USAA®

LIMITED

Solvency & Financial Condition Report

For the year ending 31 December 2017

CONTENTS

SUMMARY

The purpose of this report is to satisfy the public disclosure requirements under the Solvency II Directive including the Delegated Regulation of the European Parliament, and the Prudential Regulatory Authority (PRA) rules.

The disclosure requirements cover business performance, systems of governance, risk profile, solvency and capital management.

2017 Solvency and Financial Condition

Economic conditions in 2017 are still proving to be challenging for the UK with low interest rates, the growing spectre of inflation, a weak pound and uncertainty on the outcome of the Brexit trade negotiations and transitional arrangements on the UK's exit from the European Union.

Considering the challenging environment in which the Company operates the Company's underwriting operations has produced strong financial results for 2017. Increased premium income boosted by a strong US Dollar, and favourable loss development in its motor liability claims provisions resulted in an underwrting gain of £18.9m (2016: £14.3m). The profit before tax was £21.8m (2016: £24.1m). The decrease in profit before tax resulted from unrealised exchange losses on the revalualtion of US Dollar and Euro assets and liabilities as Sterling started to recover in 2017 following the sharp fall after the Brexit vote.

The Company ended the financial year 31 December 2017 maintaining its strong financial position with available capital under Solvency II of £95,050k, a Solvency Capital Requirement of £43,422k and a Solvency II capital ratio of 218.9%.

During the year the Board has focused on corporate governance, strengthening its three lines of defence model. The Board is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital to adequately reflect its risk profile. This includes ensuring that contingency plans are well advanced to enable USAA to continue to serve its European based policyholders beyond 29 March 2019, regardless of the outcome of the Brexit negotiations.

The integration of capital management and risk management in its business model aligns with Solvency II expectations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in Directors' Report of the UK GAAP financial statements, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the board

Simon Keith
3 May 2018

REPORT OF EXTERNAL AUDITOR

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

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('the Templates subject to audit').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of USAA Limited as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting & Restrictions on Use

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

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

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.** The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

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

Ernst & Young LLP
London
4 May 2018

The maintenance and integrity of the USAA Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.

A. BUSINESS AND PERFORMANCE

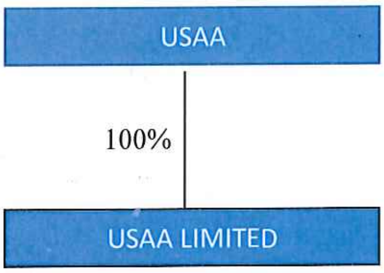
A.1 BUSINESS

Name and Legal Form of the Undertaking;

USAA Limited is incorporated in the United Kingdom and registered in England and Wales (No.00730577). The Company is a wholly owned subsidiary of United Services Automobile Association (USAA) with a 100% voting interest.

USAA is a mutual inter-insurance exchange reciprocal domiciled in the State of Texas in the United States of America, with its headquarters in San Antonio, Texas.

The following chart shows a simplified structure of the Company and its parent as at 31 December 2017.



USAA Limited's registered office address is:
Fitzwilliam House
10 St Mary Axe
London
EC3A 8AE

Name of Supervisory Authority

The company is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The contact details for the PRA and FCA are shown below:

Prudential Regulation Authority (PRA)
20 Moorgate
London
EC2R 6DA
+44 (0)20 7601 4444

Financial Conduct Authority (FCA)
25 The North Colonnade
London
E14 5HS
+44 (0)20 7066 1000

External Auditor

The details of the company's external auditor for the period ending 31 December 2017 are:

Ernst & Young LLP
Statutory Auditors
25 Churchill Place
London
E14 5EY
+44 (0)20 7951 2000

Material Lines of Business and Geographical Areas

The principal activity of the Company is the provision of motor and property insurance in the European Union to a defined customer base in the UK, Germany, Italy, Spain, Netherlands, Belgium, Portugal, Greece and France.

For Solvency II purposes the Company's general insurance business falls into defined Solvency II lines of business and geographical areas as follows:

- Motor Vehicle Liability.
- Other Motor Insurance.
- Fire and Other Damage to Property.
- General liability.

Significant Events During the Period

There have not been any significant events during the year that have had impacted the Company's financial results or Solvency position. The UK's decision in June 2016 to leave the European Union in March 2019 is still considered a significant ongoing event for the Company. Given that the majority of the Company's business is written in Europe under passporting rights this has significant implications for the Company's European based policyholders. The Company's contingency plans are well advanced to re-domicile a significant proportion of its business, to ensure that USAA continues to serve all of its European based policyholders beyond March 2019.

A.2 UNDERWRITING PERFORMANCE

The Company prepares its financial statements in accordance with FRS 102 and FRS 103, being applicable UK GAAP accounting standards. The functional and reporting currency of the Company is Sterling.

Underwriting performance by Solvency II lines of business in £'000 31 December 2017

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	32,301	31,785	(15,737)	(11,594)	4,454
Other Motor	40,137	38,667	(16,187)	(11,641)	10,839
Fire and other damage to property	6,857	6,692	(2,508)	(1,948)	2,236
General liability	2,786	2,776	(664)	(727)	1,385
Total	82,081	79,920	(35,096)	(25,910)	18,914

Underwriting performance by Solvency II lines of business in £'000 31 December 2016

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	30,482	26,757	(14,400)	(9,328)	3,029
Other Motor	35,891	34,567	(15,631)	(11,326)	7,610
Fire and other damage to property	6,375	5,961	(2,405)	(1,882)	1,674
General liability	2,694	2,590	(955)	(796)	839
Total	75,442	69,875	(33,391)	(23,332)	13,152

Underwriting performance for the top six countries £'000 31 December 2017

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Germany	45,795	44,114	(23,484)	(15,686)	4,944
Italy	16,183	16,242	(5,817)	(4,762)	5,663
United Kingdom	14,315	13,892	(3,727)	(3,803)	6,362
Belgium	2,114	2,093	(720)	(602)	771
Spain	2,235	2,198	(868)	(660)	670
Netherlands	830	788	(309)	(235)	244
Total	81,472	79,327	(34,925)	(25,748)	18,654

Underwriting performance for the top six countries £'000 31 December 2016

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Germany	41,238	38,951	(17,858)	(13,436)	7,657
Italy	15,592	14,101	(2,753)	(3,876)	7,472
United Kingdom	13,163	11,750	(10,818)	(4,415)	(3,483)
Belgium	2,026	1,906	(613)	(573)	720
Spain	2,122	1,933	(821)	(631)	481
Netherlands	738	680	(275)	(218)	187
Total	74,879	69,321	(33,139)	(23,149)	13,034

All four Solvency II lines of business were profitable in 2017. A strong underwriting performance boosted by a strong US Dollar resulted in a total underwriting gain of £18.9m, a £5.7m increase over the previous reporting period.

As the Company writes it premiums in US Dollars, net earned premiums increased by £10m in 2017 as premiums recognised in Sterling earned out at favourable US Dollar exchange rates over the year.

Total net incurred losses increased by £1.7m, with increases in both motor and property lines of business. At a country level there were significant increases in claims costs in Germany, £5.6m and Italy, £3m from new large bodily injury losses and a strong Euro driving up claims costs. In the UK, reported net incurred claims were £7.2m lower than 2016. The UK net incurred claims were exceptionally high in 2016 due to a high claim incurred ratio on its motor lines of business, and an adjustment made to claims provisions for the change in the Ogden discount rate. The UK also benefitted from favourable loss development on current and prior year bodily injury claims provisions during 2017.

Total expenses incurred increased by £2.6m in 2017 from higher claims management costs in European locations driven by a strong Euro, and additional legal and consultancy costs related to its contingency planning for Brexit.

A.3 INVESTMENT PERFORMANCE

At 31 December 2017, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount £'000	% of Portfolio	Amount £'000
Government Bonds	59,581	38%	303
Corporate Bonds	81,806	52%	4298
Collateralised Securities	2,140	1%	74
Short Term Deposits	44	<1%	13
Cash & Cash Equivalents	14,276	9%	27
Total Investments & Cash Equivalents	157,847		4,715
Investment Management Expenses			399

At 31 December 2016, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount £'000	% of Portfolio	Amount £'000
Government Bonds	45,655	30%	1,137
Corporate Bonds	81,959	54%	4,470
Collateralised Securities	2,637	2%	248
Short Term Deposits	9,043	6%	15
Cash & Cash Equivalents	11,650	8%	28
Total Investments & Cash Equivalents	150,944		5,898
Investment Management Expenses			379

The investment portfolio performed well in 2017 producing an annual return of 1.77% against a benchmark of 0.89%. Over a rolling three-year period, the portfolio returned an annualised return of 4.68% versus a benchmark of 3.90%. This is slightly lower than the three-year annualised return of 4.98%, benchmark 3.97% in 2016. The total investment return of £4.7m is £1.2m lower than 2016. This was not unexpected as Sterling started to slowly recover in 2017 following its sharp fall after the Brexit vote in 2016, reversing some of the unrealised investment currency gains experienced in 2016.

Overall the value of total investments and cash equivalents increased by £6.9m in 2017. The level of funds held on short-term deposits at the end of 2017 was £9m lower than 2016. However, an additional £10m of funding combined with investment returns was invested in the investment portfolio increasing the holdings in government bonds and cash and cash equivalents. A higher level of cash and cash equivalents was held at 31 December 2017 to meet anticipated expected large claims payments in January 2018.

In addition to measuring investment performance against the benchmark in its investment strategy it also uses total investment return, which comprises of net investment income, realised and unrealised market value gains and losses and realised gains and losses from movement in foreign exchange rates. The Company has not recognised any gains and losses directly through equity.

A.4 PERFORMANCE OF OTHER ACTIVITIES

There have been no other significant activities undertaken by the Company other than its insurance related activities.

Other Material Income and Expenses

- Lease arrangements
  The Company has two operating leases, a UK office lease expiring in March 2026 and a German office lease expiring in December 2022. The operating lease expenses for the financial year 2017 amounted to £834k. This consisted of £630k for the UK office lease and £204k for the German office lease. The company is committed to the future minimum operating lease payments on office leases as follows:

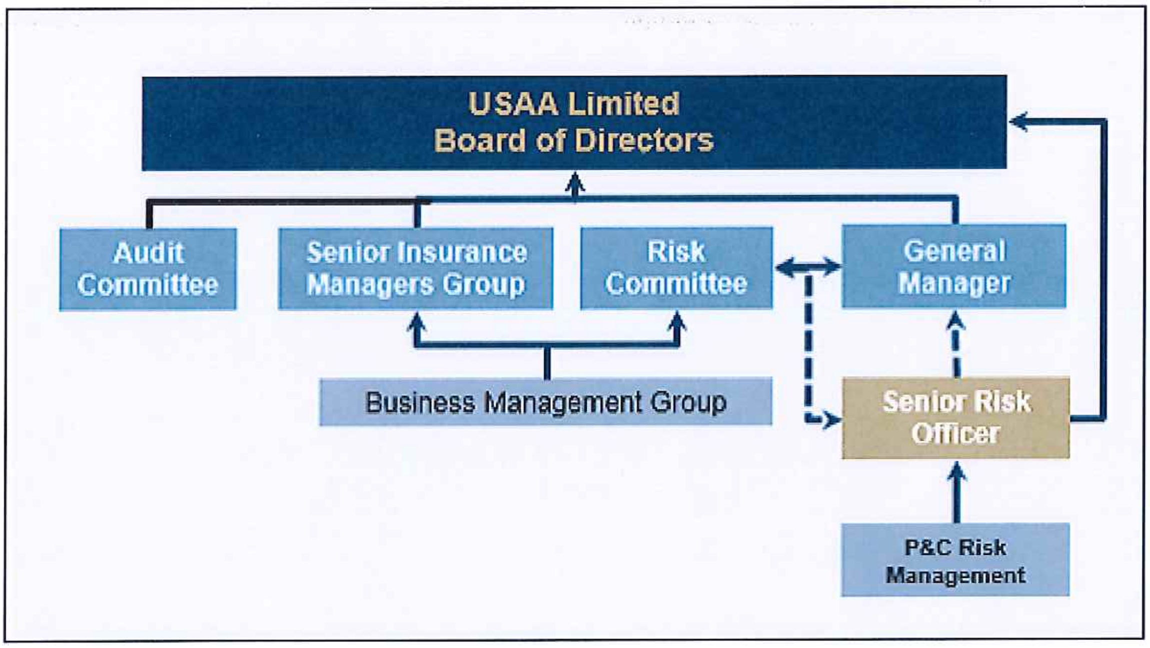
	2017	2016
Not later than one year	£837k	£826k
Later than one year not later than five years	£3,386k	£3,339k
Later than five years	£2,637k	£2,821k

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The oversight of the Company's business and its operations are provided through its governance structure, which provides guidance for functional areas, management-led groups, and the Board as it pertains to its effective management, oversight, and decision-making responsibilities.

The organisation chart below provides a high-level overview of the Company's governance structure.



The following sections provide high-level descriptions of the role and responsibilities of each function.

Board of Directors (the Board)

The Board has overall responsibility for the oversight of the management of the Company and is responsible for ensuring the success of the Company, whilst seeing an appropriate degree of protection for policyholders. It is also responsible for understanding the nature of the risks significant to the Company, forming an independent view of the Company's risk profile, ensuring that effective controls are in place and that the Company operates and sets strategy in keeping with the Board-approved risk appetite and appetite statements.

The Board takes an active part in the ORSA process to include steering how the assessment is to be performed and challenging the results. To achieve this, the Board will review the ORSA Process and ensure the ORSA framework is appropriately designed and embedded within the company culture and decision-making process.

All authority in the Company flows from the Board, but it delegates to sub-committees and senior management the matters set out in respective terms of reference and senior management responsibilities, as defined by the Senior Insurance Management Regime.

Audit Committee

The USAA Limited Audit Committee consists of the Non-Executive Directors. As a sub-committee of the USAA Limited Board of Directors and in line with its Terms of Reference and the responsibilities prescribed within the Prudential Regulatory Authority Handbook, the USAA Limited Audit Committee will review and monitor:

- The integrity of the Company's financial statements.
- The effectiveness of the Company's internal financial controls.
- The effectiveness of the Company's internal and external audit processes.
- The relationship with the Company's external auditors.

Risk Committee

The Risk Committee is a formally chartered management committee chaired by the General Manager and is responsible for recommending the risk framework to the Board, recommending to the Board and monitoring adherence to risk appetites, approving policies related to risk management, and approving processes and escalation thresholds. Risk Committee membership consists of the Company's management and key business partners.

Senior Insurance Managers Group (SIMG)

The Senior Insurance Managers Group consists of those individuals involved in the day-to-day running of the Company who are either approved as Senior Insurance Managers by the PRA, or who have been notified to the PRA as Key Function Holders. Persons performing these roles are those who perform a critical role within the Company and who are responsible for the ongoing safety and soundness of the Company. The Senior Insurance Managers Group will escalate as appropriate, matters to the Board that may cause a material impact to the Company's reputation, brand, customer base, financial position, product and revenue plan and workforce.

Business Management Group (BMG)

The Company has a formally chartered management-led group, the Business Management Group (BMG).

The BMG meets on a bi-monthly basis, at minimum, to review, manage, and monitor the functions and day-to-day activities that reside within its specified functional areas. Matters that may result in a material deviation from the Company's Strategic Plan or may cause a material impact to the Company are escalated to the Risk Committee or the SIMG through documented escalation procedures.

The BMG monitors matters regarding the Company's insurance risk and product performance, such as pricing, underwriting, claims and product strategies. In addition, the BMG oversees the Company's operational risk, ensuring effective and efficient execution of people, processes and technology.

General Manager

The General Manager, as delegated by the Board, is responsible for the day-to-day management of the Company. This includes, but is not limited to, developing and monitoring business strategy, plan and budget, and supporting the operations of the Company. The General Manager will submit the business strategy and plan to the Board for approval, and report to the Board on the progress of the strategy each quarter.

Chief Accountant

The Chief Accountant is responsible for the production and integrity of the Company's financial information and financial regulatory reporting. The Chief Accountant is also responsible for the management of the allocation and maintenance of the Company's capital and liquidity as well as the Company's financial resources and reporting to the Board.

Key Functions

The following section describes the primary roles and responsibilities of the Company's key functions:

a) Risk Management Function

While the Company (as the 1st line of defence) employs risk management and mitigation techniques from an operational perspective, the Company outsources risk management as a 2nd line of defence to P&C Risk Management within the parent company, USAA. P&C Risk Management provides an independent, clear, concise and holistic view of risks arising from the Company's business strategy and operations. In collaboration with the Company's senior management, P&C Risk Management develops and implements risk management frameworks and appetites based on the proportionality and complexity of the Company, develops and maintains policies related to risk management, and monitors processes and escalation thresholds to ensure alignment with the Company's risk appetite statements. P&C Risk Management also provides independent risk management assessments of business processes, initiatives, and decisions.

The Senior Risk Officer, who is registered as a Senior Insurance Manager with the PRA, provides fully independent risk oversight and risk expertise, including effective challenge, advice and counsel to the General Manager and the Board.

b) Internal Audit Function

The Internal Audit function of the Company is predominately outsourced to USAA Audit Services and deliverables are managed in accordance with the service agreement between USAA Limited and USAA Audit Services. The Head of Internal Audit, who is registered as a Senior Insurance Manager with the PRA reports into the USAA Limited Board of Directors.

The activity of internal auditing is primarily one of information gathering, review analysis, appraisal, and testing for the degree of compliance with policies and procedures and the adequacy of managerial systems and controls put in place to mitigate risks that exist in achieving organisational objectives. The internal audit activity is free to review and appraise policies, plans, procedures and other internal controls in any area of the organisation, and to report audit issues and recommendations for improvement to the people who have managerial responsibility. This review in no way relieves other persons in the organisation of responsibilities assigned to them.

Internal audit activities are to be performed in a manner that provides reasonable assurance that audit work complies with International Standards for the Professional Practice of Internal Auditing (the Standards), and the USAA Limited Audit Charter. Management, external auditors, regulatory agencies and USAA members rely on performance consistent with the Standards and other assurance guidelines.

The objective of Audit Services is to assist management in the effective discharge of their responsibilities by furnishing them with reports setting forth independent and objective analysis, appraisals, recommendations, and pertinent comments concerning the activities audited. Audit Services shall, therefore, be concerned with any phase of business activity in which it can be of service to the USAA Limited Board of Directors and management.

c) Actuarial Function

The Actuarial Function within USAA Limited is predominately outsourced to the P&C Actuarial Functions within the parent company. The P&C Actuarial Functions are responsible for providing expertise as it relates to loss reserving, pricing, capital modelling, reinsurance, and catastrophe exposure. Processes and deliverables of this function are handled in accordance with the service agreement between USAA Limited and USAA.

The USAA P&C Actuary who is ultimately responsible for the P&C actuarial services provided to the Company is registered as a Senior Insurance Manager with the PRA, principal responsibilities include:

- Coordinate the calculation of Technical provisions.
- Ensure the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions.
- Assess the sufficiency and quality of data used in the calculation of technical provisions.
- Inform the Board of the reliability and adequacy of the calculation of technical provisions
- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the firm's Own Risk Self-Assessment.
- Effective control management of Insurance risks.

d) Compliance Function

The Company has its own dedicated compliance resource, the Compliance Director, and also receives support from USAA Compliance. The Compliance Director, which is a key function holder role notified to the PRA, is responsible for identifying rules and regulations applicable to the Company, providing a comprehensive view of the regulatory risks arising from the business and operations of the Company, and reporting these risks to the Board and senior management at least annually. On a quarterly basis, the Compliance Director will provide updates on the Company's continued compliance with applicable regulations to the Senior Insurance Managers Group. The Compliance Director will also facilitate annual compliance monitoring programs and provide ad-hoc reports on internal audits. In collaboration with P&C Risk Management, the Compliance Director will oversee the ownership and management of the Company's risk register and ensure that a comprehensive and effective corporate governance framework is maintained for the Company.

e) Customer Service Director Function

The Customer Services Director, which is a key function holder role notified to the PRA, is responsible for ensuring that the Company provides its customers with the appropriate product solutions to meet their needs and that sales are made in compliance with legal and regulatory requirements.

f) Claims Director Function

The Claims Director, which is a key function holder role notified to the PRA, oversees and coordinates the claims activities within the Company. These responsibilities include the adjustment of motor, property and physical damage claims and the management of catastrophe operations. In addition, the Claims Director ensures the claims function complies with relevant policies and procedures.

Remuneration Policy

The Company's compensation programme is designed to help the Company attract, retain and motivate high performing employees who will adhere to the highest standards of service, loyalty, honesty, and integrity. The compensation plans are designed to pay for performance, ensure proper risk mitigation, and encourage best practices.

Aligning the total compensation of employees to the Company's mission is an important element of ensuring the ongoing health of the Company for the benefit of policyholders. The Company uses commonly accepted practices for benchmarking total compensation with relevant peer groups, and contracts with an external consulting firm to conduct its total compensation benchmarking exercise. Peer groups will match as closely as possible the central responsibilities and characteristics of the target position, and be broad enough to withstand any bias of a particular survey participant.

The Company's current total compensation package comprises of the following:

- Fixed compensation; Basic Salary, Location Allowance, Year End Bonus and Other Benefits.
- Variable compensation; Annual Bonus, Long Term Bonus, Pension and Some Benefits.

The fixed remuneration element of the policy is primarily focused on staff below Director (People Leader) level. Above this level the total package becomes progressively more focussed on variable remuneration elements that are directly linked to the overall performance of the Company with staff at Executive Director level and above receiving long term bonus rewards.

Individual performance is rewarded via annual pay awards which are taken from a % based pot of money assigned to the people Managers to allocate to employees. This % is based on company performance (Profitability) in the previous year, achievement of Company objectives (as set on the corporate scorecard) and the remuneration policy's intent to maintain competitive salaries in line with the market. All people Managers conduct formal documented performance evaluations on a Quarterly basis to ascertain achievement of objectives and discuss performance to date. The only exclusion is the General Manager whose annual reward is set by the Board. The annual bonus payment consists of a multiplier, assigned to the individual's bonus target, which is determined at a role level.

The General Manager also has a Long-term bonus plan (LTBP), which the multiplier is applied to over a 3-year period, with a new LTBP starting annually. The bonus target is only adjusted if the staff member fails to achieve recognised/satisfactory levels of behaviour and, or performance.

There are no supplementary pension schemes in place for any staff. Early retirement options are as required under Pension Regulations, and apply to all staff. The Company offers a core 10% with a 2 to 1 match up to another 10% against salary sacrifice contributions from staff.

B.2 FIT AND PROPER REQUIREMENTS

The SFCR is produced by the Finance team under the supervision of the Chief Accountant. It is subsequently reviewed by the Risk Function with input from other key functions and management committees before being presented to the Audit Committee for approval.

The key functions within the Company require the skills, knowledge and expertise in; Insurance Markets, Finance, Actuarial, Regulatory Frameworks & Compliance, Insurance Operations (Claims, Service, Underwriting), Governance, Risk.

The Company recruits to a high standard of competency and experience. A robust recruitment process is in place to ensure that the relevant skills required to fulfil the role and responsibilities are obtained. In addition, external background checks are completed and references validated by an external company. Then, on an ongoing basis all persons in key function roles are monitored for competency through an internal learning management system, self-reported learning and development objectives/goals as identified in regular meetings with their reporting Managers, and via formal quarterly performance evaluations. An annual check is then conducted utilizing an external company to accompany the internal processes.

B.3 RISK MANAGEMENT SYSTEM

A strong and clearly defined risk management framework is a key corporate function that promotes an understanding of risk and encourages risk-based decision making. Risk is inherent to operating a business. The primary objective of the USAA Limited's risk management framework is to protect the Company and its policyholders from events that hinder the sustainable achievement of the Company's mission and strategic objectives. The Board and senior management recognise the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board and underlying committees. Central to an effective risk management programme is a robust corporate governance structure with documented delegated authorities and responsibilities from the Board to executive management, senior management 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.

Risk Governance

The Company's governance structure has management-led governing bodies throughout the Company, as well as the Board, to ensure that prudent risk management is practiced across the Company to protect the safety and soundness of the Company. The Company's risk governance was established with consideration of the UK, European and US regulators expectations.

Risk Taxonomy and Risk Register

The core of an effective risk management framework is a risk taxonomy that names, classifies, and defines risk across the Company. The Company's risk taxonomy structure (shown below) has been established to:

- Aid management in understanding the current risks that face the Company;
- Facilitate the consistency of risk measurement and its aggregation across the Company; and
- Assign accountability and ownership for each risk area.

The risk taxonomy structure is comprised of six principal risks: Insurance, Credit, Financial, Legal and Regulatory, Operational, and Strategic. Sub-categories of risks in each risk area have been established as tier one risks.

Risks Identification

Risk identification is a continuous process that takes into account company objectives and a changing business and economic environment. The risk management process is deployed across the Company's risk taxonomy and addresses all key risks to which the Company is exposed to. The Company also conducts an annual qualitative risk assessment exercise to identify its top risks. This assessment is based on the Company's net risk exposure using a qualitative likelihood and impact approach.

Policies

Policies are an integral part of the Risk and Corporate Governance structure for the Company and facilitate strong governance and clearly defined roles and responsibilities. Policies are the strategic link between the Company's vision and its day-to-day operations, and they allow employees to understand their roles and responsibilities within predefined limits. The Company designs it policies to address its Principal Risks and align with its Risk Taxonomy.

Risk Monitoring and Reporting

The Company has implemented a quarterly risk reporting process to report the aggregate risk profile of the Company. The results are reported to and reviewed by senior management, the Risk Committee and the Board. The report consists of measures that are compared to pre-approved risk limits: the risk appetite is the maximum amount of risk that the Company is willing to take for a specific measure; the risk trigger is an indicator that the appetite is being approached. Metrics and limits are evaluated for potential changes on an annual basis. In addition, breaches of risk appetites, policy limits, and triggers are escalated through the appropriate governance structure. Root cause and action plans for accepting or mitigating the risk are detailed and discussed by senior management and the Board.

The triggers and appetites, which are based on input from subject matter experts, historical trends and strategic direction, are determined by senior management and ultimately approved by the Board.

Emerging Risks

Emerging risks are developments which could have a substantial impact on the Company. Drivers of emerging risks include economic, financial market, regulatory, technological, geopolitical and environmental developments. Growing interdependencies between risks can also lead to increasing accumulation of exposure. Emerging risk briefings describe a risk event, share relevant references and estimate the likelihood and potential financial impact of an event to the Company. They are used by management to determine if mitigation tactics should be considered. In addition, the Company' risk metrics help serve as leading indicators to other potential emerging risks.

The cornerstone of this function is active scanning of the environment both by the 1st line of defence and the 2nd line of defence. An external environment report is created each year prior to the Top Risk Exercise. In addition, as part of day-to-day business, emerging risks identified are discussed at the relevant management groups and the Risk Committee.

Stress Testing

Stress testing is a critical risk identification and quantification technique. The Company has designed a stress testing program to identify the impact of a plausible risk scenario. Stress testing allows the Company to improve its financial strength by increasing preparedness through the quantification of risks and spurring the development of well-rehearsed action plans.

The stress testing program includes a variety of approaches: sensitivity analysis, scenario analysis and other analysis. It designs scenarios that incorporate a variety of Company specific and market-wide events across a time horizon. Stress scenarios are tailored to capture and quantify the Company's exposures, activities and risks influencing capital and liquidity adequacy. They enable senior management and the Board to analyse possible impacts on the Company's risk profile, capital availability, cash flows, liquidity position, profitability and solvency. Robust scenario design, accurate and informed impact estimation and detailed, well-rehearsed action plans are the Company's goals for stress testing. Details on the stress testing activities conducted in 2017 are included in Section C.6.

Results are summarised for the Board and may be considered by the Board and senior management when making decisions related to capital and liquidity adequacy. Stress test results also provide critical inputs to risk mitigation and contingency plans.

Own Risk & Self-Assessment (ORSA)

The purpose of the ORSA is to provide a comprehensive tool through which the Board and management can assess risks and determine the level of capital required to meet the solvency and strategic objectives set forth by the Board.

The Company is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital needs in consideration of its business plans and risk profile. The integration of capital management and risk management into the strategic and operational planning process is fundamental to a strong business model. The Company's integration of these disciplines are captured in its ORSA Report and aligns with Solvency II regulatory expectations.

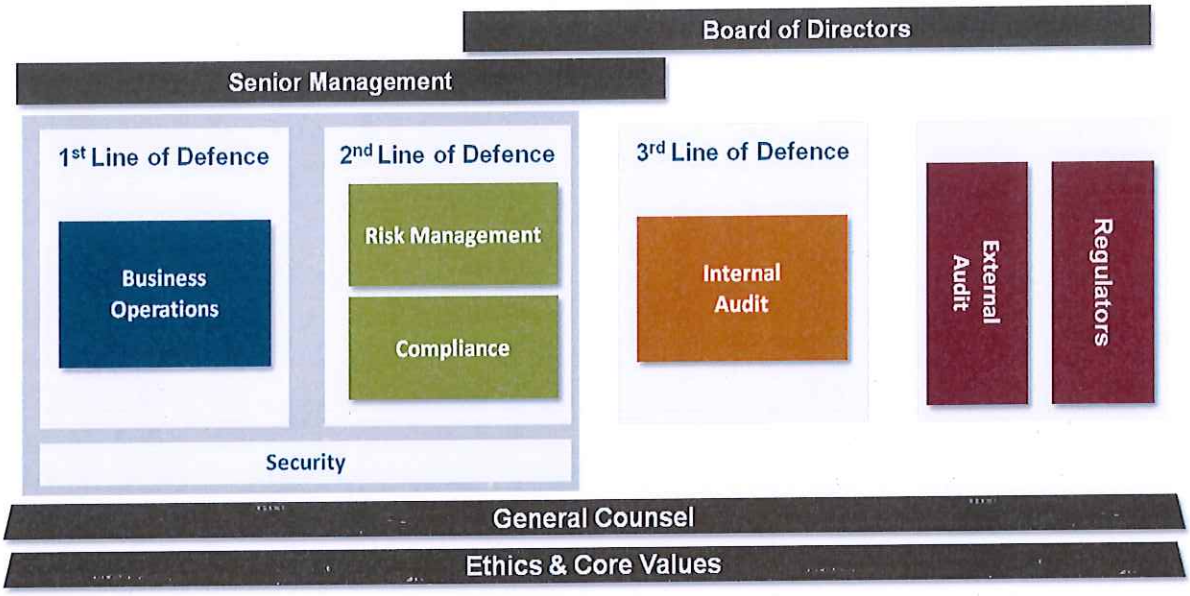
The ORSA process is reviewed and approved annually by the Board. The objective of the ORSA process ensures a full understanding of risks to which the Company is exposed and for assessing capital adequacy against those risks. The process ensures that sufficient capital can be maintained to enable the Company to achieve its strategic objectives in light of its risk profile, and to withstand the impact of any foreseeable adverse events within the next one to three years. The Company's integration of these disciplines is illustrated below.

While the ORSA reflects a current risk and solvency assessment, it should be noted that the ORSA is an ongoing and continuous process throughout the year.

The ORSA Report is produced mid-year, annually and when the Company's capital position is impacted significantly from a material event or change in its risk profile. The Report structure contains sections focused on material changes from the prior year, business strategy, risk framework and assessments, and capital and solvency results and projections.

B.4 INTERNAL CONTROL SYSTEM

The Company employs a "lines of defence" model (shown below) to coordinate various areas that have oversight and risk management responsibilities. Each of the 1st, 2nd, and 3rd lines of defence have distinct roles and responsibilities within the model, and continuous collaboration is essential between the three lines regarding risk prioritisation, trends, control quality, and effective remediation.



1st Line of Defence: The Business

Each business unit within the Company has primary responsibility for identifying, assessing, managing, and controlling risks. Business unit management, as risk owners, are expected to adhere to risk management standards, policies, procedures and guidelines that are designed to mitigate risks and to ensure the effectiveness of the risk management process. Risks taken by the 1st line should be managed by those areas within the approved risk appetite statement approved by the Board.

2nd Line of Defence: Risk Management and Compliance

P&C Risk Management together with Compliance make up the 2nd line of defence. P&C Risk Management establishes the risk management framework, to include policies, procedures, and risk appetites, and holds the Company accountable for adherence to the framework through independent oversight.

The Compliance Function designs and implements the Regulatory Compliance Program by identifying regulatory compliance requirements, educating business unit management and process/risk owners on compliance strategy and risk, providing product and project advisory services, and designing and implementing an effective regulatory compliance training program. Compliance ensures effectiveness of the program by performing independent risk-based compliance monitoring, testing and reporting, facilitating timely resolution of compliance matters by investigation and remediation of systemic compliance issues, and reporting to senior management and the Board on the effectiveness of the program. In addition to these functions, Compliance facilitates regulatory examinations, supervises regulator interaction with the business areas and develops positive regulator relationships.

3rd Line of Defence: Audit Services

Internal Audit Services serves as the 3rd line of defence by providing senior management and the Board with independent and objective assurance on the effectiveness and efficiency of governance, risk management, internal controls and compliance processes. As the 3rd line of defence, Internal Audit Services reviews, as part of its scope, the effectiveness of policies and processes in the 1st and 2nd lines of defence.

Risk and Control Self Assessments (RCSAs)

In collaboration with P&C Risk Management, the Company has developed comprehensive Risk and Control Self Assessments (RCSAs) across its core processes. The six areas for which an RCSA is in place are: Insurance Services, Claims, Underwriting/Pricing, Accounting/Finance, Human Resources/Information Technology, and Supplier Management. As new core processes are identified, or as regulatory expectations change, additional RCSAs may be developed. To ensure the documented risks and mitigating controls remain relevant to the main risks faced by the Company, each RCSA will be reviewed annually. This review, or refresh process, is led by the business units with oversight support from P&C Risk Management.

For operational RCSAs, control testing is in place for controls that are deemed key to the mitigation of critical risks. Tests are performed by the 1st line of defence, and results are reported as appropriate. Control test effectiveness and timeliness is monitored and reported to the BMG on a bi-monthly basis and escalated to the Risk Committee as needed.

B.5 INTERNAL AUDIT FUNCTION

Details on the Internal Audit Function are disclosed in Section B.1 General Information on the System of Governance above.

B.6 ACTUARIAL FUNCTION

Details on the Actuarial Function are disclosed in Section B.1 General Information on the System of Governance above.

B.7 OUTSOURCING ARRANGEMENTS

Due to its size, outsourcing is a key part of the Company's strategy to serve its policyholders. The Company primarily outsources a number of functions and activities to its parent company, USAA. In these cases, the oversight role will be delegated to the General Manager. The Company does not assume that an outsourcing arrangement with the parent company will necessarily imply a reduction in operational risk or regulatory exposure.

The Company's Outsourcing Policy governs the identification, process, and management of the Company's outsourcing arrangements. This Policy was approved by the Board and is reviewed on an annual basis. All Supplier Contracts are actively managed and reported to the BMG. The Supplier Management Process has been developed to ensure that all contracts are appropriately monitored to ensure that they are renewed as appropriate and that the appropriate service level delivery standards are met.

In addition to services outsourced to its parent company the Company outsources various services to external parties as listed in the table below:

Outsourced Operation	Service Provider	Jurisdictions	Description
Claims Handling	External Vendor	Azores, Belgium, France, Greece, Italy, Netherlands, Portugal & Spain	Claims handling and settlement
Investment Managing	External Investment Management Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain & UK	Investment portfolio management
Insurance Support Services	USAA – Parent Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain & UK	Administration, IT services, Non-advised sales telephone support, Premium collection, Underwriting
Professional Support Services	USAA – Parent Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain & UK	Actuary, Attorney, Audit, Compliance, Internal Loss Reserving, Hr Compensation & Benefits, Risk Management
Specialist Technical Services	External Vendor	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain & UK	Appraisers, Loss-adjusters, Fiscal Agents

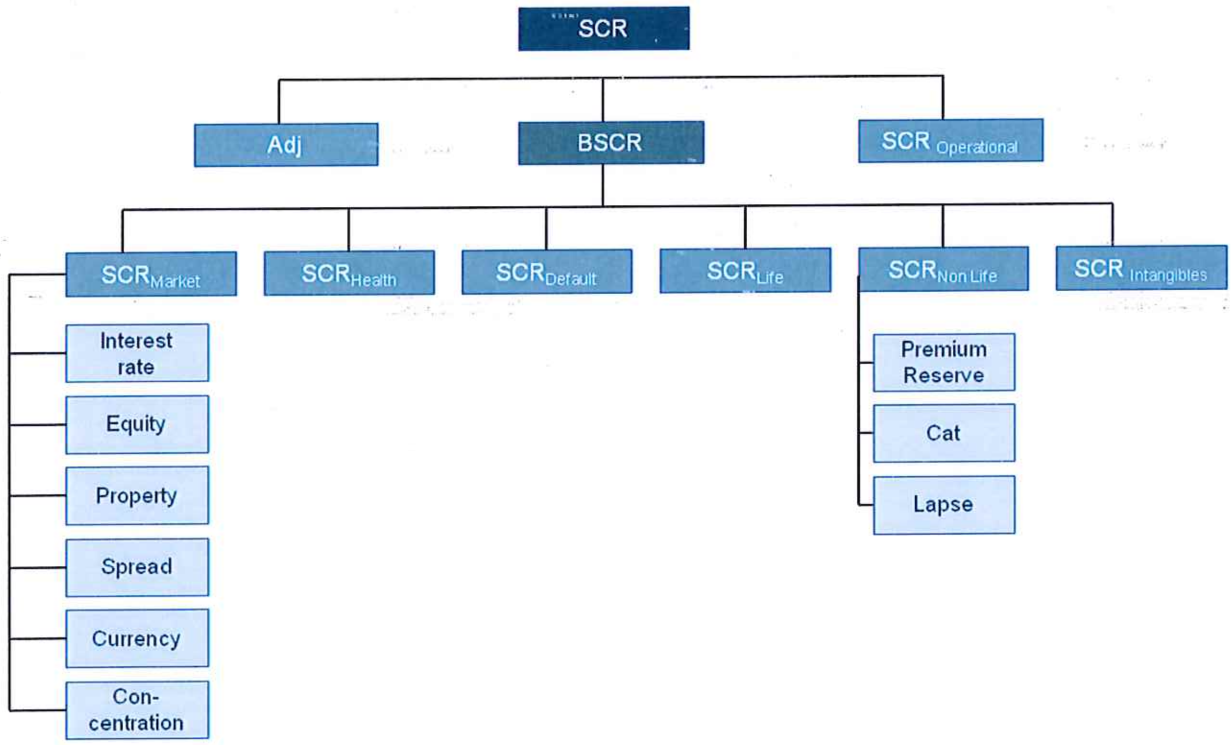
C. RISK PROFILE

The Company believes that a robust, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering its strategic objectives. 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 integration of capital management and risk management into the strategic and operational planning process is critical for long-term financial solvency.

The Company calculates it Solvency Capital Requirement (SCR) using the standard formula. The risk profile is a point in time measurement of the risks that the Company is exposed to. The Company runs its SCR on a current and forward-looking perspective over a three-year time horizon.

The SCR using the standard formula is based on a modular approach consisting of market, counterparty default and non- life risk modules with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and main module level. This provides a Basic Solvency Capital Requirement (BSCR) to which an operating risk capital component is added to give the overall SCR. Diversification benefits are calculated between the sub-risk modules and main modules.

The diagram below sets outs the standard formula risk modules and sub-modules:



The risk modules applicable to the Company's business operations are market risk, counterparty risk, non-life underwriting risk and operational risk modules and sub-modules. Full details of the standard formula SCR calculations can be found in Section E.2.

C.1 UNDERWRITING RISK

Underwriting Risk covers the risks the Company is exposed to arising from its insurance underwriting operation and is split between the following sub-risk categories:

- Premium Risk
- Reserve Risk
- Non-Catastrophe Risk
- Man Made Catastrophe Risk
- Lapse 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. This is influenced by the frequency and severity of claims, actual benefits paid and subsequent development of long-term claims.

The risk exposure is 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 strategy guidelines, as well as the use of reinsurance arrangements.

The Company has two reinsurance contacts in place as part of its underwriting risk mitigation programme:

a) External Motor Liability Excess of Loss Treaty

This treaty provides reinsurance protection for unlimited liability limits for motor liability business written in the UK and Belgium and motor liability limits set in other European locations. The company has retention limits of £2.2m for the UK and €2.5m for other European location.

b) USAA Non-Proportional Stop Loss Treaty

The majority of the Company's residual risk is covered by a non-proportional stop loss treaty with its parent company. Under this treaty an overall annual loss in its non-technical underwriting account is limited to £1m up to a maximum limit of £25m.

There are no material changes to the measures used to assess premium risk, reserve risk, natural catastrophe risk and man-made catastrophe risk during the reporting period.

C.2 MARKET RISK

Market Risk reflects the risk that the Company is affected by adverse movements in the fair value of its financial assets and liabilities. The Company is exposed to market risk on both the asset and liability side of its balance sheet arising from assets in the Company's investment portfolio, investment assets held in the Company's defined benefit pension schemes, the Company's technical provisions and transactions requiring settlement in a different currency.

The market risk sub-categories applicable to the Company are as follows:

- **Spread Risk**

  The spread risk the Company is exposed to stems from the sensitivity of the value of assets in the level or volatility of credit spreads over the risk-free interest rate return structure, which can cause a decrease in the asset's market value.

- **Interest Rate Risk**

  The interest rate risk the Company is exposed to arise from the risk of financial loss or adverse change in the value of assets and liabilities due to unanticipated changes in interest rates and their volatility.

- **Concentration Risk**

  The concentration risk is the additional risk to the Company from either a lack of diversification in the investment portfolio, or from large exposures to default risk by a single issuer or group of related issuers to securities.

Spread risk, interest rate risk and concentration risk are considered by the Company to be low risks due to the Company's prudent approach to managing its assets. The Company has a conservative investment strategy with strict investment guidelines in place, which requires the Company to maintain a well-diversified high-quality bond portfolio.

The concentration risk charge is zero under the standard formula as there are no holdings in excess of the specified thresholds prescribed by the EU Delegated Acts.

- **Currency Risk Rate**

  The most significant component 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.

  The Company is exposed to currency risk as it underwrites its premiums in US Dollars and pays it 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 with assets denominated in the same currency. This is achieved by setting the currency allocation of its investment portfolio to match the currency allocation of its liabilities.

The Company monitors the impact of interest rates and foreign exchange rates very closely through the use of risk appetites and triggers, foreign currency management and capital management assessments.

The SCR relating to the UK and Germany pension schemes has been calculated by Aon Hewitt, based on the guidelines set out in the standard formula. In these calculations the pension SCR is now being incorporated into the overall market and counterparty risk modules and the associated sub-modules, allowing for diversifications within the wider business.

Risk Mitigation and the Prudent Person Principle

The Company's Investment Management Guidelines ensure the Company complies with the requirements of the Prudent Person Principal set out in Article 132 of the Directive 2009/138/EC. The Investment Guidelines sets out the Company's strategic asset categories, limits and allocations that are suitable for its risk profile and strategic investment objectives. The Investment Guidelines are approved by the Board and reviewed annually.

The Company does not invest in any asset category that is not included in the Investment Guidelines.

The Company, as first line of defence and the Risk Committee monitor adherence to Investment Guidelines, policies, risk metrics and RCSA's with results reported to the Board at quarterly Board Meetings.

C.3 CREDIT RISK

Counterparty Default Risk

The Company is exposed to counterparty default risk through its investment portfolio, funds held with financial institutions and reinsurance arrangements. The investment portfolio has set criteria to avoid concentration of risks to sectors, issuers, credit ratings and countries.

The Company has strict guidelines on its reinsurance arrangements, which vets the risk profile and credit ratings of the participating reinsurers on its external reinsurance excess of loss programme. Credit ratings of counterparties are monitored closely to reduce the risk of default.

The SCR counterparty risk for the reporting period represents 3% of the total SCR. Exposure to counterparty risk is well diversified across counterparties and therefore, not deemed to be a material risk to the Company. There have not been any material movements in counterparties during the reporting period.

C.4 LIQUIDITY RISK

Liquidity risk arises from inability of the Company to generate sufficient cash resources to meet its financial obligations as they fall due.

The Company considers liquidity risk to be low due to the mitigation measures it has in place to manage liquidity. This includes a liquidity policy which establishes appropriate governance and accountability for managing liquidity risk, adherence to liquidity risk triggers and appetites and a liquidity funding contingency plan.

The Company also holds sufficient funds in cash and short-term deposits to meet its immediate and foreseeable cash flow requirements. In addition, the investment portfolio holds high grade corporate bonds that can be sold if required to provide liquid funds.

The expected profit included in future premiums for the reporting period is £4,897k.

The Company does not consider its liquidity concentration exposures to be material. There have not been any material movements or changes in liquidity concentration exposures during the reporting period.

C.5 OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, systems, people or external events.

The Company considers operational risk to be a key risk as it is inherent across the Company and can prevent it from fulfilling its mission and strategic objectives. Particularly, as the majority of top risks that the Company has identified are categorised as operational risks. The Company is committed to managing all operational risks related to people, processes, systems and external events to ensure a stable, safe and secure operating environment. In all situations the management of the Company will act promptly to mitigate these risks when they occur.

Examples of operational risks that are actively managed include:

- Systems availability and performance.
- Employee training and turnover
- Business continuity.
- Information security.
- Fraud.
- Financial crime.
- Cyber security.
- Outsourcing.

The Company maintains a comprehensive risk register detailing risks and internal controls, which is a critical risk management tool in managing operational risk. In the additional the Company has implemented a Risk Control Self-Assessment (RCSA) programme for key operational risks with identified risk owners. RCSA testing is carried out regularly throughout the year to test the effectiveness of internal controls with tests results being reported to the Board and governance committees.

The Company's exposure to operational risk is also mitigated by its Stop loss reinsurance programme in place with its parent company. The Stop loss reinsurance protects the company if it makes an underwriting loss in excess of £1m up a maximum limit of £25m in a financial year. This would cover any loss caused by operational events that impacted the Company's underwriting profitability.

Material operational risks are covered in section C.6 below.

C.6 OTHER MATERIAL RISK

In addition to the risks mentioned in the above section the Company has identified the following top risks, which link directly to its Strategic Plan:

- **Regulatory/Business Strategy** – Brexit has the potential to significantly impact the regulatory risk and business strategy risk if its passporting rights are not maintained.
- **Military/Political Risk** - Material reduction in the size of US military deployed in Europe as a result of political decisions around the US Department of Defence budget.
- **Competitiveness Risk** - Increased competition from insurers resulting in significant erosion of market share.
- **Technology/Systems Risk** - Technological developments significantly changing the insurance product or the way in which it is delivered to customers.

Technology/Systems fall within operating risk. The other risks, though not explicitly modelled in the standard formula, would be included in the modelled results as the risks would materialise into the financial risks of deteriorating growth and profitability. The SCR is considered sufficient to cover these risks for this reason.

There have not been any material movements that impacted the Company during the reporting period.

Stress Testing and Sensitivities

The 2017 USAA Limited Stress Testing Plan focused on the impact of exchange rate volatility, varying exchange rates across multiple scenarios relative to the 2018 USAA Limited financial plan. This covered both the impact on profitability and the level of available own funds to cover the SCR. This was a very relevant stress test considering the Company's reporting currency GBP remains weak against the US Dollar and Euro amid the uncertainty surrounding Brexit.

The stress test exercise employed +/- 25% shocks to the USD/GBP and EUR/GBP forward exchange rates used in the Company's 2018 financial plan under four separate scenarios:

- Scenario 1 - GBP weakens 25% relative to the US Dollar and the Euro.
- Scenario 2 - GBP strengthens 25% relative to the US Dollar and the Euro.
- Scenario 3 - GBP strengthens 25% relative to the US Dollar and weakens 25% relative to the Euro.
- Scenario 4 - GBP weakens 25% relative to the US Dollar and strengthens 25% relative to the Euro.

- **Background and approach**

Although the company's reporting currency is GBP, the Company is subject to three different operating currencies GBP, US Dollar and Euro. All premiums are written and collected in US Dollars, while claims and expenses are generally paid in GBP and Euros. Based on the movement of exchange rates, there are pricing implications due to collecting premiums and establishing claims provisions in different currencies. A strong US Dollar threatens competitiveness and a weak US Dollar threatens profitability.

The Company has an exchange rate guardrail in place to trigger proactive price rate changes. The objective of the exchange rate guardrail is to be responsive to large exchange rate movements but not trigger price rate changes to often.

The currency impact to pricing rates, the related earned premium income and claims and underwriting expenses was assessed under the above four scenarios to determine the impact on profitability and available own funds.

In the table below the forward foreign exchange rate was shocked by +/-25% as per the above four scenarios to determine the corresponding pricing impact to earned premiums.

Scenario	+/-25% USD	+/-25% EUR	EUR / USD	Pricing Impact £000s	Rate Change
1	$1.025	£1.189	$1.219	(2,088)	-
2	S1.708	£0.714	$1.219	2,119	-
3a	$1.708	£1.189	$2.032	9,541	20.0%
3b	$1.708	£1.189	$2.032	24,174	50.6%
4	$1.025	£0.714	$0.732	(19,257)	(22%)

Scenario 3 provides a significant opportunity for price rate action as the movement in the EUR/USD exchange rate is extreme. This has been further split into two scenarios, 3a. to show the impacts of a reasonable upper price rate action and 3b. to show what action the Company's guardrail guidelines would indicate. The guidelines would show that an exchange rate movement this extreme would indicate a rate increase of 50.6% in all locations. However, it is not likely that the Company would take such a high price rate increase as this will impact competitiveness, retention and long-term relationships with policyholders.

A reasonable upper bound rate response is a rate increase of 20% in all locations, along with a plan to continue to monitor the situation.

The following table captures projected key financial income statement results for each of the four scenarios. Note that under Scenario 3a, the underwriting loss of (£11.1m) would trigger a stop loss recovery under the Stop Loss Reinsurance Agreement, of £10.1m.

Scenario	Gross Earned Premium £000's	Loss & LAE Expense £000's	UW Gain / (Loss) £000's	Profit After Tax £000's	Combined Ratio
1	114,609	72,174	4,621	6,970	95.5%
2	72,137	46,591	2,493	3,955	96.1%
3a	79,559	66,827	(11,123)	1,126	101.4%
3b	94,912	66,827	1,930	3,500	97.7%
4	97,439	51,938	9,541	10,955	89.0%

The following table shows the impact of the stressed scenarios on the Company's 2018 projected available capital under Solvency II (Own Funds) and its ability to cover its 2018 projected Solvency Capital Requirement (SCR).

Scenario	SII Own Funds £000's	SCR £000's	SII Capital Ratio
2018 Plan	98,432	43,938	2.24
1	100,709	43,938	2.29
2	97,694	43,938	2.22
3a	94,865	43,938	2.16
3b	97,239	43,398	2.21
4	104,694	43,938	2.38

The Company is in a very strong financial position with its 2018 plan projecting available own funds of £98.4m, an SCR of £43.9m and a Solvency II capital coverage ratio of 2.24. As the Company holds such a high level of available own funds the change in profitability from the stressed scenarios has resulted in minimal changes to its Solvency II capital coverage ratio.

As mentioned above Scenario 3.a is the only scenario to trigger a stop loss recovery. Without allowing for the stop loss recovery available own funds would reduce to £83.2M reducing the Solvency II capital coverage ratio to 1.89%. This would still leave the Company in a very strong financial position with its Solvency II capital coverage ratio way above its risk trigger of 130% and its risk appetite of 120%.

- **Conclusion**

  The stressed scenarios show the resilience of the Company's income statement relative to foreign currency shocks. Each of the scenarios produced instances of underwriting gains and losses, with the corresponding recovery under the stop loss reinsurance agreement. Additionally, management rate action does not necessarily ensure increased profitability, as evidenced by the various scenarios above.

  The approach employed herein considered the triangulation of rates, which produced some EUR/USD scenarios that have historically not occurred. While the income statement remains exposed to foreign exchange rate shocks, the Company continued to produce profit after tax income under each of the stressed scenarios.

  The Company's financial strength and the level of available own funds show that the Company can withstand extreme volatility in exchange rates. Even without recovering on the stop loss reinsurance agreement the Company can still hold capital well above its risk trigger and risk appetite.

  The stress testing exercise is beneficial in showing situations where the stop loss reinsurance recovery is triggered. Even though the Company was not fully reliant on it in these scenarios it does show that it is a useful risk mitigation tool in extreme events.

C.7 ANY OTHER INFORMATION

Risk-taking is limited by setting appropriate risk triggers and appetites with clear guidelines for limiting and controlling risk exposures to ensure the Company operates within the risk appetites statements. The Company's risk appetites statements are approved by the Board annually. Modifications, if necessary are made to reflect changes in business strategy, objectives or the external environment.

D. VALUATION FOR SOLVENCY PURPOSES

The Solvency II Regulation (EU) 2015/35 ('the Solvency II Regulation') together with Guidelines issued by EIOPA requires companies falling under the scope of Solvency II to recognise and value their assets and liabilities generally in accordance with the fair value principles of International Financial Reporting Standards ('IFRS') subject to specific recognition and valuation rules for particular assets and liabilities, notably technical provisions. This Section D sets out the bases, methods and assumptions for assets and liabilities for the purposes of Solvency II.

The analysis in this section also explains material differences in valuation or classification between the Solvency II balance sheet and the Company's statutory financial statements. The Company prepares its statutory financial statements in compliance with FRS 102 and FRS 103, being the 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 relating to insurance companies. This accounting framework is generally consistent with IFRS in recognition and valuation criteria.

Solvency II Balance Sheet as at 31 December 2017 in £'000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Assets					
Deferred tax assets	7	452	(452)		0
Pension benefit surplus	8	3,328			3,328
Property, plant & equipment held for own use	6	352			352
Investments	1	**142,243**	**1,328**		**143,571**
Government Bonds		59,024	557		59,581
Corporate Bonds		81,118	688		81,806
Collateralised securities		2,101	39		2,140
Deposits other than cash equivalents	2		44		44
Reinsurance recoverable from:		**13,601**			**8,245**
Non-life excluding health	D.2	13,601		(5,356)	8,245
Insurance & intermediaries' receivables	3	46,825	489	(41,661)	5,653
Receivables (trade, not insurance)	4	576			576
Cash and cash equivalents	5	14,320	(44)		14,276
Any other assets, not elsewhere shown	9	1,618	(1,284)		334
Total assets		**223,315**	**37**	**(47,017)**	**176,335**
Liabilities					
Technical Provisions					
Non-Life excluding health	D.2	(122,936)		48,267	(74,669)
Liabilities other than Technical Provisions					
Pension benefit obligations	11				
Deferred tax liabilities	10	(698)	452	(228)	(474)
Insurance & intermediaries' payables	12	(439)		439	0
Payables (trade, not insurance)	13	(3,342)	(489)		(3,831)
Any other liabilities, not shown elsewhere	14	(2,311)			(2,311)
Total Liabilities		**(129,726)**	**(37)**	**48,478**	**(81,285)**
Excess of Assets over Liabilities		**93,589**	**0**	**1,461**	**95,050**

The statutory accounting balance sheet forms the basis for the Solvency II balance sheet, with reclassifications and valuation adjustments made to assets and liabilities requiring a different recognition or valuation basis under Solvency II. Details of the valuation and recognition of UK GAAP assets and liabilities can be found in the Company's Annual Report and Accounts, Note 1 on Accounting Policies. Additional notes have been included in sections D.1 D.2 and D.3 below for reclassification and Solvency II adjustments made to the Solvency II balance sheet.

D.1 ASSETS

Note 1: Investments

The Company outsources the management of its investment portfolio to Western Asset Management. The investments are measured on a fair value hierarchy Levels 1 to 3.

- 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 Company.
- Level 2 represents unquoted securities valued by the Company 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 valuation techniques is to estimate what the fair value would have been on the measurement date.

The investments are included in the Level 2 category, are financial assets and are valued by the Company's asset managers, based on the average of third-party bid and offer prices.

Accrued interest has been reclassified from any other assets under UK GAAP to the value of underlying investments under Solvency II.

The valuation methods used are considered to be consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC.

Note 2: Deposits other than Cash Equivalents

Deposits other than cash equivalents under Solvency II include UK Treasury deposits and short-term deposits placed with financial institutions, which have a maturity date of less than three months but cannot be used to make payments before their specified maturity date. These deposits are recognised at their value on maturity. As these deposits have been presented as cash & cash equivalents in the statutory UK GAAP balance sheet a reclassification adjustment has been made for Solvency II purposes.

Note 3: Insurance & Intermediaries Receivables

Under UK GAAP Insurance and intermediaries' receivables include both amounts owed by policyholders that are past due and amounts owed by the parent company. Under Solvency II the amounts owed by policyholders that are not past due are future cash flows and have been considered in the calculation of premium provisions within technical provisions. Details on the methodology for calculating technical provisions are covered in section to D.2.

The amount remaining in insurance and intermediaries' receivables under Solvency II relates to the inter-company balance due from the parent company for premiums collected from policyholders on behalf of USAA Limited. The inter-company balance due is a short-term receivable and has been valued at the amount due to be paid by the parent company in the month following collection of the premiums. A reclassification adjustment has been made to payables (trade, not insurance) under liabilities for any amounts in the inter-company account which are due to be paid to the parent company for non-insurance services. These are short term payables and have been valued at the amount to be settled in the month following the occurrence of the services.

Note 4: Receivables (Trade, not Insurance)

The receivables (trade, not insurance balances) relates to advance payments for estimated 2017 insurance premiums taxes paid to tax authorities in Germany and Belgium and other receivables, which are due within 1 year. The carrying values are deemed to be equivalent to fair values under Solvency II.

Note 5: Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash deposits with financial institutions that are highly liquid assets and can be withdrawn without penalty. Cash and cash equivalents are considered to be held at their fair value under Solvency II.

Note 6: Plant & Equipment

Plant and equipment are depreciated at their residual values over their useful lives. Depreciation is calculated on a straight-line basis to reduce the carrying value to the residual amount over the following years:

- Fixtures and fittings 5 Years
- Motor Vehicles 3 Years
- Computer Equipment 2 Years
- Furniture and Office Equipment 2 Years

Annual reviews are conducted on an annual basis to ensure residual values, length of useful lives and depreciation methods are still applicable. Where the carrying value of an asset is greater than its estimated recoverable amount it would be written down immediately to its recoverable value.

Plant and equipment have not been revalued to a Solvency II market consistent value as the value of these assets is not deemed to be material.

Note 7: Deferred Tax Asset

The Solvency II recognition principles for deferred taxes are described in note 10 deferred tax liabilities.

The deferred tax asset of £452k is the deferred tax asset as per the annual statutory financial. No adjustments have been made to the deferred tax asset for Solvency II valuations. The deferred tax asset has been reclassified to offset against the deferred tax liability to reflect a net deferred tax position.

Note 8: Pension Benefit Surplus

The Company operates two defined benefit Schemes for its employees in the UK and Germany. The UK Scheme was closed to future accrual on 30 June 2016. The German Scheme was closed to new entrants on 30 June 2016.

The assets of the Schemes are held separately from those of the Company and are invested with external investment managers, to meet long term pension liabilities of past and present members.

The valuations for both schemes at 31 December 2017 have been calculated under UK GAAP FRS 102, based on the latest funding valuations carried out by independent qualified actuaries. At 31 December 2017 the FRS 102 valuations reported a pension benefit surplus of £2m on the UK Scheme and a £1.328k pension benefit surplus on the German Scheme. The UK Scheme moved from a £145k pension net liability at the end of the prior reporting year to the pension benefit surplus position because of an improvement in the discount rate used to value Scheme liabilities, and additional pension contributions paid into the Scheme to fund the pension deficit. Full details on the principal assumptions used to calculate the defined benefit surplus and liability can be found in the Company's Annual 2017 Financial Statements, disclosure Note 20.

The prescribed accounting valuation method is consistent with the permitted Solvency II valuation method.

Note 9: Other Assets

The amount shown in other assets, not elsewhere under UK GAAP includes accrued interest and prepayments. Accrued interest £1,284k has been reclassification to investments for Solvency II valuation purposes. The £334k remaining in other assets under Solvency II relates to prepayments, which are valued based on the amounts paid in advance for expenses related to the subsequent reporting period. These are deemed to be valued in accordance with Solvency II.

There have not been any changes to the recognition and valuation basis for any of the assets disclosed in section D.1.

D.2 TECHNICAL PROVISIONS

Valuation of Technical Provisions

The Company's technical provision's is comprised of Motor Vehicle Liability, Other Motor, Fire and Other Property, and General Liability business. All assumptions are applied in a consistent manner for each line of business although the underlying values may differ by line.

31 December 2017

Non-Life Technical Provisions	Gross Best Estimate (£000)	Risk Margin (£000)	SII Value (£000)	Reinsurance Recoverable (£000)	Net Technical Provisions (£000)
Motor Vehicle Liability	70,086	6,411	76,497	(10,847)	65,650
Other Motor	(2,783)	379	(2,404)	2,122	(282)
Fire & Other Property	(134)	102	(33)	336	303
General Liability	463	146	608	144	752
Total	**67,632**	**7,037**	**74,669**	**(8,245)**	**66,424**

Overall, the assumptions underlying the technical provision calculations have remained consistent since the prior reporting period. However, there were material changes in the following premium provision assumptions:

- Loss ratios – Although the aggregate loss ratios remained fairly flat, there were material changes by region in order to better reflect recent loss experience.
- Ceded loss percentages – Due to the recent Ogden discount ratee change, as well as a number of large claims that occurred in the Western region during the reporting period, there was a material increase in the expected amount of ceded losses.

Valuation Basis, Methods and Main Assumptions

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. The cash flow projections used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

Technical provisions are grouped into the following key components:

- Claims provision: Best estimates of the provision that relates to the earned exposure.
- Premium provision: Best estimate of the provision that relates to the unearned exposure (i.e. driven by unearned premium and policies which are bound but not yet incepted (BBNI) at the valuation date).
- Risk margin: Additional provision to bring the best estimates to the level required to transfer the obligations to a third-party undertaking.

No material changes have been made to the assumptions underlying the technical provisions since the previous reporting period:

Claims Provision

Statutory loss and expense reserves (including a prudence margin) are used as the starting point to estimate the claims provision before the following adjustments are applied:

- Removal of prudence margin.
- Events Not in Data (ENID).
- Discounting credit.

Gross statutory reserves are calculated using a deterministic analysis based on a combination of the Chain-Ladder and Cape Cod methods. Expert judgment is used to select ultimate losses and development factors for each accident year. The reserve analysis is based on fifteen years of data. Due to the extremely low volume of reinsurance recoveries, outstanding reinsurance recoverables are valued on a case by case basis by the appropriate claims management team.

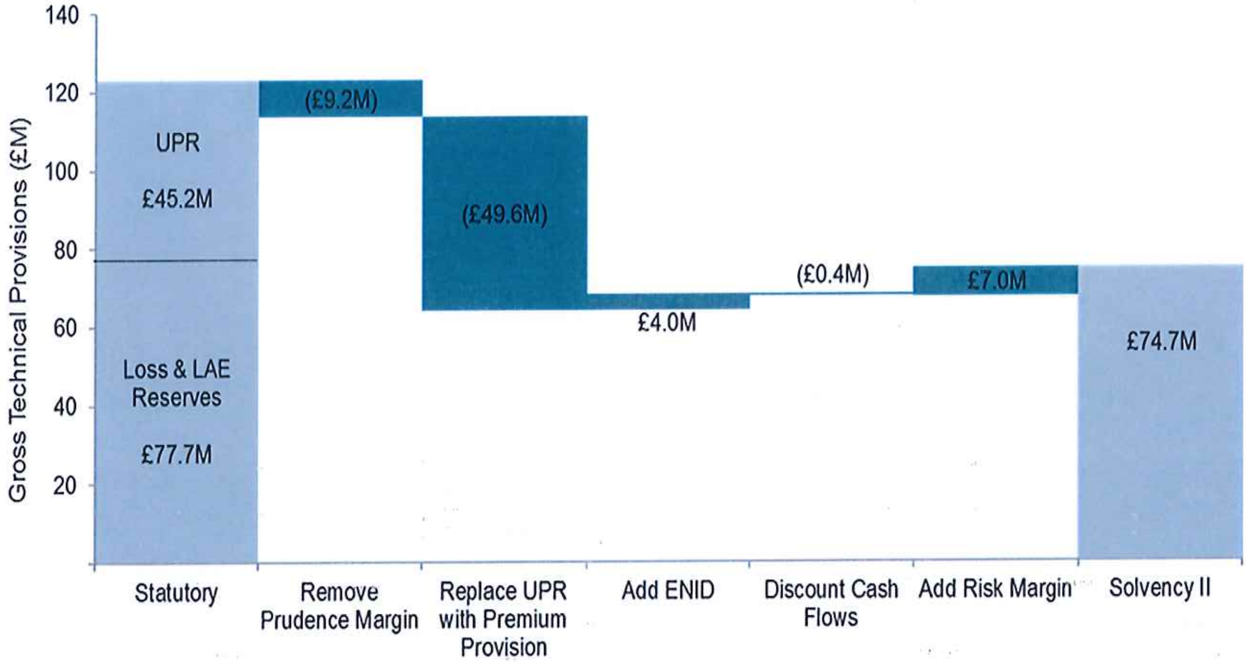
Premium Provision

The unearned premium reserve is used as the starting point to estimate the premium provision before the following adjustments are applied:

- Application of loss ratios to reduce the unearned premium reserve for claims liability.
- BBNI business.
- Expenses.
- ENID.
- Discounting credit.
- Future premium.

Solvency II Adjustments

The chart below shows the difference between the valuation used for Solvency II purposes and that used for statutory financial statements.



Reconciliation of differences between the valuation used for Solvency II purposes and that used for statutory financial statements by Line of Business in £'000.

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	SII Technical Provisions
Motor Vehicle Liability	90,799	(8,944)	(15,057)	4,002	(714)	6,411	76,497
Other Motor	24,700	(54)	(27,651)	-	222	379	(2,404)
Fire & Other Property	4,601	(67)	(4,700)	-	32	102	(32)
General Liability	2,765	(88)	(2,224)	-	10	145	608
Total	122,865	(9,153)	(49,632)	4,002	(450)	7,037	74,669

The details of Solvency II adjustments that are applied to statutory reserves to obtain best estimates of technical provisions are as follows:

a) Removal of Prudence Margin

Due to the Company's moderately conservative reserving philosophy, a prudence margin is embedded in the statutory loss and expense reserves. To obtain best estimates, the prudence margins must be removed. To determine the prudence margins, a mean reserve is first calculated based on paid and reported reserving methodologies (the latest six accident years) or the currently booked reserves (prior to the latest six accident years). We treat accident years prior to the latest six accident years differently due to the fact that we book at the best estimate for those years. Once the mean reserves are calculated, the booked reserves are divided by the mean reserves to determine the prudence margins. These margins are then applied to the statutory reserves to obtain best estimates.

b) Claims Cash Flows of Unearned Business

Selected loss ratios are used to calculate the expected losses from unearned business in the premium provision. They are selected based on the latest three to five years of historical data and then compared to next year's calendar year plan loss ratio. Since next year's plan includes future rate changes and loss ratio trend assumptions, it provides a reference to which we can compare the selected ratios.

c) Bound But Not Incepted Business (BBNI)

BBNI premium income relates to policies which the Company is legally required to write but which have not yet been incepted as of the valuation date. For USAA Limited, BBNI stems from either renewal packets being sent prior to the renewal effective date or new business being bound early. The BBNI is estimated using the renewal business in the in-force snapshot as of the valuation date. This assumes that no business will cancel between when the renewal packet is sent out and the effective date, but does not capture any new business during that time. Due to the stable nature of the business and the relatively minor impact this has on the final number, we felt that this was reasonable. The BBNI calculations differ by country depending on the renewal cycle in place.

d) Expenses

For USAA Limited, expenses are grouped into the following four categories: administrative expenses, investment management expenses, overhead expenses, claims management expenses. Since we book loss adjustment expense reserves, claims management expenses are included in the statutory reserves that serve as the starting point for the calculation of the claims provision. All five expense categories are included in the calculation of the premium provision by applying expense ratios to unearned premium. For the premium provision, the expense ratios are selected based on next year's financial plan.

e) Events Not in Data (ENID)

ENID adjustments are designed to capture potential future claims that do not exist in the historical data used for the statutory reserves calculation. These claims are typically caused by low-frequency, high-severity man-made hazards. Historical events which are contained within the Company's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied.

f) Discounting Credit

Claims and premium provisions are converted to future cash flows by applying payment patterns to determine how much of the provisions will be paid out in each of the future calendar years. Due to the extremely low volume of reinsurance recoveries, gross payment patterns cannot be applied to outstanding reinsurance recoverables. Instead, expertise is provided by the appropriate claims management team when determining the expected settlement of each individual recoverable.

The risk-free yield curves (with no volatility adjustment) provided by EIOPA are used to discount future cash flows of premium and claims provisions to the valuation date to take account of the time value of money. The cash flows are discounted mid-year, which assumes that the average claim is paid mid-year.

g) Future Premium

The Solvency II regime allows liability cash flows to be offset by premium receivables cash flows. Similarly, reinsurance payables (such as future reinsurance payments) also need to be taken into account. Premium receivables are higher than reinsurance payables and thus, result in a reduction of the premium provision.

h) Reinsurance Recoveries (Less Bad Debt)

The reinsurance recoveries are calculated separately for the claims provision and premium provision.

As mentioned above, the Company has an extremely low volume of outstanding reinsurance recoveries. Thus, each outstanding claim subject to reinsurance is considered on a case by case basis. The appropriate claims management team is consulted when determining the expected settlement of each reinsurance claim. The recoverable are then discounted based on the expected settlement date. Due to the superior ratings of the reinsurers subject to the Company's reinsurance treaties, no adjustment for bad debt is included due to immateriality.

For the premium provision, ceded reinsurance ratios (as a percentage of gross losses) are developed based on the last five to ten years of historical data.

Risk Margin

Methodology 2, prescribed by EIOPA (i.e. to approximate the SCR for each future year by using the ratio of the best estimate at that future year to the best estimate at the valuation date), is used to project the future Solvency Capital Requirement (SCR) relating to current obligations. The initial adjusted SCR is determined by running the standard formula excluding the interest rate risk module. Subsequent adjusted SCRs are assumed to increase or decrease in proportion to the change in future net best estimates. We believe that a proportional methodology is appropriate for the Company due to the limited risk profile of our business as a personal lines insurer. The discounted SCRs are determined by multiplying the individual SCRs by the corresponding GBP present value factor.

The final risk margin is determined by multiplying the promulgated 6% cost of capital by the sum of the discounted SCRs.

Level of Uncertainty

The level of uncertainty inherent in USAA Limited's business is affected by many factors. Future claims experience is in part dependent on the external environment, which is subject to uncertainty, including that related to legislative, social and economic change (in particular, exchange rate impact). The impact of uncertain external factors is considered during each technical provision estimation.

There are several risk factors that USAA Limited faces, including,

- **Large losses** - The potential for large liability losses due to high limits, or in some jurisdictions, unlimited liability, or property losses at military bases or in concentrated port areas where policyholder goods are being shipped, creates volatility in profitability. The Company appropriately plans for these potential losses in its planning process, and generally sees reserve reductions if large losses are not realised. This risk is mitigated by both stop loss and excess of loss reinsurance.

- **Exchange rate** - Premiums are collected in US Dollars. Losses are generally paid in local currency, primarily, Sterling and Euros. This risk is somewhat mitigated by holding a portfolio of assets that matches the currency composition of liabilities. While this approach hedges long term currency volatility, sharp, short term fluctuations can significantly impact the profitability of USAA, Limited. This risk is also mitigated by stop-loss reinsurance.

- **Unanticipated frequency or severity trends** - USAA Limited's planning process effectively plans for both claim frequency and severity trends. It uses historical data as well as known or anticipated information about loss costs to estimate prospective losses and then use the prospective losses to price accordingly. To the extent that claims frequency or severity trends emerge at an unanticipated level, pricing plans can be adjusted. Additionally, this risk is mitigated through reinsurance.

- **Military Drawdown** - USAA Limited's principal clientele are members of the United States military and their families stationed in Europe. Hence, the book is subject to the risk of a military drawdown, which could make the book too small to be sustainable. USAA Limited monitors the plans of the US military in Europe and could take action accordingly if the book became unsustainable.

- **Legal Risk** - The insurance business is subject to the vagaries of the legal system. Lawsuits, whether justified or not, regarding damages or contract terms, are rampant in many jurisdictions that the parent, USAA, does business in. USAA Limited's legal risk is deemed to be lower than that of the parent, as the litigiousness and case law in the jurisdiction that USAA Limited operates is lower than that of the parent. However, because of high limits or in some jurisdictions, unlimited liability, USAA Limited continuously monitors this risk. This risk is mitigated by both stop loss and excess of loss reinsurance.

- **Social Expectations and Behaviour** - The risk that social expectations and behaviour around insurance changes is a risk that all companies involved in insurance face. USAA Limited is not an exception. Increased claims filing at levels not anticipated impact the volatility around the level of expected profitability. In the near term this is mitigated by stop-loss reinsurance. In the longer term it is mitigated by pricing actions.

  Another factor than creates uncertainty in the technical provisions and profits is adverse selection. Adverse selection occurs when the likelihood of loss is correlated with the demand for insurance. That is, people who are more likely to have a loss are more likely to purchase insurance. If an insurer raises prices across the board to adjust for increasing losses, the risks less likely to have a loss can get lower prices elsewhere and leave the book, leaving the high risks in the book, which is now again under-priced. This creates a spiral of price increases driving better risks away from the business leading to losses greater than anticipated.

  The means to avoid adverse selection is the ability to accurately charge each risk an appropriate premium based on its characteristics. Clearly understanding risk characteristics and having the ability to price accordingly is paramount in avoiding adverse selection. USAA Limited employs sufficient risk classification to appropriately price individual risks, thus the potential for adverse selection is minimal. A random sample of policies was reviewed and premiums were validated against these risk classification parameters.

Reinsurance stabilizes the volatility of USAA Limited profitability in several ways. Excess of loss reinsurance is purchased to protect against the rare large liability losses. This is more for capital protection than limiting the volatility around expected profitability. The stop loss agreement between USAA Limited and its parent guarantees a combined ratio not greater than 100% plus its retention of £1m up to a limit of £25m, thus in most cases subjecting USAA Limited to a loss of £1m.

Transitional measures on technical provisions

The Company has not used any of the transitional measures with regards to transitional measures on technical provisions, transitional measures on risk-free interest rates, matching adjustments or volatility adjustments.

D.3 OTHER LIABILITIES

Note 10: Deferred Tax Liabilities

The Solvency II recognition principles for deferred taxes are consistent with the UK GAAP FRS 102 principles in the financial statements. The deferred tax asset or liability is calculated based on the temporary difference between Solvency II values and the tax values.

Deferred tax represents the amounts of corporation taxes recoverable in future periods in respect of deductible temporary differences. Deferred taxes in respect of deductible temporary differences are valued based on the difference between:

- The values of assets and liabilities recognised and valued in accordance with Solvency II.
- The values of assets and liabilities recognised and valued for tax purposes.

Deferred tax has been calculated using the future UK corporation tax rate of 17% in line with the deferred tax calculations in the financial statements.

The deferred tax liability of £699k and deferred tax asset £452k under UK GAAP have been combined to produce a net deferred tax liability of £247k. This has been adjusted for additional deferred tax on valuation differences on Solvency II Non-life technical provisions. The total deferred tax liability under Solvency II at 31 December 2017 is £598k.

Note 11: Pension Benefit Obligations

Pension benefit obligations are disclosed together with the pension benefit surplus in the asset section D.1 Note 8.

Note 12: Insurance & Intermediaries Payables

Under UK GAAP insurance & intermediaries' payables include amounts due to policyholders, which are not yet due. Under Solvency II these have been included in the calculation of technical provisions.

Note 13: Payables (Trade, not Insurance)

Payables (trade, not insurance) include amounts owed to the parent company, employees, suppliers and tax authorities that are not insurance related. Payables solely comprise of amounts which fall due within 12 months and are valued at the amounts expected to be paid by the Company.

Note 14: Other Liabilities, Not Shown Elsewhere

Other Liabilities, not shown elsewhere £2,311k relates to accruals for expenses recognised in the reporting period that have not been paid at the end of the reporting period. Accruals have been based on amounts expected to be paid in the subsequent period and are deemed to be valued in accordance with Solvency II.

There have not been any changes to the recognition and valuation basis for any of the liabilities disclosed in section D.3.

D.4 ALTERNATIVE METHODS FOR VALUATION

The Company has not used any alternative valuation methods.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

The objective of own funds management is to continuously maintain sufficient eligible own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) with an appropriate buffer. The Company has established Board approved risk appetite and triggers around its SCR coverage and minimum amount of excess available capital.

Approach to Capital Management

The Company includes capital management in its planning and forecasting process. Solvency II balance sheets and own funds are projected over a three-year time horizon to anticipate future capital requirements.

The Finance function monitors the Company's solvency position and capital availability through capital assessments and the use of Board approved risk metrics. Information on the Company's capital position is provided to the Board, SIMG and Risk Committee on a regular basis. In addition, the Finance Team works alongside P&C Risk Management to conduct stress and scenario testing and assess its impact on the capital position of the Company.

Tier 1 Basic Own Funds

Under Solvency II regulation, capital is referred to as own funds, which is required to be split between Basic Own funds and Ancillary Own Funds. The Company does not hold any Ancillary Own Funds; therefore, the capital is all classified as Basic Own Funds Tier 1 as shown in the table below:

Own Funds Tier 1 - £000	31 December 2017	31 December 2016
Ordinary Share Capital	13,100	13,100
Share Premium	348	348
Reconciliation Reserve	81,602	65,402
Total Own Funds	95,050	78,850

All the company's Tier 1 Own Funds are eligible to cover the SCR and MCR. The ordinary share capital and related share premium are classified as Tier 1 unrestricted capital since the Company's Articles of Association permit the cancellation of dividends after they have been declared.

There has not been any change to the Company's ordinary share capital and share premium during the reporting period.

The reconciliation reserve is calculated as follows:

Reconciliation Reserve £'000	31 December 2017	31 December 2016
Excess of assets over liabilities from SII Balance Sheet	95,050	78,850
Less:		
Ordinary Share Capital	(13,100)	(13,100)
Share Premium	(348)	(348)
Reconciliation Reserve	81,602	65,402

The reconciliation reserve comprises of retained earnings from the Company's statutory financial statements adjusted for Solvency II valuation differences.

31 December	2017 £'000	2016 £'000
Total comprehensive income for the year	19,777	14,582
Dividend paid	(2,500)	-
Retained Earnings B/F	62,864	48,281
Total retained earnings as per Financial Statements	80,141	62,863
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	1,689	3,059
Difference in valuation of Deferred Tax Liability	(228)	(520)
Reconciliation Reserve	81,602	65,402

The reconciliation reserve has a potential volatility to currency risk from exchange rate movements. Premiums are collected in US Dollars and losses are generally paid in local currency, primarily, Sterling or Euros. The Company also holds assets and liabilities in Sterling, Euros and US Dollars. However, this risk is somewhat mitigated by holding a portfolio of assets that matches the currency composition of liabilities. While this approach hedges long term currency volatility, sharp, short term fluctuations can significantly impact the profitability of the Company. This risk is mitigated by the stop-loss agreement between the Company and its parent, which limits the underwriting loss of the Company to £1m up to an excess of £25m in each financial year.

The stress testing exercise described in section C.6 covers the impact of exchange volatility on profitability and the availability of own funds. As can be seen in the results of the stress tests, the stop loss reinsurance provides a robust risk mitigation tool in the event of extreme exchange rate volatility eroding the Company's profitability.

The combination of the currency asset and liability matching strategy and the stop loss reinsurance treaty ensures that the quality of the reconciliation reserve is retained.

Difference between Equity as Shown in the Financial Statements and the Solvency II Excess of Assets over Liabilities

31 December	2017 £'000	2016 £'000
Ordinary Share Capital	13,100	13,100
Share Premium	348	348
Total comprehensive income for the year	19,777	14,582
Dividend paid	(2,500)	-
Retained Earnings	62,864	48,281
Total Equity as per Financial Statements	93,589	76,311
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	1,689	3,059
Difference in valuation of Deferred Tax Liability	(228)	(520)
Excess of Assets Over Liabilities	95,050	78,850

The valuation difference between the valuation of assets and liabilities are shown in section D.2.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

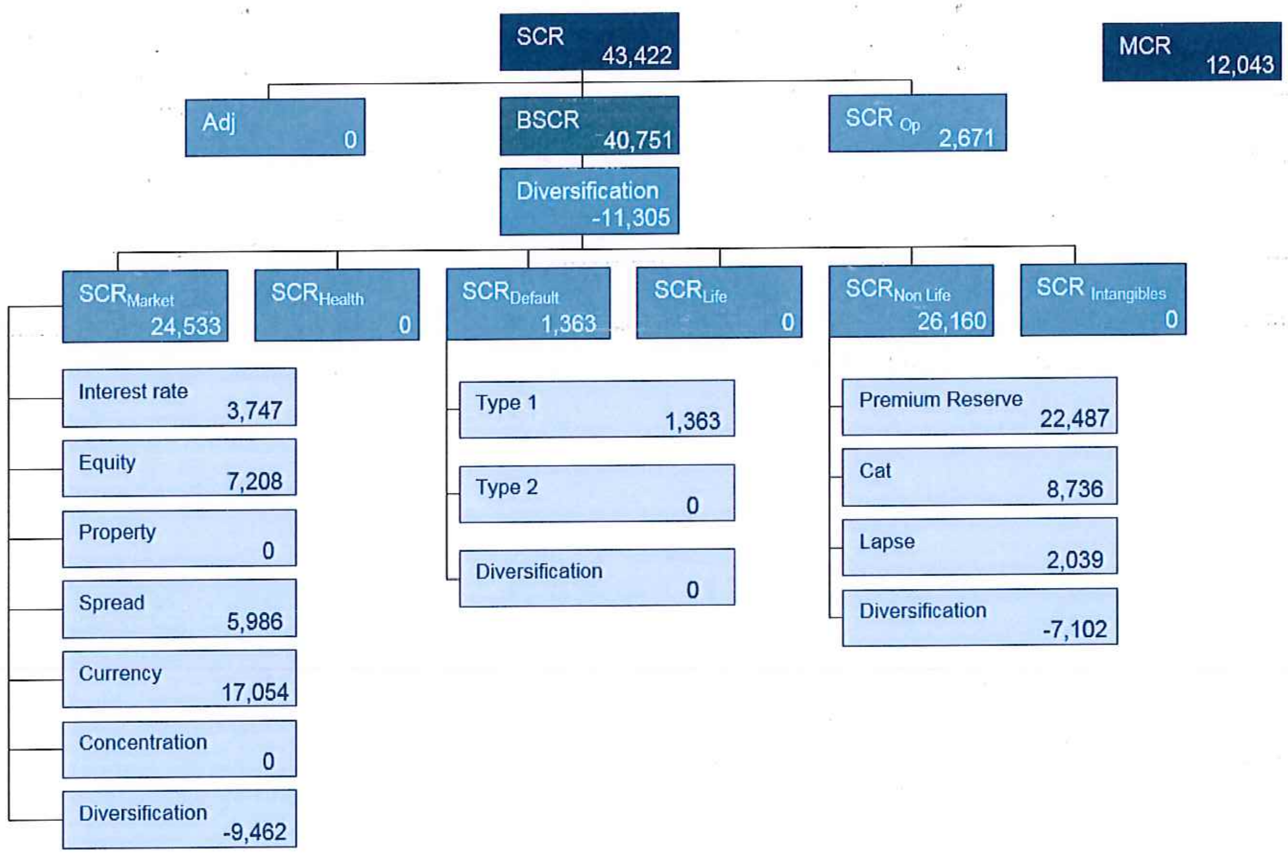
SOLVENCY CAPITAL REQUIREMENT (SCR)

The Company uses the standard formula to calculate its SCR and MCR. The standard formula is intended to be calibrated to ensure all quantifiable risks that the Company is exposed to are captured, covering all existing business and business to be written over the next 12 months.

The standard formula calculation is based on a calibration of the risk modules using a value-at-risk measure with a 99.5% confidence level over a one-year period. This provides a level of confidence that the Company will still be in a position, with a probability of at least 99.5% to meet its obligations to policyholders and other beneficiaries.

The Company has not used simplified calculations in applying the standard formula or applied the use of using specific parameters in the non-life underwriting risk calculations.

The waterfall chart below shows the Company's SCR and its SCR risk sub-modules as at 31 December 2017.



Total SCR

The total SCR at 31 December 2017 £43.4m has reduced by £3.2m over the previous reporting period. The SCR reconciliation below shows the movements in the SCR components driving the overall decrease in the SCR.

Reconciliation of Movement in SCR	£'000	£'000
As at 31 December 2016		**46,623**
Movements in SCR		
Overall Diversification		**985**
SCR Operational Risk		**331**
SCR Market Risk Sub-modules:		
Interest Rate	2,704	
Equity	(394)	
Property	(13)	
Spread	692	
Currency	(4,250)	
Concentration	0	
Market Risk Diversification	(1,836)	
SCR Market Risk		**(3,097)**
SCR Counterparty Default Risk		**(93)**
SCR Non-Life Risk Sub-modules:		
Premium Reserve	(920)	
CAT	(705)	
Lapse	(806)	
Non-Life Risk Diversification	1,103	
SCR Non-Life Risk		**(1,328)**
As at 31 December 2017		**43,421**

Most of the reduction in the total SCR comes from the SCR market risk and SCR Non-Life risk modules.

SCR Market Risk

The market risk component of the standard formula SCR £24,533k (2016: £27,630k) is driven mainly by risks inherent within the Company's assets and liabilities and pension schemes. The sub-components of market risk over the reporting period are as follows:

- Interest rate risk £3,747k (2016: £1,043k) is driven by changes in assets and liabilities in both the Company's investment portfolio and the pension Scheme investments due to changes in discount rates. At 31 December 2017 interest rate risk increased significantly by £2.7m because of significant increases in the value of the investments and pension scheme assets.
- Equity risk £7,208k (2016: £7,602k) results from the sensitivity of the values of financial instruments in the Company's pension schemes to changes in the level or in the volatility of market prices of equities. During the year, the Trustees of the UK defined benefit scheme made a change to the scheme's investment strategy, with the objective of reducing risk to obtain capital growth through a better diversified portfolio of assets. The change in the composition of assets held has reduced equity risk by £394k

- Spread risk £5,986k (2016: £5,294k) is driven by the company's investment in bonds and securitised assets. At 31 December 2017, spread risk increased based on the increase in the value of bonds in the investment portfolio.
- Currency risk £17,054k (2016: £21,304k) is the largest component of market risk arising from the exposure of the Company's assets and liabilities denominated in foreign currencies. The Company collects premiums in US Dollars and pay claims in Euro and Sterling. The Company's pension Scheme assets are also spread across a range of currencies. At 31 December 2017, currency risk decreased by £4,250k because of the value of Euro denominated assets and liabilities being much closer aligned reducing the currency charge on Euro net assets.
- Concentration risk is driven by exposures to default to counterparties or groups of counterparties, referred to as single name exposures. The concentration risk charge for both 2017 and 2016 are zero as there are no holdings in excess of the specified thresholds prescribed by the EU Delegated Acts.

SCR Non-Life Underwriting Risk

The Non-life underwriting risk £26,160k (2016: £27,488k) is the largest component of Standard Formula SCR. and is made up of:

- Premium and Reserve risk £22,487k (2016: £23,407k) is mainly driven by earned premiums, forecast premiums and claims provisions of non-life lines (Motor Vehicle Liability, Other Motor, Fire and other Damage to Property and General Liability lines). Premium and Reserve risk decreased by £920k from changes in loss ratio assumptions reducing the premium provision within non-life technical provisions.
- Catastrophe risk £8,736k (2016: £9,441k) arises from the Company's exposure to man-made catastrophe and natural catastrophe risks. Catastrophe risk decreased by £705k.
- Lapse risk £2,039k (2016: 2,845k) covering the risk of insurance policy lapses reduced by £806k relative to the reduction in premium provision.

The Management hold the view that the non-life underwriting risk is overstated as no credit is being taken for the non-proportional stop-loss reinsurance treaty in the standard formula. This is a limitation of the standard formula calculation which does not allow credit for non-proportional reinsurance in premium and reserve risk.

MINIMUM CAPITAL REQUIREMENT (MCR)

The MCR represents the minimum level of capital below which the amount of financial resources should not fall. The MCR is intended to be calibrated to achieve an 85% confidence level over a one-year period. It is subject to an absolute floor of a fixed euro amount. In addition to not falling below the absolute floor, the MCR must be no less than 25% of the SCR and no more than 45% of SCR.

The non-life MCR is based on factors applied to net premiums written in the previous 12 months and the net best estimate of technical provisions both split by Solvency II lines of business. The charge for premiums and technical provisions are then combined to give a total MCR charge.

The amount of the MCR for the reporting period is £12,043k (2016: £12,040k). The following table shows the MCR calculation:

Overall MCR calculation - £'000	31 December 2017	2016
Linear MCR	12,043	12,040
SCR	43,422	46,623
MCR cap	19,540	20,980
MCR floor	10,855	11,656
Combined MCR	12,043	12,040
Absolute floor of the MCR	3,251	3,332
Minimum Capital Requirement	**12,043**	**12,040**

There is minimal change to the Company's MCR during the reporting period.

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

The table below presents the ratio of total eligible own funds that the Company holds to cover the SCR and MCR.

31 December Eligible Own Funds - £'000	2017 SCR Coverage	2017 MCR Coverage	2016 SCR Coverage	2016 MCR Coverage
Available Eligible Own Funds	95,050	95,050	78,850	78,850
SCR/MCR	(43,422)	(12,043)	(46,623)	(12,040)
Excess Eligible Own Funds	51,628	83,007	32,227	66,810
Ratio of Eligible Own Funds to SCR/MCR	218.9%	789.3%	169.1%	654.9%

The significant increase in available own funds and a reduced SCR has significantly increased the ratio of eligible own funds to SCR by 49.8% and MCR by 134.4%.

E.3 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company only used the standard formula to calculate its SCR and MCR.

E.4 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There were no instances of non-compliance with the Solvency II capital requirements. The Company held Own Funds in excess of both the SCR and MCR requirements during the reporting period.

E.5 ANY OTHER INFORMATION

The Board do not consider that there is any further information which should be disclosed regarding the capital management of the Company.

F. APPENDICES

F.1 PUBLIC QRTs (ALL EXPRESSED IN £ THOUSANDS)

S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

General information

Undertaking name	USAA LIMITED
Undertaking identification code	549300IBSMNH2LCY8Q54
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Assets	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	3,328
R0060	Property, plant & equipment held for own use	352
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	143,572
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	143,527
R0140	*Government Bonds*	59,581
R0150	*Corporate Bonds*	81,806
R0160	*Structured notes*	0
R0170	*Collateralised securities*	2,140
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	44
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	8,245
R0280	*Non-life and health similar to non-life*	8,245
R0290	*Non-life excluding health*	8,245
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	5,653
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	576
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	14,276
R0420	Any other assets, not elsewhere shown	334
R0500	**Total assets**	176,336

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	74,669
R0520	*Technical provisions - non-life (excluding health)*	74,669
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	67,632
R0550	*Risk margin*	7,037
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	474
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	3,831
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	2,311
R0900	**Total liabilities**	81,285
R1000	**Excess of assets over liabilities**	95,050

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				37,139	43,590		7,439	3,028									91,195
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				4,838	3,453		582	241									9,114
R0200	Net				32,302	40,137		6,857	2,786									82,081
	Premiums earned																	
R0210	Gross - Direct Business				36,623	42,120		7,273	3,017									89,034
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				4,838	3,453		582	241									9,114
R0300	Net				31,785	38,667		6,692	2,776									79,920
	Claims incurred																	
R0310	Gross - Direct Business				20,917	16,188		2,509	665									40,278
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				5,182													5,182
R0400	Net				15,736	16,188		2,509	665									35,096
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0		0	0									0
R0550	**Expenses incurred**				11,594	11,641		1,948	727									25,911
R1200	**Other expenses**																	
R1300	**Total expenses**																	25,911

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			DE	IT	ES	BE	NL	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	16,013	50,731	18,069	2,480	2,329	912	90,532
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	1,697	4,936	1,885	245	214	81	9,059
R0200	Net	14,315	45,795	16,183	2,235	2,114	830	81,474
	Premiums earned							
R0210	Gross - Direct Business	15,589	49,050	18,127	2,442	2,307	870	88,386
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	1,697	4,936	1,885	245	214	81	9,059
R0300	Net	13,892	44,114	16,242	2,198	2,093	788	79,327
	Claims incurred							
R0310	Gross - Direct Business	3,646	28,748	5,817	868	720	309	40,107
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	-82	5,264					5,182
R0400	Net	3,728	23,484	5,817	868	720	309	34,925
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	3,804	15,686	4,762	660	602	235	25,748
R1200	**Other expenses**							
R1300	**Total expenses**							25,748

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0		0	0									0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				4,281	-5,834		-954	-711									-3,218
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-3,316	-2,122		-336	-144									-5,918
R0150	**Net Best Estimate of Premium Provisions**				7,597	-3,712		-618	-567									2,700
	Claims provisions																	
R0160	Gross				65,806	3,052		819	1,174									70,850
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				14,163	0		0	0									14,163
R0250	**Net Best Estimate of Claims Provisions**				51,642	3,052		819	1,174									56,687
R0260	**Total best estimate - gross**				70,086	-2,783		-134	463									67,632
R0270	**Total best estimate - net**				59,239	-661		202	607									59,386
R0280	**Risk margin**				6,411	379		102	146									7,037
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				76,497	-2,404		-33	608									74,669
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				10,847	-2,122		-336	-144									8,245
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				65,650	-282		303	752									66,424

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
	Year	Development year												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											724		724	724
R0160	2008	10,422	4,902	1,163	468	792	607	841	312	88	108			108	19,703
R0170	2009	14,021	5,739	1,818	1,827	994	482	-255	149	30				30	24,805
R0180	2010	15,451	7,468	1,444	892	766	1,040	102	5					5	27,168
R0190	2011	15,978	4,891	1,524	1,899	949	104	703						703	26,048
R0200	2012	15,851	5,989	2,124	1,154	2,986	470							470	28,574
R0210	2013	16,146	5,667	1,539	599	634								634	24,585
R0220	2014	18,176	6,488	1,218	4,668									4,668	30,550
R0230	2015	25,619	7,948	2,876										2,876	36,443
R0240	2016	25,166	8,090											8,090	33,256
R0250	2017	26,647												26,647	26,647
R0260													Total	44,955	278,503

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
	Year	Development year												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											8,237		8,161
R0160	2008	0	0	0	0	0	0	0	0	2,786	1,398			1,389
R0170	2009	0	0	0	0	0	0	0	821	452				449
R0180	2010	0	0	0	0	0	0	1,662	1,666					1,650
R0190	2011	0	0	0	0	0	2,489	1,328						1,313
R0200	2012	0	0	0	0	3,440	1,012							998
R0210	2013	0	0	0	3,292	1,633								1,610
R0220	2014	0	0	7,111	3,389									3,346
R0230	2015	0	18,203	13,845										13,719
R0240	2016	25,485	17,460											17,213
R0250	2017	21,173												21,002
R0260													Total	70,850

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	13,100	13,100		0	
R0030	Share premium account related to ordinary share capital	348	348		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	81,603	81,603			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	95,050	95,050	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	95,050	95,050	0	0	0
R0510	Total available own funds to meet the MCR	95,050	95,050	0	0	
R0540	Total eligible own funds to meet the SCR	95,050	95,050	0	0	0
R0550	Total eligible own funds to meet the MCR	95,050	95,050	0	0	
R0580	**SCR**	43,422				
R0600	**MCR**	12,043				
R0620	**Ratio of Eligible own funds to SCR**	218.90%				
R0640	**Ratio of Eligible own funds to MCR**	789.29%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	95,050
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	13,448
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	81,603
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,897
R0790	**Total Expected profits included in future premiums (EPIFP)**	4,897

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	24,533		
R0020	Counterparty default risk	1,363		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	26,150		
R0060	Diversification	-11,294		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	40,751		

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	2,671
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	43,422
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	43,422
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	12,043

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	59,239	32,302
R0060	Other motor insurance and proportional reinsurance	0	40,137
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	202	6,857
R0090	General liability insurance and proportional reinsurance	607	2,786
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	12,043
R0310	SCR	43,422
R0320	MCR cap	19,540
R0330	MCR floor	10,855
R0340	Combined MCR	12,043
R0350	Absolute floor of the MCR	3,251
R0400	**Minimum Capital Requirement**	12,043