USAA®

S.A.

Solvency & Financial Condition Report

For the year ending 31 December 2022

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 Commissariat Aux Assurances (CAA) rules.

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

2022 Solvency and Financial Condition

USAA S.A. was established in 2018 and is authorized by the Commissariat aux Assurances to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies in Continental Europe after the UK left the EU. Its sister company, USAA Ltd was underwriting, UK policies until March 2022. USAA S.A. is a direct subsidiary of USAA International Services SARL, and the ultimate parent is United Services Automobile Association (USAA).

The Company has a branch in Germany that is primarily dealing with claims and the Company was granted approval to open a UK branch by the CAA on 2 December 2021. In early 2022 the UK branch of the Company started renewing policies in the UK previously underwritten by USAA Ltd and the remaining insurance obligations from USAA Ltd were transferred via a Part VII transfer.

The Company ended the year a profit on the technical account of €6,931k and a profit after tax of €7,456k (2021: €7,487k). Net assets on a statutory basis have increased by €42.1m to €107.7m largely due to the additional capital of €35m issued in 2022. This strengthened the Company's financial position resulting in available capital under Solvency II of €114,409k (2021: €61,652k), a Solvency Capital Requirement (SCR) of €59,536k (2021: €36,423k) and a Solvency II capital ratio of 192% (2021: 169%).

During the year the Board has continued to focus on corporate governance, strengthening its three lines of defence model for the new structure. The Board is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital to adequately reflect its risk profile. The integration of capital management and risk management in its business model aligns with Solvency II expectations.

Part VII transfer of assets and liabilities from USAA Limited to USAA SA

Following the successful establishment of USAA SA in November 2018 and the subsequent establishment of its UK branch effective 1 April 2022, the ultimate shareholder determined it prudent to rationalize its European operations into one entity, USAA SA. As a result, all the assets and liabilities that derived from business previously performed by USAA Limited has been legally transferred to USAA SA via a Part VII transfer as determined by the Financial Services and Markets Act 2000 following approval from the High Court of England and Wales with effect from 23:59 Central European Time on 31 December 2022.

Capital increase

On 14 September 2022 the Board resolved to increase the capital by €35m made through a Portfolio of Asset Transfer paid from USAA Ltd to the immediate parent company who decided to allocate the dividend to the capital increase of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the SFCR in accordance with the Commissariat Aux Assurances (CAA) regulations and SII Regulations.

The Article 86 of the Insurance Law of 7 December 2015 on the insurance sector 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 are listed on the Luxembourg Business Register, 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 CAA regulations 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

Randy Termeer
Chairman of the Board
July 2023

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

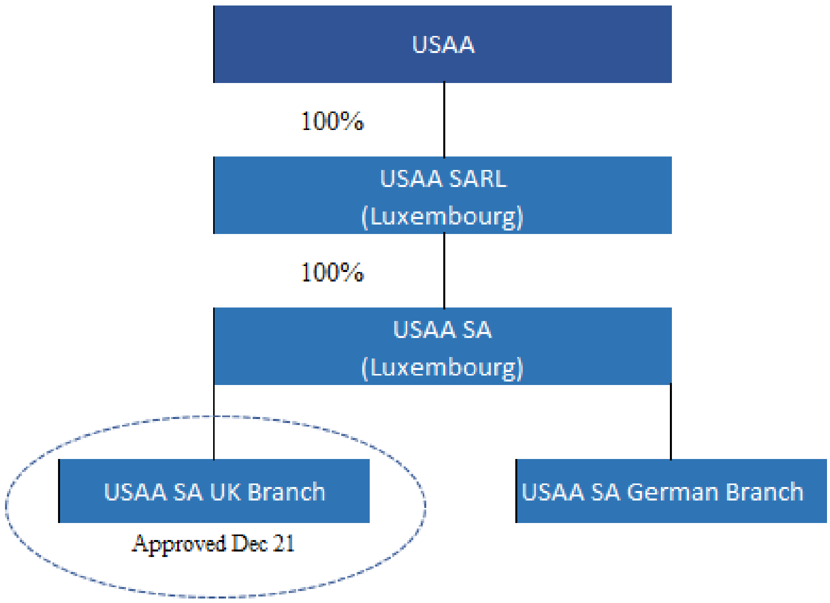
Name and Legal Form of the Undertaking

USAA S.A. (the "Company") was incorporated on 9 May 2018 and is organised under the "Commercial Companies" laws of the Grand Duchy of Luxembourg as a public limited liability company (Société Anonyme) for an unlimited period. The Company is registered with the Register of Commerce and Companies of Luxembourg under number B224622.

The Company is a wholly owned subsidiary of USAA International Services SARL with a 100% voting interest, domiciled in Luxembourg.

Its ultimate parent company is USAA, 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 ultimate parent company and direct parent company as at 31 December 2022.



USAA SA's registered office address is:
1, Avenue du Bois
L-1251 Luxembourg
R.C.S Luxembourg B224622

Name of Supervisory Authority

The Company is supervised by the Commissariat Aux Assurances (CAA). In addition, the UK branch is supervised by the Prudential Authority (PRA) and the Financial Conduct Authority (FCA). Their respective contact details are shown below:

Commissariat Aux Assurances 7 Boulevard Joseph II L-1840 Luxembourg	Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH	Financial Conduct Authority 25 The North Colonade Canary Wharf London E14 5HS

External Auditor

The details of the company's external auditor for the period ending 31 December 2022 are:

Ernst & Young S.A.
Statutory Auditors
35E Avenue John F. Kennedy
L-1855
Luxembourg
+352 42 124 8289

Material Lines of Business and Geographical Areas

The principal activity of the Company in 2022 is the provision of motor and property insurance to a defined customer base as detailed in Military Drawdown on page 40 in the UK and European Union (EU) in 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 as follows:

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

Significant Events During the Period

On 14 September 2022 the Board resolved to increase the capital by €35m made through a Portfolio of Asset Transfer paid from USAA Ltd to the immediate parent company who decided to allocate the dividend to the capital increase of the Company.

Following the successful establishment of USAA S.A. in November 2018 and the subsequent establishment of its UK branch effective 1 April 2022, the ultimate shareholder determined it prudent to rationalize its European operations into one entity, USAA S.A. As a result, all the assets and liabilities that derived from business previously performed by USAA Limited has been legally transferred to USAA S.A. via a Part VII transfer as determined by the Financial Services and Markets Act 2000 following approval from the High Court of England and Wales with effect from 23:59 Central European Time on 31 December 2022.

The situation in Ukraine has caused an increase in the presence of US Military personnel to be stationed in Europe on short term deployment. This is not likely to impact business volumes or place additional risk on USAA S.A. in the short term. Military/Political risk remains one of the Company's highest risks given the potential impact on our portfolio caused by significant increases or decreases in US forces based overseas. These fluctuations are affected by geopolitical issues both internationally in terms of where forces are deployed and domestically in terms of appetite to push US forces overseas. Our stress testing looks at scenarios with a significant withdrawal of US forces from the region and the associated impact on the portfolio. It is important to point out however, that there has been a very stable establishment of US forces based in the region for many years and any change is likely to be gradual.

The global economy has experienced unprecedented inflationary pressures during 2022 caused by many different factors, the Covid-19 pandemic, Russian invasion of Ukraine, resultant shocks to the global supply chain, soaring production costs caused by significant increases in energy prices and resulting central bank interest rate actions. The Company has been less affected by these economic impacts than many due to the fact that it collects premiums from members in US dollars and pays claims and the majority of expenses in local currency meaning that the strengthening of the dollar significantly offset the increased claims and expense costs coming through the income statement. Nevertheless, management are monitoring the situation closely and it is likely that premium rates will need to increase especially if the dollar begins to weaken.

The Company does not have an explicit IBNR provision for inflation. We did respond to inflationary pressure throughout 2022 by increasing our ultimate losses, particularly in the Auto Material Damage (MTD) coverages (Collision, Comprehensive, Property Damage) that were most affected by the increasing trends. We continue to monitor inflation using published data and should there be further inflation pressure, we will reflect them in our quarterly reviews.

A.2 UNDERWRITING PERFORMANCE

The Company prepares its financial statements in accordance with the accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg (Lux GAAP). The functional and reporting currency of the Company is Euros.

USAA S.A including the UK Branch underwriting performance by Solvency II lines of business in €'000 as at 31 December 2022

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	44,108	34,936	(19,881)	(13,374)	2,838
Other Motor	54,751	46,367	(26,639)	(13,846)	4,748
Fire and other damage to property	7,957	6,471	(3,230)	(1,871)	1,307
General liability	3,036	2,484	(933)	(680)	903
Total	109,852	90,258	(50,683)	(29,771)	9,804

UK Branch underwriting performance by Solvency II lines of business in €'000 as at 31 December 2022

Lines of Business – UK Branch	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	9,735	2,854	(938)	(1,865)	51
Other Motor	5,875	2,090	(2,024)	(1,480)	(1,414)
Fire and other damage to property	1,432	497	(207)	(312)	(22)
General liability	503	176	(31)	(105)	40
Total	17,545	5,617	(3,200)	(3,762)	(1,345)

Underwriting performance by Solvency II lines of business in €'000 31 December 2021

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	31,331	30,981	(22,579)	(12,202)	(3,800)
Other Motor	40,397	38,272	(17,546)	(12,333)	8,393
Fire and other damage to property	5,578	5,658	(2,820)	(1,866)	972
General liability	2,143	2,164	(478)	(598)	1,088
Total	79,449	77,075	(43,423)	(26,999)	6,653

Underwriting performance for the top six countries €'000 31 December 2022

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Germany	61,742	56,737	(32,132)	(17,459)	7,146
Italy	23,093	21,008	(12,739)	(6,614)	1,655
UK	17,545	5,617	(3,200)	(3,762)	(1,345)
Spain	2,714	2,584	(945)	(725)	914
Belgium	2,565	2,327	(1,037)	(670)	620
Netherlands	1,275	1,183	(324)	(336)	523
Total	108,934	89,456	(50,377)	(29,566)	9,513

The UK Branch underwriting performance is shown under Country UK in the table above.

Underwriting performance for the top five countries €'000 31 December 2021

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Germany	53,136	51,401	(26,991)	(17,613)	6,797
Italy	19,897	19,279	(14,061)	(7,400)	(2,182)
Spain	2,473	2,515	(789)	(757)	969
Belgium	2,102	2,097	(738)	(642)	717
Netherlands	1,125	1,070	(478)	(346)	246
Total	78,733	76,362	(43,057)	(26,758)	6,547

Premiums Written during 2022 grew by €30.4m from Premiums Written in 2021. The increase is predominantly due to premium written by the UK branch from April 2022 of €19m as well as a strengthening of the US dollar against the Euro during the period.

Net claims incurred increased by €7.3m largely due to increased business underwritten by the UK branch from April 2022 of EUR 2.3m. Expenses grew by €2.8m mainly due to increased Service Fees paid to USAA and the European business units of EUR 2.1m charged as a % of earned premium.

All lines of business were profitable and at a country level all countries were profitable in 2022 apart from the newly established UK Branch. In 2021 Other Motor, Fire and other damage to property and General Liability were all profitable lines of business with Motor Vehicle line of business resulting in an underwriting loss, but this is within the acceptable range of the Company as Motor cover is provided as part of an overall service to policyholders. At a country level in 2021 all countries were profitable, except for Italy which experienced higher claims during the year and returned an underwriting loss.

The global economy has experienced unprecedented inflationary pressures during 2022 caused by many different factors, the Covid-19 pandemic, Russian invasion of Ukraine, resultant shocks to the global supply chain, soaring production costs caused by significant increases in energy prices and resulting central bank interest rate actions. The Company has been less affected by these economic impacts than many due to the fact that it collects premiums from members in US dollars and pays claims and the majority of expenses in local currency meaning that the strengthening of the dollar significantly offset the increased claims and expense costs coming through the income statement. Nevertheless, management are monitoring the situation closely and it is likely that premium rates will need to increase especially if the dollar begins to weaken.

A.3 INVESTMENT PERFORMANCE

The following tables are presented under the Fair Value method of accounting for investments.

At 31 December 2022, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% Of Portfolio	Amount €'000
Government Bonds	33,398	20%	(1,926)
Corporate Bonds	93,579	50%	(4,875)
Collateralised Securities	0	0%	0
Short Term Deposits	0	0%	0
Cash & Cash Equivalents	56,799	30%	0
Total Investments & Cash Equivalents	188,776		(6,776)
Investment Management Expenses			197

At 31 December 2021, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% Of Portfolio	Amount €'000
Government Bonds	19,272	18%	(340)
Corporate Bonds	58,263	54%	(227)
Collateralised Securities	0	0%	0
Short Term Deposits	0	0%	0
Cash & Cash Equivalents	30,610	28%	(24)
Total Investments & Cash Equivalents	108,145		(591)
Investment Management Expenses			198

Total investments and cash equivalents increased by €80.6m in 2022 largely due to the Part VII transfer from USAA Ltd, the capital increase of €35m and an increase of premium income received exceeded claims and expenses paid during the year.

In the Financial Statements the investment portfolio produced a negative annual return of 4.84% (2021: positive 0.24%). The investment performance suffered as a result of current global economic issues resulting in large unrealised market value losses of €7.7m.

The Company accounts for investment income on an amortised cost basis in the Financial Statements in line with Lux GAAP. Under the Fair Value method of accounting for investments there was a loss on investments of €6.8m and an annual negative return of 5.1%, overperforming the benchmark by 140 basis points.

In addition to measuring investment performance against the benchmark in its investment strategy the Company 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

- Intercompany service charges

  The Company operates under an outsourcing model and has entered into service agreements with related parties within the USAA International group, for the provision of services and human resources to run its insurance operations. These intercompany expenses of €17,201k (2021: €15,154k) account for majority of operating expenses recorded for the period ended 31 December 2022. However, this has been partially offset by income earned of €319k (2021: €419k) for claims management services that the Company provides to other members of the group.

- Lease arrangements

  The Company does not have any lease obligations. However, it pays for the use of office premises under a service fee agreement with its parent company amounting to €124k (2021: €29k).

A.5 ANY OTHER INFORMATION

There is nothing further to report regarding the business and performance of the Company.

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 Framework, which includes sound and prudent guidance for functional areas, management-led groups, and the Board of Directors (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 and allocation of responsibilities in relation to USAA S.A. and the newly established third-country USAA S.A. UK Branch.

The following sections provide high-level descriptions of the role and responsibilities of the Board of Directors, Committees and Key Functions at 31 December 2022:

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 reviews the ORSA Process and ensures 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 designated senior management the matters set out in respective terms of reference of those committees and senior management responsibilities.

Audit Committee

The USAA S.A. Audit Committee is made up of Independent Directors. As a sub-committee of the USAA S.A. Board of Directors and in line with its Terms of Reference, the role of the USAA S.A. Audit Committee is to review and monitors, amongst other things:

- The integrity of the financial statements to ensure that the financial statements are:
  i) Fair
  ii) Balanced
  iii) Understandable
  iv) Providing the information necessary for the Shareholders to assess the company's position and performance.
- The effectiveness of the internal financial controls
- The effectiveness of the internal and external audit processes
- The relationship with the external Auditors
- The primary responsibility and recommendation on the appointment, re-appointment and removal of the external auditors. The Board has no obligation to accept the recommendation from the Committee but shall include in the annual reports the rational for not following the recommendation of the Committee.

Executive Approved Management Group

The Executive Approved Management Group (EAMG) brings together the main executives whose role is to develop the company's strategy. Its purpose and mission are to effectively relay information to its employees. It also assists the Board in the orderly and fair daily management of the Company. The Group shall:

- provide organisational direction and oversight
- meet prior to each Board meeting to establish the items and agenda for such Board meeting and any other related matters as the Committee deems necessary or appropriate
- follow up with Board items and actions from previous Board meetings
- conduct research relative to investment, risk and industry trends, actively participate in strategic planning and advise the Board on pertinent business matters
- together with the Board, monitor and evaluate progress toward the company's strategic goals and initiatives, and make periodic and timely presentations to the Board
- be responsible for overseeing the daily implementation of Board policies and making sure that the Board is establishing and maintaining good governance practices

- provide guidance to and oversight of the other committees of the Board with respect to such committees' respective purposes, goals, functions, duties and responsibilities
- provide oversight of and accountability to Board related budget items and expenses

Risk Committee

The Risk Committee is a sub-committee of the USAA S.A. Board of Directors and is chaired by the Dirigeant Agréé. The Committee shall oversee the management of the applicable risks listed below as follows, in accordance with the Enterprise Risk Management Framework and the Guiding Principles of Risk Governance Committees:

- Review and recommend to the Board of Directors of the Company (the "Board") for approval the Company's risk management and governance framework to enable risk identification, assessment, and management of risks to which the Company is or may be exposed.
- Recommend the Company's Risk Taxonomy, Risk Appetite Statement, and Risk Metrics (including the risk appetite and triggers associated with those metrics) for consideration and approval by the Board.
- Review and address any findings from internal and/or external control functions. Develop plans to mitigate risk levels within the overall risk tolerance of the Company.
- Annually review and escalate to the Board any recommended changes to policies prior to submission to the Board for review and approval.
- Monitor the performance of significant risk exposures and the adherence to the set risk metrics and tolerance levels to include commissioning risk studies or analysis to assess root cause analysis, changing risk profile, and emerging risks.
- Monitor external and internal emerging risk exposures, with a greater focus on risks within the external environment that are likely to face the Company over the strategic horizon, to include the likelihood and impact of such risks.
- Ensure the Own Risk and Solvency Assessment (ORSA) Report and Process Document is updated at least annually. Approve updates to the ORSA Report and Process Document prior to submission to the Board of Directors for review and approval.
- Provide oversight of Stress Testing activities and approve related proposed scenarios. Review final results prior to presenting to the Board.

Routines

The Company also has a four Routines which do not require terms of reference:

- International Operational Routine
  Its purpose is to:
    - provide an overview of the International operational performance: Insurance Sales and Service (ISS), Claims, Experience, Military Affairs, Admin, and IT
    - provide updates on operation resilience, and
    - provide an open avenue of communication and escalation within the governance structure

- International Portfolio Routine
  Its purpose is to:
    - take care of the financial P&L
    - define international portfolio strategy and track implementation
    - define pricing strategy and track implementation
    - review and update reserves where necessary, establish and review IBNR reserves per policy year
    - take care of reinsurance, and
    - conduct General Good Review in line with P&C routine, ensure products/benefits meet members' needs

- International Risk & Compliance Routine
  Its purpose is to:
  - execute Risk routines
  - initiate Top and Emerging Risk Discussions as appropriate
  - review list of issues that are open for International
  - discuss issue status and the progress, along with any impediments that may be occurring, any assistance that can be provided, etc.
  - provide updates to the USAA S.A. Risk Committee on a quarterly basis.

- International Large Loss Routine
  Its purpose is to:
  - review large Claims losses for disposition
  - provide monetary authorization for reserving large losses
  - inform Finance for potential impacts to finances
  - decide to engage in legal proceedings in respect of large loss cases

Dirigeant Agréé

The Dirigeant Agréé, 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 Dirigeant Agréé submits the business strategy and plan to the Board for approval, and reports to the Board on the progress against the strategy each quarter.

Chief Financial Officer (CFO)

The CFO is responsible for the production and integrity of the Company's financial information and financial regulatory reporting. The CFO 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.

Risk Management Function

The Company (as the 1st line of defence) employs risk management and mitigation techniques from an operational perspective. The Company employs a Risk Director as the key function holder responsible for risk management as a 2nd line of defence. The Risk Director works with P&C Risk Management within the ultimate parent company, USAA, and 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, the Risk Director develops and implements risk management frameworks and appetites proportionate to the nature, scale and complexity of the Company's risks, develops and maintains policies related to risk management, and monitors processes and escalation thresholds to ensure alignment with the Company's risk appetite statements. The Risk Director provides independent risk management assessments of business processes, initiatives, and decisions.

The Risk Director provides fully independent risk oversight and risk expertise, including effective challenge, advice and counsel to the Dirigeant Agréé and the Board.

Internal Audit Function

The Company outsources audit services to its ultimate parent company, USAA and has its own Internal Audit Director as its key function holder for European Operations. This key function remains fully independent from any operational functions and is free from undue influence by any other functions or key functions. They key responsibilities of Internal Audit includes, providing an evaluation of the adequacy and effectiveness of the Company's internal control system and evaluating other elements of the governance framework. The Internal Audit Director is responsible for developing and maintaining the internal audit policy, and for delivering on the internal audit plan.

The Internal Audit key function holder is responsible for reporting any findings and recommendations to the Dirigeant Agréé and the Board.

Actuarial Function

The Company outsources actuarial services to its ultimate parent company, USAA and has an AVP in Actuary as its key function holder for International. Responsibilities include providing an opinion on the reinsurance arrangements and the underwriting policy, coordinating the calculation of the technical provisions, ensuring data quality, informing the Board of the reliability and adequacy of calculations, contributing to the effective implementation of the risk management system (contributions to ORSA) and producing an Actuarial Function Report annually for the Board.

Compliance Function

The Company has its own dedicated compliance resource and receives support from USAA Compliance. The Compliance Function 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. On a quarterly basis, the Compliance Function will provide updates on the Company's continued compliance with applicable regulations to the Board and senior management. The Compliance Function will also facilitate annual compliance monitoring programs and provide ad-hoc reports on internal reviews. In collaboration with the Risk Director, the Compliance Function 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.

Material Changes to System of Governance Over Reporting Period

As stated above, the Company has a newly established and authorised third-country branch in the UK, which follows the same governance structure, with additional Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) approved senior management functions.

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) and Lead (Individual contributor) level. Above this level the total package becomes progressively more focused 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 Leaders 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 Leaders conduct formal documented performance evaluations on a Semi-annual basis to ascertain achievement of objectives. No Non-Executive Director receives any variable compensation from the Company. A number of Directors are employed by other USAA Group companies from which they may be entitled to variable compensation.

In addition to statutory pension schemes in place for staff the Company also contributes to voluntary pension schemes, no Director of the Company is a beneficiary of any pension scheme to which the Company contributes. Early retirement options are as required under Pension Regulations and apply to all staff.

B.2 FIT AND PROPER REQUIREMENTS

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 and Risk. The Company's Fit & Proper Policy outlines the principles used to assess the fitness and propriety of all staff, including Board members and key functions.

Fitness and Propriety is known as the assessment to ensure the appropriate fitness and propriety of an individual to perform a particular function. The assessment considers aspects such as the individual's honesty, integrity, reputation, competence, capability and financial soundness.

In order to ensure compliance with these fit and proper requirements, the Policy provides the following guidelines to follow:

- the process for assessing the fitness and propriety of persons who effectively run the Company or have other key functions, both as candidates and on a continuing basis, and
- the situations that give rise to reassessment of the fit and proper requirements

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 with 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.

Key Function Holders at USAA SA:

Compliance: Luc Schmitt

Risk: Kevin Skube

Actuarial: Nancy Nguyen

Audit: Anna Benavides

Key function holders within USAA SA are subject to the processes procedures and assessments as contained within the USAA SA Fit and Proper policy.

There are no deviations from Circular 21/12 within USAA SAs approach and management of key function holders.

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 S.A.'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 risk management framework describes the structure and approach to managing risk at USAA S.A., and applies the principles of sound corporate governance to the identification, measurement, monitoring reporting, and controlling of risks. 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 European, the UK, and US regulators' expectations.

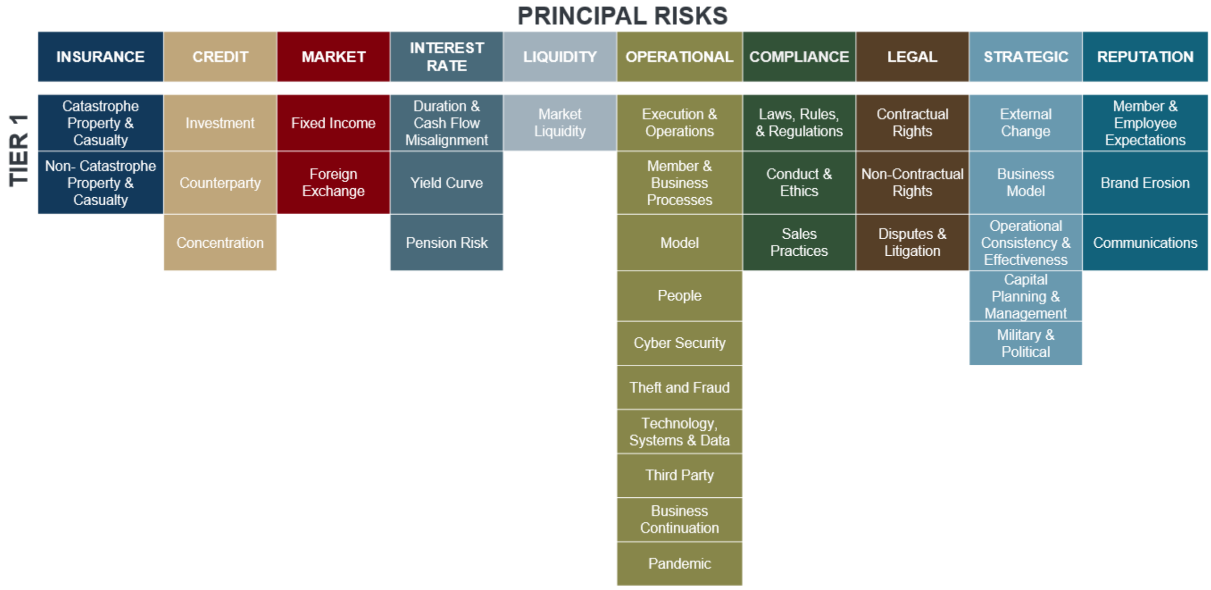
Risk Taxonomy and Risk Register

USAA S.A.'s risk management framework promotes a company-wide understanding of risk and is the foundation for a culture of effective challenge throughout the business and through an independent risk role fulfilled by the Risk Key Function Holder. This framework is applied in everyday business processes and decision-making at USAA S.A. to understand and to prudently manage risks in alignment with goals and objectives.

The core of an effective enterprise risk management framework is a risk taxonomy that names, classifies and defines the risks of the organization. USAA S.A.'s ten principal risks are classified as: Insurance, Credit, Market, Interest Rate, Liquidity, Operational, Compliance, Legal, Strategic and Reputation. Each of these ten risks has associated subcategories, which have been established as "tier one" risks.

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.



In conjunction with the categorized taxonomy risks USAA S.A. uses the following risk management tools to further define these risks and tolerances:

- Risk appetite statements define acceptable risk levels.
  - Risk metrics, with defined appetite and trigger thresholds, are used to monitor USAA S.A.'s performance within its appetite, to proactively identify new or existing controls to be implemented or revised to address trending potential breaches, and to determine if a material change in USAA S.A.'s strategy should be considered.
  - Policies integrate the corporate governance structure for USAA S.A. and facilitate strong governance and clearly defined roles and responsibilities.
  - Risk and Control Self-Assessments (RCSAs) assess the effectiveness of risk management and control processes.

Risk Identification

Risk identification is a continuous process that considers the Company's 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.

The Risk Key Function Holder works closely with USAA S.A.'s senior management to ensure that critical risks are identified and managed appropriately. Specific analyses are completed in conjunction with USAA S.A.'s planning cycles and throughout the year to understand risks to USAA S.A.

Throughout the USAA S.A. planning and risk management processes, there are three primary means for identifying specific risks within the taxonomy classification:

- **Top Risk Exercise**: qualitative assessment performed by the business subject matter experts and the USAA S.A. Risk Committee.
- **Capital Assessments**: quantitative assessment based on the standard formula. This formula has been designed to produce capital requirements that correspond with the 99.5% confidence level over a 1-year horizon. Further information regarding capital assessments can be found in Section E.

- **Risk and control Self-Assessments (RCSA's)**: qualitative assessment, performed by the business subject matter experts with the oversight of the Risk Management team, over the risks and the controls put in place to mitigate those risks.

Risk 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, competitors, regulatory, technological, the geopolitical landscape 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's 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. 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 2021 are included in Section C.6.

Stress test 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 is captured in its ORSA Report and aligns with Solvency II regulatory expectations.

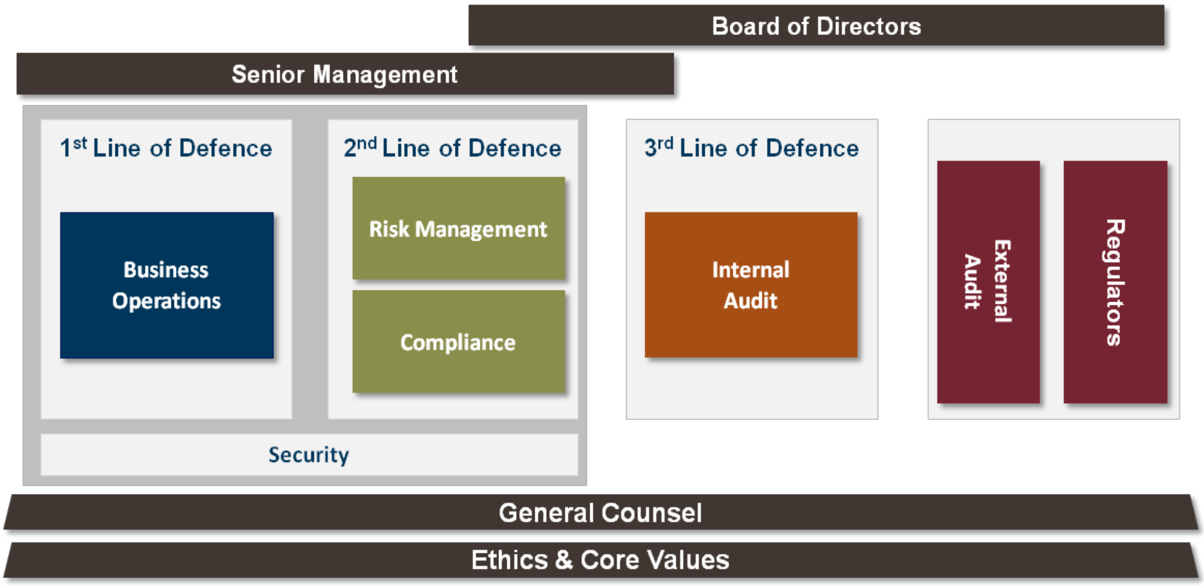
The objective of the ORSA process ensures a full understanding of risks to which the Company is exposed and for assessing capital adequacy against those risks. The process ensures that sufficient capital can be maintained to enable the Company to achieve its strategic objectives in light of its risk 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.

The ORSA Report is produced annually and when the Company's capital position is impacted significantly from a material event or change in its risk profile. It is reviewed and approved by the Board. 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

Risk together with Compliance make up the 2nd line of defence. Risk 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

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, 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 five areas for which an RCSA is in place are: Insurance Services, Claims, Underwriting/Pricing, Accounting/Finance, and Human Resources/Information Technology. 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 the Risk Director and 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 related parties within the USAA International group and its ultimate parent company, USAA. The oversight role remains with the Dirigeant Agréé.

The Company does not assume that an outsourcing arrangement with related parties will necessarily imply a reduction in operational risk or regulatory exposure. The Outsourcing Policy, which governs the identification, process and management of the Company's outsourcing arrangements, requires that:

- Outsourced activities are conducted in a safe-and-sound manner and in compliance with applicable laws and regulations
- The Company shall provide appropriate due diligence and ongoing monitoring of suppliers to include affiliate service providers, and business continuity and contingency planning
- The Company will comply with all applicable laws and regulations governing outsourcing risk

The Company oversees suppliers through implementation of an outsourcing risk program with core elements including, risk assessments, due diligence and selection of suppliers, contract provisions and considerations, oversight and monitoring of suppliers, and business continuity and contingency plans.

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

Outsourced Operation	Service Provider	Jurisdictions	Description
Claims Handling	External Vendor USAA International SARL – Parent Company Some EU claims are also handled by External Vendors under supervision from the Frankfurt claims office with strict authority limits	Azores, Belgium, France, Greece, Italy, Netherlands, Portugal & Spain EU Locations	Claims handling and settlement
Investment Managing	External Investment Management Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	Investment portfolio management
Insurance Support Services	USAA International SARL – Parent Company & USAA - Ultimate Parent Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	Administration, IT services, Non-advised sales telephone support, Premium collection, Underwriting
Professional Support Services	USAA International SARL – Parent Company & USAA - Ultimate Parent Company	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	IT services, Actuary, Legal, Audit, Compliance, Internal Loss Reserving, Human Resources, Compensation & Benefits, Accounting & Finance, Risk Management
Specialist Technical Services	External Vendor	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	Appraisers, Loss-adjusters, Fiscal Agents
Pension Administration	External Vendor	Germany	Pension actuarial valuations & pension advice

B.8 ANY OTHER INFORMATION

The Company considers that its system of governance is appropriate for the nature, scale, and complexity of the risks inherent in its business.

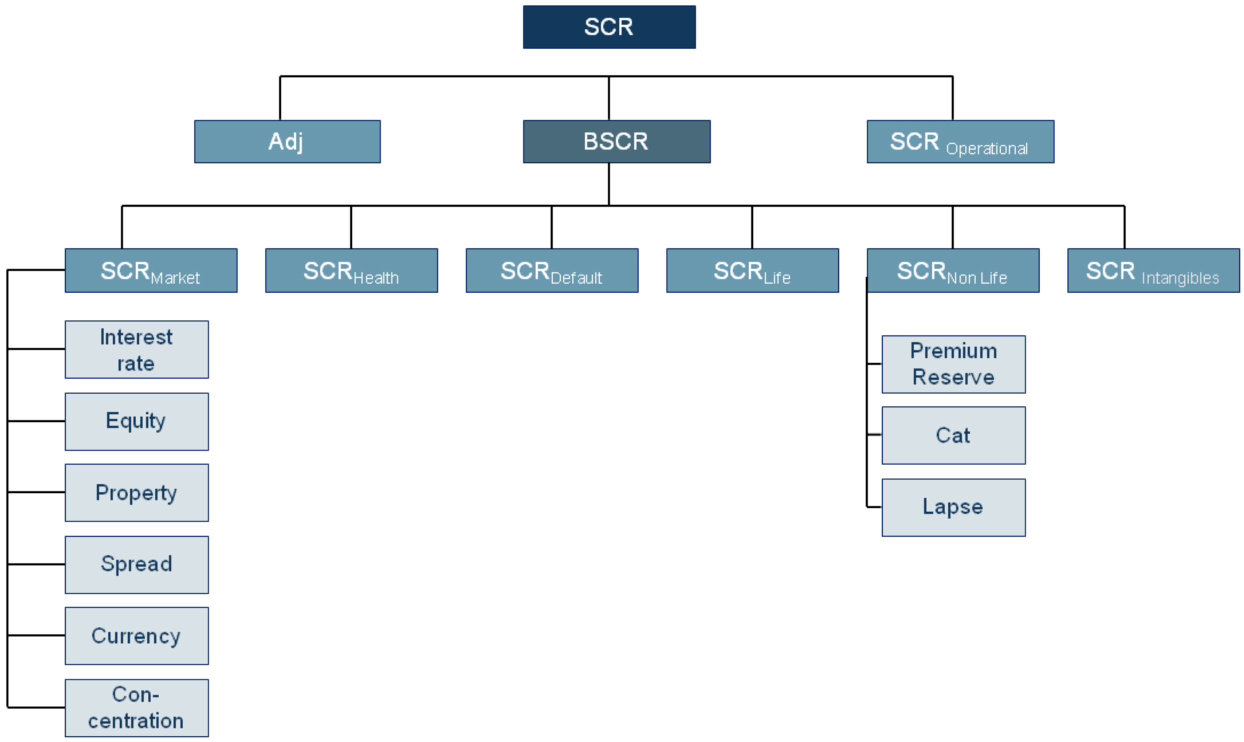
C. RISK PROFILE

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 Solvency II 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. No additional quantitative data is used, as full use of standard formula.

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 Belgium and motor liability limits set in other European locations. The Company has a retention limit of €2.5m for European locations.

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 ultimate parent company, USAA. 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 arises 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 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 Germany pension scheme 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.

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 €6,059k.

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 most 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.
- Cyber security.
- Information security.
- Outsourcing.
- Fraud.
- Financial crime.

The Company maintains a comprehensive risk register detailing risks and internal controls, which is a critical risk management tool in managing operational risk. In addition, 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.

C.6 OTHER MATERIAL RISKS

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** –The continuous changing regulatory landscape across Europe has the potential to significantly impact the Company's regulatory risk and business strategy.
- **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.

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

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

Stress Testing and Sensitivities

USAA S.A. management understands the importance of stress testing, particularly when it comes to situations like the recent coronavirus crisis.

In order to determine stress tests scenarios, USAA S.A. management has:

a. carefully reviewed Risk Assessment to identify which Risks could materially impact its own funds positions;

b. taken EIOPA guidelines into account;

c. taken into account USAA S.A. business specificity (Stop Loss agreement, exchange rate exposure related to claims process, dependence to US government troops movement)

Stress tests scenarios investigated by USAA S.A. management:

a. Climate change - no stress test

b. Cyber Risks - no stress test

c. Inflation - See stress test below

d. Exchange rate exposure - no stress test

e. Geopolitical Risks - See stress test below

Stress Test scenarios descriptions:

a. +10% inflation increase

This scenario assesses the effect of a one-year spike in inflation of +10% above any allowances already made in the financial plan. The following assumptions have been used when calculating the changes to the SCR and Own Funds:

- Inflation Rate – The scenario assumes that the +10% shock applies to both the EU and the UK.
- Interest Rate – The scenario assumes that there are no corresponding increases in interest rate in response to the inflation change. Increasing the interest rate assumption would decrease both assets and liabilities, and is investigated in Scenario (b).

- Foreign Exchange - Although there might be grounds to assume that scenarios of high inflation in the EU and UK will cause the US Dollar to strengthen against the Euro and Sterling (indeed there has been some evidence for this recently), the scenario does not consider this secondary effect. For USAA LTD and USAA SA, this is a more conservative scenario than one under which the US Dollar appreciates because with premium income in US Dollars and claims and expenses payable in Sterling and Euros, US Dollar appreciation is expected to increase each company's future profits.

A +10% inflation increase is broadly equivalent to increasing the technical provisions (net of XOL reinsurance, but not Stop Loss reinsurance) by +10%; essentially a proportionate increase in claims cost. Under this scenario, second order impacts have not been modelled. Examples of these second order effects are the effects of increased underwriting expenses, timing effects (for example, the different effects of inflation on claims and delayed reinsurance recoveries), impact on market risk components and premium risk. We do not believe these will materially change the conclusions drawn from the results of this scenario. By applying the 10% increase to the net technical provisions, the scenario implicitly allows for indexation clauses on excess of loss reinsurance. No indexation applies to the stop loss reinsurance arrangements with USAA.

A +10% increase in the net technical provisions would lead to an increase of €7 million from c. €70 million to c. €77 million, thereby reducing profitability for the year and subsequently reducing Own Funds by €7 million. The scenario assumes that this movement would be covered by the stop loss reinsurance policy with the parent company, hence the impact on the Own Funds would be limited to a reduction of €1 million (c. 1.3% of net technical provisions). The scenario assumes that the business is break even and so there are no profits expected during 2023 to offset the loss of €7 million.

USAA S.A	**Unadjusted**		**Adjusted 130% Solvency Ratio**	
Amounts in €m	**Dec-22**	**Scenario (a)**	**Dec-22**	**Scenario (a)**
Own Fund	100.5	99.5	74.6	73.6
SCR	59.4	60.6	57.4	58.6
Excess available	41.1	38.9	17.2	15.1
SCR coverage rate	169%	164%	130%	126%
Risk Trigger	130%	130%	130%	130%

This scenario has the following impacts:

- Own Funds would reduce by €1 million.
- SCR would increase slightly by 1% due to increasing the net technical provisions in the Premium and Reserve Risk calculation.
- Solvency Coverage Ratio would reduce by 5 points from 169% to 164%, due to a combination of these two effects.
- Solvency Coverage would remain well above the risk trigger of 130% and risk appetite of 120%.

b. <u>+5% interest rate increase</u>

This scenario assesses the effect of increasing the interest rate by +5% at all durations. The following assumptions have been used when calculating the changes to the SCR and Own Funds:

- Interest Rate – The scenario assumes that the +5% interest rate applies equally to the EU and the UK.

- Inflation – The scenario assumes that there are no corresponding increases in inflation in response to interest rate changes.
- Foreign Exchange – The scenario assumes that there are no changes to foreign exchange in response to interest rate changes.
- Other asset value changes – Normally, it is expected that an increase in the interest rate will cause equity prices to fall. We have not considered the effects of this in this scenario.
- Base yield curves for discounting cashflows – We have used the yield curves from EIOPA as at July 2022.
- Stop loss reinsurance policy – The scenario assumes that the stop loss protection would not apply in this scenario, as the loss resulting from higher interest rates would be classified as an investment loss, rather than an operating loss.

A +5% interest rate increase is equal to increasing the yield curves by 5% at all durations. This means that the asset and liability (net technical provisions) cashflows would be discounted at higher rates, which will cause the values of the assets and liabilities to fall. This results in a €21.5 million reduction in the Own Funds as it is that assumed no recoveries are applicable from the stop loss reinsurance policy. The assets reduce by almost 20% whereas the liabilities reduce by approximately 8%. This difference is due to having more assets than liabilities and the assets have a longer duration than the liabilities.

For the SCR calculation, we have performed the following adjustments:

- Interest Rate SCR – We updated the yield curves to use the EIOPA yield curves plus 5% at all durations for the upward stress1 only, which then determines the new interest rate SCR. The downward stress was not carried out.
- Currency Risk SCR – We updated the total assets and liabilities to reflect the reduction in Own Funds.
- Reserve Risk SCR – We updated the net reserve volumes to reflect the reduction in the net technical provisions.

Adjusting the Interest Rate SCR results in an increase of €6.5 million as higher yields were used from applying the upwards stress. This is offset by a €3 million reduction from Currency Risk as the mismatch between assets and liabilities reduces in absolute terms for all currencies as a result of the increase in interest rates. The net effect from combining these two changes is a small increase on the Market Risk SCR by €0.2 million. The currency risk is much larger than the interest rate risk in the base (owing to greater mismatch). As a result, changes in currency risk drive most of the change in Market Risk.

The overall SCR reduces by €0.5m with the decrease in the Reserve Risk SCR as the main driver offset by the slight increase in the Market Risk SCR.

USAA S.A	**Unadjusted**		**Adjusted 130% Solvency Ratio**	
Amounts in €m	**Dec-22**	**Scenario (b)**	**Dec-22**	**Scenario (b)**
Own Fund	100.5	79.1	74.6	57.1
SCR	59.4	58.9	57.4	56.9
Excess available	41.1	20.2	17.2	0.2
SCR coverage rate	169%	134%	130%	100%
Risk Trigger	130%	130%	130%	130%

This scenario has the following impacts:

- Own Funds would reduce by €21.5 million.
- SCR would reduce by €0.5 million due to the small change in the Market Risk SCR and Reserve Risk SCR.
- Solvency Coverage Ratio would reduce from 169% to 134%, due to the significant reduction in Own Funds combined with a minimal change in the SCR.
- Solvency Coverage would remain above the risk trigger of 130% and risk appetite of 120%.

c. Geopolitical risk

This scenario considers the effect of a 50% reduction in business volumes which would arise from a decision from the US government to reduce their troops in Europe and the UK by 50%.

The scenario assumes the following effects would take place:

- Premiums - reduce by 50% in line with the fall in troop numbers.
- Claims and expenses - corresponding fall in incurred claims and expenses due to the reduced exposure.
- Underwriting profitability - decreases by €2.4 million because there are less premiums with which to cover fixed expenses and reinsurance costs. result.
- Own Funds – impact limited to a reduction of €1 million as the scenario assumes that the business is breakeven so that this decrease in underwriting profitability will be covered by the stop loss reinsurance policy with the parent company.

USAA S.A	Unadjusted		Adjusted 130% Solvency Ratio	
Amounts in €m	Dec-22	Scenario (c)	Dec-22	Scenario (c)
Own Fund	100.5	99.5	74.6	73.6
SCR	59.4	57.9	57.4	55.9
Excess available	41.1	41.6	17.2	17.7
SCR coverage rate	169%	172%	130%	132%
Risk Trigger	130%	130%	130%	130%

This scenario has the following impacts:

- Own Funds would reduce by €1 million.
- SCR would reduce by 3% as we applied a 50% reduction to all future premium volumes in the Premium and Reserve risk calculation.
- Solvency Ratio would be 3% higher than the base line, due to a smaller reduction in Own Funds than SCR.
- Solvency Coverage continues to be well above the risk trigger of 130% and risk appetite of 120%.

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 financial statements in accordance with Lux GAAP. This accounting framework is generally consistent with IFRS in recognition and valuation criteria.

Solvency II Balance Sheet as at 31 December 2022 in €'000	Notes	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Assets					
Deferred tax assets	1	-	-	-	-
Pension benefit surplus	8	-	-	2,969	2,969
Property, plant & equipment held for own use	2	9	-	-	9
Investments	3	**131,239**	**731**	**6**	**131,976**
Government Bonds		43,663	168	(5,433)	38,398
Corporate Bonds		87,577	563	5,439	93,579
Collateralised securities		-	-	-	-
Deposits other than cash equivalents		-	-	-	-
Reinsurance recoverable from:		**29,746**	-	**(11,132)**	**18,614**
Non-life excluding health	D.2	29,746	-	(11,132)	18,614
Salvages and Subrogation		2,744	(2,744)	-	-
Insurance Intermediaries receivables	4	68,034	96	(60,359)	7,771
Receivables (trade, not insurance)	5	1,649	219	-	1,868
Cash and cash equivalents	6	56,799	-	-	56,799
Any other assets, not elsewhere shown	7	843	(731)	-	112
Total assets		**291,062**	**(2,428)**	**(68,516)**	**220,118**
Liabilities					
Technical Provisions					
Non-Life excluding health	D.2	161,937	(2,744)	(76,947)	82,247
Liabilities other than Technical Provisions					
Insurance & Intermediaries payables	10	9,801	315	(546)	9,569
Payables (trade, not insurance)	11	10,912	-	-	10,912
Any other liabilities, not shown elsewhere	12	741	-	2,239	2,980
Total Liabilities		**183,391**	**(2,428)**	**(75,254)**	**105,708**
Excess of Assets over Liabilities		**107,671**	-	**6,738**	**114,409**

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 Lux GAAP assets and liabilities can be found in the Company's Financial Statements, Note 4 on Significant 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: Deferred Tax Asset

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 Lux corporation tax rate of 24.94%.

The deferred tax liability of €2,239k is largely the valuation differences on Solvency II Non-life technical provisions.

Note 2: 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:

- Motor Vehicles 3 Years
- Computer Equipment 2 Years

Annual reviews are conducted 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 3: Investments

The Company outsources the management of its investment portfolio to Western Asset Management.

The Company accounts for investment income on an amortised cost basis in its Financial Statements in line with Lux GAAP. The amortised cost of debt securities and other fixed-income securities is evaluated periodically and where a reduction in value is considered permanent in nature an adjustment will be made so that the valuation is at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Under Solvency II these investments have been presented at fair value.

- 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.

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

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

Note 4: Insurance & Intermediaries Receivables

Under Lux 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 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 S.A. 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.

Note 5: Receivables (Trade, not Insurance)

The receivables (trade, not insurance balances) relate largely to service fees owed for claims management services provided to a sister company, which are due within 1 year. The carrying values are deemed to be equivalent to fair values under Solvency II.

Note 6: 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. The Company held a high level of cash and cash equivalents at the end of the year from premium income received, which will be invested in the Company's investment portfolio in 2023.

Note 7: Other Assets

The amount shown in other assets, not elsewhere under Lux GAAP relates to accrued interest, which has been reclassified to investments for Solvency II valuation purposes.

Note 8: Pension Benefit Surplus

The Company operates a defined benefit Schemes for its employees in Germany. The German Scheme is closed to new entrants.

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. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return of a high-quality corporate bond of equivalent term and currency to the liabilities.

The net pension benefit surplus reported in the Solvency II balance sheet are based on an International Accounting Standards, IAS19 valuation carried out by an independent actuary. Accordingly, this asset is reclassified from income statement as it is not recognised as an asset under Lux GAAP due to prudential reversal of pension surplus provisions. At 31 December 2022, the IAS 19 actuarial valuation reported a pension benefit surplus of €2,969k.

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 for solvency purposes

The Company's technical provisions are 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 2022

Non-Life Technical Provisions	Gross Best Estimate €'000	Risk Margin €'000	SII Value €'000	Reinsurance Recoverable €'000	Net Technical Provisions €'000
Motor Vehicle Liability	76,498	5,296	81,793	(19,465)	62,329
Other Motor	(1,150)	489	(661)	713	52
Fire & Other Property	444	115	560	99	659
General Liability	454	101	555	40	594
Total	**76,247**	**6,001**	**82,248**	**(18,614)**	**63,633**

Technical Provisions for the SA UK Branch as at 31 December 2022 are shown below:

Non-Life Technical Provisions	Gross Best Estimate €'000	Risk Margin €'000	SII Value €'000	Reinsurance Recoverable €'000	Net Technical Provisions €'000
Motor Vehicle Liability	30,181	926	31,107	(21,185)	9,922
Other Motor	(750)	44	(706)	86	(620)
Fire & Other Property	(228)	5	(223)	19	(204)
General Liability	(124	6	(118)	8	(110)
Total	**29,079**	**981**	**30,060**	**(21,072)**	**8,988**

Valuation Basis, Methods, and Main Assumptions

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to consider 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.

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.

The valuation basis for USAA SA did change materially since the prior reporting period. On 12/31/2022 the company USAA Limited ceased operations and its remaining reserves were transferred to USAA SA and USAA SAUK.

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. Outstanding reinsurance recoverables are valued on a case-by-case basis by the appropriate claims' management team.

Premium Provision

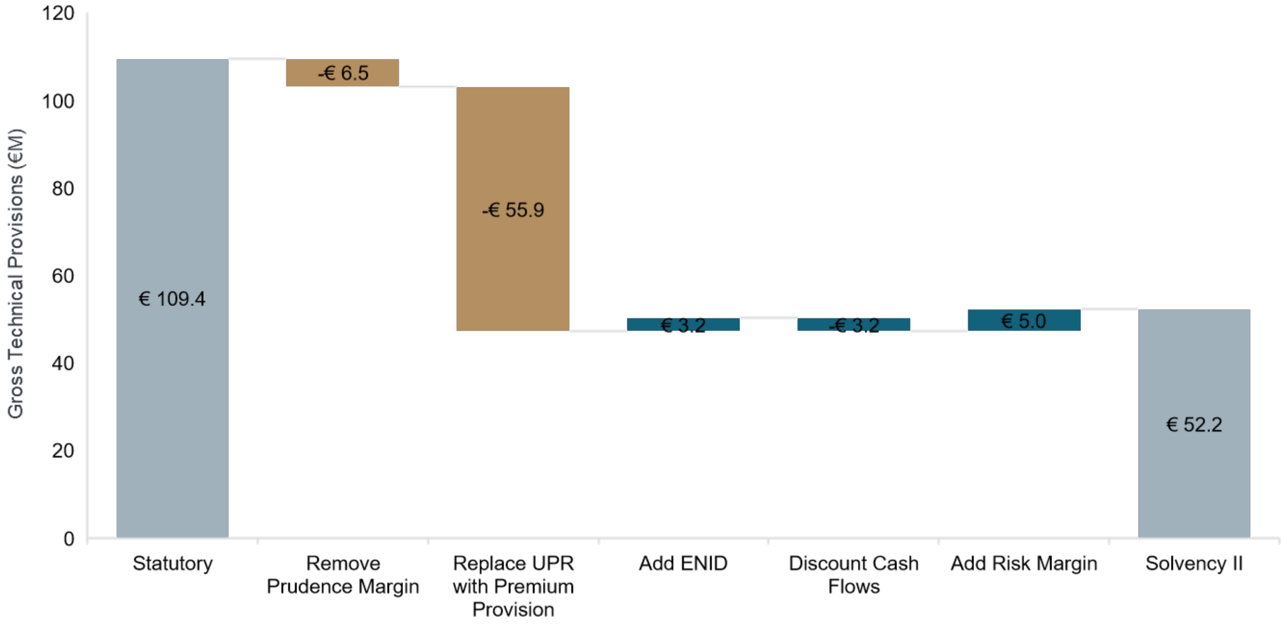
The unearned premium reserve is used as the starting point to estimate the premium provision before the following adjustments are applied:

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

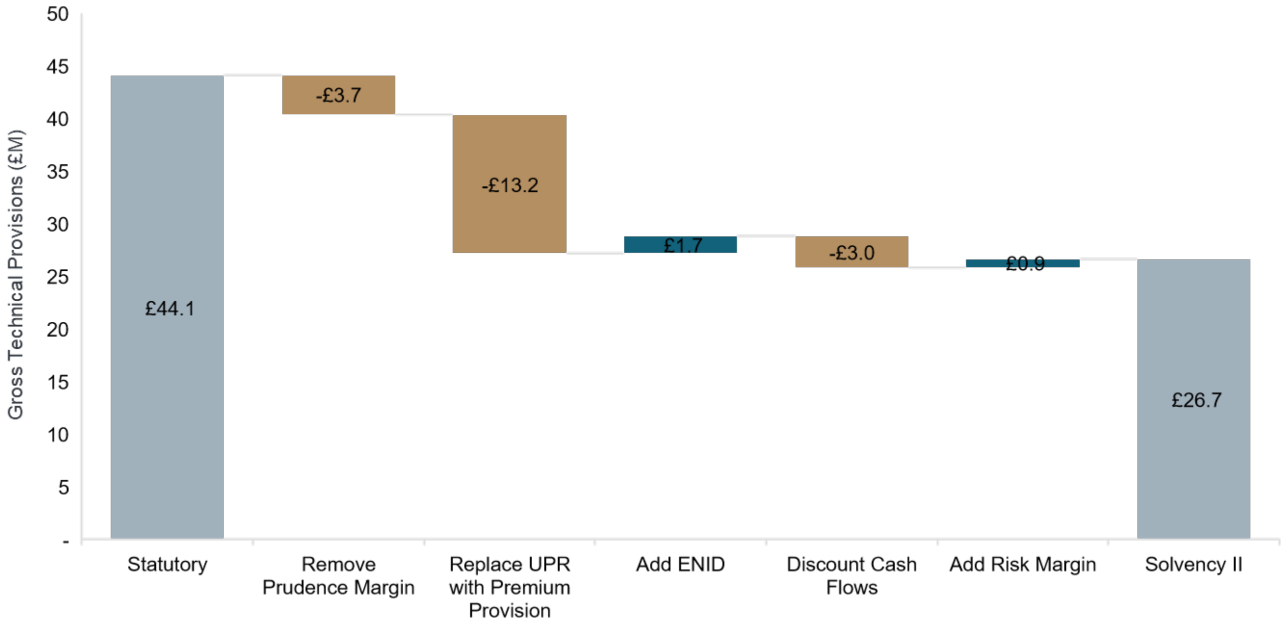
Solvency II Adjustments

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

USAA S.A including the UK Branch:



USAA S.A UK Branch shown in GBP:



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

USAA S.A. including the UK Branch:

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	Gross SII Technical Provisions
Motor Vehicle Liability	115,619	(9,864)	(27,631)	5,102	(6,728)	5,296	81,793
Other Motor	34,986	(410)	(35,892)	0	166	(489)	(661)
Fire & Other Property	5,712	(169)	(5,092)	0	(7)	115	560
General Liability	2,877	(216)	(2,195)	0	(13)	101	555
Total	**159,194**	**(10,660)**	**(70,810)**	**5,102**	**(6,580)**	**6,001**	**82,248**

UK Branch only in £'000:

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	Gross SII Technical Provisions
Motor Vehicle Liability	39,123	(3,688)	(7,296)	1,660	(3,040)	821	27,580
Other Motor	3,756	(26)	(4,410)	0	15	39	(627)
Fire & Other Property	874	(4)	(1,077)	0	5	4	(197)
General Liability	353	(11)	(455)	0	3	5	(105)
Total	**44,107**	**(3,730)**	**(13,239)**	**1,660**	**(3,016)**	**870**	**26,652**

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. 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 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 S.A. 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 the renewal packet being 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 S.A. 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 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 reserve's 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. 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 considered. Premium receivables are higher than reinsurance payables and thus, result in a reduction of the premium provision.

For the reinsurance provision, ceded reinsurance ratios (as a percentage of gross losses) are used in the calculation.

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 recoverables 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 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. (This is a change in methodology from previous years. As a young company started in 2019, the cash flow patterns for USAA S.A. were initially unusual in that the future best estimate increased in year two. This was because the premium provision and future premiums were nearly fully realized in year one. By including future premiums in the risk margin methodology, an unreasonably high-risk margin was produced. To address this, future premiums were excluded from the best estimates used in the risk margin calculation. This adjustment has been removed from the 2022 calculations. 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 S.A.'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 S.A. 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, Euros. This risk is mitigated by stop-loss reinsurance.

- **Unanticipated frequency or severity trends** - USAA S.A.'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 S.A.'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 S.A. monitors the plans of the US military in Europe and can act 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 S.A.'s legal risk is deemed to be lower than that of the parent, as the litigiousness and case law in the jurisdiction that USAA S.A. operates is lower than that of the parent. However, because of high limits or in some jurisdictions, unlimited liability, USAA S.A. 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 S.A. 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 S.A. employs sufficient risk classification to appropriately price individual risks, thus the potential for adverse selection is minimal.

  Reinsurance stabilizes the volatility of USAA S.A.'s 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 S.A and its ultimate 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 S.A to an underwriting loss of €1m.

- **Inflation** - USAA SA and USAA SAUK do not have an explicit IBNR provision for inflation. We responded to inflationary pressure throughout CY2022 by increasing our ultimate losses, particularly in the Auto Material Damage (MTD) coverages (Collision, Comprehensive, Property Damage) that were most affected by the increasing trends. We continue to monitor inflation, and should there be further inflation pressure, we will reflect them in our quarterly reviews

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.

Assumptions about future management actions

We do not explicitly take into consideration future management decisions (pricing, operational changes, reserve practices, reinsurance programs) and/or future profit-sharing decisions. Our technical provisions are a snapshot at a point in time

Assumptions about policyholder behaviour

We do not take into account the behaviour of policyholders, with the exception of loss ratios expected to occur on unearned premium amounts. These loss ratios are selected on the basis of historical averages and are not forecast based on any socio-economic indicators

Contract boundaries

The Auto and Property lines of business are both written as 1-year policies. For business incepted at valuation date, our procedure accounts for policies in-force as of the valuation date as Premium Receivable and Unearned Premium Reserves. For business not incepted at valuation date, the Written But Not Incepted (WBNI) premium is also included. Written But Not Incepted (WBNI) Premium represents the premium associated with exposures that the company has committed to (or bound), but that have not yet become effective. The WBNI premiums are included in the technical provisions to comply with Article 17, which reads in part that "insurance and reinsurance undertakings shall recognize an insurance or reinsurance obligation at the date the undertaking becomes a party to the contract that gives rise to the obligation or the date the insurance or reinsurance cover begins, whichever date occurs earlier." The WBNI premium is thus considered to be initially recognized when the renewal packages are sent.

Material changes during the reporting period

The valuation basis for USAA SA did change materially since the prior reporting period. On 12/31/2022 the company USAA Limited ceased operations and its remaining reserves were transferred to USAA SA and USAA SAUK. The following table illustrates the LTD reserve transfers:

Reported Reserves	LTD Pre-Transfer	Transferred to EUSA	Transferred to SAUK	LTD Post-Transfer
Gross Losses:				
Bodily Injury	£35,284,057	£18,755,135	£16,528,922	£0
Other Injury	£7,733	£128	£7,605	£0
Material Damage	£1,600,891	£197,316	£1,403,575	£0
Property	£271,494	£162,554	£108,940	£0
All Lines	£37,164,175	£19,115,133	£18,049,042	£0
Salvage & Subrogation	£442,855	£50,456	£392,399	£0
External Legal Reserves	£431,813	£102,931	£328,882	£0
Adjuster/Appraiser Reserves	£636,947	£265,486	£371,461	£0
Unallocated LAE Reserves	£283,426	£134,398	£149,028	£0
Total Net Loss + LAE Reserves	£38,073,506	£19,567,492	£18,506,014	£0

In addition to the reserve transfer from LTD, SAUK had a reserve increase of £13,105,134 on an accident year 2021 Bodily Injury claim in February 2023. It was subsequently determined that this reserve increase necessitated a restatement of year-end financials. This report incorporates that reserve increase.

Significant data deficiencies and adjustments

There are no known data deficiencies or adjustments at this time.

D.3 OTHER LIABILITIES

Note 10: Insurance & Intermediaries Payables

Under Lux 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. Other payables included represents the intercompany balance payable for services rendered under service agreements.

Note 11: Payables (Trade, not Insurance)

Payables (trade, not insurance) include amounts owed to the parent company and ultimate 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 12: Other Liabilities, Not Shown Elsewhere

Other Liabilities, not shown elsewhere 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 during the reporting period 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.

There is nothing further to report regarding the information on the valuation of the Company's assets and liabilities for solvency purposes.

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.

Own funds classified by tiers €'000	December 31	
	2022	2021
Tier 1	116,648	60,356
Tier 2	-	-
Tier 3	(2,239)	1,296
Total Own Funds	**114,409**	**61,652**

Tier 1 consists of ordinary share capital, share premium and a reconciliation reserve detailed below.

Tier 3 consists of an amount equal to the value of net deferred tax assets.

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 Risk 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	December 31 2022	December 31 2021
Tier1		
Ordinary Share Capital	80,030	45,030
Share Premium	19	19
Reconciliation Reserve	36,599	15,307
Tier 3		
An amount equal to the value of Net Deferred Tax Assets	(2,239)	1,296
Total Own Funds	**114,409**	**61,652**

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.

The reconciliation reserve is calculated as follows:

Reconciliation Reserve €'000	December 31 2022	December 31 2021
Excess of assets over liabilities from SII Balance Sheet	114,409	61,652
Less:		
Ordinary Share Capital	(80,030)	(45,030)
Share Premium	(19)	(19)
An amount equal to the value of Net Deferred Tax Assets	2,239	(1,296)
Reconciliation Reserve	**36,599**	**15,307**

December 31	2022 €'000	2021 €'000
Total comprehensive income for the year	7,456	7,487
Legal Reserve	1,025	651
Revaluation Reserve	(338)	-
Retained Earnings B/F	19,479	12,366
Total Equity as per Financial Statements (Lux GAAP)	**27,622**	**20,504**
Fair Value adjustment - Investments	6	315

Fair Value adjustment - Prudential adjustment on pension surplus	2,239	120
Total Equity as per Financial Statements (Fair Value)	**30,597**	**20,939**
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	6,002	(5,632)
Reconciliation Reserve	**36,599**	**15,307**

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, Euros. The Company also holds assets and liabilities in Euros and US Dollars. 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 ultimate parent, which limits the underwriting loss of the Company to €1m up to an excess of €25m in each financial year.

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

December 31	2022 €'000	2021 €'000
Ordinary Share Capital	80,030	45,030
Share Premium	19	19
Total comprehensive income for the year	7,456	7,487
Legal Reserve	1,025	651
Revaluation Reserve	(338)	-
Retained Earnings B/F	19,479	12,366
Total Equity as per Financial Statements (Lux GAAP)	**107,671**	**65,553**
Fair Value adjustment - Investments	6	315
Fair Value adjustment - Prudential adjustment on pension surplus	2,969	120
Total Equity as per Financial Statements (Fair Value)	**110,646**	**65,988**
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	6,002	(5,632)
Difference in valuation of Deferred Tax Asset	(2,239)	1,296
Excess of Assets Over Liabilities	**114,409**	**61,652**

Material Changes during the reporting period

Own funds did change materially during the period following the capital increase of €35m made through a Portfolio of Asset Transfer paid from USAA Limited to the immediate parent company who decided to allocate the dividend to the capital increase of the Company.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

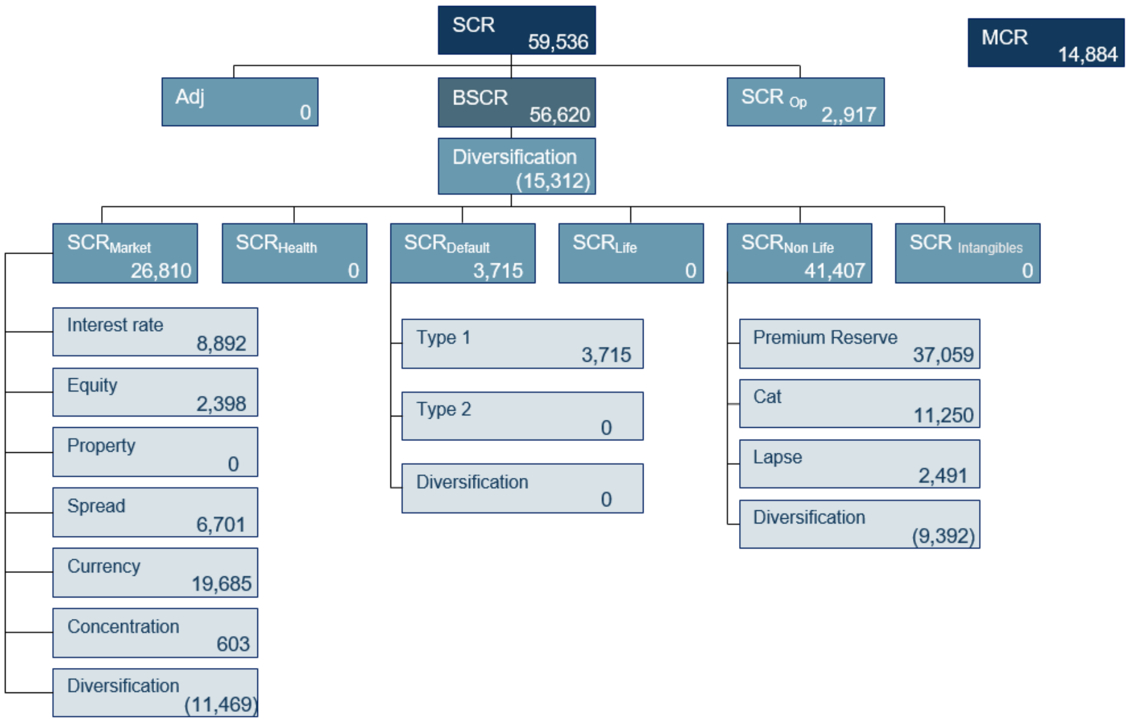
SOLVENCY CAPITAL REQUIREMENT (SCR)

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 2022.



Total SCR

The total SCR as at 31 December 2022 was €59,536k. This is an increase of €23,113k over the previous reporting period.

The Company is not subject to any capital add-ons prescribed by the regulator.

The SCR reconciliation below shows the movements in the SCR components driving the overall increase in the SCR.

Reconciliation of Movement in SCR	€'000	€'000
As at 31 December 2021		36,423
Movements in SCR		
Overall Diversification		**(5,795)**
SCR Operational Risk		**472**
SCR Market Risk Sub-modules:		
Interest Rate	8,183	
Equity	(1,120)	
Property	-	
Spread	2,262	
Currency	5,180	
Concentration	(491)	
Market Risk Diversification	(5,383)	
SCR Market Risk		**8,631**
SCR Counterparty Default Risk		**1,698**
SCR Non-Life Risk Sub-modules:		
Premium Reserve	18,411	
CAT	1,280	
Lapse	821	
Non-Life Risk Diversification	(2,405)	
SCR Non-Life Risk		**18,107**
As at 31 December 2022		**59,536**

Material Changes during the reporting period

The material increase in the SCR is attributable largely to the SCR Non-Life risk and SCR Market risk modules following the transfer of assets and liabilities that derived from business previously performed by USAA Limited via a Part VII transfer.

SCR Market Risk

As at 31 December 2022, the exposure for the market risk component of the standard formula was €26,810k (2021: €18,177k) with intra-module diversification at €11,469k (2021: €6,087k). This 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 €8,892k (2021: €709k) is driven by changes in assets and liabilities in the Company's technical provisions, investment portfolio and the pension scheme investments.

- Equity risk €2,398k (2021: €3,517k) 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.

- Spread risk €6,701k (2021: €4,439k) is driven by the Company's investment in bonds and securitised assets.

- Currency risk €19,685k (2021: €14,505k) 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 pays claims in Euros. The Company's pension Scheme assets are also spread across a range of currencies.

- 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 2022 is €603k (2021: €1,094k).

SCR Non-Life Underwriting Risk

The Non-life underwriting risk €41,407k (2021: €23,300) is the largest component of Standard Formula SCR. and is made up of:

- Premium and Reserve risk €37,059k (2021: €18,648k) is mainly driven by earned premiums, forecast premiums, and claims provisions, non-life business (Motor Vehicle Liability, Other Motor, Fire and other Damage to Property and General Liability.
- Catastrophe risk €11,250k (2021: €9,970k) arises from the Company's exposure to man-made catastrophe and natural catastrophe risks.
- Lapse risk €2,491k (2021: €1,669k) covers the risk of insurance policy lapses.

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.

SCR Counterparty Risk

The SCR counterparty default risk €3,715k for the reporting period (2021: €2,018k) represents 6.2% of the total SCR. Exposure to counterparty default 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.

The SCR charge for counterparty default risk also includes the default risk on the reinsurance risk mitigation effect balance, which has been derived from the difference between hypothetical SCR for underwriting and market risk that would apply if the reinsurance arrangement did not exist, and the SCR for the same risk modules with reinsurance arrangements included.

The difference between the hypothetical SCR for underwriting and market risk if reinsurance arrangements did not exist and the SCR for the same risk modules with reinsurance arrangements included amounted to €1,491k increasing the counterparty default risk by €34k.

Loss-absorbing capacity of Deferred Taxes

The Solvency Capital Requirement has prudently not been adjusted for the loss absorbing capacity of deferred taxes.

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 €14,884k. this is an increase of €5,634k over the previous reporting period.

The following table shows the components of the MCR calculation:

Overall MCR calculation – €'000	31 December 2022	2021
Linear MCR	14,197	9,250
SCR	59,536	36,423
MCR cap	26,791	16,390
MCR floor	14,884	9,106
Combined MCR	14,884	9,250
Absolute floor of the MCR	4,000	3,700
Minimum Capital Requirement	**14,884**	**9,250**

Material Changes during the reporting period

The material increase in the MCR is driven by the increase in premium written by the UK branch from April 2022 and the transfer of liabilities via the Part VII transfer increasing the Technical Provisions.

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.

December 31 Eligible Own Funds - €'000	2022 SCR Coverage	2022 MCR Coverage	2021 SCR Coverage	2021 MCR Coverage
Available Eligible Own Funds	114,409	116,648	61,652	60,356
SCR/MCR	(59,536)	(14,884)	(36,423)	(9,250)
Excess Eligible Own Funds	54,873	101,764	25,229	51,106
Ratio of Eligible Own Funds to SCR/MCR	192%	784%	169%	652%

The increase in available own funds and SCR at the end of 2022 has increased the ratio of eligible own funds to SCR to 192%. The MCR has increased to 784%. The Available Eligible Own Funds to cover the MCR excludes the Deferred tax liability of EUR 2,239k.

E.3 THE USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company is not using the duration-based equity risk sub-module as it is not applicable.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

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

E.5 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.6 ANY OTHER INFORMATION

The Company does not have any other information to report.

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

USAA S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in EUR thousands)

General information

Undertaking name	USAA S.A.
Undertaking identification code	222100GIQKRF94HI8657
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	EUR
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
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	2,969
R0060	Property, plant & equipment held for own use	9
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	131,976
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*	131,976
R0140	*Government Bonds*	24,512
R0150	*Corporate Bonds*	107,464
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	18,614
R0280	*Non-life and health similar to non-life*	18,614
R0290	*Non-life excluding health*	18,614
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	7,771
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	1,868
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	56,799
R0420	Any other assets, not elsewhere shown	112
R0500	**Total assets**	220,118

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	82,247
R0520	*Technical provisions - non-life (excluding health)*	82,247
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	76,246
R0550	*Risk margin*	6,001
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	2,239
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,510
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	18,971
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	741
R0900	**Total liabilities**	105,708
R1000	**Excess of assets over liabilities**	114,409

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				49,915	55,721		8,089	3,087									116,813
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				5,808	971		132	51									6,961
R0200	Net				44,108	54,751		7,957	3,036									109,852
	Premiums earned																	
R0210	Gross - Direct Business				40,742	47,338		6,603	2,535									97,219
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				5,808	971		132	51									6,961
R0300	Net				34,935	46,367		6,471	2,484									90,258
	Claims incurred																	
R0310	Gross - Direct Business				34,649	26,639		3,230	933									65,451
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				14,767													14,767
R0400	Net				19,881	26,639		3,230	933									50,683
	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**				13,374	13,846		1,871	680									29,771
R1200	**Other expenses**																	
R1300	**Total expenses**																	29,771

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	GB	ES	BE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	65,520	24,693	18,787	2,860	2,668	114,528
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	0	3,778	1,600	1,242	146	103	6,868
R0200	Net	0	61,742	23,093	17,545	2,714	2,565	107,660
	Premiums earned							
R0210	Gross - Direct Business	0	60,515	22,607	6,858	2,730	2,430	95,140
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	0	3,778	1,600	1,242	146	103	6,868
R0300	Net	0	56,737	21,008	5,616	2,584	2,327	88,271
	Claims incurred							
R0310	Gross - Direct Business	0	32,119	12,739	17,981	945	1,037	64,821
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	0		-14	14,781			14,767
R0400	Net	0	32,119	12,753	3,200	945	1,037	50,054
	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**	0	17,459	6,614	3,762	725	670	29,230
R1200	**Other expenses**							
R1300	**Total expenses**							29,230

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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				226	-5,769		-640	-502									-6,684
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-6,779	-713		-100	-39									-7,630
R0150	**Net Best Estimate of Premium Provisions**				7,005	-5,056		-540	-462									946
	Claims provisions																	
R0160	Gross				76,272	4,619		1,085	955									82,931
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				26,244													26,244
R0250	**Net Best Estimate of Claims Provisions**				50,028	4,619		1,085	955									56,687
R0260	**Total best estimate - gross**				76,498	-1,150		445	454									76,246
R0270	**Total best estimate - net**				57,033	-437		544	493									57,633
R0280	**Risk margin**				5,296	489		115	101									6,001
	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**				81,794	-661		559	555									82,247
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				19,465	-713		-100	-39									18,614
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				62,329	52		659	594									63,634

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2014	0	0	0	0	0	0	0	0	0			0	0
R0180	2015	0	0	0	0	0	0	0	0				0	0
R0190	2016	0	0	0	0	0	0	0					0	0
R0200	2017	0	0	0	0	0	0						0	0
R0210	2018	0	0	0	0	0							0	0
R0220	2019	12,551	5,498	620	475								475	19,144
R0230	2020	21,151	5,223	1,275									1,275	27,649
R0240	2021	27,685	9,296										9,296	36,981
R0250	2022	33,047											33,047	33,047
R0260												**Total**	44,093	116,821

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	0	0	0	0	0	0	0	0	0			0
R0180	2015	0	0	0	0	0	0	0	0				0
R0190	2016	0	0	0	0	0	0	0					0
R0200	2017	0	0	0	0	0	0						0
R0210	2018	0	0	0	0	0							0
R0220	2019	11,086	4,854	4,280	3,085								2,848
R0230	2020	15,140	6,847	4,060									3,789
R0240	2021	17,608	8,144										7,672
R0250	2022	73,868											68,621
R0260												**Total**	82,931

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Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	80,030	80,030		0	
R0030	Share premium account related to ordinary share capital	19	19		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	36,599	36,599			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	-2,239				-2,239
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**	114,409	116,648	0	0	-2,239
	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	114,409	116,648	0	0	-2,239
R0510	Total available own funds to meet the MCR	116,648	116,648	0	0	
R0540	Total eligible own funds to meet the SCR	114,409	116,648	0	0	-2,239
R0550	Total eligible own funds to meet the MCR	116,648	116,648	0	0	
R0580	**SCR**	59,536				
R0600	**MCR**	14,884				
R0620	**Ratio of Eligible own funds to SCR**	192.17%				
R0640	**Ratio of Eligible own funds to MCR**	783.71%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	114,409
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	77,810
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	36,599
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	6,059
R0790	**Total Expected profits included in future premiums (EPIFP)**	6,059

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	26,809		
R0020	Counterparty default risk	3,715		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	41,407		
R0060	Diversification	-15,312		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	56,620		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,917
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	59,536
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	59,536
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

USP Key

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

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

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

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	14,197

		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	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	57,033	44,109
R0060	Other motor insurance and proportional reinsurance	0	54,753
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	544	7,954
R0090	General liability insurance and proportional reinsurance	493	3,035
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	14,197
R0310	SCR	59,536
R0320	MCR cap	26,791
R0330	MCR floor	14,884
R0340	Combined MCR	14,884
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	14,884