



Solvency & Financial Condition Report
For the year ending 31 December 2019

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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 performance, systems of governance, risk profile, solvency and capital management.

2019 Solvency and Financial Condition

USAA S.A. commenced writing insurance business in Europe, excluding the United Kingdom on a renewal basis from 1 January 2019. The insurance business was previously written by USAA Limited in the United Kingdom. This Solvency and Financial Condition Report (SFCR) reflects the Company's first year in operation.

The Company ended the year with a profit on the technical account of €2,346k and a profit after tax of €5,142k (2018: €318k loss). Net assets on a statutory basis have increased by €20.1m to €39.9m. Most of the increase came from an additional €15m of capital in the form of investments bonds in July 2019. This strengthened the Company's financial position resulting in available capital under Solvency II of €42,107k (2018: €19,731k), a Solvency Capital Requirement (SCR) of €32,708k (2018: €3,700k) and a Solvency II capital ratio of 129% (2018: 533%). The significant decrease in the Solvency II capital ratio is due to the Company moving from a Minimum Capital Requirement (MCR) to an SCR once the Company became operational.

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.

COVID-19 Outbreak

Subsequent to the year-end, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Company, for example through decline in asset values. The Company is closely monitoring its operations, liquidity and capital resources and is actively working to minimise the current and future impact of this unprecedented situation. Further reference to COVID-19 can be found in Section A1. Business – Significant Business Development and Section E Capital Management – Any Other Information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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



Axel Baumann
Dirigeant Agréé, Director
2 June 2020

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

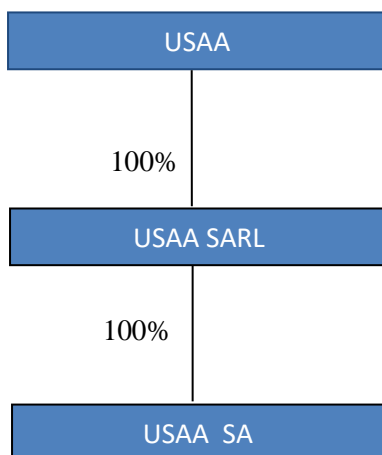
Name and Legal Form of the Undertaking;

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 2019.



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 regulated by the Commissariat Aux Assurances (CAA). The contact details for the CAA are shown below:

Commissariat Aux Assurances
 7 Boulevard Joseph II
 L-1840
 Luxembourg
 +352 22 69 11-1

External Auditor

The details of the company’s external auditor for the period ending 31 December 2019 are:

Ernst & Young S.A.
 Statutory Auditors
 35E Avenue John F. Kennedy
 L-1855

Luxembourg
+352 42 124 1

Material Lines of Business and Geographical Areas

The principal activity of the Company in 2019 is the provision of motor and property insurance in the European Union (EU) to a defined customer base 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

The Company commenced underwriting activities in Europe from 1 January 2019, and will seek to stabilize the portfolio of insurance contracts over the next five years, gaining additional market shares in the various countries where it is allowed to operate under the Freedom to Provide Service Act (the "FPS") of the European Union. Due to Brexit, all the contracts previously issued by USAA Limited in the UK have been renewed under USAA S.A. in Luxembourg.

The Company received additional capital of €15m during the year from its parent company in the form of investment bonds, increasing its share capital from €20m to €35m.

Subsequent to the year-end, the outbreak of COVID-19 has required the Company to activate its business continuity plan. The COVID-19 crisis has been handled at a group level and each subsidiary is following the guidelines set by USAA in San Antonio. All employees are now predominately working from home and the Company is able to continue successfully running its business operations.

At this stage it is impossible to predict what the impact on business activities will be. However, due to the very specific niche market USAA is operating in (members of the US Armed Forces deployed abroad) minimum impact is anticipated in respect of members already deployed. Where it comes to additional deployment of troops in Europe, we cannot at this stage have any estimate over the impact COVID-19 is likely to have as this is primarily linked to the situation in the US.

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.

Underwriting performance by Solvency II lines of business in €'000 31 December 2019

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	35,023	15,828	(12,253)	(7,472)	(3,897)
Other Motor	47,364	23,381	(9,615)	(8,810)	4,956
Fire and other damage to property	6,413	2,993	(1,087)	(1,100)	806
General liability	2,587	1,221	(351)	(431)	439
Total	91,387	43,423	(23,306)	(17,813)	2,304

Underwriting performance for the top six countries €'000 31 December 2019

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Germany	62,010	29,654	(17,194)	(12,406)	54
Italy	22,033	10,302	(4,603)	(4,064)	1,635
Spain	2,937	1,365	(486)	(512)	367
Belgium	2,501	1,160	(572)	(461)	127
Netherlands	1,097	488	(318)	(209)	(39)
Greece	396	264	(78)	(94)	92
Total	90,974	43,233	(23,251)	(17,746)	2,236

In the first year of underwriting the Company earned 47.5% of its written premium, with Germany generating 68% of the premium income. Other Motor, Fire and other damage to property and General Liability were all profitable lines of business. The Motor Vehicle line of business resulted in an underwriting loss due to some large Bodily injury losses in Germany.

At a country level all countries apart from the Netherlands were profitable, with Italy making up 73% of the underwriting performance.

Total expenses incurred include claims management expenses and operating expenses.

A.3 INVESTMENT PERFORMANCE

At 31 December 2019, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% of Portfolio	Amount €'000
Government Bonds	6,897	13%	140
Corporate Bonds	20,597	39%	159
Collateralised Securities	-	0%	-
Short Term Deposits	-	0%	-
Cash & Cash Equivalents	25,203	48%	(2)
Total Investments & Cash Equivalents	52,697		297
Investment Management Expenses			75

At 31 December 2018, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% of Portfolio	Amount €000
Government Bonds	3,849	19%	48
Corporate Bonds	9,493	48%	(42)
Collateralised Securities	-	0%	-
Short Term Deposits	-	0%	-

Cash & Cash Equivalents	6,512	33%	-
Total Investments & Cash Equivalents	19,854		6
Investment Management Expenses			-

Total investments and cash equivalents increased by €32.8m in 2019 from €15m of additional capital received in the form of investment bonds, and premium income held in cash and cash equivalents at the end of the year.

The investment portfolio produced an annual return of 2.18% against a benchmark of 1.35% in 2019. The overperformance against the benchmark mainly came from returns on corporate bonds in the financial sector, commodity related industrials and emerging markets.

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 Services SARL Group and its ultimate parent company, USAA, for the provision of services and human resources to run its insurance operations. These intercompany expenses account for majority of operating expenses recorded for the period ended 31 December 2019. However, this has been partially offset by income earned 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.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

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



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

Board of Directors (the Board)

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

The Board takes an active part in the ORSA process to include steering how the assessment is to be performed and challenging the results. To achieve this, the Board 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 consists of the Non-Executive Directors. As a sub-committee of the USAA S.A. Board of Directors and in line with its Terms of Reference the USAA S.A. Audit Committee reviews and monitors:

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

Risk Committee

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

Business Management Group (BMG)

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

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

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

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.

Key Functions

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

a) Risk Management Function

While the Company (as the 1st line of defence) employs risk management and mitigation techniques from an operational perspective, the Company outsources risk management as a 2nd line of defence to P&C Risk Management within the ultimate parent company, USAA. P&C Risk Management provides an independent, clear, concise and holistic view of risks arising from the Company's business strategy and

operations. In collaboration with the Company's senior management, P&C Risk Management develops and implements risk management frameworks and appetites based on the proportionality and complexity of the Company, develops and maintains policies related to risk management, and monitors processes and escalation thresholds to ensure alignment with the Company's risk appetite statements. P&C Risk Management also provides independent risk management assessments of business processes, initiatives, and decisions.

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

b) Internal Audit Function

The Internal Audit function of the Company is predominately outsourced to USAA Audit Services and deliverables are managed in accordance with the service agreement between USAA S.A. and USAA Audit Services. The Head of Internal Audit reports into the USAA S.A. Audit Committee.

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

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

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

c) Actuarial Function

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

The USAA P&C Actuary is ultimately responsible for the P&C actuarial services provided to the Company. Principal responsibilities include:

- Coordinate the calculation of Technical provisions.
- Ensure the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions.
- Assess the sufficiency and quality of data used in the calculation of technical provisions.
- Inform the Board of the reliability and adequacy of the calculation of technical provisions.

- Express an opinion on the overall underwriting policy.
- Express an opinion on the adequacy of reinsurance arrangements.
- Contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the firm's Own Risk Self-Assessment.
- Effective control management of insurance risks.

d) Compliance Function

The Company has its own dedicated compliance resource 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 P&C Risk Management, 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.

e) Customer Service Director Function

The Customer Services Director is responsible for ensuring that the Company provides its customers with the appropriate product solutions to meet their needs and that sales are made in compliance with legal and regulatory requirements.

f) Claims Director Function

The Claims Director oversees and coordinates the claims activities within the Company. These responsibilities include the adjustment of motor, property and physical damage claims and the management of catastrophe operations. In addition, the Claims Director ensures the claims function complies with relevant policies and procedures.

Remuneration Policy

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

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

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

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

The fixed remuneration element of the policy is primarily focused on staff below Director (People Leader) level. Above this level the total package becomes progressively more 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 Quarterly basis to ascertain achievement of objectives and discuss performance to date. No 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

The SFCR is produced by the Finance team under the supervision of the CFO, with input from other key functions and management committees before being presented to the Audit Committee for approval.

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

The Company recruits to a high standard of competency and experience. A robust recruitment process is in place to ensure that the relevant skills required to fulfil the role and responsibilities are obtained. In addition, external background checks are completed 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.

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 Board and senior management recognise the critical importance of having efficient and effective risk management systems in place.

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

Risk Governance

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

Risk Taxonomy and Risk Register

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

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

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

PRINCIPAL RISKS						
	1.0 Insurance	2.0 Credit	3.0 Financial	4.0 Legal and Regulatory	5.0 Operational	6.0 Strategic
TIER 1	1.1 Catastrophe P&C	2.1 Investment Credit	3.1 Investment Performance & Interest Rate	4.1 Legislative	5.1 Operations	6.1 Business Strategy
	1.2 Non-CAT P&C	2.2 Counterparty Credit	3.2 Pension	4.2 Regulatory	5.2 People	6.2 Reputation
			3.3 Capital Availability	4.3 Compliance	5.3 Cyber Security	6.3 Competitiveness
			3.4 Liquidity	4.4 Litigation	5.4 Financial Crime	6.4 Military/Political Risk
			3.5 Taxation		5.5 Technology/Systems	
			3.6 Model		5.6 Supply Chain	
			3.7 Foreign Exchange		5.7 Business Continuation	

Risk Identification

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

Policies

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

Risk Monitoring and Reporting

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

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

Emerging Risks

Emerging risks are developments which could have a substantial impact on the Company. Drivers of emerging risks include economic, financial market, regulatory, technological, geopolitical and environmental developments. Growing interdependencies between risks can also lead to increasing accumulation of exposure. Emerging risk briefings describe a risk event, share relevant references and estimate the likelihood and potential financial impact of an event to the Company. They are used by management to determine if mitigation tactics should be considered. In addition, the Company'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 2019 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 ORSA process is reviewed and approved annually by the Board. The objective of the ORSA process ensures a full understanding of risks to which the Company is exposed and for assessing capital adequacy against those risks. The process ensures that sufficient capital can be maintained to enable the Company to achieve its strategic objectives in light of its risk profile, and to withstand the impact of any foreseeable adverse events within the next one to three years. The Company’s integration of these disciplines is illustrated below.

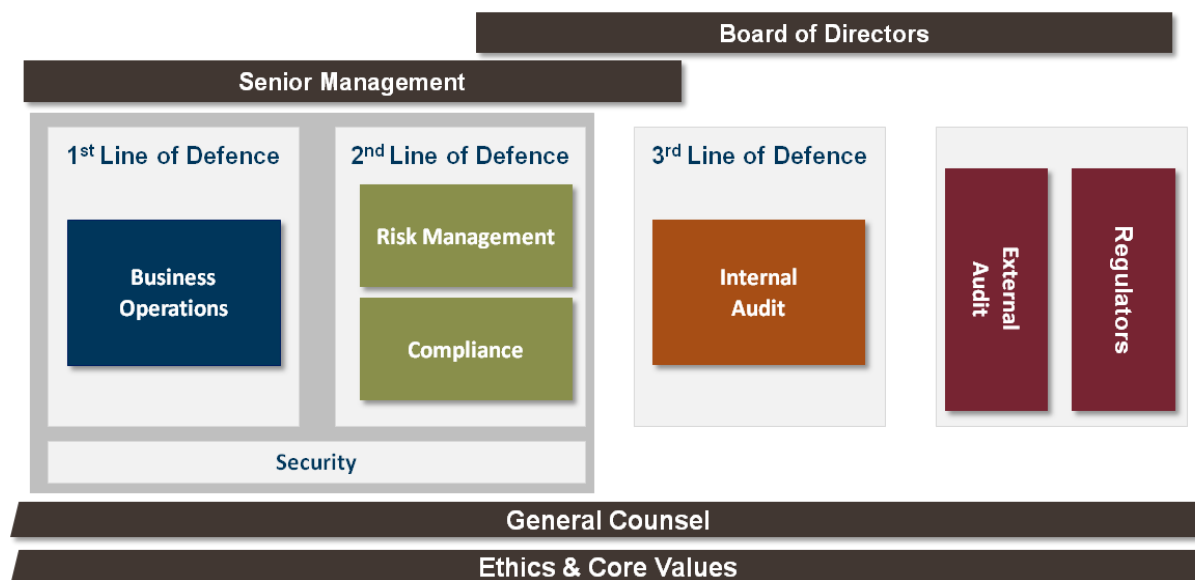


While the ORSA reflects a current risk and solvency assessment, it should be noted that the ORSA is an ongoing and continuous process.

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. The Report structure contains sections focused on material changes from the prior year, business strategy, risk framework and assessments, and capital and solvency results and projections.

B.4 INTERNAL CONTROL SYSTEM

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



1st Line of Defence: The Business

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

2nd Line of Defence: Risk Management and Compliance

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

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

3rd Line of Defence: Audit Services

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

In addition to services outsourced to its parent 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	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

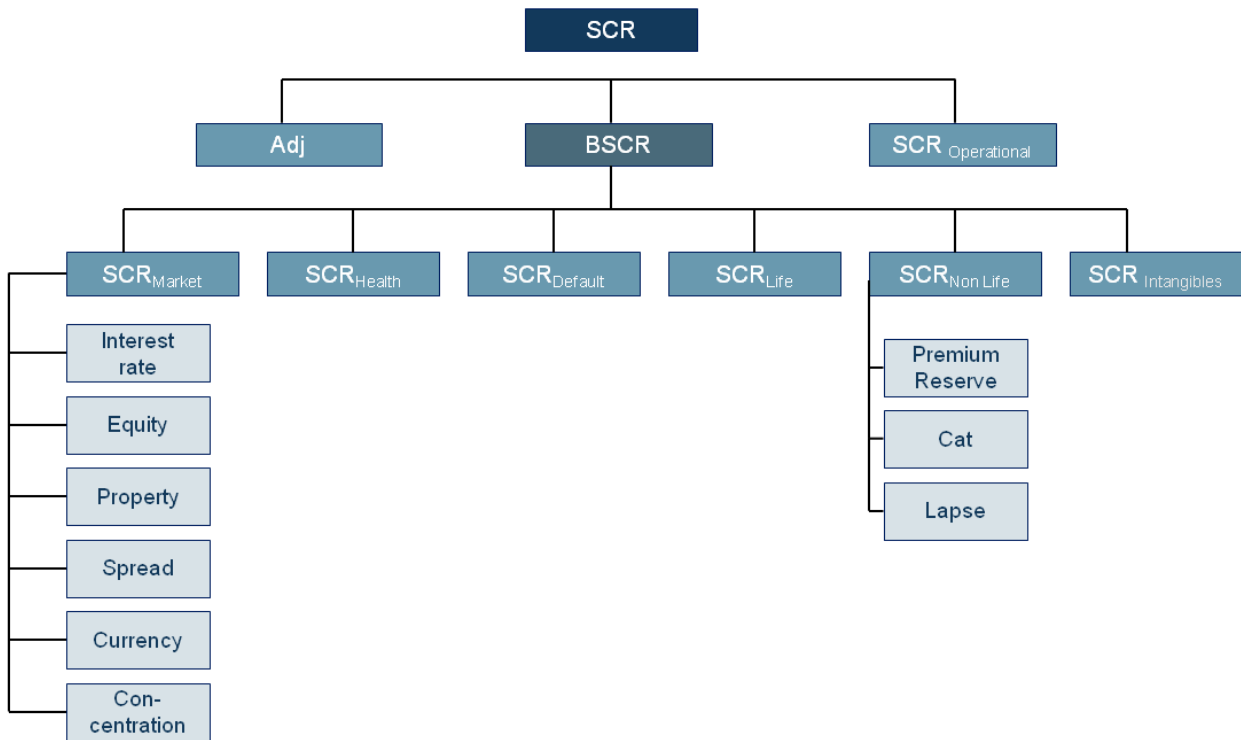
C. RISK PROFILE

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

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

The diagram below sets out 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 other European location.

b) USAA Non-Proportional Stop Loss Treaty

The majority of the Company's residual risk is covered by a non-proportional stop loss treaty with its 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 its 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 Principle set out in Article 132 of the Directive 2009/138/EC. The Investment Guidelines sets out the Company's strategic asset categories, limits and allocations that are suitable for its risk profile and strategic investment objectives. The Investment Guidelines are approved by the Board and reviewed annually.

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

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

C.3 CREDIT RISK

Counterparty Default Risk

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

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

The SCR counterparty risk for the reporting period represents 5% of the total SCR. Exposure to counterparty risk is well diversified across counterparties and therefore, not deemed to be a material risk to the Company. There have not been any material movements in counterparties during the reporting period.

C.4 LIQUIDITY RISK

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

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

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

The expected profit included in future premiums for the reporting period is €5,979k.

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 below.

C.6 OTHER MATERIAL RISK

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

- **Regulatory/Business Strategy** –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.

There have not been any material movements other than those relating to the restructure that impacted the Company during the reporting period.

Stress Testing and Sensitivities

The 2019 USAA S.A. Stress Testing Plan focused on business continuation. The purpose of the stress test was to validate the ability of the USAA International Work at Home Member Service Representatives to respond to an outage in the European offices. The scenario was a simulation of the loss of the use of the London office, which provides insurance services to the Company's policyholders, triggering the need to activate the business continuity plan. This involved the USAA International Work at Home Team in San Antonio, USA activating the USAA Emergency Notification System and providing cover for the London office.

The USAA International Work at Home Team demonstrated their ability to successfully respond to an outage in the London office. As in previous years and actual incidents, the USAA International Team continues to be very effective in their role as part of the European Business Continuation Strategy.

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 2019 in €'000	Notes	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Assets					
Property, plant & equipment held for own use	5	60	-	-	60
Investments	1	27,239	256	-	27,495
Government Bonds		6,784	113	-	6,897
Corporate Bonds		20,455	143	-	20,598
Reinsurance recoverable from:			-		
Non-life excluding health	D.2	132	-	(3,363)	(3,231)
Insurance Intermediaries receivables	2	42,877	6,970	(42,877)	6,970
Receivables (trade, not insurance)	3	10,144	(5,666)	-	4,478
Cash and cash equivalents	4	25,370	-	-	25,370
Any other assets, not elsewhere shown	6	256	(256)	-	-
Total assets		106,078	1,304	(46,240)	61,142
Liabilities					
Technical Provisions					
Non-Life excluding health	D.2	59,155	-	(49,023)	10,132
Liabilities other than Technical Provisions					
Pension benefit obligations	7	1,193	-	-	1,193
Deferred tax liabilities	8	-	-	830	830
Insurance & Intermediaries payables	9	282	486	(282)	486
Payables (trade, not insurance)	10	5,082	818	-	5,900
Any other liabilities, not shown elsewhere	11	494	-	-	494
Total Liabilities		66,206	1,304	(48,475)	19,035
Excess of Assets over Liabilities		39,872	-	2,235	42,107

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: Investments

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

- Level 1 represents quoted securities either on an exchange or over the counter using prices published by a recognised pricing source, or, if such prices are not available, using other reputable sources acceptable to the Company.
- Level 2 represents unquoted securities valued by the Company asset managers, Western Asset Management, based on the average of third-party bid and offer prices.
- Level 3 represents securities where observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using valuation techniques is to estimate what the fair value would have been on the measurement date.

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

Accrued interest has been reclassified from any other assets under 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 2: 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 to D.2.

The amount remaining in insurance and intermediaries' receivables under Solvency II relates to the inter-company balance due from the parent company for premiums collected from policyholders on behalf of USAA 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 3: Receivables (Trade, not Insurance)

The receivables (trade, not insurance balances) relates 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 4: 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 2020.

Note 5: 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 6: 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.

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

D.2 TECHNICAL PROVISIONS

Valuation of Technical Provisions

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

31 December 2019

Non-Life Technical Provisions	Gross Best Estimate €'000	Risk Margin €'000	SII Value €'000	Reinsurance Recoverable €'000	Net Technical Provisions €'000
Motor Vehicle Liability	11,030	2,325	13,355	2,514	15,869
Other Motor	(3,190)	648	(2,542)	606	(1,936)
Fire & Other Property	(466)	119	(347)	78	(269)
General Liability	(396)	62	(334)	33	(301)
Total	6,978	3,154	10,132	3,231	13,363

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.

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.

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

Claims Provision

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

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

Gross statutory reserves are calculated using a deterministic analysis based on a combination of the Chain-Ladder and Cape Cod methods. Expert judgment is used to select ultimate losses and development factors for each accident year. Outstanding reinsurance recoverables are valued on a case by case basis by the appropriate claims' management team.

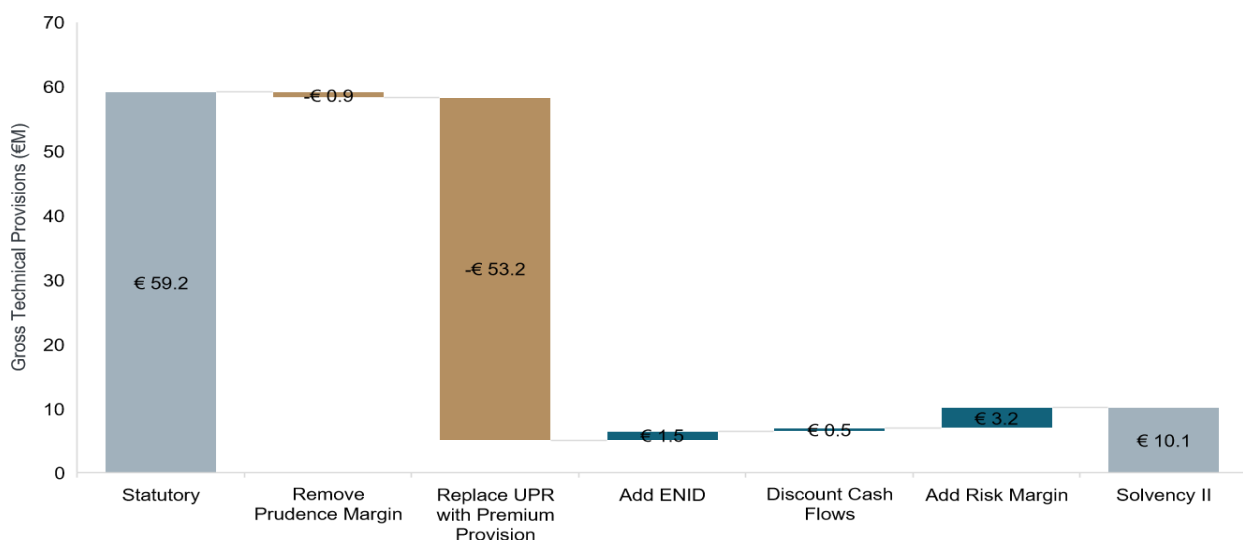
Premium Provision

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

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

Solvency II Adjustments

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



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

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	Gross SII Technical Provisions
Motor Vehicle Liability	27,593	(773)	(17,413)	1,451	173	2,325	13,356
Other Motor	26,149	(93)	(29,494)	-	248	648	(2,542)
Fire & Other Property	3,831	(19)	(4,306)	-	28	119	(347)
General Liability	1,581	(11)	(1,980)	-	13	62	(335)
Total	59,154	(896)	(53,193)	1,451	462	3,154	10,132

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. recoveries, Expertise is provided by the appropriate claims management team when determining the expected settlement of each individual recoverable.

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

g) Future Premium

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

h) Reinsurance Recoveries (Less Bad Debt)

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

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 used in the calculation.

Risk Margin

Methodology 2, prescribed by EIOPA, approximates the SCR for each future year by applying “the ratio of the best estimate at that future year to the best estimate at the valuation date” to the initial adjusted SCR. Typically, the best estimates consider all future cash flows (including future premiums). As a young company, the cash flow pattern for USAA S.A. is unusual in that the future best estimate increases in year two since the best estimate is currently dominated by the premium provision and future premiums (which depress the best estimate) are nearly fully realized in year one. By including future premiums in the risk margin methodology, an unreasonably high-risk margin is produced. To address this, future premiums are excluded from the best estimates used in the risk margin calculation. 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 (excluding future premiums). We believe that a proportional methodology is appropriate for the Company due to the limited risk profile of our business as a personal line's insurer. The discounted SCRs are determined by multiplying the individual SCRs by the corresponding Euro 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 that 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. A random sample of policies was reviewed, and premiums were validated against these risk classification parameters.

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.

Transitional measures on technical provisions

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

D.3 OTHER LIABILITIES

Note 7: Pension Benefit Obligations

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 pension benefit obligations reported in the Solvency II balance sheet are based on an International Accounting Standards, IAS19 valuation carried out by an independent actuary. At 31 December 2019, the IAS 19 actuarial valuation reported a pension benefit obligation of €1,193k.

Note 8: Deferred Tax Liabilities

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 €830k is the valuation differences on Solvency II Non-life technical provisions.

Note 9: 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 10: 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 11: 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 to the recognition and valuation basis for any of the liabilities disclosed in section D.3.

D.4 ALTERNATIVE METHODS FOR VALUATION

The Company has not used any alternative valuation methods.

E. CAPITAL MANAGEMENT**E.1 OWN FUNDS**

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

Approach to Capital Management

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

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

Tier 1 Basic Own Funds

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

Own Funds Tier 1 – €000	31 December	
	2019	2018
Ordinary Share Capital	35,030	20,030
Share Premium	19	19
Reconciliation Reserve	7,058	(318)
Total Own Funds	42,107	19,731

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 Company's ordinary share capital increased by €15m from a capital injection from its parent company in the form of a transfer of assets in investment bonds.

The reconciliation reserve is calculated as follows:

Reconciliation Reserve €'000	31 December	
	2019	2018
Excess of assets over liabilities from SII Balance Sheet	42,107	19,731
Less:		
Ordinary Share Capital	(35,030)	(20,030)
Share Premium	(19)	(19)
Reconciliation Reserve	7,058	(318)

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

31 December	2019	2018
	€'000	€'000
Total comprehensive income for the year	5,142	(318)
Retained Earnings B/F	(318)	-
Total retained earnings as per Financial Statements	4,824	(318)
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	1,405	-
Difference in valuation of Deferred Tax Liability	830	-
Reconciliation Reserve	7,058	(318)

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

31 December	2019	2018
	€'000	€'000
Ordinary Share Capital	35,030	20,030
Share Premium	19	19
Total comprehensive income for the year	5,142	(318)
Retained Earnings B/F	(318)	-
Total Equity as per Financial Statements	39,873	19,731
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	1,405	-
Difference in valuation of Deferred Tax Liability	830	-
Excess of Assets Over Liabilities	42,107	19,731

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

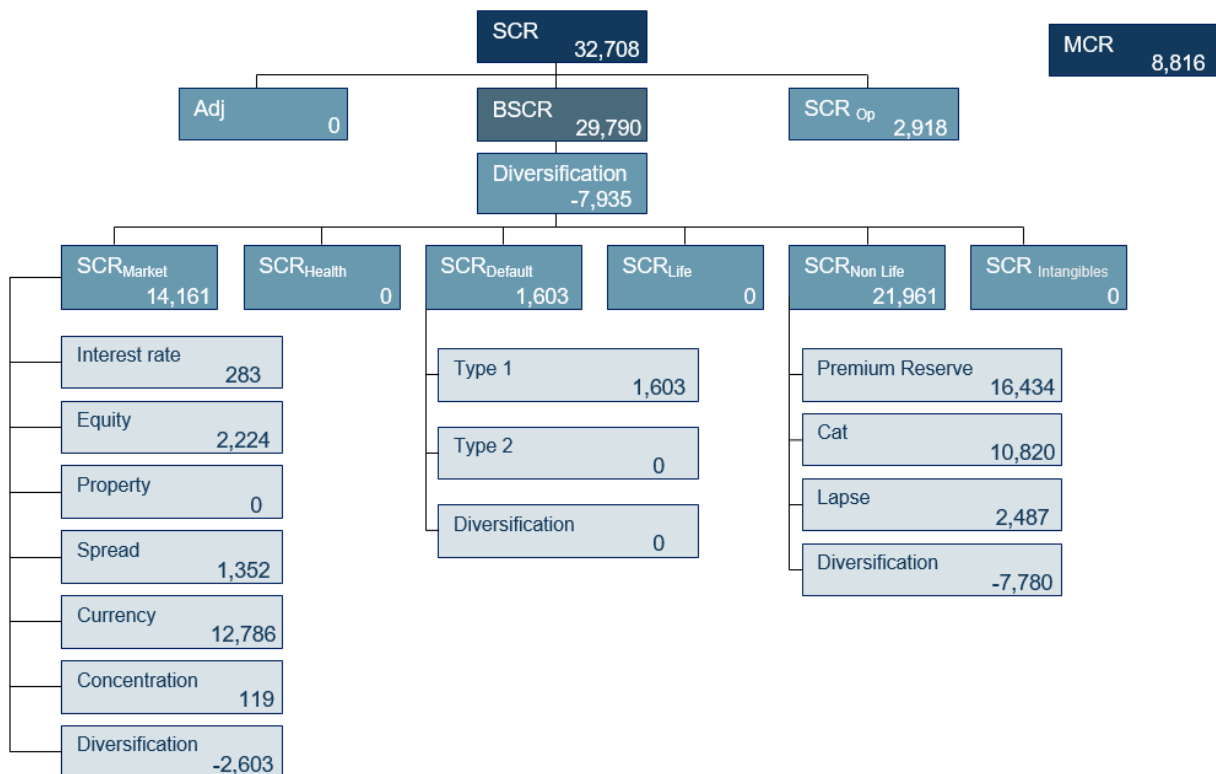
SOLVENCY CAPITAL REQUIREMENT (SCR)

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 2019.



Total SCR

The total SCR at 31 December 2019 was €32,708k. As this is the first full year of operation, the closing balance accounts for the movement in the year. 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 2018		-
Movements in SCR		
Overall Diversification		(7,935)
SCR Operational Risk		2,918
SCR Market Risk Sub-modules:		
Interest Rate	283	
Equity	2,224	
Property	-	
Spread	1,352	
Currency	12,786	
Concentration	119	
Market Risk Diversification	(2,603)	
SCR Market Risk		14,161
SCR Counterparty Default Risk		1,603
SCR Non-Life Risk Sub-modules:		
Premium Reserve	16,434	
CAT	10,820	
Lapse	2,487	
Non-Life Risk Diversification	(7,780)	
SCR Non-Life Risk		21,961
As at 31 December 2019		32,708

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

SCR Market Risk

The market risk component of the standard formula SCR €14,161k (2018: €0) 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 €283k (2018: €0) is driven by changes in assets and liabilities in the Company's technical provisions, investment portfolio and the pension scheme investments.
- Equity risk €2,224k (2018: €0) 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 €1,352k (2018: €0) is driven by the Company's investment in bonds and securitised assets.
- Currency risk €12,786k (2018: €0) 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 Euro and Sterling. 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 2019 is €119k (2018: € 0).

SCR Non-Life Underwriting Risk

The Non-life underwriting risk €27,080k (2018: €0) is the largest component of Standard Formula SCR. and is made up of:

- Premium and Reserve risk €16,434k (2018: €0) 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 €10,820k (2018: €0) arises from the Company's exposure to man-made catastrophe and natural catastrophe risks.
- Lapse risk €2,487k (2018: €0) 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.

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 €8,816k (2018: €3,700k). The following table shows the MCR calculation:

Overall MCR calculation – €'000	31 December	
	2019	2018
Linear MCR	8,816	-
SCR	32,708	-
MCR cap	14,718	-
MCR floor	8,177	-
Combined MCR	8,816	-
Absolute floor of the MCR	3,700	3,700
Minimum Capital Requirement	8,816	3,700

The Company's MCR €8,816k has increased from the absolute floor of the MCR €3,700 in 2019 as it commenced its underwriting operations.

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

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

31 December	2019	2019	2018	2018
Eligible Own Funds – €'000	SCR Coverage	MCR Coverage	SCR Coverage	MCR Coverage
Available Eligible Own Funds	42,107	42,107	19,731	19,731
SCR/MCR	(32,708)	(8,816)	(3,700)	(3,700)
Excess Eligible Own Funds	9,399	33,291	16,031	16,031
Ratio of Eligible Own Funds to SCR/MCR	129%	478%	533%	533%

The increase in available own funds and SCR at the end of 2019 has decreased the ratio of eligible own funds to SCR by 404%. The MCR has decreased by 55%.

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

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

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

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

E.5 ANY OTHER INFORMATION

At the time of the approval of this SFCR there continue to be rapid developments in the COVID-19 outbreak. This illustrates the importance of ongoing measures to ensure financial and operational resilience. The Company has created a pandemic risk register and is monitoring the developments of COVID 19. The Company has successfully moved to a work from home business model to continue its business operations during this pandemic.

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

2019

(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 2019
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
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	60
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	27,495
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	27,495
R0140	<i>Government Bonds</i>	6,897
R0150	<i>Corporate Bonds</i>	20,597
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-3,231
R0280	<i>Non-life and health similar to non-life</i>	-3,231
R0290	<i>Non-life excluding health</i>	-3,231
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6,970
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	4,478
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	25,370
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	61,142

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	10,133
R0520	<i>Technical provisions - non-life (excluding health)</i>	10,133
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	6,979
R0550	<i>Risk margin</i>	3,153
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	1,193
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	830
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	486
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	5,900
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	494
R0900	Total liabilities	19,035
R1000	Excess of assets over liabilities	42,107

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		C0200
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200	
Premiums written																	
R0110	Gross - Direct Business		37,828	49,403		6,673	2,693										96,599
R0120	Gross - Proportional reinsurance accepted																0
R0130	Gross - Non-proportional reinsurance accepted																0
R0140	Reinsurers' share		2,806	2,039		260	106										5,211
R0200	Net		35,023	47,364		6,413	2,587										91,387
Premiums earned																	
R0210	Gross - Direct Business		18,634	25,420		3,253	1,327										48,634
R0220	Gross - Proportional reinsurance accepted																0
R0230	Gross - Non-proportional reinsurance accepted																0
R0240	Reinsurers' share		2,806	2,039		260	106										5,211
R0300	Net		15,828	23,381		2,993	1,221										43,423
Claims incurred																	
R0310	Gross - Direct Business		12,385	9,615		1,086	351										23,437
R0320	Gross - Proportional reinsurance accepted																0
R0330	Gross - Non-proportional reinsurance accepted																0
R0340	Reinsurers' share		132														132
R0400	Net		12,253	9,615		1,086	351										23,306
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		7,472	8,810		1,100	431										17,813
R1200	Other expenses																
R1300	Total expenses																17,813

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
		DE	IT	ES	BE	NL	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
R0110 Gross - Direct Business	0	65,533	23,340	3,099	2,625	1,150	95,747
R0120 Gross - Proportional reinsurance accepted							0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share	0	3,523	1,308	162	124	53	5,169
R0200 Net	0	62,010	22,033	2,937	2,501	1,097	90,578
Premiums earned							
R0210 Gross - Direct Business	0	33,177	11,609	1,527	1,283	541	48,137
R0220 Gross - Proportional reinsurance accepted							0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share	0	3,523	1,308	162	124	53	5,169
R0300 Net	0	29,654	10,302	1,365	1,160	488	42,969
Claims incurred							
R0310 Gross - Direct Business	0	17,326	4,603	486	572	318	23,305
R0320 Gross - Proportional reinsurance accepted							0
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share		132					132
R0400 Net	0	17,194	4,603	486	572	318	23,173
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	12,406	4,064	512	461	209	17,652
R1200 Other expenses							
R1300 Total expenses							17,652

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				2,809	-5,444		-879	-611									-4,125
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-2,654	-606		-78	-33									-3,372
R0150	Net Best Estimate of Premium Provisions				5,464	-4,838		-801	-578									-753
Claims provisions																		
R0160	Gross				8,222	2,254		413	214									11,104
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				140	0		0	0									140
R0250	Net Best Estimate of Claims Provisions				8,082	2,254		413	214									10,963
R0260	Total best estimate - gross				11,032	-3,190		-466	-396									6,979
R0270	Total best estimate - net				13,545	-2,584		-388	-363									10,210
R0280	Risk margin				2,325	648		119	62									3,153
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				13,356	-2,542		-347	-335									10,133
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				-2,514	-606		-78	-33									-3,231
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total				15,870	-1,936		-269	-302									13,364

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Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

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

Year	C0010	C0020	C0030	C0040	Development year						C0110	C0170	C0180	
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)	
R0100	Prior											0	0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0	0	0	
R0170	2011	0	0	0	0	0	0	0	0	0	0	0	0	
R0180	2012	0	0	0	0	0	0	0	0	0	0	0	0	
R0190	2013	0	0	0	0	0	0	0	0	0	0	0	0	
R0200	2014	0	0	0	0	0	0	0	0	0	0	0	0	
R0210	2015	0	0	0	0	0	0	0	0	0	0	0	0	
R0220	2016	0	0	0	0	0	0	0	0	0	0	0	0	
R0230	2017	0	0	0	0	0	0	0	0	0	0	0	0	
R0240	2018	0	0	0	0	0	0	0	0	0	0	0	0	
R0250	2019	12,551	0	0	0	0	0	0	0	0	0	12,551	12,551	
R0260												Total	12,551	12,551

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

Year	C0200	C0210	C0220	C0230	Development year						C0300	C0360	
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)	
R0100	Prior											0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0	0	
R0170	2011	0	0	0	0	0	0	0	0	0	0	0	
R0180	2012	0	0	0	0	0	0	0	0	0	0	0	
R0190	2013	0	0	0	0	0	0	0	0	0	0	0	
R0200	2014	0	0	0	0	0	0	0	0	0	0	0	
R0210	2015	0	0	0	0	0	0	0	0	0	0	0	
R0220	2016	0	0	0	0	0	0	0	0	0	0	0	
R0230	2017	0	0	0	0	0	0	0	0	0	0	0	
R0240	2018	0	0	0	0	0	0	0	0	0	0	0	
R0250	2019	11,086	0	0	0	0	0	0	0	0	0	0	
R0260												Total	0

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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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
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
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
35,030	35,030		0	
19	19		0	
0	0		0	
0		0	0	0
4,823	4,823			
0		0	0	0
0		0	0	0
2,235	2,235			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
42,107	42,107	0	0	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

42,107	42,107	0	0	0
42,107	42,107	0	0	
42,107	42,107	0	0	0
42,107	42,107	0	0	

32,708
8,816
128.74%
477.64%

C0060
42,107
0
39,873
0
2,235

776
776

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	14,161		
R0020 Counterparty default risk	1,603		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	21,961		
R0060 Diversification	-7,935		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	29,790		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	2,918		
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	32,708		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	32,708		
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			
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

USAA S.A.

Société anonyme

Registered office: 1, avenue du Bois, L-1251 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 224622
(the “**Company**”)

**UNANIMOUS WRITTEN CONSENT RESOLUTIONS OF
THE BOARD OF DIRECTORS OF USAA S.A.**

The undersigned:

- Randy Termeer,
- Axel Elke Baumann,
- Dirk Beeckman,
- Karen Graves,
- Simon Patrick Kendall Keith,
- Craig Scarr

being the directors (the “**Directors**”), and together being the board of Directors (the “**Board**”) acting by unanimous written consent in accordance with provisions of both Article 7.3 (viii) of the Company’s Articles of Association, and the Luxembourg law governing commercial companies of 10 August 1915, as amended (the “**Law**”), does hereby proceed with the adoption of the following resolutions:

Presentation and Discussion

WHEREAS, USAA S.A. (“**Company**”) was incorporated on 9 May 2018 and authorised by the Luxembourg Ministry of Finance in view of non-life insurance activities on 25 September 2018.

WHEREAS, the Regulatory Supervisory Report and the Solvency & Financial Condition Report for the year ending 31 December 2019 have been completed (the “**Reports**”).

WHEREAS, the Board acknowledges that finalised versions of the Reports have been circulated to the Directors, and they have carefully considered such information.

WHEREAS, after having considered the Reports and having considered all relevant circumstances in the best interests of the Company.

THEREFORE, THE BOARD OF DIRECTORS UNANIMOUSLY RESOLVES, IN ACCORDANCE WITH BOTH THE ARTICLES OF ASSOCIATION AND THE LAW:

FIRST RESOLUTION

The Board of Directors the Board confirms and acknowledges the receipt and approval of the Reports as well as the operations contemplated thereby.

SECOND RESOLUTION

The Board of Directors resolves that the Dirigeant Agree of the Company is hereby authorized and empowered to do and perform any and all acts necessary and proper to effectuate the intent and purpose of the foregoing resolution.

Signature page with respect to the unanimous written circular resolutions of the board of Directors of USAA S.A.

The date of the present unanimous written circular resolutions is the date of the last signature by a member of the Board.

Randy Termeer

Randy Termeer
Jul 01, 2020

Axel Baumann

Axel Baumann
Jul 02, 2020

Dirk Beeckman

Dirk Beeckman
Jul 01, 2020

Karen Graves

Karen Graves
Jul 01, 2020

Simon Keith

Simon Keith
Jul 02, 2020

Craig Scarr

Craig Scarr
Jul 02, 2020