2**
MCR	**19.4**	**13.5**	**17.9**

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

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

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

- exposure to corporate bonds;
- exposure to the failure of bank counterparties;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders, 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 within the Company's risk taxonomy. Reputational risk is defined as the risk of losses as a result of damage to the reputation and brands of the Company or of other companies on which the Company's fortunes depend.

4. Valuation for solvency purposes summary

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

	2022 £m	2021 *(as restated)* £m	2021 *(as reported)* £m	Reason
Net asset value per UK GAAP	**70.9**	**77.3**	**77.3**	**Per accounts**
Revaluation of net technical reserves	116.8	93.4	42.5	Differing reserving basis under Solvency II. The change due to the restatement represents the reclassification of insurance receivables to form part of technical provisions.
Deferred acquisition costs	(36.6)	(33.9)	(33.9)	No DAC for Solvency II
Intangible assets	(3.1)	(3.6)	(3.6)	Intangible asset eliminated under Solvency II
Adjustments to other assets and liabilities (net)	(84.8)	(50.9)	(0.0)	Different valuation bases between Solvency II and UK GAAP. The change due to the restatement represents the reclassification of insurance receivables to form part of technical provisions.
Own funds under Solvency II	**63.2**	**82.3**	**82.3**	**Solvency II own funds**

5. Capital management summary

The SCR coverage ratio as at 31 December 2022 was 114.4% (2021: 154.7% as reported; 2021: 172.4% as restated), with eligible own funds of £63.2m (2021: £82.3m) and an SCR of £55.2m (2021: £53.2m as reported; 2021: £47.7m as restated). The MCR coverage ratio as at 31 December 2022 was 291.7% (2021: 459.8% as reported; 2021: 608.4% as restated), with eligible own funds of £56.5m (2021: £82.3m), and an MCR of £19.4m (2021: £17.9m as reported; 2021: £13.5m as restated). The deferred tax asset of £6.7m is considered as Tier 3 own funds and is not eligible to cover the MCR. Annual and quarterly reporting throughout both 2022 and the prior year have shown that the Company has complied continuously with both the MCR and the SCR throughout the reporting period.

The Company's Solvency II "own funds" comprise share capital and retained reserves, a Solvency II reconciliation reserve and a deferred tax asset. The net of the Company's share capital and retained reserves and the reconciliation reserve are "Tier 1" own funds per the Solvency II regulation. The deferred tax asset is "Tier 3" own funds. Tier 1 own funds are unrestricted, while the amount of Tier 3 own funds is restricted to 15% of the amount of the SCR. Tier 3 own funds 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 none of the deferred tax asset is considered ineligible for recognition as part of the Company's own funds.

The capital management objective of the Company is to maintain sufficient own funds to cover the SCR and the MCR with an appropriate buffer which takes account of the Company's growth ambitions as set out in its business plan. The Board and the Board Committees consider regularly the ratio of eligible own funds over the SCR and MCR. The Company prepares solvency projections over a five-year period as part of the business planning process.

During 2022, the Company's capital position came under pressure both due to the Company's trading performance and because of falls in the market value of the Company's fixed income portfolio. These unrealised losses on investments are accounted for in equity in the Company's UK GAAP accounts and do not affect the Company's profit and loss result, but the decline in values is reflected in the Company's balance sheet and in its Solvency II own funds position. The combination of the trading performance and the fall in investment valuations led to the Company's solvency coverage margin falling below the directors' target for this measure, although still above the SCR.

The directors alerted the shareholder, ANDEL, to the Company's solvency position, while they also held discussions with ADJ regarding a change in the Company's quota share reinsurance agreements. These discussions concluded successfully and from 1 January 2023 ADJ has agreed to take a greater share of the Company's underwriting result through a revised quota share reinsurance agreement, while on 24 January 2023 the parent company ANDEL made a further capital injection of £20m. The combination of the quota share agreement and the injection of share capital means that the directors expect the Company to be at or close to its targeted solvency coverage measure by the end of the first quarter of 2023. Subject to the Company's trading performance and further fluctuations in the valuation of its investment holdings, the directors expect this targeted solvency coverage measure to be maintained thereafter.

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

External audit requirements

In the prior year the Company was considered a "small company" for the purposes of its Solvency II reporting. This meant that the Company's SFCR was not subject to external audit. For the year-ended 31 December 2022 the Company is above the Solvency II external audit threshold. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited. 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

6 April 2023

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 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022, (**'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;

- 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 2022 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 compliance 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 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.

Other matter - prior period information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report

We note that the prior period information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report was not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report are unaudited. Our opinion is not modified in respect of this matter.

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 2022. 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.

Cheryl Mason

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

6 April 2023

Appendix to 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 – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'

A. Business and Performance

A1. Information regarding our business

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.

As noted in the "Business and Performance Summary" the Company's principal activity is insurance and its main business is retail general insurance, with a focus on auto-centric products. The Company's four main areas of business are: ITB, Fleet and Partnerships, Toyota and JIA. The split of business across these business units was as follows during 2022. All of the risks underwritten were in the UK.

Business unit	2022 gross written premium £m (% of total GWP)	2021 gross written premium £m (% of total GWP)
ITB	69.0 (26.5%)	67.3 (32.1%)
Fleet and Partnerships	122.3 (47.0%)	92.0 (43.9%)
Toyota	60.5 (23.3%)	42.0 (20.1%)
JIA	8.2 (3.2%)	8.1 (3.9%)
Total	**260.0**	**209.5**

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

Supervisory authorities

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

The Company is part of the ANDEL Group. The Prudential Regulation Authority is the Group Supervisor for the ANDEL Group.

Auditor

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

Credit rating

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

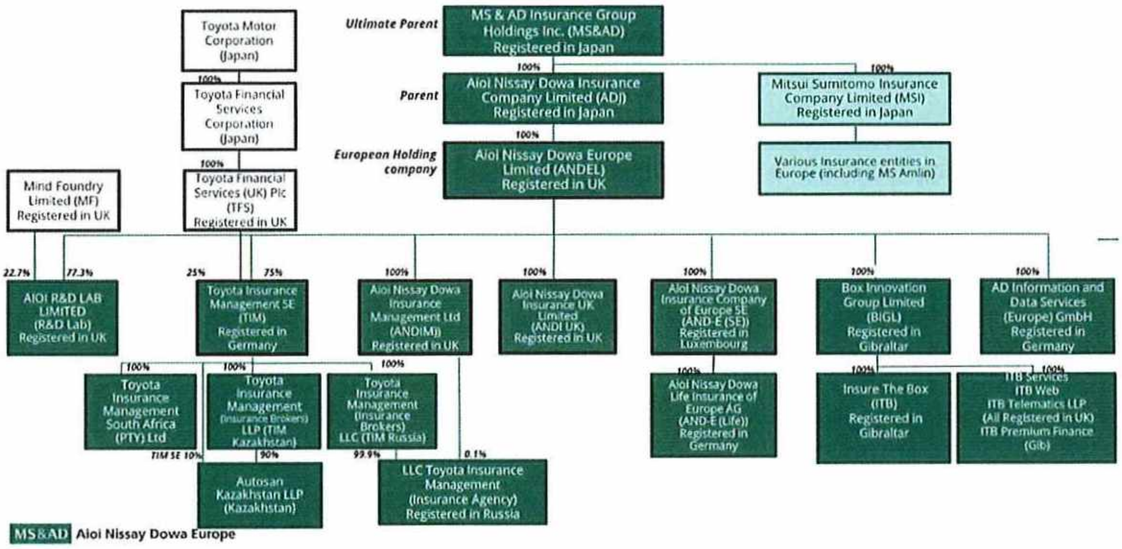
Group structure

ANDI UK is a UK-domiciled company which operates as a general insurer in the UK. It is 100% owned by ANDEL and is part of the ANDEL Group.

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

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

GROUP COMPANY STRUCTURE



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

During 2022, the Company experienced significant falls in the value of its fixed income portfolio as markets reacted to interest rate increases by central banks and the wider macroeconomic uncertainty. As at 1 January 2022, the Company had brought forward unrealised losses on its fixed income portfolio of £1.1m (fall of 1.3%). By year-end 2022 these unrealised losses had increased to £10.1m (fall of 9.8%). 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 in order to meet cash needs. The falls in the values of the fixed income securities held by the Company are therefore reflected as unrealised losses, with the Company not expecting to need to sell any of these securities in order to meet its cash requirements. Nonetheless, the fall in the value of the investments is reflected in the Company's balance sheet and in its Solvency II own funds. During the year, as noted above on page 5, the Company's capital position came under pressure due to a combination of the Company's own trading performance and because of falls in the market value of its investment portfolio. This led the directors to take the steps described on pages 5-6 to strengthen the Company's capital position.

A2. Underwriting performance

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

	2022 £m	2021 £m
Gross written premiums	260.0	209.5
Net earned premiums	113.2	76.3
Net claims incurred	98.1	68.7
Loss ratio	86.7%	90.1%

The Company's gross written premiums ("GWP") for the year were £260.0m (2021: £209.5m). Its premium income is derived from retail motor and related products, and retail motor, motor fleet and motor-related commercial Japanese Interests Abroad ("JIA"). The Company considers its business across four areas: Insure the Box ("ITB"), Commercial Fleet and Partnerships ("Fleet"), Toyota insurance and JIA.

ITB underwriting now comprises the brands Insure The Box and Tesco Bank Box. The Drive Like A Girl brand was discontinued in 2022. Sales through these brands, which focus on the UK young driver and telematics market, contributed £69.0m (2021: £67.3m) to the Company's GWP during the year.

The retention rates achieved on the Fleet portfolio continue to exceed expectations, at over 80% for the full year. Sales of fleet policies contributed £86.2m (2021: £83.4m) to the Company's GWP during the year. The Commercial Fleet and Partnerships business includes two business arrangements which started in June 2021, ibott and Flock. Ibott is a managing general agent ("MGA") and a division of Apollo Syndicate Management Limited ("Apollo") ANDI UK provides capacity to ibott, with the results of the MGA subject to a quota share reinsurance arrangement with the Apollo syndicate. The Company has partnered with Flock Limited, also an MGA, to develop connected motor fleet insurance products. ANDI UK provides underwriting capacity to Flock. In 2021 £8.6m of GWP was written through the ibott and Flock partnerships. This has increased to £36.1m in 2022, with the increase being due to the planned growth of these two partnerships and the consequence of a full year of operations.

Until 2022 the UK Toyota business, which comprises retail motor and related products, was exclusively distributed through car dealerships and the Toyota website. In 2022 we launched a Toyota motor insurance product on Price Comparison Websites ("PCW"). This product is not exclusive to Toyota and Lexus vehicles and is available for some non-Toyota manufactured vehicles. The dealership channel did underperform against sales targets for 2022 but the PCW channel outperformed. The Company's GWP from the UK Toyota business overall in 2022 was £60.5m (2021: £42.0m).

The JIA business includes Motor Ichiban – a retail motor business marketed to Japanese expatriates – some commercial fleets and a motor trade business. GWP for the year was £8.2m (2021: £8.1m). The business is all 100% reinsured by the Group's parent company ADJ, with the Company's income derived from a commission on business sales.

The net underwriting results for Toyota and ITB in 2022 were below expectations. This was due to two factors. First, the overall UK motor insurance market conditions were particularly challenging. Secondly, the Company had a higher proportion of new business, as sales began to recover post Covid-19. During the first half of 2022 in particular, average new business premiums did not rise in line with claims cost inflation in the first half of 2022. The Company also continued to experience increases in claims severity, as parts and wage inflation, combined with disruptions to motor supply chains and repair shops, fed through to claims costs.

For 2022, the underwriting performance for the Fleet business including the partnerships with ibott and Flock was in line with expectations.

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

	ITB 2022 £m	Fleet 2022 £m	Toyota 2022 £m	JIA 2022 £m
Gross written premiums	69.0	122.3	60.5	8.2
Gross premiums earned	70.0	105.7	40.6	8.0
Gross claims incurred	(82.1)	(73.4)	(48.9)	(6.6)
Gross acquisition and technical expenses	(29.2)	(25.2)	(26.2)	(2.5)
Gross technical result	(41.2)	7.1	(34.4)	(1.0)
Reinsurers' share of technical result	27.1	(10.2)	18.1	1.3
Net technical result	(14.1)	(3.0)	(16.2)	0.2

	ITB 2021 £m	Fleet 2021 £m	Toyota 2021 £m	JIA 2021 £m
Gross written premiums	67.3	92.0	42.0	8.1
Gross premiums earned	38.1	82.3	26.0	8.1
Gross claims incurred	(49.1)	(50.4)	(16.2)	((2.1)
Gross acquisition and technical expenses	16.0	(14.3)	(14.9)	(2.7)
Gross technical result	(27.0)	17.5	(5.1)	3.3
Reinsurers' share of technical result	5.1	(10.8)	0.9	(3.4)
Net technical result	**(21.9)**	**6.7**	**(4.2)**	**(0.1)**

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

	Motor vehicle liability 2022 £m	Miscellaneous financial loss 2022 £m	Other 2022 £m
Gross written premiums	237.6	20.6	1.8
Net earned premiums	101.0	12.1	-
Net claims incurred	95.7	2.3	-
Net loss ratio	94.8%	19%	-

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

A3. Investment performance

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

Available investment returns for the asset classes into which the Company invests (high quality fixed income securities, money market funds and cash) have recently been increasing, although returns have been below the headline inflation figure in the UK. The position on cash remains difficult, with banks continuing to offer a level of interest rates on holding in pounds sterling which are below the Bank of England interest rate.

Overall, the Company has continued with its strategy of capital preservation and of maintaining a high degree of liquidity. Despite the challenge of inflation, the Company is not expecting to change this investment strategy within the near future.

Investment income as per the Company's financial statements was £1.5m (2021: £0.4m), net of investment management expenses. This income is derived mainly from corporate, government, agency and supra-national bond holdings. These are fixed income securities, which generate income for the Company through regular interest payments. Other components of income are interest income from cash and money market holdings.

Unrealised gains and losses on these fixed income securities are recognised directly in equity in the revaluation reserve, so do not directly affect the Company's reported profit and loss account result. The amount taken to the revaluation reserve for the year was an unrealised loss of £9.0m (2021: gain of £2.1m), reflecting the decrease in the fair value of the Company's bond portfolio. These fair value gains and losses affect the Company's solvency position, as the movements are reflected in the balance sheet values but are not reported as income or expenses in the annual accounts.

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 in order 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 £8.4m (2021: £6.8m). This mainly comprises non-technical ancillary income which does not constitute insurance premium income, including add-on income and rebates.

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

A5. Any other information

No other information.

B. System of Governance

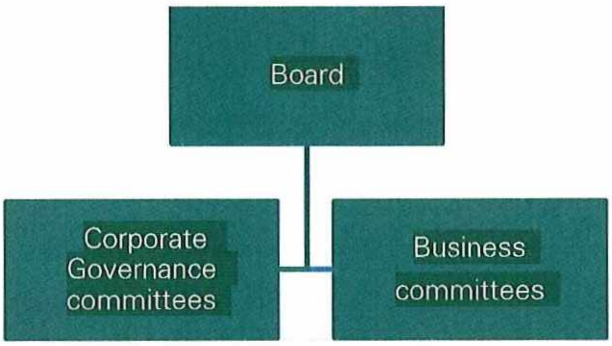
B1. General information on the system of governance

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.

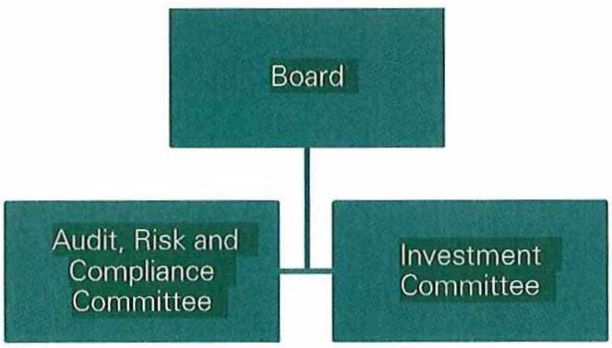
Overview of the Board and its committees

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.

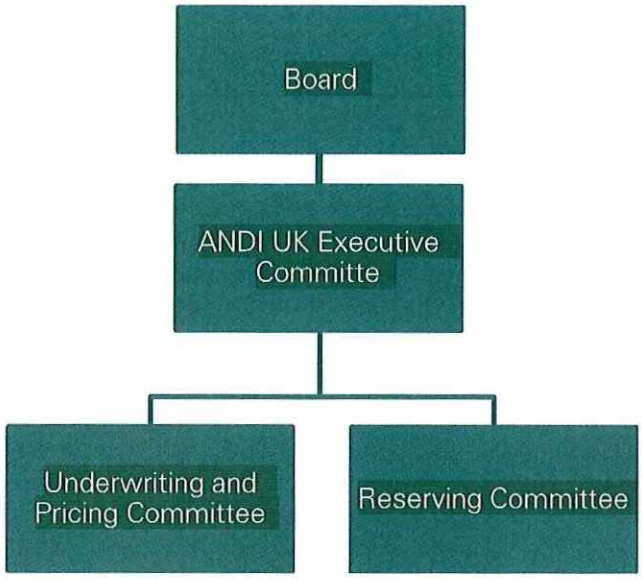
The established corporate governance framework is as follows:



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 2022, the members of the Board were:

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

Mr M Swanborough resigned as a director of the Company and as the Group's Chief Executive Officer, effective 31 May 2022. Mr Kainzbauer took office as Group Chief Executive Officer on the same date.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is a key element of the Company's internal control framework. The Committee controls and monitors the activities of the Company's Audit, Risk and Compliance activities, which are the key oversight and assurance functions at the core of the

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

To ensure independence, the Internal Audit function is directly accountable to the Chairman of the Audit, Risk and Compliance Committee but reports on a daily basis to the Group Chief Executive. During 2022, the Internal Audit function undertook less activity than planned due to staff absences. As a result, the Audit, Risk and Compliance Committee elected to seek a professional services firm to provide internal audit services. Following a competitive tender process, BDO LLP were appointed as outsourced internal auditor in January 2023. The directors do not consider the shortfall in internal audit activity during 2022 as having had a material effect on the Company's risk management framework.

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

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

Investment Committee

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

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

UK Executive Committee

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

The Committee comprises two members, the Chief Executive Officer and the Chief Financial Officer. Members of the Company's executive management are normally in attendance, as is the Group Risk Assurance Director. The 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 both the Company and its fellow subsidiary ANDIE SE. The Board has authorised the Group Reserving Committee to oversee reserving activity and to ensure that this is carried out in accordance with the Company's reserving policy. Ultimate responsibility for the Company's reserves lies with the Company's Board.

The Board has delegated to the Reserving Committee the responsibility for ensuring that the Group's Reserving Committee has carried out its activities effectively. The purpose of the Reserving Committee is to set the reserving policy for the Company and to monitor ongoing compliance with that policy. The Committee receives reserve reports from the Actuarial function, covering best estimates and risks and provides input and challenge to the best estimates and the risk assessment. The Committee determines the amount of reserves to be booked in the Company's annual accounts and the level of Solvency II technical provisions.

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

Underwriting and Pricing Committee

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

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

Relevant Group Committees

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

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

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

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

Remuneration Policy

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

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

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

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

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

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

B2. Fit and proper requirements

The Group is committed to ensuring that all its staff have the appropriate skills, knowledge and experience to perform their roles, this is 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, as part of the process the Group considers whether the candidate is fit and proper to undertake the required role. This means that the following in particular are considered:

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

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

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

Technical and professional development

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

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

- Technical knowledge and its application;
- Skills and expertise; and
- Changes in the market 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, ANDI UK is fundamentally concerned with the management of risk. The Group maintains a risk management system with which the Company is aligned.

Enterprise risk management framework

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

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

- Underwriting and reserving;
- Asset-liability management;
- Investment activity;
- Liquidity and concentration risk;
- Operational risk; and
- Reinsurance and other risk mitigation techniques.

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

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

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

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

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

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

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

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

Three Lines of Defence Model

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

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

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

During 2022, the Internal Audit function undertook less activity than planned due to staff absences. As a result, the Audit, Risk and Compliance Committee elected to seek a professional services firm to provide internal audit services. Following a competitive tender process, BDO LLP were appointed as outsourced internal auditor in January 2023. The directors do not consider the shortfall in internal audit activity during 2022 as having had a material effect on the Company's risk management framework.

Own Risk and Solvency Assessment

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

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

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

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

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

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

- Deciding the Company's strategy and setting the risk appetite;
- Agreeing the business plan for the Company;
- Any necessary risk mitigation actions;
- Forward looking identification and assessment of material risks arising from the business strategy or in the business plan;

- Challenging the results of the standard formula SCR calculation; and
- Assessing the Company's short- and long-term capital position.

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

B4. Internal Control System

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

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

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

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

System of internal control objectives

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

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

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 as well as its priorities and direction. The control environment sets the tone for the Company. It provides discipline and structure and strongly influences the control consciousness of all staff. Key factors in the control environment include the integrity, ethical values and competence of all personnel.

The Board is responsible for:

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

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

Senior management is responsible for:

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

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

b. Risk Assessment

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

c. Control Activities

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

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

- Identify and evaluate the exposures to loss relating to their particular sphere of operations;

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

d. Information and Communication

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

e. Monitoring

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

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

Compliance Function

The Compliance Function is responsible for:

- Ensuring that the Company complies with all applicable laws and regulatory requirements as well as with all internal policies, processes and procedures; and
- Reporting to management and the GRAC on the appropriateness of the Company's compliance procedures; following up identified deficiencies and suggesting improvements as necessary.

The Compliance Function across the Group comprises of the Director of Risk and Compliance UK, supported by the Head of Compliance UK and the Head of Compliance Luxembourg. There is also a central Compliance and Risk team in the UK. 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 Board has established an Internal Audit Function, which is the third line of defence in the Company. The Internal Audit function is independent from all operational activities.

During 2022, the Internal Audit function undertook less activity than planned due to staff absences. As a result, the Audit, Risk and Compliance Committee elected to seek a professional services firm to provide internal audit services. Following a competitive tender process, BDO LLP were appointed as outsourced internal auditor in January 2023. The directors do not consider the shortfall in internal audit activity during 2022 as having had a material effect on the Company's risk management framework.

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

Executive Management to improve the effectiveness of governance, risk management and internal controls.

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

On a day-to-day basis the internal audit activity is overseen by the outsourced internal audit firm, BDO LLP. Internal Audit reports through the Audit, Risk and Compliance Committee quarterly but also has a regular reporting line to the Chief Executive Officer. Internal Audit is also able to report directly to the Audit, Risk and Compliance Committee outside the regular committee meetings.

B6. Actuarial Function

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

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

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

The Actuarial Function is responsible for:

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

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.

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

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

The UK Executive Committee is responsible for designating suitable owners for each outsourced arrangement, overseeing the outsourced activities and ensuring that the outsourcing policy is followed.

Each outsourced business process has an owner, responsible for ensuring that appropriate controls to manage the risks from outsourcing are in place and that there is regular monitoring of performance. Outsourced business process owners work in conjunction with Risk Management, Compliance and other functions including IT, Legal and People and Culture.

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

a. Policy administration

The Company previously outsourced the policy administration of its Toyota motor insurance business to Lloyd Latchford Limited. As of the 1 November 2022 our Newcastle operation became the end-to-end service, sales and claims hub for Toyota Motor Insurance, Lexus Motor Insurance, Autosan, and Kinto Light Commercial Vehicles.

b. Claims

The Company has outsourced certain of its claims handling and settlement arrangements. The most significant of these arrangements are with the Davies Group Limited. Other important claims handling arrangements are with InsureThat and AutoProtect.

c. Audits

The Company has outsourced the role of internal auditor to BDO LLP. BDO LLP assumed this role in January 2023. Previously, the Company had an internal Group Head of Internal Audit who would, where appropriate, engage third parties to provide specialist skills to support with audit activity.

d. Business continuity planning

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

e. Management services

The Group companies ANDEL and ANDIM provide management services to the Company including the recharge of expenses incurred on the Company's behalf. Other Group companies, including ANDIE SE, also provide services to the Company, principally IT services.

f. Investment management

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

B8. Any other information

No further information.

C. Risk Profile

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

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

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

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

The above approach aims to:

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

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

We also performed various reverse stress tests, including:

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

In addition to the tests above, we also considered the impact on the Company's solvency of the following scenarios:

- Credit rating downgrade of the parent company ADJ;
- A further fall in investment valuations; and
- Large loss experience deviating from expectations.

C1. Underwriting risk

Nature of the risk

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

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

Methods used to assess and quantify the risk

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

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

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

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

a. Volume of business

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

b. Current year loss ratio

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

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

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

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

c. Claim frequency and severity

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

d. Natural Catastrophe

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

e. Reserve runoff and ENID scenarios

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

Risk mitigation

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

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

Risk sensitivity for underwriting risks

As mentioned in the introduction of this section, we have considered the impact on the Company's solvency 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 £9.5m. The Company's solvency would be sufficient to absorb a shock at this level, however it would lead the Company to fall below 100% of its SCR.

C2. Market risk

Nature of the risk

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

At the end of 2022, ANDI UK's investments consisted of £91.2m in bonds (2021: £80.6m) and £61.1m in cash, deposits and money market funds (2021: £51.1 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 day-to-day market values directly affect the available Solvency II capital. However, the mark-to-market movements do not affect the Company's cash flows from investments. The risk of being required to sell bonds at a loss to cover unexpected liabilities is considered under liquidity risk.

An alternative to investing in fixed income bonds is to invest in cash or money market funds. As at the end of 2022, the Company's cash holdings were £26.9m (2021: £30.8m) and money market fund holdings £34.2m (2021: £20.3m). Cash, deposits and money market funds are not typically affected by market value fluctuations and are therefore more secure from a capital point of view. However, investing in cash and money market funds introduces greater uncertainty as to the level of income that can be achieved, as this is affected by fluctuating interest rates.

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

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

Methods used to assess and quantify the risk

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

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

Risk mitigation

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

- The Company has an asset liability management ("ALM") framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The principal technique of the Company's ALM framework is to match assets to the liabilities arising from insurance contracts by reference to the expected timing of settlement of liabilities. The Company's ALM framework is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and of the policyholder liabilities. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations;
- The Company has a defined investment policy which sets limits on exposure to securities both in aggregate terms and by geography, industry and counterparty. Investment management meetings are held quarterly. The Company invests principally in high quality government, surpranational agency and corporate bonds, with the average rating of the bond portfolio of A+ (2021: average rating of A+) and a duration of 3.2 years (2021: 4.4 years). Bond holdings below investment grade are not permitted.
- The Company maintains the outsourced management of its bond portfolio with Goldman Sachs Asset Management in London.

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

Risk sensitivity for market risks

- 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 £1.3m in 2022 annual SCR.

- 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 inflation risk within the standard formula model.

  The UK economic outlook remains uncertain and there is a risk of higher than expected claims inflation as seen in 2022. There have been many challenges for UK insurers such as the pandemic and leaving the EU. There are now additional concerns due to the health of the UK economy, supply chain issues and increases in the cost of living. Inflation may impact claims costs, notably through increases in fraud, theft and increased car prices. Furthermore, an increase in parts, shipping and wage has been observed. The Company continues to monitor the level of inflation now and inflation expectations for the future, and to consider these in respect of the 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:

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

Methods used to assess and quantify the risk

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

Risk mitigation

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

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

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

Risk sensitivity for credit risks

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

The Company has some exposure to BBB rated bonds. The total amount is not permitted to be more than 15% of the overall bond portfolio and individual holdings in BBB investments are typically restricted to 1.25% of the bond portfolio. All BBB investments are closely monitored with the assistance of Goldman Sachs Asset Management. As at the balance sheet date, the total BBB investment exposure was £9.8m (2021: £9.7m) or 10.8% (2021: 12%) of the Company's portfolio.

C4. Liquidity risk

Nature of the risk

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

Liquidity risk affects the Company in two main ways:

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

Methods used to assess and quantify the risk

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

Risk mitigation

The Company carries out the following to mitigate liquidity risk:

- Cash flow forecasting. The Company monitors its cash flows closely across all branches to ensure they are correctly funded and matches the cash flow of its assets and liabilities;

- A significant proportion of liquid assets are held at all times to meet expected liabilities;
- The investment policy has been set to avoid concentration risk and to ensure high quality liquid assets; and
- Liquidity is regularly monitored by the Treasury department and quarterly by the Investment Committee.

Risk sensitivity for liquidity risks

Cash, deposits and money market funds at the year-end totalled £68.8m (2021: £51.1m). The Company's fixed income bonds have an average duration of 3.2 years, which is closely matched with the expected duration of the Company's liabilities. The £91.2m (2021: £80.6m) of fixed income bonds are also highly liquid in most market circumstances, albeit the Company expects that its cash and money market fund holdings, as well as the close matching of assets and liabilities by duration, would mean that fixed income securities would not need to be sold and thereby the Company would avoid the realisation of currently unrealised losses on the investment portfolio. In extremis, however, the Company could take this step. Overall, the directors are confident 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:

- Internal and external fraud;
- Legal action against the Company;
- Significantly higher than expected inflation of costs;
- Changes in employment law;
- Improper market practices;
- Failure to comply with regulations;
- Project overruns or failures;
- Poor performance or failure of an outsourced provider;
- Business disruption and system failures;
- Damage to physical assets (e.g., due to natural catastrophe);
- Loss of key personnel;
- Pandemic;
- Unexpected subsidiary funding requirements;
- Inadequate or inaccurate systems;
- Unauthorised access to sensitive data; and
- Cyber-crime and system security.

Methods used to assess and quantify the risk

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

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

Risk mitigation

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

Another risk which increased during the pandemic and which has been maintained since was cyber-crime, with both the Company and its outsourced providers potentially under threat. The Company has responded to this increased risk by increasing the controls around phishing emails, by introducing additional multi-factor authentication across the business, an update of some of the Company's key business applications and an enhancement of additional data security and protection applications and processes. The Company assesses its operational resilience and in particular the resilience of key services provided to customers, to ensure that the delivery of the most critical services is protected as effectively as possible.

Risk sensitivity for operational risks

The operational risk per the SCR standard formula calculation is 14.1% (2021: 14.3%) of the SCR as at the balance sheet date However, the Company's ORSA includes a higher amount for operational risk in order to reflect management and the Board's view that the Company's operational risk is higher than the SCR standard formula indicates, as the ORSA model considers more detailed components such as inflation risk, non-optional change programmes and costs of new and ongoing projects.

Whilst Group's response in the recent years has proven the robustness of our operational model and business continuity procedures, there has been an increase in cyber-crime worldwide and this remains the case with further recent examples of cyber-attacks. The company has continued with education and training of staff on such matters, as well as introducing multi factor authentications for system logins.

The analysis of operational risk carried out for the ORSA completed September 2022 (based on data as at 31 December 2021) arrived at an operational risk of £9.9m, which is 130% of the amount calculated according to the 2021 SCR standard formula (£7.6m) which this calculation was based on and 127% of 2022 standard formula (£7.8m). The SCR coverage ratio would be sufficient to absorb a loss at this level.

C6. Other material

Strategic risk

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

ANDI UK has diversified its sources of income with the Fleet business now surpassing the telematics portfolio in size. Strategically. our biggest risk is our overall exposure to motor as our almost exclusive line of business and the changes in the external environment which reduce the motor insurance market. Our work to develop new mobility products and alternative distribution is our primary response.

Our parent company (ANDEL) has a very high 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 much smaller and less critical source of business for ANDI UK, and at the very least the business should be able to continue to write planned Toyota aggregator business should the business have to cease writing the other elements of Toyota business in the UK (TMI GAP, Smart and Kinto). ANDI UK would arguably remain as a viable business without those lost lines, albeit ADJ, ANDEL's parent company, may not want to continue writing UK motor insurance in the absence of the Toyota relationship.

Reputational risk

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

The main forms of reputational risk affecting the Company are:

- As a white label insurer reputational risk can be in the form of damage to the Toyota brand since we have business that is Toyota branded;
- Reputational damage to Insure the Box brand, e.g., arising from failed technology, failure to deliver the expected levels of service, failure to control media messages re: telematics;
- Increased threats posed by cyber-crime; and
- On a lesser scale we are potentially exposed to collateral damage from co-insurance partners problems, failures by outsourced suppliers and problems 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. This has been demonstrated by the effect on the business of various safety recalls that have been instigated by Toyota over the past few years. Retention was unaffected across all countries as customers were able to distinguish between the issues relating to the safety recall and the insurance product. In these circumstances the short-term financial impact is small, growing only over an extended period of time. The Company uses a wide range of outsourced suppliers, including co-insurance arrangements. Brand damage to a co-insurer would potentially be more visible and could have an impact on our operations although the main focus of the branding is Toyota. Problems at other MS&AD group entities could also potentially affect relationships with regulators or other partners.

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

C7. Any other information

No other information.

D. Valuation for Solvency Purposes

In the prior year the Company was considered a "small company" for the purposes of its Solvency II reporting. This meant that the Company's SFCR was not subject to external audit. For the year-ended 31 December 2022 the Company is above the Solvency II external audit threshold. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited.

Prior year comparatives

In the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. We are able to make this change for the 2022 year-end because we now have more comprehensive information on the premiums receivables balances than we had previously, along with enhanced processes to analyse and age the future premiums due to the Company.

In this 2022 year-end SFCR, we have set out both the comparatives as reported in our 2021 year-end SFCR and those which have been restated using the approach adopted for the current year.

There is no impact to the Company's previously reported Solvency II own funds of £82.3m as a consequence of this restatement. However, there is a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Company's 2021 year-end SCR and MCR. The restated 2021 SCR is £47.7m, compared with £53.2m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £13.5m, compared with £17.9m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 154.8% to 172.4% and the previously reported MCR coverage from 458.8% to 608.4%.

The directors have presented this prior year comparative information in order to provide better comparative information to users of this SFCR.

Summary of assets and liabilities

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
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**

31 December 2021 (unaudited)	2021 *(as restated)* Annual Accounts value	Reclassification/ Revaluation	Solvency II Value *(as restated)*
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	33.9	(33.9)	-
Intangible assets	3.6	(3.6)	-
Deferred tax assets	-	-	-
Bonds	80.0	0.6	80.6
Collective investment undertakings	-	20.3	20.3
Reinsurance recoverables	97.9	(13.6)	84.3
Insurance receivables	60.7	(50.8)	9.9
Cash and cash equivalents	51.1	(20.3)	30.8
Other assets	25.1	(0.7)	24.4
Total assets	**352.3**	**(102.0)**	**250.3**
Liabilities:			
Technical provisions	229.4	(107.0)	122.4
Insurance payables	12.3	-	12.3
Reinsurance payables	10.8	-	10.8
Other liabilities	22.5	-	22.5
Total liabilities	**275.0**	**(107.0)**	**168.0**
Excess assets over liabilities	**77.3**	**5.0**	**82.3**

31 December 2021 (unaudited)	2021 *(as reported)* Annual Accounts value	Reclassification/ Revaluation	Solvency II value *(as reported)*
Assets:	**£m**	**£m**	**£m**
Deferred acquisition costs	33.9	(33.9)	-
Intangible assets	3.6	(3.6)	-
Bonds	80.0	0.6	80.6
Collective investment undertakings	-	20.3	20.3
Reinsurance recoverables	97.9	(13.6)	84.3
Insurance receivables	60.7	-	60.7
Cash and cash equivalents	51.1	(20.3)	30.8
Other assets	25.1	(0.7)	24.4
Total assets	**352.3**	**(51.2)**	**301.1**
Liabilities:			
Technical provisions	229.4	(56.2)	173.2
Insurance payables	12.3	-	12.3
Reinsurance payables	10.8	-	10.8
Other liabilities	22.5	-	22.5
Total liabilities	**274.9**	**(56.2)**	**218.8**
Excess assets over liabilities	**77.3**	**5.0**	**82.3**

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

D1. Assets

Deferred acquisition costs

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

Intangible assets

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

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.

In previous years, in accordance with the Company's accounting policy, the Company did not recognise a deferred tax asset as it had not been deemed probable that there would be taxable profits against which tax losses generated in previous years can be utilised. Following the agreement of a revised quota share reinsurance agreement with ADJ, the directors now consider that the Company should be profitable in 2023 and that the Company's brought forward corporation tax losses will be utilised in this year and in subsequent years. The Company has therefore recognised a deferred tax asset in relation to the Company's tax losses of £6.7m (2021: £nil).

Bonds

As at the reporting date the Company held investments in fixed income securities of £91.2m (2021: £80.6m). The holdings are split between the asset classes government bonds (including supra nationals), corporate bonds and collateralised securities. As at the reporting date, the balance held in each of these asset classes is £19.8m (2021: £21.0m) in government bonds, £70.9m (2021: £58.9m) in corporate bonds and £0.5m (2021: £0.6m) in collateralised securities.

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

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

Collective investments undertakings

In the annual accounts, assets held in short-term deposits or collective investment schemes (known as "money market funds") are reported as "Deposits with credit institutions". Under Solvency II, these amounts are treated either as cash 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 £34.2m (2021: £20.3m) held in collective investments undertakings. The collective investments undertakings are valued at fair value based on the market price as at the reporting date, which are quoted prices in active markets for identical assets. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held is usually the current bid price. Changes in the market value of the collective investments undertakings are included in the reported value. There are no material estimates, assumptions or judgements made when reporting the value of the collective investments undertakings.

Reinsurance recoverables

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

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

As at the reporting date, the Company had £2.3m (2021: £60.7m as reported; 2021: £9.9m as restated) 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. 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.

Prior year restatement – in the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. The restated amounts from the prior year reflect a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions.

Cash and cash equivalents

As at the reporting date, the Company had £23.8m (2021: £30.8m) 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. As these are cash amounts held in bank accounts the valuation does not rely on market prices. The amount under Solvency II differs from the annual accounts because short-term deposits held with banks are presented as "deposits with credit institutions" in the annual accounts and as cash and cash equivalents under Solvency II. There are no material estimates, assumptions or judgements when reporting the value of cash and cash equivalents.

Any other assets, not elsewhere shown

As at the reporting date, the Company had £18.4m (2021: £24.4m) 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, assumptions or judgements when reporting the value of these assets. The balance of other assets differs by £0.9m (2021: £0.7m) from the value in the annual accounts. As noted above, accrued interest on the bond portfolio (£0.8m) is included as part of the overall bond valuation for Solvency II, so is removed from the equivalent balance in the annual accounts. This is the main component of the difference. Prepaid expenses of £0.1m have also been eliminated.

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 2022, the net technical provisions were:

Technical provisions	2022		2021 *(as restated)*		2021 *(as reported)*	
Class of business	Net best estimate £m	Risk margin £m	Net best estimate £m	Risk margin £m	Net best estimate £m	Risk margin £m
Motor Vehicle Liability	67.6	2.1	28.4	5.4	60.8	5.4
Motor, Other Classes	(0.2)	0.8	0.5	0.6	16.8	0.6
Miscellaneous Non-Life Insurance	4.1	1.7	1.2	1.0	4.3	1.0
General Liability	-	-	-	-	-	-
Credit and Suretyship	-	-	-	-	-	-
Marine, Aviation and Transport	-	-	-	-	-	-
Income Protection	-	0.3	1.1	-	-	-
Legal Expenses	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Medical Expenses	-	-	-	-	-	-
Fire and Other Damage	-	-	-	-	-	-
Total	**71.5**	**4.9**	**31.2**	**7.0**	**81.9**	**7.0**

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.

The basis on which the technical provisions are calculated is outlined below. Other than the inclusion of future premiums, which is the cause of the restatement described below, there have been no material changes in assumptions made in the technical provisions calculation since the prior year. There are no material differences in bases, methods or assumptions for the different classes of business set out above, although we have allowed for an increase in inflation above what is present in our claims history.

Under Solvency II, the provision for outstanding claims is the best estimate of the cost of all existing open cases and all possible future claims, post discounting. This contrasts with the value for technical provisions in the annual accounts which are the undiscounted best estimate of all open cases plus future claims as far as they are represented in the claims history (or market history, depending on the method). The 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 an extremely low likelihood, these percentages are extremely subjective. However, a previous benchmarking exercise carried out by an independent third party indicated that the Company's approach to ENIDs was broadly in line with that of peer entities.

The technical provisions under Solvency II also include a risk margin. A simplification has been used for the calculation of the margin, as permitted, by approximating the whole SCR for each future year using a ratio to technical provisions. This simplification is deemed appropriate because there are no 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 has changed from using 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) have been calculated using standard deterministic actuarial models. For most classes, development factor (or "chain-ladder") methods have been used. For some liability classes, Bornheutter-Ferguson models (or similar methods which combine our own experience with an average market claims experience) have been used.

Future inflation is implicitly assumed to follow historic inflation except in the case of models based on market average experience where inflation is explicitly considered. Different to last year we have allowed for the high inflation rates in 2022 above the estimated rates in the claims history for the Motor Liability class. 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. The inflation is already high in the Motor Other class and deemed sufficient to rely on the standard actuarial methods.

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

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

In some cases, there is insufficient historical data to derive the necessary cash-flow patterns for both premiums and claims. In these cases, cash flows are modelled in proportion to similar accounts where we do have sufficient data. These classes do not make up a significant proportion of the net best estimate as at 31 December 2022.

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

- For the quota-share reinsurance arrangements, the cash flows are the relevant percentage of the gross cash flows. Where actuarial methods have been used for the gross best estimates, these are implicitly used to calculate quota share recoveries. A delay is included between the gross cash flows and the corresponding reinsurance recoveries.

- For the excess of loss contracts, the expected recoveries are not determined using traditional actuarial methods. They are based on an individual assessment of each large claim by the relevant Branch claims manager with the cash flows modelled from the terms of the applicable reinsurance treaty.

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

Prior year restatement

In the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet.

Future premiums within the technical provisions are subject to discounting and to a lapse risk charge, whereas insurance receivables are subject to a "type 2" counterparty risk charge, as amounts due from unrated counterparties.

There is a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions. As the effect of prior year discounting on the future premiums is immaterial, there is no effect on the Company's prior year reported own funds as a result of the change.

Business interruption claims

The general insurance liabilities in prior years included reserves for claims arising from business interruption due to Covid-19. The policies in question were part of the Company's motor trade portfolio, which is 100% reinsured by the Group's parent company, ADJ. In the prior year the Company held preliminary reserves of £3.9m for these claims. The claims were settled in October 2022 at a total cost of £1.1m and the reserves were closed.

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 £7.6m (2021: £12.3m) of insurance and intermediaries payable. These are valued in the annual accounts at expected settlement value. However, as these liabilities represent the amounts to be paid to insurance claimants these amounts are not revalued to amortised cost as they are typically settled in the short-term, with the settlement amount rarely differing from the initial valuation. The annual accounts valuation therefore substantially equates to fair value. The only adjustment made for Solvency II valuation purposes is eliminating remaining 2022 excess of loss premium settlements, as these were included within the Solvency II technical provisions. There is no adjustment for the valuation of other insurance payables between the annual accounts and Solvency II. There are no material estimates, assumptions or judgements when reporting the value of insurance and intermediaries payable.

Reinsurance payables

As at the reporting date, the Company had £4.3m (2021: £10.8m) of reinsurance payables. Reinsurance payables represent premiums due to reinsurers. They are valued initially at transaction value plus attributable costs. They are subsequently measured at expected settlement value. As the majority of payables are short-term in nature the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

Any other liabilities, not elsewhere shown

As at the reporting date, the Company had £25.2m (2021: £22.5m) 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 of the obligation. Other liabilities are recognised initially at transaction value plus directly attributable costs. As the majority of liabilities are short-term in nature the carrying value in the annual accounts is considered to approximate to fair value. Any discounting for the time value of money would not have a material effect. There are no material estimates, assumptions or judgements when reporting the value.

D4. Alternative methods for valuation

The Company has not used any alternative valuation methods.

D5. Any other information

No other information.

E. Capital Management

In the prior year the Company was considered a "small company" for the purposes of its Solvency II reporting. This meant that the Company's SFCR was not subject to external audit. For the year-ended 31 December 2022 the Company is above the Solvency II external audit threshold. As a result, Sections D and E in this report are subject to external audit. The prior year comparatives in these sections are unaudited. Other sections in this SFCR are not subject to external audit.

Prior year comparatives

In the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet. We are able to make this change for the 2022 year-end because we now have more comprehensive information on the premiums receivables balances than we had previously, along with enhanced processes to analyse and age the future premiums due to the Company.

In this 2022 year-end SFCR, we have set out both the comparatives as reported in our 2021 year-end SFCR and those which have been restated using the approach adopted for the current year.

There is no impact to the Company's previously reported Solvency II own funds of £82.3m as a consequence of this restatement. However, there is a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions.

The restatement has resulted in a reduction in the Company's 2021 year-end SCR and MCR. The restated 2021 SCR is £47.7m, compared with £53.2m as previously reported. The main reason for this change is the reduction of the counterparty risk charge. The restated 2021 MCR is £13.5m, compared with £17.9m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 154.8% to 172.4% and the previously reported MCR coverage from 458.8% to 608.4%.

The directors have presented this prior year comparative information in order to provide better comparative information to users of this SFCR.

E1. Own funds

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

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

	2022 £m Tier 1	2022 £m Tier 3	2021 £m Tier 1	2021 £m Tier 3
Ordinary share capital	115.1	-	95.1	-
Reconciliation reserve	(58.6)	-	(12.8)	-
Net deferred tax asset	-	6.7	-	-

The Company's Solvency II own funds comprise ordinary share capital and retained reserves, a Solvency II reconciliation reserve and a deferred tax asset. The share capital as at 31 December 2022 is £115.1m (2021: £95.1m). The share capital is fully paid up and comprises 115,100,000 ordinary shares with a nominal value of £1 each. There is a negative reconciliation reserve of £58.6m (2021: £12.8m). The net of the Company's ordinary share capital and retained reserves and the negative reconciliation reserve are "Tier 1" own funds per the Solvency II regulation. Tier 1 own funds 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 none of the deferred tax asset is considered ineligible for recognition as part of the Company's own funds.

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds. There are no own shares held.

As at 31 December 2022, the net asset value of the Company as calculated for the annual accounts was £70.9m (2021: £77.3m). This is a £6.4m decrease since 31 December 2021. The table below shows the annual account movement in net asset value:

	2022 £m	2021 £m
Brought forward 1 January	77.3	72.1
Issue of new ordinary share capital	20.0	20.0
Loss for the year pre taxation	(24.2)	(12.7)
Recognition of deferred tax asset	6.7	-
Movement in other reserves	(8.9)	(2.1)
Carried forward 31 December	**70.9**	**77.3**

For Solvency II purposes, eligible own funds to meet the MCR were £56.5m (2021: £82.3m) and to meet the SCR were £63.2m (2021: £82.3m). 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 eligible own funds and the net asset value in the annual accounts are set out below.

	2022 £m	2021 *(as restated)* £m	2021 *(as reported)* £m	Reason
Net asset value per UK GAAP	**70.9**	**77.3**	**77.3**	**Per accounts**
Revaluation of net technical reserves	116.8	93.4	42.5	Differing reserving basis under Solvency II. The change due to the restatement represents the reclassification of insurance receivables to form part of technical provisions.
Deferred acquisition costs	(36.6)	(33.9)	(33.9)	No DAC for Solvency II
Intangible assets	(3.1)	(3.6)	(3.6)	Intangible asset eliminated under Solvency II
Adjustments to other assets and liabilities (net)	(84.8)	(50.9)	(0.0)	Different valuation bases between Solvency II and UK GAAP. The change due to the restatement represents the reclassification of insurance receivables to form part of technical provisions.
Own funds under Solvency II	**63.2**	**82.3**	**82.3**	**Solvency II own funds**

The movement of own funds on a Solvency II basis during 2022 was as follows:

	2022 £m	2021 £m
Own funds brought forward at 1 January	82.3	59.7
Movement in year	(19.1)	22.6
Own funds carried forward as at 31 December	**63.2**	**82.3**

The SCR coverage ratio as at 31 December 2022 was 114.4% (2021: 154.7% as reported; 2021: 172.4% as restated), with eligible own funds of £63.2m (2021: £82.3m) and an SCR of £55.2m (2021: £53.2m as reported; 2021: £47.7m as restated). The MCR coverage ratio as at 31 December 2022 was 291.7% (2021: 459.8% as reported; 2021: 608.4% as restated), with eligible own funds of £56.5m (2021: £82.3m), and an MCR of £19.4m (2021: £17.9m as reported; 2021: £13.5m as restated). The deferred tax asset of £6.7m is considered as Tier 3 own funds and is not eligible to cover the MCR. Annual and quarterly reporting throughout both 2022 and the prior year have shown that the Company has complied continuously with both the MCR and the SCR throughout the reporting period.

E2. Solvency Capital Requirement and Minimum Capital Requirement

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

The table below shows the components of the SCR as at 31 December 2022:

Component	2022 £m	2021 *(as restated)* £m	2021 *(as reported)* £m
Non-life underwriting risk analysed by:			
- **Premium and reserve risk**	40.4	32.6	32.6
- **Catastrophe risk**	4.0	3.2	3.2
- **Lapse risk**	2.0	1.7	4.5
- **Diversification credit**	(4.8)	(3.9)	(6.4)
Market risk analysed by:			
- **Interest rate risk**	1.2	1.0	1.0
- **Equity risk**	-	-	-
- **Property risk**	-	-	-
- **Spread risk**	3.0	3.9	3.9
- **Currency risk**	-	-	-
- **Concentration risk**	-	-	-
- **Diversification credit**	(1.0)	(0.9)	(0.9)
Counterparty default risk	8.4	8.9	16.3
Diversification credit	(5.9)	(6.4)	(8.5)
Operational risk	7.8	7.6	7.6
SCR	**55.2**	**47.7**	**53.2**
MCR	**19.4**	**13.5**	**17.9**

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 £19.4m (2021: £17.9m as reported; 2021: £13.5m as restated).

The Company's SCR was £55.2m as at the end of 2022 (2021: £53.2m as reported; 2021: £47.7m as restated). The increase is mainly due to the increase in the Company's reserves as the Company's underwriting volumes grow. 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:

- Premium income in 2022 being lower than planned;
- Lower future expected profits in business already written; and
- The decrease in the average duration of the bond portfolio during the year.

Prior year restatement

In the Company's 2021 year-end SFCR and Solvency II reporting (which was unaudited), the Company treated future premiums as insurance receivables, rather than deducting them from technical provisions, as per Solvency II requirements. For the 2022 year-end, future premiums are treated as part of the technical provisions, so netting future premiums against future claims outflows rather than treating the amounts gross on the balance sheet.

There is no impact to the Company's previously reported Solvency II own funds of £82.3m as a consequence of this restatement. However, there is a reclassification of £50.8m between the Company's previously reported insurance receivables and its previously reported technical provisions.

As can be seen in the table above, the restatement has resulted in a reduction in the Company's 2021 year-end SCR. The restated 2021 SCR is £47.7m, compared with £53.2m as previously reported. The main reason for this change is the reduction of the counterparty risk charge from £16.3m to £8.9m. There is also a reduction in lapse risk from £4.5m to £1.7m. There are also changes to the amounts of diversification credits.

The restated 2021 MCR is £13.5m, compared with £17.9m as previously reported. This change is due to the decrease in the Solvency II prior year technical provisions once future premiums are included.

The effect of the restatement is to increase the previously reported SCR coverage from 154.8% to 172.4% and the previously reported MCR coverage from 458.8% to 608.4%.

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 formula and does not use an internal model 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 Insurance UK Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(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 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	6,734
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	125,461
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	91,223
R0140	*Government Bonds*	19,767
R0150	*Corporate Bonds*	70,935
R0160	*Structured notes*	0
R0170	*Collateralised securities*	522
R0180	*Collective Investments Undertakings*	34,238
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	139,567
R0280	*Non-life and health similar to non-life*	139,567
R0290	*Non-life excluding health*	139,567
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,274
R0370	Reinsurance receivables	493
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	23,794
R0420	Any other assets, not elsewhere shown	18,375
R0500	**Total assets**	316,698

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	215,957
R0520	*Technical provisions - non-life (excluding health)*	215,686
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	211,041
R0550	*Risk margin*	4,645
R0560	*Technical provisions - health (similar to non-life)*	271
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	271
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	7,561
R0830	Reinsurance payables	4,302
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	25,656
R0900	**Total liabilities**	253,477
R1000	**Excess of assets over liabilities**	63,221

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	49	0	237,624	921	2	502	283	0	0	0	20,607					259,986
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	49	0	117,765	921	2	502	283	0	0	0	81					119,602
R0200	Net	0	0	0	119,859	0	0	0	0	0	0	0	20,526					140,384
	Premiums earned																	
R0210	Gross - Direct Business	0	55	0	208,483	955	2	519	282	0	0	0	14,065					224,361
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	55	0	107,440	955	2	519	282	0	0	0	1,928					111,181
R0300	Net	0	0	0	101,043	0	0	0	0	0	0	0	12,137					113,180
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	206,614	1,768	0	161	150	0	0	0	2,171					210,863
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	110,868	1,768	0	161	150	0	0	0	-171					112,775
R0400	Net	0	0	0	95,745	0	0	0	0	0	0	0	2,342					98,088
	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	6	0	29,673	111	0	-957	34	0	0	0	11,924					40,790
R1200	**Other expenses**																	
R1300	**Total expenses**																	40,790

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted 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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
R0010	Technical provisions calculated as a whole	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								
	Technical provisions calculated as a sum of BE and RM								
	Best estimate								
	Premium provisions								
R0060	Gross	0	0	0	17,879	10,100	1	208	109
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	27,289	15,768	1	200	104
R0150	Net Best Estimate of Premium Provisions	0	0	0	-9,410	-5,668	0	8	5
	Claims provisions								
R0160	Gross	0		0	164,239	10,298	0	0	203
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	87,272	4,843	0	0	199
R0250	Net Best Estimate of Claims Provisions	0		0	76,967	5,454	0	0	4
R0260	Total best estimate - gross	0	0	0	182,118	20,398	1	208	312
R0270	Total best estimate - net	0	0	0	67,557	-213	0	8	9
R0280	Risk margin	0	271	0	2,129	801	3	17	0
	Amount of the transitional on Technical Provisions								
R0290	Technical Provisions calculated as a whole								
R0300	Best estimate								
R0310	Risk margin								
R0320	Technical provisions - total	0	271	0	184,247	21,200	4	226	313
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	114,561	20,611	1	200	303
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	271	0	69,686	589	3	26	9

		Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				
		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
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole	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	5,934					34,231
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	3,335					46,696
R0150	Net Best Estimate of Premium Provisions	0	0	0	2,600					-12,465
	Claims provisions									
R0160	Gross	0	0	0	2,070					176,810
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	557					92,871
R0250	Net Best Estimate of Claims Provisions	0	0	0	1,513					83,939
R0260	Total best estimate - gross	0	0	0	8,004					211,041
R0270	Total best estimate - net	0	0	0	4,113					71,474
R0280	Risk margin	0	0	0	1,693					4,916
	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	9,697					215,957
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	3,892					139,567
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	0	0	5,806					76,390

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)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
		Development year												
R0100	Prior											0	0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2014	0	0	0	0	0	0	0	0	0			0	0
R0180	2015	0	0	0	0	0	0	0	0				0	0
R0190	2016	0	0	0	0	0	0	0					0	0
R0200	2017	0	0	0	0	0	0						0	0
R0210	2018	0	0	0	0	0							0	0
R0220	2019	0	0	0	0								0	0
R0230	2020	7,575	19,119	-3,570									-3,570	23,125
R0240	2021	38,881	50,061										50,061	88,943
R0250	2022	56,257											56,257	56,257
R0260												Total	102,749	168,325

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
		Development year											
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	0	0	0	0	0	0	0	0	0			0
R0180	2015	0	0	0	0	0	0	0	0				0
R0190	2016	0	0	0	0	0	0	0					0
R0200	2017	0	0	0	0	0	0						0
R0210	2018	0	0	0	0	0							0
R0220	2019	0	0	0	0								0
R0230	2020	33,144	17,410	13,385									11,651
R0240	2021	69,722	33,670										30,230
R0250	2022	151,964											134,930
R0260												Total	176,810

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	115,100	115,100		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	-58,613	-58,613			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	6,734				6,734
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**	63,221	56,487	0	0	6,734
	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	63,221	56,487	0	0	6,734
R0510	Total available own funds to meet the MCR	56,487	56,487	0	0	
R0540	Total eligible own funds to meet the SCR	63,221	56,487	0	0	6,734
R0550	Total eligible own funds to meet the MCR	56,487	56,487	0	0	
R0580	**SCR**	55,244				
R0600	**MCR**	19,368				
R0620	**Ratio of Eligible own funds to SCR**	114.44%				
R0640	**Ratio of Eligible own funds to MCR**	291.65%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	63,221				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	121,834				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	-58,613				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	353				
R0790	**Total Expected profits included in future premiums (EPIFP)**	353				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,259		
R0020	Counterparty default risk	8,432		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	41,667		
R0060	Diversification	-5,915		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	47,443		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	7,801
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**	55,244
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	55,244
	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	19,368

		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	67,557	73,818
R0060	Other motor insurance and proportional reinsurance	0	44,164
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	8	1,381
R0090	General liability insurance and proportional reinsurance	9	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	4,113	20,526
R0140	Non-proportional health reinsurance	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	19,368
R0310	SCR	55,244
R0320	MCR cap	24,860
R0330	MCR floor	13,811
R0340	Combined MCR	19,368
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	19,368