



USAA Limited

Annual Report and Financial Statements

31 December 2021

Registered Number 730577



USAA Limited

Annual Report and Financial Statements

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USAA Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2021

Principal activities and review of the business

The principal activity of the Company is the provision of motor and property insurance in the United Kingdom (UK) to a defined customer base.

Results and performance

The results of the Company for the year are set out on pages 15 and 16 show a loss on ordinary activities after tax of £11k (2020: Profit £7,645k). The shareholders' funds of the company total £73,729k (2020: £71,827k).

The Company's key financial and other performance indicators during the year were as follows:

	2021 £'000	2020 £'000	Change %
Gross written premiums	16,451	15,312	7.4%
Gross earned premiums	16,416	15,359	6.9%
Reinsurance premiums	(1,624)	(1,695)	(4.2%)
Claims Incurred gross of reinsurance	(15,190)	2,814	(639.8%)
Claims Incurred net of reinsurance	(6,255)	263	(2478.3%)
Net operating costs	(8,038)	(6,610)	(21.6%)
Underwriting result	499	7,317	(93.2%)
Profit before tax	44	9,486	(99.5%)
Shareholders' funds	73,509	71,827	(2.3%)
Net Loss ratio	42.3%	(1.9%)	(2325.6%)
Net Combined ratio	96.6%	46.5%	(107.8%)

The Company ended the financial year with an underwriting result of £499k (2020: £7,317k), significantly lower than the previous year.

Gross earned premiums of £16,416k (2020: £15,359k) increased by £1,057k, 6.9% in 2021 as premiums started to return to more normal levels. Gross earned premiums were lower in 2020 as a result of the Company paying premium refunds to compensate for lower vehicle usage during the COVID-19 pandemic.

Reinsurance premiums of £1,624k (2020: (£1,695k)) decreased slightly in 2021 from reinsurance premium refund adjustments on the 2020 external reinsurance premium.

On a gross basis, losses incurred before reinsurance of £15.2m (2020: £2.8m positive) increased by £18m over the previous year from a £4m decrease in gross paid claims, which was offset by a large increase in the movement in claims provisions in 2021. This significant increase in gross claims provisions is mainly the result of a £11.7m UK Bodily Injury claim (£2.1m after reinsurance reserve), that occurred in January 2021, and lower IBNR takedowns on prior years claims provisions in 2021 compared to 2020, which was an exceptional year. In 2020 the COVID-19 pandemic had a significant impact on the 2020 accident year insurance liabilities from lower vehicle usage during the COVID-19 lock downs. The Company also benefitted in 2020 from favourable claims development on its prior years Bodily Injury claims provisions resulting in significant IBNR takedowns. After reinsurance total net incurred losses of £6,255k (2020: £263k positive) increased by £6,518k over the previous year.

Net operating costs of £8,038k (2020: £6,610) have increased by 1,428k, 21.6%. The operating costs consist mainly of service fees for insurance and administrative services provided by related parties with some operating costs incurred directly by the Company. The main reason for the increase is the £1.4m additional pension costs related to the planned buy-out of the Company's DB Scheme in 2022/2023. (More information can be found on the Company's DB pension scheme in Note 21).



USAA Limited

Strategic Report

Results and performance (continued)

In the non-technical account, investment income and realised and unrealised losses on investments amounted to an overall investment loss of £1,110k (2020: £5,575k gain). The investment income earned of £2,171k during the year has been eroded by realised and unrealised market value losses of £3,281k from poor investment market performance.

The Company recorded a currency translation gain of £631k (2020: £3,465k loss) on the revaluation of its US dollar and Euro currency assets and liabilities. Overall the Company ended the year with a loss after tax of £11k (2020: profit £7,645k). After remeasurement of the defined benefit pension surplus resulting in after tax gains of £1,693k, the total comprehensive income amounted to £1,682k increasing shareholders' funds to £73,509k (2020: £71,827k).

Principal risks and uncertainties

The Board of Directors and its senior executives evaluate the Company's principal risks on a frequent basis.

The principal risks and uncertainties of the Company are broadly grouped as underwriting, military/political, competitive and technology. Additional risks commented on in this report relate to pension risk, Brexit, COVID-19 and climate change.

Underwriting risk

Insurance risk is a significant element of the Company's risk profile. This risk is driven by the long-tail bodily injury claims in the motor portfolio. Mitigations include controls around all components of the business (pricing, underwriting coverage, claims and loss reserving) that could lead to unplanned increases in the likelihood and severity of losses. Stress testing is regularly conducted to ensure that the company can absorb extreme losses from a single non catastrophe event. Whilst the company's policyholders have been concentrated around military bases in the United Kingdom, there is no significant exposure to aggregation of risk to losses emanating from natural catastrophes. Nevertheless, the potential exposure to these events is modelled and assessed as part of the Company's capital assessment. Changes in the Ogden reserving can have a significant impact on the company's claims reserves especially the larger claims. Whilst these are reinsured, additional reserves caused by Ogden rate changes can affect the Company through increased reinsurance premiums.

The Company has a strong reinsurance programme in place to mitigate losses arising from the motor and property portfolios.

Coronavirus (COVID-19)

The World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The impact of COVID-19 cannot be underestimated both from a global economic perspective and its impact on businesses (both customers and employees). The Company introduced full work from home in line with the UK government's announcement on 23 March 2020, which has continued in 2021. Working practices have been developed throughout the pandemic and the business has kept a pandemic register, which is reported within the business management meetings. The business intends to adopt hybrid working practices going forward to mitigate future pandemic risk and provide flexible working arrangements for employees.

The COVID-19 outbreak saw some impacts to the Company's supply chain at the start of the pandemic. Now all of our business partners have adapted to provide services to the standards delivered previously. We are fortunate to have the backing and resources of a Fortune 100 group, who have assisted us in our response to the pandemic situation. Our primary concern was to maintain our services to our members whilst ensuring the welfare of our employees, and we did not have to furlough any employees. COVID-19 positively impacted our claims frequency as a result of fewer mileage driven through lockdown.

USAA Limited

Strategic Report

Principal risks and uncertainties (continued)

Climate change

As the full impact of climate change is currently unknown, it is not possible to consider all possible future outcomes when determining the value of assets, liabilities and the timing of future cash flows. The Company's view is that any reasonable impact of climate change would not have a material impact on the valuation of assets and liabilities at the year-end date. Climate Change continues to be reviewed through the Company's Risk Committee.

Military/political risk

Active duty members of the armed forces of the United States and their families living in the United Kingdom are the Company's core customer target segment. This is a significant reduction in size from the portfolio underwritten prior to Brexit and this presents additional risk of volatility caused by changes in the number of troops based in the UK. The Company continues to monitor decisions from the US Department of Defence, such as troop strength and numbers to ensure the operations remain valid in the short term.

The situation in the Ukraine has caused an increase in the presence of US Military personnel to be stationed in Europe on a short term deployment. This is not likely to impact business volumes or place additional risks on USAA Limited in the short term (see Future Developments).

Competitive risks

The Company is subject to competition from international and domestic insurers in the United Kingdom. An increase in competition from domestic insurers could cause significant erosion in market share. Exchange rate movements can also affect the Company's competitive position given that premiums are paid in US dollars to reflect members salary payments. A strengthening of the US dollar can adversely affect our competitive position compared to domestic insurers. Exchange rate fluctuations can also have a significant impact on other areas of the income statement such as claims costs, expenses and investment returns. The Company monitors strategic market share, exchange rates, and market stability on a frequent basis.

Technology and cyber risk

The ability to respond to technological developments which significantly changes insurance products or the way that they are delivered to customers, allied to the ever increasing threat to customer data could prove challenging for the Company. USAA Limited is able to leverage from the research conducted by its parent company to ensure that it is able to mitigate against any material impact in both, the short term and over the longer term as new technology becomes more mature and accepted widely across the Company's customer base. The outcomes of the parent company's results are reported into the business management meetings for review and consideration.

The situation in the Ukraine has caused an increase in the likelihood of potential cyber attacks against USAA. The Group's control environment and active defence mechanisms, coupled with comprehensive cyber and ransomware insurance cover causes us to believe that the residual risk remains unaffected at this time.

Pension risk

The Company continues to have exposure to its historical defined benefit pension scheme that was closed to new entrants in 2016. Whilst work was undertaken to de-risk the investment strategy, external events have caused significant volatility in the pension fund portfolio. With the company's intention to simplify its legal structure, the UK Pension liabilities are to be settled either by transfer to a third-party insurer or by employees electing to take a lump sum value of their benefit. Before transfer to a third-party insurer, pension benefits must be frozen. During 2021, employees consented to freezing the pay used in their pension benefit calculations. To simplify the transaction and reduce overall costs, the Company offered employees an enhanced lump sum prior to transferring the liability to a third-party insurer. Employees were able to transfer the value of their pension benefit into an individual retirement account which provides them additional flexibility in retirement planning. The aim is to complete a full scheme buy-out and wind-up by the end of 2022.



USAA Limited

Strategic Report

Section 172(1) statement

The Directors of the Company have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regards, amongst other matters to:

- the likely consequences of decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and other related party service providers.
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company to maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

Stakeholder engagement

Our customers

Our customers are policyholders and comprise US military and their families living in the UK, who purchase motor and property insurance products. Serving our policyholders is at the heart of everything USAA Limited does, which includes following the ultimate parent company's mission to facilitate the financial security of US military and their families, and their brand promise of going above for those who have gone beyond.

The Board fully embraces the military culture of its customers with customer service and meeting customers needs at the forefront of Board meetings. In addition to this, it is expected that Board Members complete a required amount of Military Acumen training.

Our employees

During the COVID-19 pandemic work at home situation, members of the Board have held regular virtual employee Town Hall meetings with Q&A sessions.

Employees are encouraged to speak up and raise any concerns through a variety of channels. The employees voice is heard through monthly pulse surveys and employee net promoter scores, where results are analysed and action plans are implemented to improve the working environment. The organisation also conducts regular Pulse surveys to get employee feedback through anonymous online surveys.

USAA Limited adopts the initiatives of its ultimate parent company, USAA in making the Company a great place to work. This includes creating a diverse and inclusive culture for all employees and contractors, investing in employees through sponsorship of professional qualifications and talent management programmes.

Our suppliers

The Board recognises the key role our suppliers, third party and related party service providers play in ensuring the Company delivers an exceptional service to our policyholders and claimants. Enhanced third party risk management and oversight procedures are being introduced to further raise our effectiveness in preventing the failure of services provided by external third parties.

Community and environment

USAA Limited has a Charity Committee, which is very active in raising money from staff to support a number of small and national charitable organisations.



USAA Limited

Strategic Report

Section 172(1) statement (continued)

Shareholders

USAA Limited is fully owned subsidiary of USAA S.a.r.l, a Company incorporated in Luxembourg and registered under the number B224166 of the Luxembourg Company Register. USAA S.a.r.l is a fully owned subsidiary of USAA in the United States. USAA Limited has representatives of USAA S.a.r.l on the Board of Directors, these executive directors are either working for USAA Limited/S.a.r.l or for USAA in the United States. The Board of Directors of USAA Limited regularly informs USAA S.a.r.l of any development affecting the Company so as to ensure that USAA Limited remains within the objectives set forth by the USAA Group of Companies. Regular meetings are taking place throughout the year to ensure efficient ways of communication are maintained. USAA Limited is neither a publicly traded nor a listed company.

Regulators

The Board recognises the importance of open and honest dialogue with regulators. The Board receive regular regulatory updates at Board meetings from the Compliance Director.

Considering stakeholders in decisions

USAA Limited recognises the importance of engaging with stakeholders to help form its strategy and Board decision making. Relevant stakeholder interests are taken into account by the Board when it takes decisions. The Board also considers the need to maintain a reputation for high standards of business conduct, the need to act fairly between the wider members of the USAA group, and the long-term consequences of its decisions.

By order of the Board

A handwritten signature in black ink, appearing to read "Simon Keith", with a horizontal line underneath.

Simon Keith
Director
Date 21 April 2022

Fitzwilliam House
10 St Mary Axe
London EC3A 8AE



USAA Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2021.

Directors and Directors' Interests

The current directors and those who held office during the year were as follows:

Simon Patrick Kendall Keith
Craig Anthony Scarr
Dirk Christiane Beeckman
Karen Elizabeth Graves
Randy Lee Termeer

None of the directors who held office during the year had any disclosable interests in the ordinary shares of the Company.

Results and dividends

The directors have not proposed or paid any dividends in 2021 in respect of 2021 profits.

Future developments

The immediate objectives of the Company are to manage operations effectively and efficiently following Brexit and how to return to Business as Usual following the COVID-19 pandemic. Following this, in conjunction with other initiatives with our ultimate parent company, efforts are underway to modernise systems, technology and data to enable the business to offer personalised sales and service experiences digitally.

The Group has reviewed the International structure to ensure its optimal to service members in the current post-Brexit environment. It has identified that the current European structure is very complex and costly and, as a result, we will be implementing a new structure to reduce costs, ease volatility of results and improve efficiency. This will be achieved by transferring the UK portfolio of USAA Limited into the USAA S.A. UK Insurance Branch, which will start underwriting UK policies from 01 April 2022. The remaining liabilities from USAA Limited will be appropriately transferred to either USAA S.A. or the USAA S.A. UK Insurance Branch via a Part VII transfer with a planned effective date of 31 December 2022. Following this transaction USAA Limited will be dissolved during 2023, therefore simplifying the current European structure.

These plans are subject to the UK court and the PRA/FCA approval. The authorisation of the USAA S.A. UK Insurance Branch was approved by the PRA and FCA on 28 January 2022.

The Russian incursion into Ukraine on 24th February 2022 has a potential significant impact to our members based in Europe and the business as a whole. At the time of writing, the conflict has been confined to Ukraine, a region in which the company is not licensed to write business. To date, despite significant disruption to financial markets, the impact to the business has not been material, but the situation could worsen should the conflict escalate to wider areas of Europe. All potential risks are being actively managed as part of the company's risk management process.

Statement of Going Concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the latest business plan, profit forecasts and solvency calculations.

The COVID-19 situation has been handled at a group level and each subsidiary is following the guidelines set by USAA in San Antonio. Employees, regardless of their rank have been successfully working from home with minimum impact on business operations. The Company has followed the USAA group return to office work policy.



USAA Limited

Directors' Report

Statement of Going Concern (continued)

As USAA operates in a very specific niche market (members of the US Armed Forces deployed abroad) there was minimum impact from COVID-19 on revenue in respect of members deployed in the UK. The Company did experience a positive impact on its claims frequency as a result of fewer mileage driven during the pandemic.

The Company is closely monitoring its operations, liquidity, and capital whilst it implements its plan to write its UK portfolio through a new UK branch of its sister company USAA SA from 1 April 2022, and conduct a Part VII transfer of its remaining insurance liabilities at the end of 2022. The Company does not expect any doubt to arise on its ability to continue as a going concern up to the closure of the company in 2023.

The Company made no political or charitable donations during the year (2020: £0).

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by an auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make him/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgments and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards, including FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



USAA Limited

Directors' Report

Re-appointment of auditors

In accordance with S485 of the Companies Act 2006, B1268 a resolution was proposed at the Audit Committee meeting on 7 April 2021 for the reappointment of Ernst & Young LLP as auditor of the Company.

By order of the Board

A handwritten signature in black ink, appearing to read "Simon Keith".

Simon Keith
Director
Date 21 April 2022

Fitzwilliam House
10 St Mary Axe
London EC3A 8AE

Registered Number 730577



USAA Limited

Independent Auditors' Report to the Members of USAA Limited

Opinion

We have audited the financial statements of USAA Limited for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 24 (except for Solvency II capital position within note 23, which is marked unaudited), including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS102 "The Financial Reporting standard applicable in the UK and Republic of Ireland", and FRS103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- * give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- * have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- * have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISA's (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included evaluating the appropriateness of the approach used by management when performing their going concern assessment. We assessed the assumptions used by the Company to develop their forecasts and considered the future plan of the Company. The going concern assessment period used by the company was twelve months from when the financial statements are authorised for issue.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

USAA Limited

Independent Auditors' Report to the Members of USAA Limited

Overview of our audit approach

Key audit matters	* Valuation of Claims Outstanding (Gross claims reserves and Incurred But Not Reported ('IBNR'))
Materiality	* Overall materiality of £1.5m which represents 2.0% of equity.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

USAA Limited is a subsidiary of United Services Automobile Association ('USAA'), which is based in San Antonio, Texas, USA. USAA operates a number of centralised processes on behalf of other group companies. These relate principally to claims reserving, premiums and IT functions.

In establishing the overall approach to the USAA Limited audit, we determined the type of work that needed to be performed at the centralised function by us, as the USAA Limited engagement team, or the United Services Automobile Association auditors, Ernst & Young LLP (San Antonio), operating under our instructions. Where the work was performed by our San Antonio team, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained. The USAA Limited engagement team had regular interaction with the EY US team.

The Audit Engagement Partner and senior members of the USAA Limited engagement team reviewed all key working papers with regards to the audit approach and findings of the EY US team in detail. This together with additional procedures performed by the engagement team at a company level gave us the evidence we needed for our opinion on the USAA Limited financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that climate change does not currently pose a material risk to the Company. This is explained on page 3 in the Strategic Report. Our audit effort in considering climate change was focused on challenging management's risk assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change and the adequacy of the Company's disclosures in the financial statements which explain the rationale.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Members of USAA Limited

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of Claims Outstanding (Gross claims reserves and IBNR) 2021: £39,912k (2020: £43,820k)</p> <p>Refer to the Strategic Report (page 1); Accounting policies (pages 21-22); and Note 17 of the Annual Report and Financial Statements (page 34).</p> <p>The valuation of Claims Outstanding (Gross claims reserves and Incurred but not reported ('IBNR')) incorporates a significant amount of judgement to estimate the expected ultimate cost of claims incurred.</p> <p>There is a risk that inappropriate assumptions or projections are used in determining the claims outstanding, which could lead to this balance not falling within a reasonable range of possible estimates, resulting in a misstatement in the financial statements.</p> <p>These balances, by nature, are also subject to a risk of management manipulation. Given the magnitude of the balance, a small manipulation of an assumption could have a significant on the financial statements.</p> <p>The risk is consistent with the prior period.</p>	<p>In order to obtain sufficient audit evidence to conclude on the valuation of Claims outstanding (Gross claims reserves and IBNR), we performed following procedures:</p> <p>Control design and implementation: We gained a detailed understanding of the end-to-end reserving and claims process and assessed the design and operating effectiveness of key controls within the process.</p> <p>Methodology review & Independent re-projections: Supported by our actuarial specialists we evaluated the reasonableness of management's reserving methodology, challenging their assumptions and and assessment of major sensitivities based on our market knowledge and industry data (where available).</p> <p>We independently re-projected claims outstanding on a gross basis using standard actuarial techniques. We considered whether the valuation of claims outstanding as at 31 December 2021 fell within a reasonable range of possible estimates, and investigated any significant differences with management.</p> <p>Data Integrity & Tests of Details: We have performed procedures to assess the completeness and accuracy of data used to project claims, specifically the underlying data used by the EY actuarial specialists. In addition, we have agreed a sample of outstanding claims to supporting claims adjuster reports were applicable.</p> <p>Review of disclosure in the financial statements: We have reviewed the claims outstanding disclosures in the financial statements to ensure they are consistent with the underlying records and applicable accounting standards.</p>	<p>We consider that management's assumptions are reasonable, based upon appropriate data and that the valuation of gross Claims Outstanding lies within what we consider to be a reasonable range of estimates.</p> <p>In addition we consider that the disclosures made are satisfactory, and they provide information that assists in understanding the uncertainty inherent in the valuation of gross Claims Outstanding (Gross claims reservs and IBNR).</p>



USAA Limited

Independent Auditors' Report to the Members of USAA Limited

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.5 million (2020: £1.4 million), which is 2.0% of equity (2020: 2.0% of equity). We believe that equity is a reasonable basis for calculating materiality as we believe it is more relevant to the users of the financial statements. The primary stakeholders of the Company are its shareholders (primarily concerned with capital surplus), the Prudential Regulation Authority ('PRA') as regulator (primarily interested in balance sheet strength and solvency), and policyholders (main interest is solvency as it reflects the ability to pay claims). Having considered these factors we believe that equity provides us with a more appropriate basis on which to determine materiality than an earnings-based measure such as pre-tax income.

During the course of our audit, we reassessed initial materiality and concluded that the basis for materiality assessed at the planning stages of our audit remained appropriate.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis on our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75.0% (2020: 75.0%) of our planning materiality, namely £1.1m (2020: £1.1m). We have set performance materiality at this percentage due to our experience of the audit. In the prior year we did not identify any material misstatement as a result of our audit work.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2020: £0.1m), which is set at 5.0% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



USAA Limited

Independent Auditors' Report to the Members of USAA Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- * the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- * the strategic report and directors' report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report of directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- * adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- * the financial statements to be audited are not in agreement with the accounting records and returns; or
- * certain disclosures of directors' remuneration specified by law are not made; or
- * we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 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 economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Independent Auditors' Report to the Members of USAA Limited (continued)

- * We obtained a general understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- * We understood how USAA Limited is complying with those regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board; and gained an understanding of the Company's approach to governance
- * We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- * Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries with management and inspection of correspondence between the company and UK regulatory bodies.
- * The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- * For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

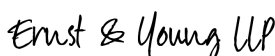
Other matters we are required to address

- * We were first appointed as auditors of USAA Limited for the 31 December 2004 year end and subsequent periods. On 18 August 2017, following the completion of an audit tender process, we were re-appointed as auditors for the year ended 31 December 2017 and subsequent periods and signed an engagement letter on 7 March 2018. The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 31 December 2004 to 31 December 2021.
- * The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- * The audit opinion is consistent with other additional reporting to the audit committee.

Use of our report

This 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. Our 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 our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 April 2022



USAA Limited

Income Statement

Technical Account - General Business

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Gross premiums written	2	16,451	15,312
Outward reinsurance premiums		<u>(1,624)</u>	<u>(1,695)</u>
Net written premiums		14,827	13,617
Change in the provision for unearned premiums			
Gross amount	16	(35)	47
Reinsurer's share	16	<u>-</u>	<u>-</u>
Earned premiums, net of reinsurance		14,792	13,664
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	17	(17,271)	(21,285)
Reinsurer's share	17	<u>4,997</u>	<u>346</u>
		(12,274)	(20,939)
Change in the claims outstanding			
Gross amount		2,081	24,099
Reinsurer's share		<u>3,938</u>	<u>(2,897)</u>
Claims incurred, net of reinsurance		(6,255)	263
Net operating expenses	4	(8,038)	(6,610)
Total claims and expenses		<u>(14,293)</u>	<u>(6,347)</u>
Balance on the technical account - general business		<u>499</u>	<u>7,317</u>

The notes on pages 21 to 50 are an integral part of the financial statements.



USAA Limited

Income Statement

Non-Technical Account

For the year ended 31 December 2021

	<i>Note</i>	2021 £'000	2020 £'000
<i>Balance on the technical account - general business</i>		499	7,317
Investment income	3	2,171	3,034
Realised (losses)/gains on investments	3	(1,991)	2,163
Unrealised (losses)/gains on investments	3	(1,290)	378
Currency translation gain/(loss)		630	(3,465)
Other income		-	-
Other expenses, including losses on disposal of fixed assets		-	-
Finance income	21	27	61
Investment expenses and charges	21	(2)	(2)
Profit on ordinary activities before tax		<u>44</u>	<u>9,486</u>
Tax on profit on ordinary activities	8	(55)	(1,841)
Loss/Profit for the financial year		<u><u>(11)</u></u>	<u><u>7,645</u></u>

All results are derived from continuing operations.

The notes on pages 21 to 50 are an integral part of the financial statements.



USAA Limited

Statement of Comprehensive Income

For the year ended 31 December 2021

	<i>Note</i>	2021 £'000	2020 £'000
Loss/Profit for the financial year		(11)	7,645
Re-measurement of net defined benefit pension surplus/(deficit)	21	2,090	(2,153)
Tax relating to re-measurement of net defined benefit pension surplus/(deficit)	8	(397)	410
Total comprehensive income for the year		<u><u>1,682</u></u>	<u><u>5,902</u></u>

The notes on pages 21 to 50 are an integral part of the financial statements.



USAA Limited

Statement of Changes in Equity

as at 31 December 2021

		2021			
		Called up share capital	Share premium account	Retained earnings	Total
		£'000	£'000	£'000	£'000
At 1 January	<i>Note</i>	13,100	348	58,379	71,827
Total comprehensive income for the year		-	-	1,682	1,682
Dividend paid	<i>10</i>	-	-	-	-
At 31 December		<u>13,100</u>	<u>348</u>	<u>60,061</u>	<u>73,509</u>

		2020			
		Called up share capital	Share premium account	Retained earnings	Total
		£'000	£'000	£'000	£'000
At 1 January		13,100	348	65,958	79,406
Total comprehensive income for the year		-	-	5,902	5,902
Dividend paid	<i>10</i>	-	-	(4,473)	(4,473)
Dividend in specie	<i>10</i>	-	-	(9,008)	(9,008)
At 31 December		<u>13,100</u>	<u>348</u>	<u>58,379</u>	<u>71,827</u>

The notes on pages 21 to 50 are an integral part of the financial statements.



USAA Limited

Statement of Financial Position

For the year ended 31 December 2021

	<i>Note</i>	2021 £'000	2020 £'000
Assets			
Investments			
Financial investments	11	79,866	90,365
Reinsurer's share of technical provisions			
Provision for unearned premiums	16	-	-
Claims outstanding	17	13,174	9,303
		<u>13,174</u>	<u>9,303</u>
Debtors			
Debtors arising out of direct insurance operations	13	9,372	9,289
Other debtors including taxation	14	7,860	7,396
Deferred tax asset	8	115	316
		<u>17,347</u>	<u>17,001</u>
Other assets			
Tangible assets	12	2	27
Cash and cash equivalents	15	11,694	8,823
		<u>11,696</u>	<u>8,850</u>
Prepayments and accrued income			
Accrued interest		789	969
Other prepayments and accrued income		194	221
		<u>983</u>	<u>1,190</u>
Net pension assets	21	4,608	1,527
Total Assets		<u><u>127,674</u></u>	<u><u>128,236</u></u>

The notes on pages 21 to 50 are an integral part of the financial statements.



USAA Limited

Statement of Financial Position (continued)

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Equity and Liabilities			
Shareholders' equity			
Called up share capital	9	13,100	13,100
Share premium account		348	348
Profit and loss account		60,061	58,379
Total capital and reserves		73,509	71,827
Liabilities			
Technical provisions			
Provision for unearned premiums	16	9,284	8,667
Claims outstanding	17	39,912	43,820
		49,196	52,487
Provisions for other risks			
Provisions for deferred taxation	8	875	327
Creditors			
Creditors arising out of direct insurance operations	18	1,901	107
Other creditors including taxation and social security	19	1,462	2,478
		3,363	2,585
Accruals and deferred income		731	565
Net pension liability	21	-	445
Total equity and liabilities		127,674	128,236

The notes on pages 21 to 50 are an integral part of the financial statements.

These financial statements on pages 15 to 20 were approved by the Board of Directors on 21 April 2022 and were signed on its behalf by:

Simon Keith
Director
21 April 2022



USAA Limited

Notes to the Financial Statements

1. Accounting Policies

1.1 Statement of Compliance

USAA Limited is a limited liability company incorporated in England. The Registered Office is 4th Floor, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8AE.

The financial statements have been prepared in compliance with FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

The financial statements have been prepared under the historical cost accounting rules, except for financial instruments which are measured at fair value, insurance liabilities that are based on estimates and the defined benefit pension which is measured under the projected unit credit method. From 1 April 2022 USAA Limited's UK business will be written through its sister company USAA S.A.

1.2 Basis of Preparation

The financial statements have been prepared on a going concern basis and in accordance with the requirements of the Companies Act 2016 in sterling, which is the presentation and functional currency of the company and rounded to the nearest £'000.

Under FRS 103, the company continues to apply the existing accounting policies that were applied prior to this standard, for its insurance contracts.

As permitted by FRS 102, the company as a qualifying entity has taken advantage of the following exemptions:

- a) from preparing a statement of cash flows, on the basis that it is wholly owned subsidiary of USAA International S.a.r.l, which is a wholly owned subsidiary of USAA Services Automobile Association whose statutory accounts are publicly available as stated in Note 22;
- b) from disclosing the company's key management personnel compensation, as required by FRS102;
- e) from disclosing transactions with related parties, as required by FRS102.

1.3 Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. The use of estimation and judgements can result in actual outcomes that differ from estimates. The areas where assumptions and estimates are significant to the financial statements are insurance contracts technical provisions and defined benefit pension plans.

Estimates

Insurance contract technical provisions

For insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reported date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims can be established with certainty and for motor insurance policies, IBNR claims form a significant part of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated using a deterministic analysis based on a combination of the Chain-Ladder and Cape Cod methods. Expert judgement is used to select ultimate losses and development factors for each accident year.



USAA Limited

Notes to the Financial Statements

1.3 Judgments and Key Sources of Estimation Uncertainty (continued)

Insurance contract technical provisions (continued)

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling costs, claims inflation factors and claims numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future. Judgement is also used to assess the extent to which external factors such as judicial decisions and government legislation will affect the estimates.

The ultimate cost of outstanding claims is disclosed in Note 17 Claims outstanding and Note 23 Risk management Insurance risk.

Defined benefit pension plans

The cost of the defined benefit pension plans are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates and further pension increases. Due to the complexity of the valuations, the underlying assumptions and long term nature of the pension plans, such assumptions are subject to uncertainty and may not borne out as expected.

The defined benefit obligations are linked to yields on AA-rated corporate bonds, while assets of the plans are measured at bid value. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plans.

Further details on the assumptions used in the actuarial valuations can be found in Note 21.

1.4 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Insurance contracts

Product classification

Insurance contracts are those contracts where the insurer has accepted significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expire.

Premiums written

Gross written premiums comprise the total premium receivable for the whole period of cover provided by the contract entered into during the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date that the policy commences and earned over the period of the policy. Additional or return premiums are treated as a premeasurement of initial premium. Gross written premiums are stated gross of commissions, with adjustments for premium refunds and policyholder discounts on motor premiums. Premium refunds to policyholders are approved by the Board of Directors.



USAA Limited

Notes to the Financial Statements

1.4 Significant accounting policies

Reinsurance premiums

Contracts entered into by the Company with reinsurers under which the company is compensated for losses that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Gross reinsurance premiums comprise the total premiums payable for the whole cover provided by the contracts entered into the period. The reinsurance premiums are recognised on the date that the reinsurance policy incepts and are earned over the period of the policy on a straight line basis.

Acquisition costs

Acquisition costs, comprising all direct and indirect costs related to the acquisition of new insurance contracts are borne by the parent company.

Claims incurred

Claims incurred include all claims and claims settlement expense payments made in respect of the period, and the movement in provision for outstanding claims and settlement expenses, and include claims incurred but not reported, net of salvage and subrogation recoveries.

Technical provisions

Claims provisions

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the reporting date whether reported or not, together with related claims handling expenses. All loss data is presented net salvage and subrogation recoverable.

Provisions for reported unpaid claims are estimated by the parent company's in-house actuaries based primarily on historical development patterns of paid losses and case reserves, and for comparison projected claims counts and average frequencies, severities and pure premiums.

The amounts included in respect of incurred but not reported claims ('IBNR') are calculated by selecting an estimate of the ultimate loss from a range of different projections and subtracting payments to produce the final estimate. In selecting an estimate the consistency of the projection methods is reviewed along with the implied severity, pure premium and IBNR costs. The indicated estimate of the ultimate loss is also compared to the known case incurred for reasonableness. Accordingly, the most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

The directors consider that the gross provisions for claims are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods and the estimates made are reviewed regularly.

Reinsurance recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contracts.

Provisions for unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the reporting date. The provision for unearned premiums is calculated on a daily pro-rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.



USAA Limited

Notes to the Financial Statements

1.4 Significant accounting policies

Reinsurance assets

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurance policies, and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently should an indication of impairment arise during the reporting year. An impairment occurs when there is objective evidence that the Company may not receive all outstanding amounts due under the terms of the contract and the amount has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Insurance receivables

Insurance receivables comprise outstanding insurance premiums where the policyholders have elected to pay in instalments, or amounts due from USAA Limited's parent company where they have collected payments from the policyholder on behalf of USAA Limited.

Insurance receivables are measured on initial recognition at the fair value of the consideration receivable. The carrying value of the insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's bad debt policy is to write-off uncollected premium receivable ninety days after the due date. All bad debt write-offs are recognised in net operating expenses in the technical account - general business.

Insurance payables

Insurance payables represent premium refunds due to policyholders at the reporting date and are recognised at the fair value of consideration payable.

Tangible fixed assets

Expenditure on computer equipment, motor vehicles, furniture, fixtures and fittings, and office equipment is capitalised at cost and depreciated over the estimated useful lives of the assets on a straight-line basis.

Fixtures and fittings	5 years
Motor vehicles	3 years
Computer equipment, furniture and office equipment	2 years

Depreciation is included as part of net operating expenses.

Operating Leases

Payments under operating leases are recognised as an expense on a straight-line basis over the period of the lease. In a similar manner, lease incentives are recognised by reducing the lease expense on a straight-line basis over the period of the lease.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and that the amount of the obligation can be reliably estimated.

USAA Limited

Notes to the Financial Statements

1.4 Significant accounting policies

Pension benefits

Defined benefit schemes

The Company operates two separate defined benefit schemes in the UK and Germany, which require contributions to be made separately to administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations), based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of scheme assets reflects the gain or loss which is recognised in the non-technical account during the period it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, both determined at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the non-technical account as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses and the return on the net defined benefit liabilities (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period which they occur. Re-measurements are not reclassified to the income statement in subsequent periods.

The net defined benefit pension assets or liabilities in the statement of financial position comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less fair value of scheme assets out of which the obligations are to be settled directly. Fair value of scheme assets are based on the published bid price provided to the pension actuary. The value of the net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the Scheme.

Defined contribution scheme

The Company opened a defined contribution scheme for UK employees on 1 July 2016, paying fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Payments made for defined contributions are recognised in the income statement in the period they become payable.

Foreign currency

The Company's functional and presentational currency is sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling at the reporting date. Non-monetary items denominated in foreign currencies measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items at fair value are translated using the exchange rate when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Financial investments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of Sections 11 and 12 to account for its financial instruments.

The Company classifies its financial investments at fair value through profit and loss on the basis that it meets the conditions in FRS 102 Section 11.8b, and recognition designated at fair value through profit and loss results in more relevant information, because the financial investment portfolio is managed and its performance evaluated on a fair value basis in accordance with a documented risk management and investment strategy.



USAA Limited

Notes to the Financial Statements

1.4 Significant accounting policies

Financial investments (continued)

These investments are initially measured at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the non-technical account.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash in hand, cash at banks and other short-term highly liquid investments with an original maturity date of three months or less.

Fair value of financial assets

The valuation of financial instruments is carried out by independent investment managers using the valuation criteria set out in Note 11.

Derecognition of financial assets

A financial asset or a part of a financial asset is derecognised when the rights to the cashflows have expired or the Company has transferred substantially all the risks and rewards of the asset.

Financial liabilities

The Company's financial liabilities include insurance payable and other payables. These liabilities are recognised when due and are measured on initial recognition at the fair value of the consideration payable.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Investment return

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between fair value at the reporting date and their fair value at the last reporting date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Taxation

Taxation expense for the period comprises current and deferred tax (if recognised) in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly to reserves. In this case tax is also recognised in other comprehensive income or directly in reserves respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end. Current tax liabilities are measured at the amount expected to be paid to, or recovered from tax authorities.



USAA Limited

Notes to the Financial Statements

1.4 Significant accounting policies

Deferred Tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they were recognised in the financial statements.

Deferred tax is recognised on all taxable timing differences at the reporting date. Unrelieved tax losses and deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the reporting date.

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Board of Directors. Interim dividends are deducted from equity when they are paid.

USAA Limited

Notes to the Financial Statements

2. Analysis by Class of Business

The underwriting result is analysed as follows:

	Motor Other £'000	Motor third party Liability £'000	Fire & property damage £'000	General Liability £'000	Total £'000
2021					
Gross premiums written					
UK	5,055	9,623	1,323	450	16,451
Belgium	-	-	-	-	-
Germany	-	-	-	-	-
Italy	-	-	-	-	-
Netherlands	-	-	-	-	-
France	-	-	-	-	-
Portugal	-	-	-	-	-
Spain	-	-	-	-	-
Greece	-	-	-	-	-
	<u>5,055</u>	<u>9,623</u>	<u>1,323</u>	<u>450</u>	<u>16,451</u>
Gross premiums earned	<u>4,939</u>	<u>9,618</u>	<u>1,384</u>	<u>475</u>	<u>16,416</u>
Gross claims incurred	<u>(2,860)</u>	<u>(12,040)</u>	<u>(430)</u>	<u>140</u>	<u>(15,190)</u>
Gross operating expenses	<u>(2,418)</u>	<u>(4,709)</u>	<u>(678)</u>	<u>(233)</u>	<u>(8,038)</u>
Reinsurance balance	<u>(203)</u>	<u>7,588</u>	<u>(55)</u>	<u>(19)</u>	<u>7,311</u>
	£'000	£'000	£'000	£'000	£'000
2020					
Gross premiums written					
UK	4,634	9,268	1,457	517	15,876
Belgium	(14)	(3)	-	-	(17)
Germany	(209)	(187)	(3)	(1)	(400)
Italy	(74)	(47)	-	(1)	(122)
Netherlands	(4)	(1)	(1)	-	(6)
France	-	-	-	-	-
Portugal	(1)	-	-	-	(1)
Spain	(12)	(5)	-	-	(17)
Greece	(1)	-	-	-	(1)
	<u>4,319</u>	<u>9,025</u>	<u>1,453</u>	<u>515</u>	<u>15,312</u>
Gross premiums earned	<u>4,271</u>	<u>9,082</u>	<u>1,472</u>	<u>534</u>	<u>15,359</u>
Gross claims incurred	<u>(1,219)</u>	<u>4,317</u>	<u>(538)</u>	<u>254</u>	<u>2,814</u>
Gross operating expenses	<u>(1,838)</u>	<u>(3,909)</u>	<u>(633)</u>	<u>(230)</u>	<u>(6,610)</u>
Reinsurance balance	<u>(200)</u>	<u>(3,966)</u>	<u>(59)</u>	<u>(21)</u>	<u>(4,246)</u>

Included in the reinsurance balance are reinsurance premiums of £671k, (2020: £693k) for coverage under a reinsurance stop loss treaty with the ultimate parent company.

USAA Limited

Notes to the Financial Statements

3. Investment return

	Non Technical account General business	
	2021	2020
	£'000	£'000
Investment Income		
Income from financial investments at fair value through profit and loss	2,171	3,028
Income from other financial investments	-	6
Net gains on realisation of investments	-	2,163
Net unrealised gains on investments	-	378
Net income from defined benefit pension scheme	27	61
Total Investment income	2,198	5,636
Investment expenses and charges		
Net losses on realisation of investments	(1,991)	-
Net unrealised losses on investments	(1,290)	-
Net cost of defined benefit pension scheme	(2)	(2)
Total Investment expenses and charges	(3,283)	(2)
Total Investment return	(1,085)	5,634

4. Expenses

Net operating expenses

	Technical account General business	
	2021	2020
	£'000	£'000
Administrative expenses	3,630	2,144
Outsourced service costs	4,428	4,481
Specific bad debt write off	(12)	21
Realised exchange differences	(8)	(36)
	8,038	6,610
Included in administrative expenses are:		
Staff pension costs relating to DB pension scheme changes	865	62
Depreciation of tangible fixed assets	21	62
Operating lease costs	1	78
Legal & professional fees	1,741	936
Regulatory fees & levies	742	659
Investment management fees	241	310
IT & telephone costs	-	1
Other expenses	20	37

5. Auditors' remuneration

	2021	2020
	£'000	£'000
Audit of the financial statements	201	212
Fees payable to the company's auditor for other services:		
Audit of pension scheme	9	47
	210	259

USAA Limited

Notes to the Financial Statements

6. Staff costs and directors' remuneration

(a) Staff costs

The Company operates under an outsourcing model and does not employ any staff. All costs for the provision of staff are charged to USAA Limited under a service fee arrangement.

(b) Directors' remuneration

Aggregate remuneration in respect of qualifying services

	2021	2020
	£'000	£'000
	390	360

Aggregate amounts receivable under long-term incentive scheme

	71	51
--	----	----

Number of directors accruing benefits under the defined benefit pension scheme.

	2021	2020
	No.	No.

	-	1
--	---	---

In respect of the highest paid director:

Aggregate remuneration

	-	-
--	---	---

Accrued pension at the end of the year

	-	8
--	---	---

7. Related Party Transactions

The Company is a 100% owned subsidiary of USAA International S.a.r.l in Luxembourg, which is a 100% owned subsidiary of United Services Automobile Association in Texas, USA. The Company has taken advantage of the exemption under Financial Reporting Standard FRS 102 not to disclose transactions that occurred during the year in relation to its parent company and ultimate parent company.

8. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

Current taxation

UK corporation tax at 19% (2020: 19%)

	2021	2020
	£'000	£'000

	(172)	1,909
--	-------	-------

Adjustments in respect of prior years

	-	(12)
--	---	------

Total current taxation

	(172)	1,897
--	-------	-------

Deferred taxation

Origination and reversal of timing differences

	227	(56)
--	-----	------

Total deferred tax charged

	227	(56)
--	-----	------

Tax charge on profit on ordinary activities

	55	1,841
--	----	-------

Tax included in the statement of comprehensive income

The tax credit is made up as follows:

Current tax on defined benefit pension contributions

	(125)	(120)
--	-------	-------

Origination and reversal of timing differences

	522	(290)
--	-----	-------

Total tax charge

	397	(410)
--	-----	-------

The loss relief in respect of the current year taxable loss has been carried back to offset against the prior year taxable profit.

USAA Limited

Notes to the Financial Statements

8. Taxation (continued)

<i>(b) Factors affecting the total tax charge</i>	2021	2020
	£'000	£'000
Profit on ordinary activities before tax	44	9,486
Tax at 19% (2020:19%)	8	1,802
Expenses not deducted for tax purposes	47	-
Unrelieved foreign tax expense	-	51
Prior year adjustment - current tax	-	(12)
Effect of rate change	-	-
	<u>55</u>	<u>1,841</u>

(c) Deferred tax

The deferred tax included in the statement of financial position is as follows:

Deferred tax asset

	2021	2020
	£'000	£'000
Deferred tax asset at the start of the year	316	177
Deferred tax charge/credit to the income statement	(201)	139
Deferred tax asset at the end of the year	<u>115</u>	<u>316</u>

Deferred tax asset at the end of the year is made up of:

Excess depreciation over capital allowances	-	-
Excess capital allowances over depreciation	-	(5)
Provision for future claims management costs	115	236
Deferred tax on pension movements	-	85
Deferred tax asset at the end of the year	<u>115</u>	<u>316</u>
Of which deferred tax asset recognised	<u>115</u>	<u>316</u>

Deferred tax liability

Deferred tax liability at the start of the year	327	534
Deferred tax charge to the income statement	26	83
Deferred tax charge/credit to other comprehensive income	522	(290)
Deferred tax liability at the end of the year	<u>875</u>	<u>327</u>

Deferred tax liability at the end of the year is made up of:

Deferred tax on pension movements	875	290
Deferred tax on release of equalisation provision	-	37
Deferred tax liability at the end of the year	<u>875</u>	<u>327</u>
Of which deferred tax liability recognised	<u>875</u>	<u>327</u>

USAA Limited

Notes to the Financial Statements

8. Taxation (continued)

(c) Deferred tax (continued)

Following the Budget on 3 March 2021, it was announced that the rate of corporation tax would increase from 19% to 25% in 2023. As the Company intends to write its UK business through a new UK branch of its sister company USAA SA from 1 April 2022 and dissolve USAA Limited in 2023, there will not be any impact on the net deferred tax liability from the future corporation tax rate increase.

9. Authorised and allotted share capital	2021 £'000	2020 £'000
Authorised		
13,100,000 Ordinary shares of £1 each (2020: 13,100,000)	13,100	13,100
Allotted, called up and fully paid		
13,100,000 Ordinary shares of £1 each (2020: 13,100,000)	13,100	13,100

10. Dividends and other appropriations

The Board of Directors have not approved or paid any interim dividends during the year and are not proposing payment of a dividend out of 2021 profits.

In December 2020 the Board of Directors approved and paid interim dividends to USAA S.a.r.l. consisting of a 34p per ordinary share cash dividend amounting to £4,473k, and a 69p per ordinary share dividend in specie in the form of a transfer of investment bonds amounting to £9,008k.

11. Financial Investments

	2021		2020	
	Carrying value £'000	Purchase price £'000	Carrying value £'000	Purchase price £'000
Debt securities and other fixed income securities - Designated at fair value through profit and loss	79,866	81,516	90,365	90,299

The company's financial investments comprise the following totals for each level of valuation criteria:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2021				
Debt Securities and other fixed income securities	-	79,866	-	79,866
31 December 2020				
Debt Securities and other fixed income securities	-	90,365	-	90,365

Level 1 represents quoted securities either on an exchange or over the counter using prices published by a recognised pricing source, or, if such prices are not available, using other reputable sources acceptable to the the company.

Level 2 represents unquoted securities valued by the Company's asset managers, Western Asset Management, based on the average of third-party bid and offer prices.

Level 3 represents securities where observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

USAA Limited

Notes to the Financial Statements

12. Tangible Assets

	Leasehold Improvements £'000
Cost	
At the beginning of year	1,109
Additions	-
Disposals	-
At the end of year	<u>1,109</u>
Depreciation	
At the beginning of year	1,082
Charge in year	25
Disposals	-
At the end of year	<u>1,107</u>
Net book value	
At 31 December 2021	<u>2</u>
At 31 December 2020	<u>27</u>

13. Debtors arising out of direct insurance operations

	2021 £'000	2020 £'000
Amounts owed by policyholders	9,372	8,313
Amounts owed by ultimate parent company	-	976
	<u>9,372</u>	<u>9,289</u>

14. Other Debtors including Taxation

	2021 £'000	2020 £'000
Amounts owed by related parties	5,294	5,149
Corporation tax recoverable	491	-
Amounts owed by overseas tax authorities	2,004	2,127
Other debtors	71	120
	<u>7,860</u>	<u>7,396</u>

Amounts owed by related parties are made up of intercompany balances due from USAA International S.a.r.l, for expenses paid on behalf of USAA International S.a.r.l during the set up phase.

15. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,880	7,122
Short-term deposits with credit institutions	3,814	1,701
	<u>11,694</u>	<u>8,823</u>

USAA Limited

Notes to the Financial Statements

16. Provisions for unearned premiums

	Gross	Reinsurers'	Net
	£'000	share	£'000
	£'000	£'000	£'000
At 1 January 2021	8,667	-	8,667
Premiums written in the year	16,451	-	16,451
Premiums earned in the year	(16,416)	-	(16,416)
Foreign exchange	582	-	582
At 31 December 2021	<u>9,284</u>	<u>-</u>	<u>9,284</u>

	Gross	Reinsurers'	Net
	£'000	share	£'000
	£'000	£'000	£'000
At 1 January 2020	8,800	-	8,800
Premiums written in the year	15,312	-	15,312
Premiums earned in the year	(15,359)	-	(15,359)
Foreign exchange	(86)	-	(86)
At 31 December 2020	<u>8,667</u>	<u>-</u>	<u>8,667</u>

17. Claims outstanding

	Gross	Reinsurers'	Net
	£'000	Share	£'000
	£'000	£'000	£'000
At 1 January 2021	43,820	(9,303)	34,517
Claims incurred in current accident year	19,586	(9,599)	9,987
Claims incurred in current prior years	(4,396)	664	(3,732)
Claims paid during the year	(17,271)	4,997	(12,274)
Foreign exchange	(1,827)	67	(1,760)
At 31 December 2021	<u>39,912</u>	<u>(13,174)</u>	<u>26,738</u>

	Gross	Reinsurers'	Net
	£'000	share	£'000
	£'000	£'000	£'000
At 1 January 2020	65,837	(12,163)	53,674
Claims incurred in current accident year	7,055	-	7,055
Claims incurred in current prior years	(9,868)	2,551	(7,317)
Claims paid during the year	(21,285)	346	(20,939)
Foreign exchange	2,081	(37)	2,044
At 31 December 2020	<u>43,820</u>	<u>(9,303)</u>	<u>34,517</u>

The provisions for gross claims outstanding includes IBNR's of £6.014k (2020: £8,101k), and salvage and subrogation recoverable of £521k (2020: £491k). The reinsurers' share of claims outstanding does not include any recoverable amounts from related parties.

USAA Limited

Notes to the Financial Statements

18. Creditors arising out of direct insurance operations	2021	2020
	£'000	£'000
Amounts owed to policyholders	110	107
Amounts owed to ultimate parent company	1,791	-
	<u>1,901</u>	<u>107</u>

19. Other Creditors including Taxation and Social Security	2021	2020
	£'000	£'000
Corporation tax payable	-	1,453
Amounts owed to related parties	429	-
Other creditors	1,033	1,025
	<u>1,462</u>	<u>2,478</u>

Amounts owed to related parties represents intercompany charges for employee services provided by USAA International S.a.r.l under service fee arrangements.

20. Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases for office accommodation in the UK and Germany are as follows:

	2021	2020
	£'000	£'000
Not later than one year	700	699
Later than one year and not later than five years	1,890	1,960
Later than five years	-	117
	<u>2,590</u>	<u>2,776</u>

Following the restructure, the Company has retained the leasehold obligations for the London office as stipulated in the Leasehold Agreement. They have entered into a sub-lease arrangement with USAA international S.a.r.l from 1 November 2018 for the physical use of the property. All leasehold costs from this date until the lease expiry date on 1 March 2026 will be recharged to USAA International S.a.r.l.

Future minimum rentals payable under non-cancellable operating leases for computer equipment are as follows:

	2021	2020
	£'000	£'000
Not later than one year	29	55
Later than one year and not later than five years	-	29
Later than five years	-	-
	<u>29</u>	<u>84</u>

USAA Limited

Notes to the Financial Statements

21. Pension Schemes

Defined benefit scheme

The Company sponsors defined benefit schemes in the UK, the USAA Ltd Pension and Life Assurance Scheme ('the UK Scheme') and in Germany, the USAA Retirement Plan for Employees in the Federal Republic of Germany ('the German Scheme'). The assets are held in separately administered funds.

The level of benefit provided by the Schemes depends on a member's length of service and their salary at the date of leaving the Scheme. The UK Scheme was closed to future accrual on 30 June 2016, although active members retained a link to their pensionable salary until 31 October 2021. The German Scheme closed to new entrants on 30 June 2016 but remained open for future accrual for active members employed at that date.

On 1 November 2018 USAA Limited transferred its UK and German employees to USAA International S.a.r.l and USAA SA. USAA Limited is continuing to sponsor the UK Scheme and the German Scheme for deferred members. Active members in the German Scheme have been transferred to new pension schemes in USAA International S.a.r.l and USAA SA. Pension liabilities and pension assets to cover these liabilities have been transferred with active members to the new pension schemes.

The disclosures below are in respect of the both the UK and German Schemes:

The USAA Ltd Pension and Life Assurance Scheme ('the UK Scheme').

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme as was carried out by a qualified actuary as at 1 April 2019 and showed a deficit of £2.4m. From 1 July 2020 the Company increased its payment of deficit contributions from £600k p.a. to £660k p.a. The next funding valuation is due no later than 1 April 2022, at which progress towards full-funding will be reviewed.

The Company paid contributions of £660k during the period ended 31 December 2021.

The balance sheet figures have been calculated using a full valuation approach at 31 December 2021 based on membership data as at 1 April 2021. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

Special Events

During the year, non-pensioner members in the UK were offered an enhanced transfer value (ETV). The offer window ran from 16 August to 30 November 2021.

Any members transferring out as part of the ETV exercise represent a settlement. This has resulted in an income statement cost under UK GAAP equal to the difference between the transfer values paid and the accounting liability in respect of the transferring members. Eight Scheme members have opted to take a ETV, but payments were only settled for three of these members prior to the year end. A total of £4,161k (including the enhancements) has been paid as of 31 December 2021. The equivalent liability discharged on the year end 31 December 2021 accounting basis is calculated at £3,006k.

During the year, all active-deferred members agreed to become fully deferred with effect from 31 October 2021. This resulted in the link to pensionable salaries being broken and represents a prior service credit. This resulted in a credit of £1,830k in the income statement in respect of the difference between the assumption for pensionable salary increases and deferred revaluations.

USAA Limited

Notes to the Financial Statements

21. Pension Schemes (continued)

The USAA Ltd German Pension Scheme ('the German Scheme').

The balance sheet figures have been calculated as at 31 December 2021 on an FRS 102 valuation basis using membership data as at 1 April 2021. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

a) Main financial assumptions

UK Scheme:

	2021	2020
	%	%
Rate of increase in salaries	n/a	3.05
Rate of increase in pensions in payment and deferred pensions	4.20	4.15
Discount rate applied to scheme liabilities	1.95	1.45
RPI Inflation	2.85	2.55
CPI Inflation	2.70	2.05

German Scheme:

	2021	2020
	%	%
Rate of increase in salaries	2.75	2.75
Rate of increase in pensions in payment and deferred pensions	1.75	1.75
CPI Discount rate applied to scheme liabilities	1.03	0.49
Inflation assumption	2.00	2.00

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

b) Main demographic assumptions

UK Scheme:

	2021	2020
Mortality	100% of the S3PMA All Lives tables for males and 100% of the S3PFA Light tables for females with improvements in line with the CMI_2020 projections with a smoothing parameter of Sk of 7.0, A of 0.0 and w2020 of 0% with a long term rate of improvement of 1.25% p.a.	105% of the S3PxA Light tables with improvements in line with the CMI 2019 projections with a smoothing factor of Sk 7.0 and A of 0.0, and a long term rate of improvement of 1.25% p.a.
Life expectancy for male currently age 65	21.9 years	22.8 years
Life expectancy for female currently age 65	24.7 years	24.3 years
Life expectancy at 65 for male currently age 45	23.2 years	24.0 years
Life expectancy at 65 for female currently age 45	26.1 years	25.7 years

USAA Limited

Notes to the Financial Statements

21. Pension Schemes (continued)

Cash commutation	On average members commute 22.5% of their pension at retirement based on the cash commutation factors currently in force.	On average members commute 22.5% of their pension at retirement based on the cash commutation factors currently in force.
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German Scheme:

Mortality	'Richttafeln 2018 G' of Dr. Klaus Heubeck	'Richttafeln 2018 G' of Dr. Klaus Heubeck
Life expectancy for male currently age 65	20.5 years	20.3 years
Life expectancy for female currently age 65	23.9 years	23.8 years
Life expectancy at 65 for male currently age 45	23.2 years	23.1 years
Life expectancy at 65 for female currently age 45	26.1 years	26.0 years

Cash commutation	n/a	n/a
------------------	-----	-----

(c) Scheme asset allocation

UK Scheme:

	2021	%	2020	%
	£'000		£'000	
Annuities	989	3.4%	1,044	3.2%
Equity linked bonds	-	-	7,646	23.6%
Diversified growth fund	-	-	9,201	28.4%
Absolute return fund	-	-	3,004	9.3%
Liability driven investment	23,900	82.6%	10,234	31.6%
Cash	4,050	14.0%	1,242	3.9%
Total	28,939	100.0%	32,371	100.0%

None of the UK Scheme assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

German Scheme:

	2021	%	2020	%
	£'000		£'000	
Equities	945	35%	747	35%
Bonds	1,261	65%	1,388	65%
Cash and cash equivalence	45	-	-	-
Total	2,251	100%	2,135	100%

None of the German Scheme assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

(d) Reconciliation of funded status to statement of financial position

UK Scheme:

	2021	2020
	£'000	£'000
Fair value of assets	28,939	32,371
Present value of funded defined benefit obligations	(24,419)	(30,844)
Asset/(liability) recognised on the statement of financial position	4,520	1,527

USAA Limited

Notes to the Financial Statements

21. Pension Schemes (continued)

German Scheme:

	2021 £'000	2020 £'000
Fair value of assets	2,251	2,135
Present value of funded defined benefit obligations	(2,163)	(2,580)
Asset/(liability) recognised on the statement of financial position	<u>88</u>	<u>(445)</u>

(e) Amounts recognised in income statement

UK Scheme:

	2021 £'000	2020 £'000
Operating cost:		
Current service cost	-	-
Past service cost (including curtailment)	(1,830)	-
Settlement cost	1,155	-
Financing cost:		
Interest on net defined benefit liability/(asset)	(27)	(61)
	<u>(702)</u>	<u>(61)</u>

German Scheme:

	2021 £'000	2020 £'000
Operating cost:		
Current service cost	-	-
Financing cost:		
Interest on net defined benefit liability/(asset)	2	2
	<u>2</u>	<u>2</u>

(f) Analysis of amount recognised in Other Comprehensive Income (OCI)

UK Scheme:

	2021 £'000	2020 £'000
Asset gains/(losses) arising during the year	400	4,163
Liability gains/(losses) arising during the year	1,231	(6,080)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	<u>1,631</u>	<u>(1,917)</u>

German Scheme:

	2021 £'000	2020 £'000
Asset gains/(losses) arising during the year	231	(1)
Liability gains/(losses) arising during the year	228	(235)
Actuarial gain/(loss)/recognised in statement of total recognised gains and losses	<u>459</u>	<u>(236)</u>

USAA Limited

Notes to the Financial Statements

21. Pension Schemes (continued)

(g) Changes in the present value of the defined benefit obligation

UK Scheme:

	2021	2020
	£'000	£'000
Opening defined benefit obligation (DBO)	30,844	25,016
Current service cost	-	-
Interest expense on DBO	441	487
Actuarial (gains)/losses on liabilities	(1,231)	6,080
Net benefits paid out	(799)	(1,365)
Past service cost (including curtailments)	(1,830)	-
Settlements	(3,006)	626
Closing defined benefit obligation	<u>24,419</u>	<u>30,844</u>

German Scheme:

	2021	2020
	£'000	£'000
Defined benefit obligation (DBO)	2,580	2,251
Current service cost	-	-
Interest expense on DBO	12	23
Actuarial (gains)/losses on liabilities	(228)	235
Net benefits paid out	(50)	(53)
Foreign exchange movements	(151)	124
Closing defined benefit obligation	<u>2,163</u>	<u>2,580</u>

(h) Changes in the present value of Scheme assets during the year

UK Scheme:

	2021	2020
	£'000	£'000
Opening fair value of Scheme assets	32,371	27,769
Interest income on Scheme assets	468	548
Gain/(Loss) on Scheme Assets	400	4,163
Contributions by the company	660	630
Net benefits paid out	(799)	(1,365)
Settlements	(4,161)	626
Closing fair value of Scheme assets	<u>28,939</u>	<u>32,371</u>

German Scheme:

	2021	2020
	£'000	£'000
Opening fair value of Scheme assets	2,135	2,005
Interest income on Scheme assets	10	20
Gain/(Loss) on Scheme Assets	231	(1)
Contributions by the company	51	53
Net benefits paid out	(51)	(53)
Foreign exchange movements	(125)	111
Closing fair value of Scheme assets	<u>2,251</u>	<u>2,135</u>

USAA Limited

Notes to the Financial Statements

21. Pension Schemes (continued)

(i) Actual return on Scheme assets

<i>UK Scheme:</i>	2021	2020
	£'000	£'000
Interest income on Scheme assets	468	548
Gain/(Loss) on Scheme Assets	400	4,163
Actual return on Scheme assets	<u>868</u>	<u>4,711</u>
 <i>German Scheme:</i>	 2021	 2020
	£'000	£'000
Interest income on Scheme assets	10	20
Gain/(Loss) on Scheme Assets	231	(1)
Actual return on Scheme assets	<u>241</u>	<u>19</u>

22. Ultimate Control

The ultimate parent company is deemed to be United Services Automobile Association, which is registered in Texas, United States of America. The ultimate parent company is owned by its members due to its mutual status therefore there is not deemed to be an ultimate controlling party. Copies of the ultimate parent company's consolidated group accounts may be obtained from USAA Building, Fredericksburg Road, San Antonio, Texas 78288.

The direct holding company of USAA Limited is USAA International S.a.r.l, which is registered in Luxembourg.

23. Risk Management

(a) Governance framework

The primary objective of USAA Limited's risk management framework is to protect the Company and its policyholders from events that hinder the sustainable achievement of USAA Limited's mission and strategic objectives. Senior management recognises the critical importance of having efficient and effective risk management systems in place.

USAA Limited has established a risk management function with clear terms of reference from the Board of Directors and underlying committees. Central to an effective risk management program is a robust corporate governance structure with documented delegated authorities and responsibilities from the Board of Directors to executive management, senior managers and committees. Furthermore, a company policy framework which sets out the risk profiles for the Company, including risk management, controls and business conduct standards, has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company. The policies are assessed annually for their design and effectiveness.

The Board of Directors approves risk management policies, including USAA Limited's Own Risk and Solvency Assessment (ORSA). These policies define the identification of risks, assessment and monitoring to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including effectively challenge of assumptions and actions.

USAA Limited

Notes to the Financial Statements

Risk Management (continued)

(b) Capital management objectives, policies and approach

The Company is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital needs in light of its business plans and risk profile. The Company's approach to managing capital involves managing assets, liabilities and available capital to cover its regulatory capital requirements. An important aspect of the Company's overall capital management process is the setting of risk appetites and triggers around surplus capital and solvency.

The Company's preferred measure of capital sufficiency is the economic capital required under Solvency II to cover the 'Solvency Capital Requirement' (SCR), which became mandatory on 1 January 2016. The SCR is a prescribed regulatory capital calculation that is designed to enable insurers to absorb significant losses at a 99.5% probability level over a one year time horizon. The available capital is the capital and surplus assets over and above the insurance liabilities, excluding intangible assets that is available to cover the SCR.

The Company is subject to capital requirements imposed by the Prudential Regulation Authority (PRA).

The table below shows the Company's estimated Solvency II capital position as at 31 December 2021

	2021 £'000	2020 £'000
Own funds	75,133	70,732
SCR	19,568	21,698
Surplus	55,565	49,034
Own funds/SCR	384%	326%

The Company has complied with the SCR coverage ratio throughout the year.

The Company's estimated Solvency II capital position as at 31 December 2021 and 31 December 2020 is unaudited.

(c) Insurance risk

The principal risk that the Company faces under insurance contracts is that insured events occur and the uncertainty of the amounts and timing of resulting claims. The Company is also exposed to the risk that the actual timing and claims payments for losses reserved differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure has been mitigated by diversification of its portfolio of insurance contracts over geographical areas across Europe. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements. Underwriting systems are in place to accept, refer, or decline risks, in accordance with USAA Limited's appetite for risk exposure. Mitigations also include controls around all components of the business (pricing, underwriting and loss reserving) that could lead to unplanned increases in the likelihood and severity of claims.

The global pandemic and subsequent economic events have continued to have a significant impact on 2021 insurance liabilities for some lines of business. While COVID-19 first presented itself in accident year 2020, its effects continued in accident year 2021 and extended to prior accident years. The overall effect is that the variability of the estimates of loss and loss adjustment expenses has increased considerably. Here are some of the reasons that increase the variability of reserves for the company:

USAA Limited

Notes to the Financial Statements

(c) Insurance risk (continued)

- * Several accident years are impacted—while the pandemic began in 2020, claims from all prior accident years may be impacted due to the items discussed below. The pandemic continued in 2021.
- * Motor loss frequency for accident year 2020 which has been reduced considerably when compared to historical norms. While miles driven rebounded in 2021, claim frequency remained at below normal levels.
- * Changes in claimant and attorney behaviour may also impact severity as the impaired economy causes claimants and attorneys to settle for lower damages to receive payments sooner.
- * Loss adjustment expenses are impacted as well due to lower accident frequency, and changes in claimant and attorney behaviour.

As a result of the factors above, the Company has augmented its approach to the estimation of loss and loss adjustment expense reserves in the following manner:

- * The Company completed accident month analysis to isolate changing loss emergence to each accident month.
- * The Company monitored severity diagnostics and selected at the higher end of this range.
- * The Company adjusted Adjusting and Other expense reserves due to lower pending claims volumes.

These are not significant changes to methodology but are an augmentation to our standard methodology.

The Company has two reinsurance contracts as part of its risks mitigation programme. The external reinsurance is a motor liability excess of loss treaty which covers motor unlimited liability business in the UK and Belgium and liability limits in other European locations. The retention limits are €2.5m for EU locations and £2.2m for the UK. From 1 January 2019 onwards the renewal of the external reinsurance only covers motor unlimited liability business in the UK.

The majority of the Company's residual risk is covered by a non-proportional stop loss reinsurance treaty with its ultimate parent company, USAA. Under this treaty an annual underwriting loss is limited to £1m up to a maximum limit of £25m for financial years up to 31 December 2019. From 1 January 2020 the annual underwriting loss is limited to £500K up to a maximum limit of £25m.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company principally issues the following types of general insurance contracts: motor vehicle liability, other fire & other property, and general liability. Risks usually cover twelve months duration.

The table below sets out the concentration of outstanding claims liabilities by type of contract:

	31 December 2021			31 December 2020		
	Gross liabilities £'000	Re-insurance of liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Re-insurance of liabilities £'000	Net liabilities £'000
Other motor	297	-	297	419	-	419
Motor vehicle liability	39,216	(13,174)	26,042	42,662	(9,303)	33,359
Property	232	-	232	329	-	329
General Liability	167	-	167	410	-	410
Total	39,912	(13,174)	26,738	43,820	(9,303)	34,517

USAA Limited

Notes to the Financial Statements

(c) Insurance risk (continued)

The geographical concentration of the outstanding claims liabilities is noted below. The disclosure is based on the countries where business is written.

	31 December 2021			31 December 2020		
	Gross liabilities	Re-insurance of liabilities	Net liabilities	Gross liabilities	Re-insurance of liabilities	Net liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
UK	18,278	(9,599)	8,679	12,376	(5,045)	7,331
EEA	21,634	(3,575)	18,059	31,444	(4,258)	27,186
Total	39,912	(13,174)	26,738	43,820	(9,303)	34,517

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, one off occurrences and changes in market factors such as economic conditions. Judgement is also used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. held constant, showing the impact on gross and net liabilities, profit before tax and equity.

31 December 2021	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
	£'000	£'000	£'000	£'000	£'000
Average claim cost	10%	3,931	2,613	(2,613)	(2,117)
Average number of claims	10%	3,931	2,613	(2,613)	(2,117)

31 December 2020	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
	£'000	£'000	£'000	£'000	£'000
Average claim cost	10%	4,258	3,327	(3,327)	(2,695)
Average number of claims	10%	4,258	3,327	(3,327)	(2,695)

USAA Limited

Notes to the Financial Statements

(c) Insurance risk (continued)

Claims development table

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date on a gross basis, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at the end of the accident year. The impact of exchange differences is shown at the bottom of the table.

The Company has taken advantage of the transitional rules of FRS 103 that permit an entity not to report on claims development that occurred earlier than five years before the end of the first financial year in which it applied this standard.

Gross insurance contract outstanding claims provision as at 31 December 2021

Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Estimate of cumulative claims incurred								
At end of accident year	40,185	56,525	52,700	49,784	51,197	30,123	5,981	19,100
One year later	36,763	53,756	53,012	47,729	49,716	29,042	5,071	
Two years later	34,003	52,249	50,151	44,782	46,793	28,010		
Three years later	34,783	49,201	48,669	42,564	44,717			
Four years later	34,028	48,417	49,034	41,475				
Five years later	33,971	48,677	49,135					
Six years later	33,445	47,980						
Seven years later	33,159							
Current estimate of cumulative claims incurred	33,159	47,980	49,135	41,475	44,717	28,010	5,071	19,100
Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Cumulative claims paid								
At end of accident year	(18,153)	(25,654)	(25,529)	(26,964)	(28,026)	(18,171)	(2,590)	(3,735)
One year later	(26,538)	(34,007)	(33,974)	(35,071)	(36,768)	(21,269)	(3,779)	
Two years later	(26,371)	(37,164)	(36,758)	(38,080)	(41,979)	(24,785)		
Three years later	(31,123)	(39,195)	(38,576)	(39,286)	(42,860)			
Four years later	(31,794)	(40,441)	(39,152)	(39,621)				
Five years later	(31,912)	(41,185)	(42,136)					
Six years later	(32,240)	(42,446)						
Seven years later	(32,455)							
Cumulative payments to date	(32,455)	(42,446)	(42,136)	(39,621)	(42,860)	(24,785)	(3,779)	(3,735)
	704	5,534	6,999	1,854	1,857	3,225	1,292	15,365

Total gross outstanding claims provisions 2014-2021

36,830

Total gross outstanding claims provisions pre-2014

3,082

Total gross outstanding claims provision per the statement of financial position

39,912

USAA Limited

Notes to the Financial Statements

(d) Financial risk

Credit risk and market risk

The Company has established a credit and market risk policy to provide appropriate governance and accountability for managing its exposure to credit and market risk. The objectives of the credit and market risk policy are to put in place mitigation strategies to:

- i) Prudently manage credit risk which is defined as an economic loss from (a) fluctuations in the probability of default of the counterparty (to financial transaction) to fulfil its contractual obligations and/or (b) failure to correctly identify credit counterparties.
- ii) Prudently manage market risk, which is defined as the fluctuation in the market value of invested assets due to change in economic variables such as interest rates, exchange rates, or commodity prices.

These objectives are met by prudently investing in assets and funds consistent with sound investment risk management practices such as diversification and credit quality monitoring. The credit and market risk management processes follow established strategies which include limiting risk-taking by setting appropriate risk triggers and risk appetites, and appropriate monitoring of the investment portfolio and currency exposures.

The Company's exposure to Credit and market risk is primarily in the areas of investments and reinsurance. Foreign exchange risk is mitigated by broadly matching the currency of its assets with the currency of its expected future liabilities. In addition, the Company manages its interest rate risk through the choice of a benchmark used in its investment guidelines. This benchmark is reviewed annually to ensure it is effective and appropriate. The investment guidelines address both market and credit risk in the investment portfolio and contain restrictions which enable the company to control its exposure to credit and market risk.

Reinsurance is placed with counterparties that meet the credit rating requirements set out in the parent company's standards on reinsurance. Concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets risk) exposed to credit for the components of the statement of financial position.

31 December 2021	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Financial investments -				
debt securities	79,866	-	-	79,866
Deposits with credit institutions	3,814	-	-	3,814
Reinsurers' share of claims outstanding	13,174	-	-	13,174
Debtors arising out of direct insurance operations	9,372	-	-	9,372
Other debtors	7,860	-	-	7,860
Accrued interest	789	-	-	789
Cash at bank and in hand	7,880	-	-	7,880
	<u>122,755</u>	<u>-</u>	<u>-</u>	<u>122,755</u>

USAA Limited

Notes to the Financial Statements

(d) Financial risk (continued)

Credit risk and market risk (continued)

31 December 2020	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Financial investments -	90,365	-	-	90,365
Deposits with credit institutions	1,701	-	-	1,701
Reinsurers' share of claims outstanding	9,303	-	-	9,303
Debtors arising out of direct insurance operations	9,289	-	-	9,289
Other debtors	7,396	-	-	7,396
Accrued interest	969	-	-	969
Cash at bank and in hand	7,122	-	-	7,122
	<u>126,145</u>	<u>-</u>	<u>-</u>	<u>126,145</u>

The table below provides information regarding the credit risk exposure of the company by classifying assets according to Standard & Poor's credit ratings of counterparties. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors have been excluded from the table as these are not rated.

31 December 2021	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	Not rated £'000	Total £'000
Financial investments - debt securities	-	28,668	18,038	23,295	1,942	7,923	79,866
Deposits with credit institutions	-	-	3,814	-	-	-	3,814
Reinsurers' share of claims outstanding	-	7,261	5,913	-	-	-	13,174
Cash at bank and in hand	-	-	7,880	-	-	-	7,880
	<u>-</u>	<u>35,929</u>	<u>35,645</u>	<u>23,295</u>	<u>1,942</u>	<u>7,923</u>	<u>104,734</u>

31 December 2020	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	Not rated £'000	Total £'000
Financial investments - debt securities	663	34,500	21,057	28,455	1,049	4,641	90,365
Deposits with credit institutions	-	-	1,701	-	-	-	1,701
Reinsurers' share of claims outstanding	-	5,123	4,180	-	-	-	9,303
Cash at bank and in hand	-	-	7,122	-	-	-	7,122
	<u>663</u>	<u>39,623</u>	<u>34,060</u>	<u>28,455</u>	<u>1,049</u>	<u>4,641</u>	<u>108,491</u>

A significant part of market risk that the Company is exposed to is currency risk, where the fair value of future cash flows and the values of assets and liabilities denominated in foreign currency will fluctuate because of changes in foreign exchange rates.



USAA Limited

Credit risk and market risk (continued)

The Company is exposed to currency risk as it underwrites its premiums in US dollars and pays its claims and expenses in Sterling and Euros. It also holds assets and liabilities in both US dollars and Euros. The Company seeks to mitigate its foreign exchange risk by matching the estimated foreign currency denominated liabilities in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

	31 December 2021		31 December 2020	
	Euro exposure £'000	US dollar exposure £'000	Euro exposure £'000	US dollar exposure £'000
<i>Assets</i>				
Financial investments	7,359	8,310	8,691	8,981
Germany net pension scheme asset	88	-	445	-
Premium receivable debtors	-	9,372	-	9,289
Reinsurer's share of technical provisions	3,575	-	4,258	-
Cash at bank	1,143	221	981	441
	<u>12,165</u>	<u>17,903</u>	<u>14,375</u>	<u>18,711</u>
<i>Liabilities</i>				
Germany net pension scheme liability	-	-	445	-
Provision for claims outstanding	21,634	-	31,444	-
Provision for unearned premiums	-	9,284	-	8,667
	<u>21,634</u>	<u>9,284</u>	<u>31,889</u>	<u>8,667</u>
Total foreign exchange exposure	<u>(9,469)</u>	<u>8,619</u>	<u>(17,514)</u>	<u>10,044</u>

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company only holds fixed rate interest instruments which expose the company to fair value interest rate risk. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity. Changes in fair value of fixed rate instruments is effectively managed by the Company's investment managers, following Board approved investment guidelines to outperform set Merrill Lynch benchmarks.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

31 December 2021

+100 basis points	(3,453)	(2,797)
-100 basis points	3,707	3,003
+50 basis points	(1,757)	(1,423)
+50 basis points	1,820	1,474

31 December 2020

+100 basis points	(4,434)	(3,591)
-100 basis points	4,825	3,908
+50 basis points	(2,263)	(1,833)
+50 basis points	2,360	1,912

USAA Limited

(e) Liquidity risk

The Company defines liquidity risk as the risk of loss associated with cash flow deviations due to illiquid assets being held to meet cash flow requirements. In the event of significant adverse loss occurrences there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected recoveries.

The Company has established a liquidity risk policy to provide appropriate governance and accountability for managing its exposure to liquidity risk. The objectives of the liquidity risk policy are to ensure sufficient liquid resources exist to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Company, and to enable it to meet its financial obligations. These objectives will be met in a manner that maximises the income on liquidity and recognises potential credit and liquidity risks. Funds will be invested consistent with sound liquidity risk management practices.

Risk-taking is limited by setting appropriate liquidity risk triggers and risk appetites with clear guidelines for limiting and controlling risk exposures to ensure the Company operates within the liquidity risk appetite statement. Guidelines on asset allocation, investment portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet financial obligations as they fall due.

Maturity profiles

The table below summarises the maturity profile of the Company's outstanding claims liabilities based on the estimated timing of claims payments resulting from recognised insurance liabilities.

	Carrying amount £'000	Up to 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	Over 10 years £'000	Total £'000
31 December 2021							
Outstanding claims liabilities	39,912	20,225	6,964	9,110	3,491	122	39,912
Reinsurer's share of claims	(13,174)			(13,174)			(13,174)
	<u>26,738</u>	<u>20,225</u>	<u>6,964</u>	<u>(4,064)</u>	<u>3,491</u>	<u>122</u>	<u>26,738</u>
31 December 2020							
Outstanding claims liabilities	43,820	20,306	9,341	10,955	3,113	105	43,820
Reinsurer's share of claims	(9,303)		(5,467)	(3,836)			(9,303)
	<u>34,517</u>	<u>20,306</u>	<u>3,874</u>	<u>7,119</u>	<u>3,113</u>	<u>105</u>	<u>34,517</u>

24 Subsequent events after the reporting period

Subsequent to year-end USAA Limited will cease underwriting insurance policies with effect from 1 April 2022. All insurance policies from this date will be underwritten through a new UK branch of its sister company USAA SA. The remaining liabilities from USAA Limited will be appropriately transferred to either USAA S.A. or the USAA S.A. UK Insurance Branch via a Part VII transfer with a planned effective date of 31 December 2022. Following this transaction USAA Limited will be dissolved during 2023, therefore simplifying the current European structure.

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including, the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.



USAA Limited

24 Subsequent events after the reporting period (continued)

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control, but also Business Counterparties of these sanctioned entities.

The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Company has performed an analysis towards the Company's potential exposure to the above.

The Company regards these events as non-adjusting events after the reporting period. At the date of this report, the the Company including its going concern is not impacted (directly or indirectly) by the above situation. The impact of changing micro- and macroeconomic conditions will be continued to be monitored. The conflict has been confined to Ukraine, a region in which the Company is not licensed to write business. All potential risks are being actively managed as part of the company's risk management process.