



USAA Limited's UK Tax Strategy

Introduction

USAA Limited ("USAA Ltd") is a UK registered company that is a wholly owned subsidiary of USAA International Services SARL who are domiciled in Luxembourg. The principle activity of USAA Ltd from 1 January 2019 is the provision of motor and property insurance to a defined customer base in the UK. Prior to this date USAA Ltd.'s customer base covered Germany, Italy, Spain, Netherlands, Belgium, Portugal, Greece and France.

The company restructured its operations in Europe following the UK's decision to leave the EU and ceased underwriting in EU locations. The Company will continue to run-off the claims provisions of its European business during 2020 and future years.

This tax strategy is being published in accordance with Schedule 19, Finance Act 2016 and covers all USAA Ltd's operations, referred to collectively below as "we"

Future Governance in relation to UK taxation

Responsibility for USAA Ltd's tax strategy ultimately rests with the Board of Directors ("The Board"). The General Manager, as delegated by the Board, is responsible for the day-to-day management of USAA Ltd. Responsibility for tax matters in the UK lies with the Chief Accountant of USAA Ltd, who is supported by a Financial Accountant.

Additional support on tax matters is provided by USAA's Tax Department, based in San Antonio, Texas, and external advisors, where appropriate.

The Chief Accountant is responsible for notifying either USAA Ltd's Audit Committee or Risk Committee of any significant tax matters which impact USAA Ltd.

Tax Risk Management

USAA Ltd manages tax risk to ensure compliance with the tax laws applicable to our business and its operations and to ensure the appropriate amount of tax is paid when due. Tax risk is managed as part of our overall risk management framework in a manner consistent with other risks.

Risk identification is a continuous process and all material tax risks are identified and managed via our risk management framework, the core of which is a risk taxonomy.

USAA Ltd operates a 'three lines of defence' model in respect of risk, including tax risk, involving the following:

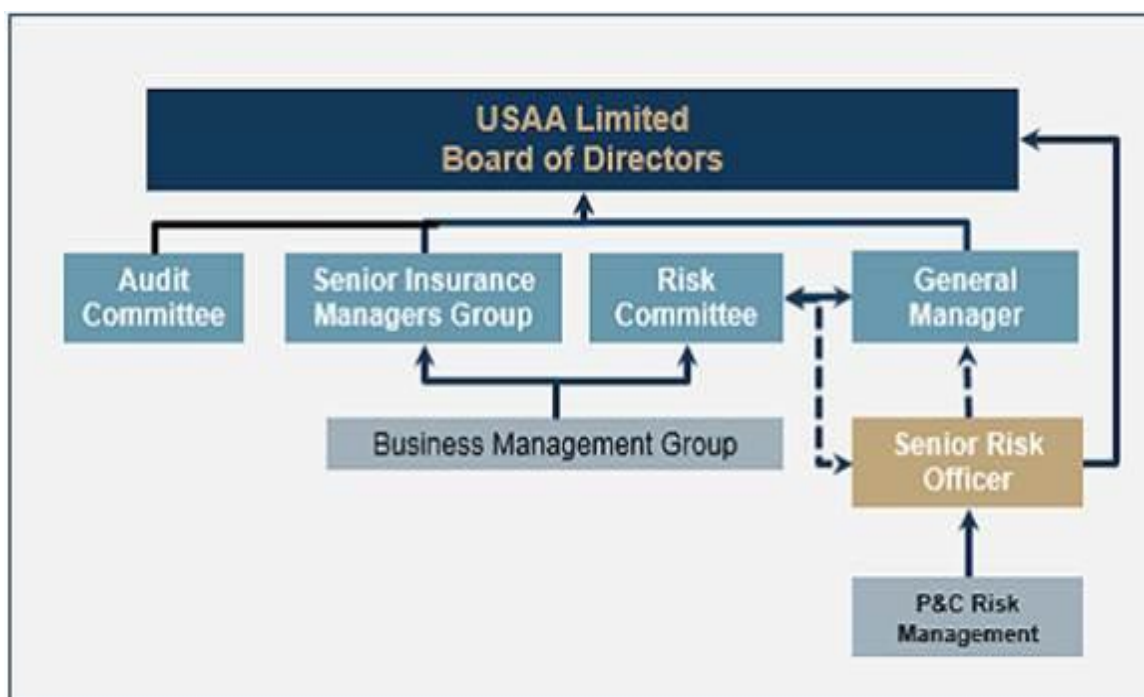
- Business Operations
- Risk Management and Compliance
- Internal Audit

We consider our tax affairs to be relatively straightforward. We do recognise, however, that some areas of tax law are complicated and open to interpretation, and in such circumstances, we would seek the advice of external advisors. We also use external advisors to raise awareness of, and compliance with, new tax laws or changes to existing tax laws and practices and where issues are beyond the experience of our employees.

Level of Acceptable Tax Risk

We know that it is not possible to eliminate tax risk entirely, but we believe that the exposure to tax risk should be managed closely so that it is reduced to acceptable levels. We are not prescriptive in terms of what constitutes an acceptable level of tax risk and each tax matter is assessed on its specific facts and circumstances in line with our strategic objectives. The USAA Ltd Risk Committee consisting of members based in the UK, Frankfurt, Luxembourg and San Antonio, is responsible for setting the risk appetites and risk metrics for the Company. We have a very risk averse approach to tax. We seek to take appropriate steps to mitigate the material tax risks and remediate issues identified to ensure key controls operate within acceptable tolerance levels. We take very seriously both our reputation and our brand and take the necessary steps to maintain both.

In the event a significant tax risk is identified, this is escalated through USAA Ltd's governance framework to relevant parties based on the risk level assigned (low, medium, high or critical) and the appropriate escalation protocol is followed to determine any mitigation action that is required. The organisation chart below provides a high-level overview of the Company's governance structure.



Where any inadvertent errors in submitted tax filings are identified, USAA Ltd will make full, voluntary disclosure to the appropriate tax authority.

Attitude towards tax planning

We do not engage in tax planning other than that which supports genuine commercial activity. Whilst we strive to be efficient with our tax affairs and we will make use of available reliefs and allowances, our focus is on ensuring compliance with all relevant tax laws and practices, as well as the intentions of Parliament.

Approach to dealing with Tax Authorities

USAA Ltd maintains an open and co-operative relationship with HM Revenue & Customs ("HMRC"). We display respect, integrity and professional cooperation in our dealings with HMRC.

In particular we:

- welcome open and constructive dialogue with HMRC;
- aim to work in real time with HMRC where possible;
- Seek advance clearance where necessary on complex areas of tax law or when new tax laws are introduced; and
- respond promptly and with full disclosure to any enquiries that are raised by HMRC.

Author

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