Solvency and Financial Condition Report

31st December 2019

Contents

EXECUTIVE SUMMARY

This report is framed within the requirements established by Law 20/2015, of 14 July, on the management, supervision and solvency of insurance and reinsurance entities, and the Royal Decree 1060/2015, of November 20, on the organization, supervision and solvency of the insurance and reinsurance entities that develops it. Both provisions assume the transposition to the Spanish legal system of Directive 2009/138/CE, of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive).

Delegated Regulation (EU) 2015/35 completes the aforementioned Directive and regulates the minimum content that the Solvency and Financial Condition Report should include.

Section A. Business Performance

Admiral Europe Compañía de Seguros, SA (AECS or the Company) is a public limited company which is part of Admiral Group Plc (AGp), one of the UK's largest motor insurance providers. AECS was established in the context of the Brexit process, obtaining the license to write –amongst others- motor and household insurances in Spain on 18th July, 2018. After that, AECS is authorised to passport these insurance line of business in Italy and France under Freedom of Services Regime.

AECS started trading on the 1st January, 2019, and on this same date it received the policies transferred from Admiral Insurance Company Limited (AICL) and Admiral Insurance (Gibraltar) Limited (AIGL) from their businesses in Spain, Italy and France. AICL and AIGL are Solvency II regulated solo entities, regulated by the Prudential Regulatory Authority (PRA) and the Gibraltar Financial Services Commission (GFSC) respectively.

The 2019 AECS result before tax has increased from -€0.1m in 2018 to €8.9m. The AECS operations in Spain, Italy and France recorded higher profits than in 2018 and exceeded their respective budgets for 2019.The profit for 2019 was driven by growth in the business and positive movements on claims reserves related to prior years.

Section B. System of Governance

The AECS Board is the principal decision-making forum for AECS, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team.

AECS leverages on the existing systems of governance in place in AGp. AGp has a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AGp Board Committees (with delegated authority from the AGp Board): Group Risk Committee, Group Audit Committee, Group Nominations and Governance Committee, Group Remuneration Committee.
- AGp Management Committees: Group Investments Committee, Group Reserving Committee, Group Assets and Liabilities Committee and Group Disclosures Committee. AECS has attendees at each Group Management Committee when required.

The AECS Board is supported by a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AECS Board Committee: AECS Audit Committee
- AECS Management Committee: AECS Governance Management Committee ("AECS GMC")

During 2018, the structure of the System of Governance of AECS was agreed with the DGSFP and approved by the AECS Board. The AECS Board also approved the primary policies which will rule the internal processes of the Company as of 1st January, 2019. Policies are reviewed and/or approved on an annual basis.

Section B, in the body of this report, explains in detail as to how the system of governance works in practice, including a focus on the remuneration policy, the system of internal control and the Solvency II key functions of Risk Management, Compliance, Internal Audit and Actuarial.

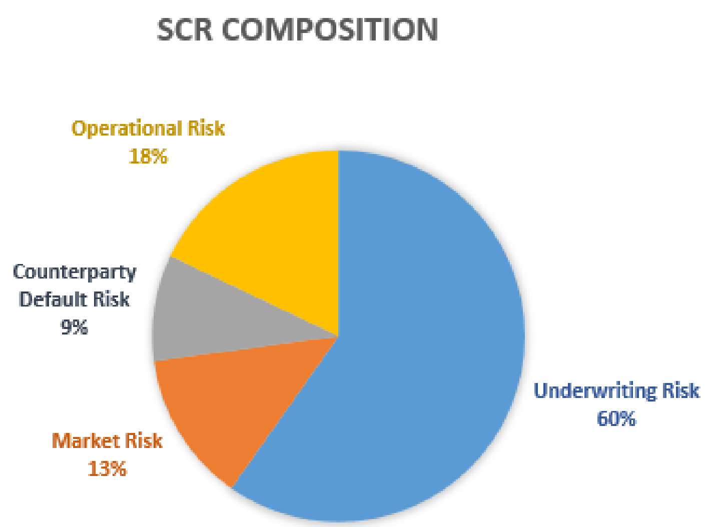
Section C. Risk profile

The AECS Board is responsible for determining risk strategy and risk appetite across AECS, and for its system of risk management and internal control, within Admiral Group's Risk Management Framework.

Notwithstanding, the AECS Board align the risk strategy and risk appetite to that used by AGp, which is managed with delegated authority by the Group Risk Committee on behalf of the Group Board, and the AECS Governance Management Committee will be responsible for its implementation and maintenance. Both the AECS Board and AECS Audit Committee will receive reports from this AECS Management Committee for the purposes of reviewing and reporting on the overall effectiveness of this system.

AECS calculates the Solvency Capital Requirement (SCR) according to the requirements of the methodology established by Solvency II Directive, in application of the Standard Formula.

As a result of the policies transfer from AGp to AECS, the risk taken by the Company at 31st December 2019 has become more relevant mainly in Underwriting and Operational risks.



Section D. Valuation for Solvency Purposes

Section D focuses on the Solvency II balance sheet and the valuation of assets and liabilities. In line with Solvency II rules, assets and liabilities on the Solvency II balance sheet are held at fair value, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

The following table shows the main blocks of the AECS Solvency II balance sheet and the comparison with the corresponding figures under Local GAAP basis at 31st December 2019:

000s Euros	Statutory	Solvency II
Total assets	682,346	586,608
Total liabilities	573,901	491,574
Excess of Assets over Liabilities	**108,445**	**95,034**

In the **assets** side, the investments are valuated at market value, so no differences arise between the two regulation standards. The main difference comes from the deferrred acquisition costs, that are no considered as an asset under SII basis. In addition, changes in valuation has been produced also because of the removal of the future premiums (not issued) from the Insurance and Intermediaries receivables item, as they had already been recognised in the best estimate calculations.

In the **liabilities** side, the main differences between the Statury accounts and the Solvency II figures come from the different methodology used for the valuation of the technical provisions (using realistic assumptions under Solvency II) and because of the removal of the liabilities arising from the knock for knock systems and the future premiums owed to reinsurers, which are both already considered in the best estimate of liabilities.

Section E. Capital Management

AECS will manage its capital to ensure that it is able to continue as a going concern and also to ensure that it meets regulatory requirements with an appropriate margin. Excess capital above these levels within AECS will be paid up to the AGp in the form of dividends.

The AECS Capital Requirement is calculated on the basis of the standard formula, in line with risks applicable at the end of 2019, and it has amounted to 64,244 thousand euros. The detail of the reported Solvency Capital Requirement as at 31 December 2019 is as follows:

000s Euros	31/12/2019
Underwriting Risk	44,088
Market Risk	9,673
Counterparty Default Risk	6,403
Diversification	(9,127)
Basic SCR	51,037
Operational Risk	13,207
SCR	**64,244**

Considering the amount of SCR and the available own funds to cover the SCR, the solvency ratio obtained as at 31 December 2019 has been 147.93%, in compliance with the minimum required by the regulator and with the risk apetite of AECS.

000s Euros	**31/12/2019**
SCR	64,244
Eligible own funds	95,034
Excess	30,790
Solvency Ratio	**147.93%**

Statement of Directors' responsibilities

AECS Directors are responsible for ensuring that the SFCR is properly prepared in all material respects in accordance with the Dirección General de Seguros y Fondos de Pensiones (DGSFP) rules and SII Regulations.

AECS have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that AECS must ensure that its SFCR is subject to approval by the Directors.

The content of this SFCR report has beed approved by the Board of Directors of AECS on March 23rd 2020 by written and without session, and had been reviewed by the AECS Directors. The content of this SFCR report has beed reviewed by Deloitte, S.L., through a multidisciplinary team including actuarials and accounts auditors in accordance with the (DGSFP) rules (Circular 1/2018 on April 17th).

AECS will publish this document at www.admiraleurope.com

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

General information

AECS was incorporated in Madrid, 20th December, 2017, under the denomination of "Admiral Europe Compañía de Seguros, S.A.U" with the purpose of the development of private insurance operations authorized in accordance with the legislation of private insurance and other relevant provisions, to carry on the preparatory or complementary operations of the previous ones and the activities of prevention of damages linked to the insurance activity. In particular, it includes the coverage of its insured individuals or entities, of the risks covered and the services provided, in the insurance lines of Accidents, Land vehicles, Civil liability in motor vehicles, Material Damages, Civil liability in general, miscellaneous losses, fire and natural elements, legal defence, assistance, as well as in all those others duly authorized by the DGSFP, in accordance with the procedure as prescribed by law.

AECS was set up as a consequence of Brexit, in order to allow Admiral Group to continue passporting insurance business in the French, Italian and Spanish markets.

AECS started its insurance operations on 1st January, 2019.

The registered office of AECS is located in Sanchez Pacheco, 85. 28002. Madrid.

Company supervision

Admiral Europe Compañía de Seguros, S.A.U. is subject to the supervision of the Spanish Insurance Regulator, the Dirección General de Seguros y Fondos de Pesiones ("DGSFP").

The DGSFP is an administrative body that depends on the Secretary of State for Economy and Business Support, within the Ministry of Economy, Industry and Competitiveness in accordance with Royal Decree 672/2014, of August 1, that modifies the Royal Decree 345/2012, of February 10, which regulates the basic structure of the Ministry of Economy.

The contact information is the following:

Dirección General de Seguros y Fondos de Pensiones
Provisional adress:
Avenida del General Perón, 38
28020 Madrid
Phone: +34 902 19 11 11

Admiral Group (AGp) AGp is regulated by UK Prudential Regulation Authority ("PRA").

External Auditor

The details of the 2019 AECS auditor are as follows:

Deloitte, S.L.

Torre Picasso - Plaza Pablo Ruiz Picasso 1, 28020 Madrid, Spain

Relevant shareholders

AECS was 100% owned by Admiral Group, plc.

Insurance Undertakings

During 2018, AECS got the insurance license to write –amongst others- motor and household insurance businesses and the authorization to underwrite in the Freedom of Services regime in three geographical locations: Spain, Italy and France, starting trading on 1st January 2019.

As from the above referenced date the portfolio transfer became effective and AECS started underwriting insurance policies in France, Spain and Italy. The main lines of business underwritten by AECS, as per the Solvency II lines of business regulation, are the following:

Motor Vehicle Liability	Private motor insurance, capturing bodily injury liabilities (including liabilities that may potentially settle by way of Periodic Payment Order in the future) and third-party property damage.
Motor Vehicle Other	Private motor insurance, capturing accident damage liabilities (including fire and theft and windscreen liabilities).

Significant events during the reporting period

AECS license

AECS started underwriting policies on 1st January 2019. The Company obtained the license to write insurance business in Spain during the previous year, on 18th July 2018, and the passport to write insurance businesses in Italy and France under the Freedom of Services regime on 8th August 2018.

Capital injection

AECS, as previously agreed with Agp, received in 2019 a capital injection of 11.1 million euros from AGp, so as to obtain enough capital to comply with the regulatory requirements whilst being able to meet the Company's risk apetite. This capital injections are also planned for 2020 and 2021.

AECS does not expect to be impacted further, in the months following the end of the transition period, by the outcome of negotiations between the UK and the EU in relation to the future relationship between the two. AECS was created to allow Admiral to continue operating in France, Spain and Italy irrelevant of the outcome of the UK and EU Brexit negotiations.

A.2. UNDERWRITING PERFORMANCE

AECS obtained the license to write Accident, Health, Motor vehicles, Household, Motor third party liability, General liability (other than nuclear risks), miscellaneous financial loss, legal expenses and assistance. However, as of the date of this report, AECS has written policies in Motor Third Party Liabilty and Motor, other guarantees, being Motor third party liability the line of business that has more relevance, as it is the main guarantee in all policies written by AECS. Under Solvency II regulation and, due to the low materiality of the rest of lines of business, this information has been included in Motor, other guarantees.

The Active Policy Base grew by 20% in 2019 to 1.2m, in line with the approved budget. Net Written Premiums were 19% higher than 2018 as the Company continued to show strong growth in all markets. Growth continues to be a focus for the Company to achieve economies of scale and increase efficiencies, particularly in the smaller operations in Spain and France. As such, the Expense ratio improved by 2pp in 2019, helping to drive the higher profit.

The direct market continued to be challenging in 2019, particularly in Price Comparison Websites where quotes did not increase as expected and a very intense competition. This was offset by operational efficiencies to nevertheless achieve positive New Business results.

The lower than budgeted Renewal sales were due to increased competition. There was notable pressure on prices in Italy due to new competitors, which has also put pressure on acquisition costs.

The volume of premiums gross of reinsurance in 2019 are the ones shown in the following table:

000s Euros	**31/12/2019**
Motor, Third Party Liabity	247,795
Motor, Other	137,890
Total	**385,685**

AECS is authorised to underwitte policies in Spain, France and Italy in freedom to provide services. The volumes of written premiums gross of reinsurance by country are shown in the following table:

	31/12/2019			
000s Euros	**Italy**	**France**	**Spain**	**Total**
Motor, Third Party Liabity	136,093	67,033	44,669	247,795
Motor, Other	75,732	37,302	24,857	137,890
Total	**211,825**	**104,335**	**69,526**	**385,685**

In 2019, AECS has achieved a level of gross written premiums in direct business of €385,7 million, due to the transfer of the portfolio and the new policies acquired during the year. The gross of the business is located in Motor Third Party Liability and being Italy the country where most of the premiums are sold.

The next table shows the underwriting result and its components at the end of 2019:

000s Euros	**31/12/2019**
Earned premims net of reinsurance	125,103
Paid claims net of reinsurance	98,360
Expenses	20,437
Other income and expenses	2,484
Underwriting result	**8,791**

The earned premiums in the exercise have amounted to €385,7 million. However, paid claims have amounted to €98,4 million and, considering also the expenses and other income, the underwriting result of AECS at the end of 2019 has been of €8,8 million (before taxes).

A.3. INVESTMENT PERFORMANCE

AECS investment strategy is in line with the Admiral Group's one. The main focus is on capital preservation, with additional priorities including low volatility of returns, high levels of liquidity and appropriate matching of asset/liability duration. All objectives continue to be met.

The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Admiral's investment approach evolved in two main ways during 2019:

- Formal adoption of a responsible investment strategy which focuses on ensuring Environmental, Social and Governance criteria are considered within investment decision making.
- Widening the opportunity set of investments to achieve greater returns without material change in market risk capital allocated to investments.

De detail of the investments and cash in the balance sheet is as follows:

000s Euros	**31/12/2019**
Corporate bonds	155,164
Collective Investments Undertakings	76,950
Cash	21,806
Cash equivalent	3,000

The amount of investments as at 31st December 2019 has amounted to 256,920 thousand euros. This amount includes the 11,1 million euros of capital injection made by Group during 2019, considered as Tier 1 in the own funds, to let AECS to meet the risk appetite under Solvency II regulation.

Regarding the interest income in 2019, it was 326,744.19€, what means an underlying rate of return for the year on the AECS's investments of 0.13%

The following table shows the incomes and expenses resulting from the investment business in the year 2019 that have impact on the profits and loss account:

		31/12/2019	
000s Euros	**Available for sale**	**Held for trading**	**Total**
Income arising from investments	476	-	**476**
Expense arising from investments	211	150	**360**
Net result	**265**	**(150)**	**116**

On the other side, the investment portfolio has also produced gains and loses recognised directly in equity. The detail is shown below:

000s Euros	31/12/2019 Available for sale	Held for trading	Total
Gains recognised directly in equity	1,032	-	**1,032**
Loses recognised directly in equity	-	-	-
Net result in equity	**1,032**	**-**	**1,032**

A.4. PERFORMANCE OF OTHER ACTIVITIES

AECS has not performed any activities other than Underwriting and Investments managements during 2019.

A.5. ANY OTHER INFORMATION

Coronavirus COVID-19 crisis started in China in January 2020 and its recent expansion to a large number of countries across the world has made the viral outbreak to be classified as a pandemic by the World Health Organization since March 11.

The complexity of the global networks due to the globalization and the lack of a vaccine against the virus for the time being, bring uncertainty over the impact over the Company's operations. This impact will depend on the evolution and the extent of the pandemic in the next few months, along with the adaptability of all the economic stakeholders involved.

Therefore, at the date of preparation of these annual accounts, it is early to carry out a detailed assessment or quantification of the impact COVID-19 will have on the Company, due to the uncertainty about its consequences in the short, medium and long term. Notwithstanding, the Company's Directors and Senior Management have made a preliminary assessment of the current situation, according to the information available. Due to the aforementioned considerations, this information may be not complete at the current date. Main outcomes of this preliminary assessment:

- **Liquidity risk**: it is likely that the general situation of the markets could lead to a general increase in liquidity constrains in the economy, as well as a contraction in the credit markets. In this sense, Admiral Group has carried out stress tests scenarios that show a solid liquidity position. This liquidity position together with the implementation of specific plans for a more efficient liquidity management will allow the Company to face these tensions.

- **Operational risk**: the changing and unpredictable nature of these events could lead to a temporary interruption of the Company's activity. However, this risk has been substantially reduced at the date of preparation of these financial statements, thanks to the efforts made to ensure that employees can work remotely. The Company has also established different committees, procedures and specific indicators, aimed at monitoring and managing the evolution of its operations, in order to minimize the impact on customers and businesses.

- **Risk of changes in financial aggregates**: the factors mentioned above, along with other specific factors such as the performance of the financial markets and its impact on the Company's portfolio position, may affect certain key Company's aggregates or indicators. A number of preliminary analyses have been performed which will have to be expanded. However, it is not possible at this time to reliably quantify their impact due to the aforementioned conditions and restrictions.

- **Going concern principle**: taking into account all the factors mentioned above, the Directors consider that application of the going concern principle remains valid.

Finally, it should be noted that the Company's directors and senior management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise. In this regard, senior management send a weekly report to the Directors, along with more frequent ad-hoc updates if necessary, as well as daily and weekly reports sent to the Group and to the management in the three operations.

Apart from what has been mentioned above, from 31 December 2019 until the date of preparation of these financial statements, no additional significant events have occurred in the Company..

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

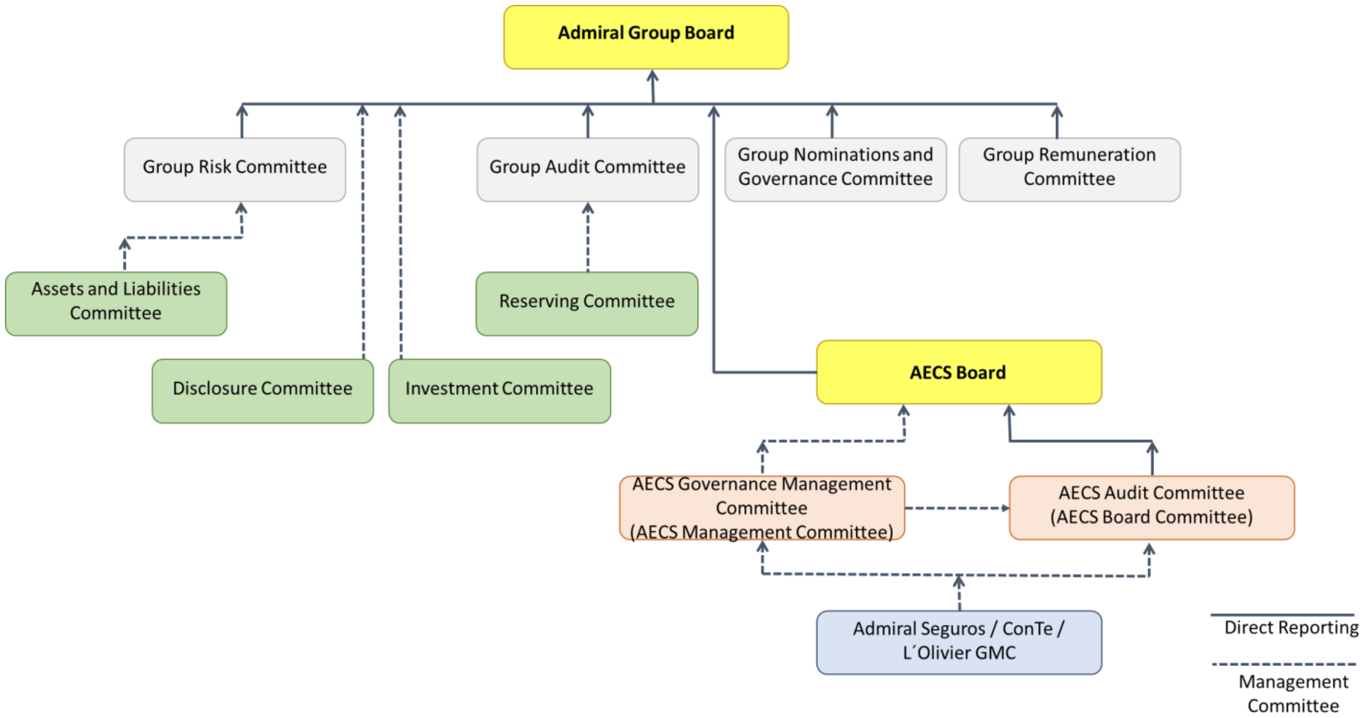
Structure of the administrative, management or supervisory body

AECS relationship with Admiral Group Governance Structure

The AECS Board is the principal decision-making forum for AECS, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team.

AECS leverages the existing systems of governance in place in Admiral Group. Admiral Group has a number of permanent Committees to deal with matters in accordance with written Terms of Reference:

- AGp Board Committees (with delegated authority from Admiral Group Board): Group Risk Committee, Group Audit Committee, Group Nominations and Governance Committee, Group Remuneration Committee.
- AGp Management Committees: Group Investments Committee, Group Reserving Committee, Group Assets and Liabilities Committee and Group Disclosure Committee. AECS has attendees at each Group Management Committee when required.



All AGp Board Committees are chaired by an independent Non-Executive Director, with the exception of the Nomination and Governance Committee which is chaired by the Chairman of the AGp Board and comprises a majority of independent Non-Executive Directors. Appointments to the Committees are made on the recommendation of the Nomination and Governance Committee and are for a period of up to three years, which may be extended for two further three year periods, provided the Director remains independent.

The Committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the AGp Secretary and can also be found on the Group's website: www.admiralgroup.co.uk.

Each of the Group Management Committees for Assets and Liabilities, Investments and Reserving are chaired by an approved Senior Manager who is appointed to perform the activities pertinent to the Group Management Committee's scope. There is AECS attendance at Group Management Committees.

AECS Board utilises the Group Nominations and Governance Committee and the Group Remuneration Committee directly, instead of having AECS specific committees for these subject matters. The AECS Board delegates the following to the Group Nominations and Governance Committee:

- The responsibility to ensure that the governance arrangements of AECS remain appropriate by reference to best practice standards in corporate governance, having regard to relevant legislation, guidelines and industry practice.

- The responsibility to review and approve all appointments to the AECS Board and compensation thereto related, having regard to the overall balance of skills, knowledge and experience.

- The responsibility to review Board Members appointment and any other positions held by the Members of The Board so as to assess if these could impact the Director's independence status, time commitment or give rise to an actual or potential conflict of interest.

AECS Board delegates to the Group Remuneration Committee:

- To determine the structure and reward policy for all AECS employees.

AECS escalates appropriately to all Group Board Committees and Group Management Committees for challenge and or approval where appropriate. AECS is informed about all matters dealt with in Group Board Committees and Group Management committees relevant to AECS. For the effectiveness of this process there will be AECS attendance at Group Management Committees.

AECS Governance Structure

The AECS Board is supported by a number of permanent Committees that deal with matters in accordance with written Terms of Reference:

- AECS Board Committee: AECS Audit Committee ("AECS Audit Committee"),
- AECS Management Committee: AECS Governance Management Committee ("AECS GMC")

AECS Board and AECS Audit Committee are chaired by Non-Executive Directors.

During 2018 the AECS Board was formed, with the following members appointed by the AGp Nomination and Governance Committee:

- Alastair David Lyons, Non-Executive Director, was appointed Chairman of the Board with effect from 02 February 2018.
- Milena Mondini De Focatiis joined with AECS Board with effect from 02 February 2018.
- James Hamilton Armstrong joined with AECS Board with effect from 02 February 2018.

- Maria Dolores Pescador Castillo joined with AECS Board as Non-Executive Director with effect from 17 July 2018.
    - Maria Dolores Pescador Castillo was appointed member of the AECS Audit Committee with effect from 1 January 2019.
- Julian López Zaballos joined with AECS Board as Non-Executive Director with effect from 17 July 2018.
    - Julian López Zaballos was appointed Chairman of the AECS Audit Committee with effect from 1 January 2019.

The AECS GMC and Audit Committee will share the information escalated to it from the Admiral Seguros, ConTe and L'Olivier GMCs (hereafter "local GMCs") with the AECS Board along with other Boards and/or Committees as it deems appropriate.

- The local GMCs will escalate to the AECS GMC and Audit Committee relevant information on the matters outlined in the GMC 'Scope'. The local GMCs will be able to raise to the AECS GMC and Audit Committee and Board any matters that it deems relevant, in addition to those specifically noted. Local GMCs are responsible for the management of risks within their business, adherence to AECS and Group requirements and the reporting of Risk information.

- AECS is responsible for the oversight, monitoring, co-ordination, consolidation and escalation, challenging and advising to the board of AECS any matters brought to their attention.

Remuneration policy

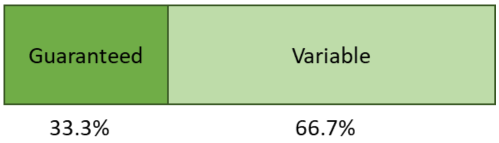
AECS as part of AGp is committed to the primary objective of maximizing shareholder value over time and ensuring that there is a strong link between performance, risk and reward. This is reflected in the approach of paying competitive, performance-linked and shareholder-aligned remuneration packages comprising basic salaries coupled with participation in performance-based share schemes to generate competitive total reward packages.

Admiral Group Remuneration Policy sets out the objective to ensure members of management are provided with appropriate reward that maximise the performance of AECS and are at the same time compliant with AECS´ risk management and internal control systems.

Fixed remuneration at AECS comprises base salaries and benefits. In line with the principles outlined above, base salaries are fixed and reflect the individual's responsibilities, role, job size and performance. Market and economic conditions and developments in governance are also considered when setting base salaries and determining the appropriate benefits and pension provisions.

The balance between fixed and variable remuneration ensures that an element of overall reward is linked to longer-term AECS Strategy and risk management as well as to shareholder and customer value. A Discretionary Free Share Scheme (DFSS) operates in AECS.

Some employees in AECS receive DFSS awards, as a part of the Group DFSS awards scheme. Awards are based upon role and individual performance. Under the DFSS, individuals receive an award of free shares at no charge. The majority of employees receive DFSS awards subject to the below criteria, although some business units and a small number of senior management receive DFSS awards subject to alternative vesting criteria.



One third of the shares awarded at the start of the three-year vesting period are guaranteed to vest subject to continued employment until the vesting date.

The remaining two thirds are subject to “DFSS internal rules” performance criteria based on several KPIs.

DFSS bonus

The Company does not pay annual cash bonuses in the traditional sense and instead has in place a simple cash award that is directly linked to the number of DFSS awards which have yet to vest and actual dividends paid out to shareholders. This structure contributes to a culture of focussing on collective, rather than individual, and long-term, rather than short-term, success, and is aligned with the Company’s philosophy around the efficient use of capital and distribution of surplus profits. In some cases, the amount of DFSS bonuses are linked to some KPIs performance.

$$Variable\ vesting = [X \times vesting\ KPI\ 1 + (1 - X) \times vesting\ KPI\ 2] \times (100\% - guarenteed\ stake)$$

Material related party transactions

Not applicable.

B.2. FIT AND PROPER REQUIREMENTS

The Admiral Group Nominations Committee owns and approves the AGp Fit and Proper Policy. The AECS Board has adhered to this Group Policy.

The policy aims to ensure that all senior individuals who represent the organization meet the fit and proper requirements in terms of qualifications, capability, honesty and integrity. As per the Policy, all prospective senior management appointments shall fill out a checklist prior to an offer being made. The checklist includes details of the candidate’s knowledge, competence and experience to perform the role, and a declaration from the senior manager responsible for the recruitment to confirm the assessment of the candidate’s fitness and propriety was carried out in line with this Policy. In addition, the candidate will be subject to interviews with appropriate members of staff, who will help complete the assessment of the candidate’s fitness and propriety in relation to that role.

The AECS Fit and Proper document shall include in order to comply with the information obligation set forth in Royal Decree 1060/2015, of November 20th, - articles 4.1. f) a& 18- related to the organization, supervision and solvency of insurance and reinsurance entities, the following: (i) the appointments of persons who will hold positions of effective management in AECS; and (ii) the appointments of persons who are going to be holders of key functions that integrate the system of government of said entities.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

AECS, in line with AGp, has a 'three lines of defence' approach to Risk Management. The "first line of defence" describes the controls in place to deal with the day-to-day business. Controls, which are designed to appropriately mitigate risk, are managed by the business unit and overseen by the business unit Governance Management Committees who ensure compliance and review control breakdowns, inadequacy of process and unexpected events.

The "second line of defence" describes the Committees and functions that are in place to provide an oversight of the effective operation of the internal control framework. These committees review the management of risk in relation to the particular risk appetite of the business, as determined by the AECS Board. The 'second line' is reinforced by the advisory and monitoring functions of Risk and Compliance. Risk defines and prescribes risk assessment processes for the business, maintains risk registers and undertakes regular reviews of these risks and controls in conjunction with line management. Compliance provides advice on all areas of regulatory principles, rules and guidance, including reviewing any changes, and undertakes monitoring activity on key areas of regulatory risk and policy adherence.

The "third line of defence" describes the independent assurance provided by the AECS Audit Committee and the Internal Audit function that reports to that committee. Internal Audit undertakes a programme of risk based audits covering all aspects of both the first and second lines of defence.

The findings from these audits are reported to all three lines, i.e. line management, the executive and oversight committees and the AECS Audit Committee.

Own Risk and Solvency Assessment (ORSA)

AECS's Risk Strategy is directly linked to its business plan. The approach is embedded in the ORSA and links to the business planning process.

The Risk Function defines and prescribes the financial and operational risk assessment processes for the business; performs second line reviews, including reserving and capital modelling processes; maintains the risk registers; undertakes regular reviews of these risks in conjunction with line management; delivers the ORSA Report; and records any actual losses or near misses that occur as a consequence of the realisation of risk.

The AECS Head of Risk has responsibility for ensuring that managers are aware of their risk management obligations, providing them with support and advice, and ensuring that the risk management strategy is properly communicated. Reports are produced showing the most significant risks identified and the controls in place. The Internal Audit Function uses the risk registers to plan and inform their programme of audits around the most significant risks to ensure that the prescribed controls are in place and are operating effectively.

On an annual basis, or following significant changes in the risk profile of the business, the Risk Function will produce an Own Risk and Solvency Assessment (ORSA) Report, in line with the ORSA Policy and Solvency II regulations. The report is reviewed and challenged at the Group Risk Committee prior to submission to the AECS Board and to the AGp Board.

The report is also submitted to the DGSFP as part of AECS´ Solvency II requirements.

Determination of Solvency Requirements

Within the ORSA, the Solvency Capital Requirement is calculated on two bases: Regulatory and Economic (ultimate). The ORSA considers both bases in order to provide a quantification of the differences between the two viewpoints. In addition, analyses of the key drivers of economic (ultimate) capital needs and regulatory capital requirements are also considered.

AECS's regulatory capital requirement is based on the Solvency II Standard Formula.

B.4. INTERNAL CONTROL SYSTEM

AECS adopts the Admiral Group Internal Control Policy that documents the procedures in place to ensure there is an effective internal control system operating. The internal control system is managed through both the effective operation of the systems of governance in place within AECS, as well as through the three lines of defence strategy adopted by AECS.

The Internal Control framework is broadly defined as continually operating processes, effected by the Board of Directors, management and all levels of personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations in view of its risks and objectives.
- Availability and reliability of financial and non-financial information.
- Compliance with applicable laws, regulations and administrative provisions.

Internal control consists of four interrelated components:

- Control environment: sets the tone of an organisation through the business plan, risk appetite and risk profile.
- Control activities: policies and procedures that help ensure necessary actions are taken to address risks to achieve the business' objectives.
- Information and Communication: Pertinent information must be identified, captured and communicated in a form and timeframe that allows relevant individuals to carry out their responsibilities.
- Monitoring: Internal control systems need to be monitored to assess the quality of the internal control system over time. This is accomplished through ongoing monitoring activities, with deficiencies in the internal control framework reported to senior management and the AECS Board.

The AECS's control environment is determined by the AECS Board, being supervised by the AGp Board, supported by a number of Committees who set the tone of the organisation through the Admiral culture, principles, business plan and risk appetite. These has been approved and embedded in AECS during 2019.

Key control activities are mapped to primary risks held within the AECS's risk universe.

Line 1 (operational functions) are responsible for monitoring all the risks facing their operation, whether this be through Call monitoring, file reviews or audit reviews. Results on monitoring activities are provided to operation managers, and subsequently reported on through the AECS Governance structure.

Line 2 (Risk, Compliance, Data Protection and Actuarial functions) are responsible for the oversight of the Line 1 monitoring. This is done through:

- Risk reviews: business unit risk and controls discussed at Local GMCs with material risks and KRIs presented to AECS Governance Management Committee and escalated to AECS Board in the Consolidated Risk Report.
- Compliance Advice and Compliance Monitoring Reviews presented to AECS Governance Management Committee and to the AECS Board.
- Actuarial and validation reviews.

Line 3 (Internal Audit) are responsible for conducting an objective and independent appraisal of all the AECS's activities, financial and otherwise, through a risk-based plan, approved annually by the AECS Audit Committee and supervised by the Group Audit Committee.

External Reviewers provide oversight of specific processes within AECS, depending on the scope of the review they are required to undertake.

B.5. COMPLIANCE FUNCTION

The AECS Compliance Function sets the strategic direction for the business on Compliance matters and provides oversight and assurance to the Board over the effectiveness of the 1st line areas in delivering its regulatory responsibilities and adherence to relevant regulation and guidelines as set by the Spanish Insurance Regulator "DGSFP" along with other regulatory bodies as applicable.

The AECS Compliance Function is responsible for the implementation, monitoring, and review of the Group's Conduct Risk Management Framework as well as the identification and communication of any new requirements arising from changes in regulation. The Function, alongside AECS Risk, oversees the Line 1 processes for identifying, owning and ongoing management of Conduct Risk, including the implementation of new regulatory requirements. The Head of AECS Compliance provides regular reports to the AECS Governance Management Committee that in turn monitors Conduct risk in relation to the Conduct Risk appetite as approved by the AECS Board.

The AECS Compliance Function works with the AECS Risk Function to provide advice and resolution to risk events as they arise. Management of customer outcome risk events is completed in line with the Group Risk Management Policy.

B.6. INTERNAL AUDIT FUNCTION

The Internal Audit Function is responsible for conducting an objective and independent appraisal of the AECS's activities and controls, financial and otherwise, through a risk based plan, approved annually by the

AECS Audit Committee and Group Audit Committee. It is responsible for evaluating and reporting to the AECS Board, AECS Audit Committee and Group Audit Committee, and thereby providing them with assurance on the operating effectiveness of controls that management has put in place.

Internal Audit is also responsible for providing assurance over the arrangements for risk management, control and governance, compliance with internal policies, procedures and controls, and value for money, where relevant to each audit assignment. The Internal Audit Function shall report to the relevant Board/Committee the findings and recommendations from their review, including the time period envisaged to remedy any shortcomings, and follow up on any recommendations made on a timely basis. It remains the duty of management to operate these arrangements, to determine whether or not to accept audit recommendations and to recognise and accept the risks of not taking action.

Management need to provide an appropriate level of justification and where applicable supporting documentation to justify their reasoning, when choosing to accept the given risk, or decline a recommendation.

The Annual Audit Plan is based on a methodical risk analysis, taking into account all activities and the complete system of governance, as well as expected developments of activities and innovations. Significant areas of risk, per the Risk Registers, are considered for inclusion in the Annual Audit Plan each year. Any audits graded red in colour are considered for review within a 12 month period until they are in a non-red status.

Independence and Objectivity of the Internal Audit Function

The internal audit policy states that the Internal Audit department and all of its employees must be functionally and organisationally independent of the business processes, events and transactions of the company. The Internal Audit department will carry out its assignments with impartiality and is free to express its opinions in their reports. Amongst many matters, the Internal Audit department must have direct access to the AECS Board of Directors, Audit Committee and the General Manager and be able to report directly to these levels when they deem this necessary. Such independent structure should enable the internal auditor to render impartial and unbiased judgment, essential to the proper conduct of their work.

Internal Audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

Unless permission is granted by the AECS Audit Committee, an Internal Auditor will not perform an audit review in an area where they had a consultancy/operational role in the previous twelve months.

Where practical, areas under review are rotated amongst the staff in Internal Audit to avoid any potential conflict of interest.

B.7. ACTUARIAL FUNCTION

The Actuarial Function has a number of responsibilities in the area of Technical provisions and also in providing an opinion on the adequacy of re-insurance and underwriting.

Solvency II requirements state that the Actuarial Function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business, and who are able to demonstrate their relevant experience with applicable professional and other standards. The Actuarial Function should be free from influences that may compromise its ability to undertake its duties in an objective, fair and independent manner.

As AECS had no customers in 2018, an Actuarial Function Report was not completed in 2018 for AECS. The first Actuarial Function Report for AECS was completed in 2019. This written report ("The Actuarial Function Report") which is submitted to the AECS Board, at least annually, documenting all tasks undertaken, identifying deficiencies and making recommendations to remedy these deficiencies. The report is designed to include the calculation of technical provisions, an opinion on overall underwriting policy and an opinion on the adequacy of reinsurance arrangements.

The Actuarial Function Report includes the contribution to the effective implementation of the risk management systems, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The responsibilities that fall under the remit of the Actuarial Function are segregated from other business activities to allow independent review and challenge, allowing the Actuarial Function to provide an independent opinion of the areas of Technical Provisions, Reinsurance and Underwriting.

The Actuarial Function is made up of suitably qualified actuaries who have the skills and knowledge to make the decisions without the influence of others.

B.8. OUTSOURCING

Admiral Group´s Procurement and Outsourcing Policy ensures that any third-party arrangement entered into by AECS does not lead to impairment of either the AECS's systems of governance and internal control, or the relevant supervisory authority in monitoring compliance risks, does not unduly increase the operational risk and does not undermine continuous and satisfactory service to customers.

AECS does not outsource any critical functions outside of the Group.

Material intra-group outsourcing arrangements include the provision of intermediary services by the Group's insurance intermediary Admiral Insurance Service, S.A. to AECS.

B.9. ANY OTHER INFORMATION

There is no other relevant information to be disclosed.

C. RISK PROFILE

Risk assessment and risk management

The AECS Board is responsible for determining risk strategy and risk appetite of the company, and for its system of risk management and internal control. The AECS Board has delegated the development, implementation and maintenance of the risk management framework to the AECS Governance Committee, which reports its activities to the AECS Boards for matters affecting the AECS activities, for the purposes of reviewing and reporting on the overall effectiveness of this system.

Risk management is a continuous process which forms an essential part of AECS's business operations with successful risk taking required to achieve its business objectives in the short, medium and long term. Admiral has always sought to protect its downside and this is characterised by: the reinsurance model; a prudent approach to claims reserving; an organic growth strategy; a test and learn approach of taking measured steps before investing further; and a conservative approach to investment management.

The Enterprise Risk Management Framework (ERMF) is designed to identify, evaluate and manage the risks to which AECS is exposed. Risk appetite is a central element of the ERMF – this seeks to determine the level of risk the Group Board deem appropriate for the business to accept, net of controls and mitigating factors such as reinsurance and other management actions.

As AECS had no customers in 2018, an AECS Risk Appetite was not completed in 2018, but the business operated within Admiral Group Risk appetite. AECS Risk Appetite was approved in 2019 and operated within Admiral Group Risk Appetite. During the year 2019, AECS has defined and approved its risk appetite level, fixed at a 130% of Solvency Ratio.

Material risks

AECS starts written policies on 1st January 2019. In this moment, the complete transfer of the portfolio is effective and AECS enter into the obligations related to all the policies transferred, in addition to all the new obligations coming from the new policies sold during the year.

The main risks of AECS during 2019 are defined in line with the main categories of risk within the Solvency II Solvency Capital Requirement (SCR). They are detailed in the following table:

Key Risk	Risk Overview
Insurance or Underwriting Risk	Uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued by AECS.
Market Risk	Fluctuations in the value of market prices of the AECS's investment assets and liabilities, or in the income and expenses generated from these assets and liabilities.
Counterparty, or Credit Risk	The risk that counterparties (primarily either reinsurers or banks or other investment counterparties) default on obligations.
Operational Risk	Risks arising through operational processes and procedures. These include risks related to people, processes, IT systems, information security, business continuity and customer outcomes.

As a General Insurer, insurance or underwriting risk comprises the higher risk concentration for AECS.

AECS has defined a process of identifying material risks which aims to ensure that all relevant risks to which AECS is exposed are correctly identified. To this end, AECS has a set of continuous processes for identification of the risks that are developed, among others, in the Internal Control Policies, Operational Risk, Compliance and ORSA.

The first level of analysis in this process identifies all the risks included in the calculation of the SCR being its measurement and monitoring mandatory. A second level of analysis identifies all the risks associated with the processes that affect the company's operations. In addition, at least once a year, a global risk self-assessment process is carried out in order to guarantee that all relevant risks are duly identified, including a number of forward-looking stress tests and scenario analysis to give comfort to the Board and regulators that AECS is adequately capitalised and considers potential downside risks impacting the business in the future. This process is part of the ORSA process, whose procedures and results are included in the ORSA report.

In terms of reporting, the capital charge of the exposure to the risks subject to the calculation of the SCR is determined by the Standard Formula which includes aggregation mechanisms allowing an integral measurement of these risks.

Under the stress and scenarios tests considered, carried out during the year, the AECS solvency ratio remains above 100%.

C.1. UNDERWRITING RISK

The underwriting risk is significantly concentrated in the Non-life underwriting risk, given the AECS's focus on general insurance lines of business.

Non-life underwriting risks

Non-life underwriting risk consists of the following components of risk:

- Non-life premium risk
- Non-life reserve risk
- Lapse risk
- Catastrophe risk

The valuation in terms of capital required of non-life underwriting risk will be driven by the premium and reserve risk component, with small contributions made by lapse and catastrophe risk.

Non-life Reserve risk will be driven by adverse development in the valuation of the liabilities which is mainly related to longer tailed bodily injury claims, arising from the Motor business, which have greater uncertainty associated with the ultimate cost of claims than, for example, property damage claims. These claims can develop over a number of years so the reserve risk figure will relate to several underwriting years.

Premium risk is the risk that AECS incurs losses on risks arising in the 12 months after the valuation date. Premium risk will consist of a lower proportion of bodily injury exposure, and therefore will have a higher proportion of property damage in future claims experience which will increase the diversification between claim types compared to reserve risk. This is due to premium risk considering the future occurrence and severity of claims, rather than the development of existing claims, of which property damage claims generally settle quickly.

The SCR figures at 31st December 2019 by risk sub-module are shown in the next table:

000s Euros	**31/12/2019**
Premium and Reserve Risk	43,523
Lapse Risk	4,218
Catastrophe Risk	1,369
Diversification	(5,023)
SCR Underwriting Risk	**44,088**

The following table shows the risk exposure to each sub-module in the Non-life underwriting risk:

000s Euros	**31/12/2019**
Volume of premiums	132,241
Volume of reserves	96,223
Expected profit in future premiums	10,545
Volume mesure flood	1,326,924
Volume mesure hail	2,772,135
Num vehicles < 24M	679
Num vehicles > 24M	530

The higher concentration of risk is produced in Motor, third party liability, as it is the main guarantee in all the policies.

Life underwriting risks

At 31st December 2019, AECS does not underwrite life business. This risk is not applicable in the current reporting year.

Risk mitigation

A key part of the AECS's risk mitigation strategy with respect to underwriting risk will be the use of co-insurance and reinsurance (both proportional quota share reinsurance and non-proportional excess of loss reinsurance).

Traditionally, AGp has used the reinsurance as a risk mitigation technique for all lines of business. As part of the AECS transfer process, the existent coinsurance and reinsurance contracts are utilized to mitigate the risk, which allows to maintain the underwriting risk in acceptable levels but, on the other side, generates a counterparty default risk according to the standard formula.

The following table shows the amounts and weights in terms of reinsurance recoverable reserves of each type of reinsurance in place:

000s Euros	**31/12/2019**	**%**
Ceded to Quota Share	288,924	98.62%
Ceded to XoL	4,042	1.38%
Total Reinsurance recoverables	**292,966**	**100.00%**

The total mitigation amount generated by the reinsurance contracts over the best estimate of technical provisions is shown in the following table:

000s Euros	**31/12/2019**
Gross Best Estimate of TPs	457,213
Net Best Estimate of TPs	164,247
Reinsurance mitigation (ceded)	**292,966**

C.2. MARKET RISK

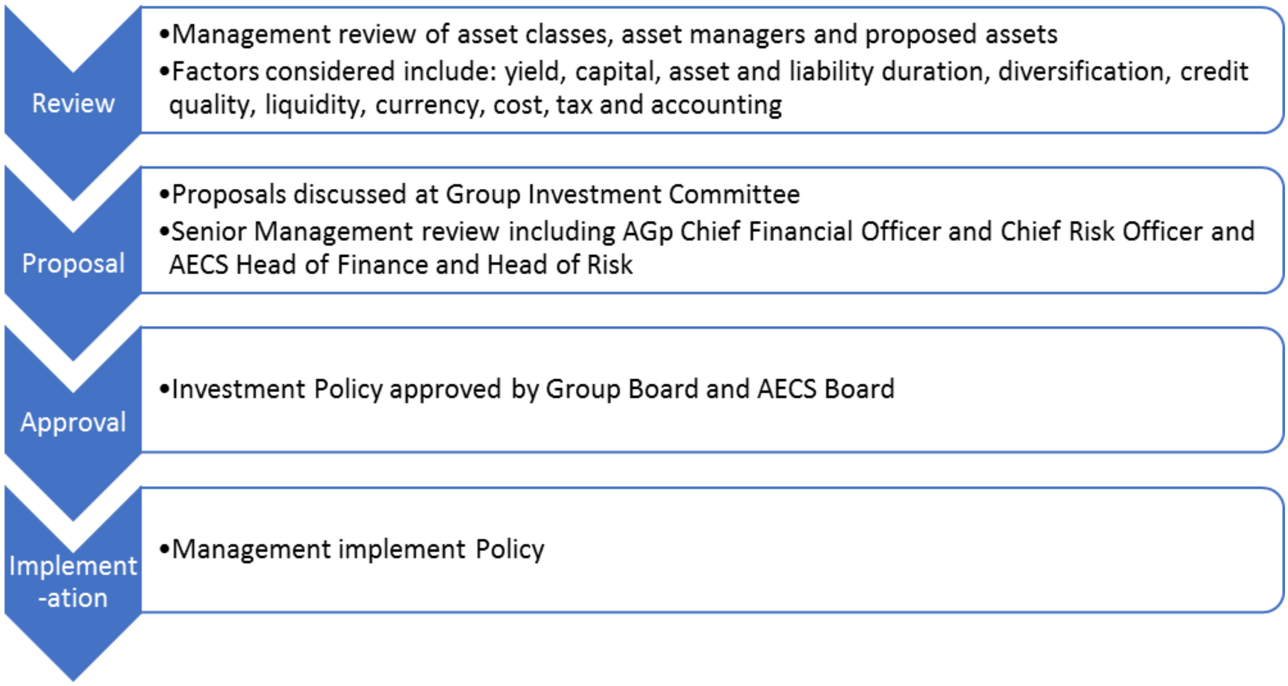
In line with AGp, the AECS's investment strategy is primarily focused on capital preservation with additional priorities being low volatility of returns and high levels of liquidity. At year-end 2019, AECS primarily held investments in bonds and money market funds.

Prudent person principle

Solvency II has introduced the Prudent Person Principle for managing investments.

The Prudent Person Principle seeks to ensure that the industry understands and is capable of managing its investment risks. Specifically, insurers must be able to demonstrate that they can properly identify measure, monitor, manage, control and report on their investment risks and not place reliance upon information provided by third parties.

AECS's risk management and strategic decision-making process in respect of asset investment is governed by AGp's Investment Committee. The Investment Committee is a Management committee that includes AGp Non-Executive and AECS management representation. The governance process for material asset investment decisions can be summarised as follows:



At each stage of the process the proposal is subject to review by senior management independent of the proposal. Implementation of an investment decision is performed only once all stages of approval have been achieved. The quantitative analysis is considered but also the experience of the senior management allows for a material qualitative judgement.

Once the purchase has occurred the asset is then part of the ongoing valuation, income and capital process. The AGp Investment Committee meets on a quarterly basis and reviews detailed Management Information presented on a look-through basis that covers the security, quality, liquidity and profitability of the portfolio.

Market risk components

AECS investments at 31 December 2019 are primarily held in bonds and Money Market Funds which generate limited Market risk through spread risk and interest rate risk due to the low duration of the investments. This risk accounts in terms of capital requirements for 13% of the pre-diversification SCR at 31 December 2019.

The SCR figures at 31st December 2019 by risk sub-module are shown in the next table:

000s Euros	**31/12/2019**	**31/12/2018**
Interest Rate Risk	2,970	788
Equity Risk	45	-
Spread Risk	7,738	250
Concentration Risk	1,115	815
Diversification	(2,195)	(692)
SCR Market Risk	**9,673**	**1,161**

The following table shows the risk exposure to market risk for all the sub-modules:

000s Euros	31/12/2019	31/12/2018
Discounted value of assets	238,325	80,482
Discounted value of liabilities	152,002	19
Government bonds	0	5,986
Corporate bonds	232,043	138,733
Deposits	-	-

In adittion, AECS has an amount of 91,011.78 euros in Property, plant & equipment held for own use that is considered as Equity Risk Type 2 as these assets are not considered in any of the other market modules, as stated in the Solvency II regulation.

AECS has no currency risk as assets and liabilities are in Euros.

C.3. COUNTERPARTY DEFAULT RISK

Credit or Counterparty risk represents the risk of default by reinsurance partners and investment counterparties holding the AECS's cash balances, in line with the Standard Formula approach. This accounts for 9% of the pre-diversification SCR at 31 December 2019.

The next table sowhs the capital charges for the different sub-modules in Counterparty Default Risk:

000s Euros	31/12/2019	31/12/2018
Type 1	5,151	1,091
Type 2	1,558	-
Diversification	(306)	(0)
SCR Counterparty Default Risk	**6,403**	**1,091**

The following table shows the exposure to Counterparty Default Risk split between the two types of exposures considered in the calculation:

000s Euros	31/12/2019	31/12/2018
Reinsurance recoverables	288,522	-
Cash	24,877	13,379
Receivables < 3meses	10,386	-
Receivables > 3meses	-	-

C.4. LIQUIDITY RISK

Liquidity risk is not expected to be a key risk for AECS, as the Motor Insurance portfolio generates significant cash in-flows of income in advance of claims and expenses being paid, which are expected to be less than the total premiums received. This reduces the risk of a liquidity strain.

As noted in section C2 above, one of the AECS's strategic considerations when determining investment strategy is liquidity and a significant proportion of the funds invested sit in instant access money market funds.

The result of the expected profit in future premiums as at 31 December 2019 has amounted to 10,545 thousand euros.

C.5. OPERATIONAL RISK

Operational risk will arise within all areas of the business. AECS, through its ERMF, implements, maintains and monitors a series of internal controls that aim to mitigate the range of operational risks that AECS will face.

The operational risk capital requirement is calculated using the Standard Formula and has amounted to 13,207 thousand euros at the end of 2019. This risk was not applicable at 31 December 2018 as AECS didn't undertake insurance activity during the year. The exposure at the end of the reporting year is as follows:

000s Euros	**31/12/2019**
Gross writen premiums (last 12 months)	330,933
Gross writen premiums (12 months prior to previous 12 months)	275,413
Total gross best estimate	440,232

C.6. OTHER MATERIAL RISKS

None.

C.7. ANY OTHER INFORMATION

Loss absorbing capacity of deferred taxes (LACDT)

In 2019, AECS has not calculated the loss absorbing capacity of deferred taxes. However, a net deferred tax asset (nDTA) has emerged from the Solvency II Balance Sheet.

Due to the comfort in the level of own funds to absorb loses, AECS has decided not to apply any reduction of the SCR and not to consider the nDTA as Tier 3 in the Own Funds.

In 2020, AECS will perform an analysis of the recoverability of this assets in a pre-stress scenario and also a post-stress analysis in order to consider the corresponding amount as Tier 3 in the Own Funds and to apply this adjustment to reduce the SCR at the end of the year.

Risk sensitivity

AECS has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually. The stress testing processes will operate in collaboration with the Corporate Governance Committees and involve a number of members of senior and operational management. The results of the tests undertaken are aimed to improve the AECS Board understanding of risk, influence business decisions and form a key part of the Enterprise Risk Management Framework.

In addition, solvency ratio sensitivities will be reported to the AECS Board and to the Group Board and its Committees on a regular basis.

Furthermore, during the ORSA process, AECS performs sensitivity analysis to the most significant risks to which the Company is exposed (mainly underwriting and operational risks in 2019). For these risks, the Entity performs, in addition, stress test for a period of three years.

Taking into account this results, AECS would be obtaining enough Own Funds to cover the SCR. The Solvency Ratio would remain in acceptable levels without compromising the solvency of the entity.

D. VALUATION FOR SOLVENCY PURPOSES

The AECS balance sheet as at 31st December 2019 has been valuated according to the Article 75 of the Solvency II Directive, taking as starting point the IFRS balance sheet and in line with the proportionality principle.

The following sections contain the detail of the main differences of valuation and the comparison with the previous year. It should be noted that the balance sheet has been changed compared to the 2018 balance sheet, upon completion of the assets and liabilities transfer from the European business of Admiral Group on 1st January 2019.

D.1. ASSETS

D.1.1 Valuation of assets

The balance sheet assets as at 31 December 2019 are shown in the following table, both under Statutory and Solvency II basis:

000s Euros	Statutory	Solvency II
Deferred acquisition costs	30,683	-
Intangible assets	230	-
Deferred tax assets	1,380	28,373
Property, plant & equipment held for own use	91	91
Investments (other than assets held for index-linked and unit-linked contracts)	**232,115**	**232,115**
Corporate bonds	155,164	155,164
Collective Investments Undertakings	76,950	76,950
Reinsurance recoverables from:	328,567	292,966
Non-life excluding health	328,567	292,966
Insurance and intermediaries receivables	47,299	1,223
Reinsurance receivables	-	-
Receivables (trade, not insurance)	17,177	7,034
Cash and cash equivalents	24,806	24,806
Any other assets, not elsewhere shown	-	-
Total assets	**682,346**	**586,608**

In the following sections, the valuation criteria applied to each regulation is detailed for each of the balance sheet items.

D.1.2 Methods and assumptions used

Investments and Cash

AECS follows AGp policy for the valuation of financial assets and liabilities. Financial assets and liabilities will be held at Fair Value where level 1 inputs can be obtained. Level 1 refers to the first level of the Fair Value hierarchy which categorises valuation inputs into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in an active market, and the lowest priority to unobservable inputs (Level 3).

In line with the Group, AECS categorises its valuation of investments in money market funds as Level 1.

Level 1 valuations for money market funds reflect the fair value (the amount a third party would pay for the asset on the valuation date), and are obtained externally from observable market information. This valuation is consistent with the statutory valuation.

Cash is held at amortised cost which is materially consistent with as fair value. This is in line with the statutory valuation.

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads

inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Reinsurance recoverables

The reinsurance recoverables are valuated following different methodology under statutory and Solvency II basis, mainly because of the application of realistic assumptions under Solvency II.

Deferred tax assets

The deferred tax asset in the Solvency II balance sheet reflects the deferred tax asset on a Solvency II basis using the valuation rules within IAS 12. These assets will be valuated under Solvency II adding to the statutory deferred tax assets the tax effect to the valuation differences arisen in the rest of the balance sheet items.

Receivables and other assets

The fair value of receivables will be based on the amortised cost valuation, in line with Level 2 of the fair value hierarchy noted above. This amortised cost valuation approximates to fair value. However, under Solvency II basis, the future premiums (not issued) from the Insurance and Intermediaries receivables item are removed, as they had already been recognised in the best estimate of technical provisions calculations.

Deferred acquisition costs and Property, plant and equipment held for own use

For these categories, AECS follows AGp valuation methodology at the end of 2019. The deferred acquisition cost are valuated to 0 under Solvency II basis.

D.1.3 Main variations during the year

In the table below, the assets detail is shown at 31 December 2019 compared to the figures at the end of 2018:

000s Euros	**31/12/2019**	**31/12/2018**
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	28,373	2
Property, plant & equipment held for own use	91	-
Investments (other than assets held for index-linked and unit-linked contracts)	**232,115**	**79,990**
Corporate bonds	155,164	-
Collective Investments Undertakings	76,950	79,990
Deposits other than cash equivalents	-	3,000
Reinsurance recoverables from:	292,966	**-**
Non-life excluding health	292,966	-
Insurance and intermediaries receivables	1,223	-
Reinsurance receivables	-	-
Receivables (trade, not insurance)	7,034	-
Cash and cash equivalents	24,806	1,453
Any other assets, not elsewhere shown	-	-
Total assets	**586,608**	**84,446**

D.2. LIABILITIES

The balance sheet liabilities as at 31 December 2019 are shown in the following table, both under Statutory and Solvency II basis:

000s Euros	**Statutory**	**Solvency II**
Technical provisions – non-life	**503,086**	**460,700**
Technical provisions – non-life (excluding health)	**503,086**	**460,700**
Best Estimate	-	457,213
Risk margin	-	3,487
Provisions other than technical provisions	21,045	-
Deferred tax liabilities	931	28,373
Financial liabilities other than debts owed to credit institutions	3,031	3,031
Insurance and intermediaries payables	-	-
Reinsurance payables	25,149	(6,530)
Payables (trade, not insurance)	4,400	4,400
Any other liabilities, not elsewhere shown	16,258	1,599
Total liabilities	**573,901**	**491,574**

D.2.1 Non Life Technical Provisions

The Technical Provisions under Solvency II basis include the amount of the Best Estimate of Liabilities and a Risk Margin, in line with the Solvency II regulation. These calculations are based in realistic assumptions, using the own experience of the Company to reflect the market value of the liabilities.

D.2.1.1 Valuation of technical provisions

The detail of the technical provisions at the end of 2019 is shown in the table below:

000s Euros	31/12/2019
Technical provisions – non-life	**460,700**
Technical provisions – non-life (excluding health)	**460,700**
Best Estimate	457,213
Risk margin	3,487

The calculation of the best estimate liabilities is performed by country and by homogenous risk groups and then added to obtain the results by lines of business (LoB) under Solvency II classification. The next table shows the amounts of the best estimate liabilities and risk margin for the business lines where AECS underwrites policies:

000s Euros	Best Estimate	Risk Margin	Total
Motor, Third Party Liabity	388,298	3,262	391,560
Motor, Other	68,915	225	69,140
Total	**457,213**	**3,487**	**460,700**

More than 85% of the total best estimate comes from the Motor LoB because in the MTPL BI claims has a longer settlement tail while the others claims are mostly close in the first year. In addition in the Italian entity the penetration of the warranties outside the TPL warranty is limited (less than 10% of the premiums), as for the Italian market, at this reduce even more the share of Best Estimate for the no MTPL LoB.

D.2.1.2 Bases, methods and main assumptions

Technical provisions – bases, methods and main assumptions

Best estimate technical provisions obtained under Solvency II criteria are comprised of a claims provision and premium provision. The claims and premium provision combined give the expected cost of settling all future claims arising from business that AECS is contractually obliged to cover. This includes an allowance for the expenses of both running the company and of servicing claims such as claims handling staff costs.

Any allowance for future income is based on business already written, as well as business that has not yet incepted, but where AECS is obliged to offer cover i.e. renewals already offered (Bound But Not Incepted – BBNI) at the valuation date.

The **claims provision** is the discounted best estimate of all future cash-flows relating to claim events which occurred prior to the valuation date. These cash-flows are made up of:

Outgoing cash-flows:

- Claims payments
  - o Settling reported claims
  - o Settling claims not yet reported
- Expenses
- ENID (Events not in Data) allowance

Minus Incoming cash-flows

- Future premiums, such as uncollected/overdue premium
- Reinsurance recoveries on all claims
  - o with an allowance for reinsurance bad debt

The **premium provision** is the discounted best estimate of all future cash-flows relating to future claim events arising from policies that the insurer is obligated to cover at the valuation date. Again these cash-flows are made up of:

Outgoing cash-flows:

- Claim payments, including BBNI policies
- Expenses
- ENID (events not in data) allowance
- Reinsurance premium

Minus incoming cash-flows:

- Future premiums due on incepted business, from monthly premium payers, with an allowance for cancellations
- Future premiums due on new and renewal business, as well as from BBNI policies
- Reinsurance recoveries on all claims (with an allowance for reinsurance bad debt)
- Reinsurers and co-insurers cover a portion of the expense costs

The yield curve applied to discount the future cash-flows is the EIOPA curve published by EIOPA and corresponding to the valuation date. No adjustments to the Risk Free Rate curve have been applied.

Must be noted that, there is a part of the business that is not modelled as the rest of the portfolio. For these policies, their statutory reserve is added to the modelled technical provision to obtain the total technical provisions. As the following table shows, this amount is not material:

000s Euros	**Best Estimate**	**%**
Modelled business	440,232	96.3%
Not modelled business	16,981	3.7%
Total	**457,213**	**100.0%**

Technical provisions – Reinsurance Recoverables

Reinsurance recoveries are a significant element within AECS technical provisions. The reinsurance premium paid out, and recoveries received for both claims and expenses are required to be captured within the technical provisions, along with the possibility of default of the reinsurers leading to a reduction in potential recoveries.

The reinsurance recoverables within AECS Technical Provisions reflect the contractual reinsurance arrangements in place. For AECS in 2019 these will be:

- Excess of loss reinsurance
- Quota share reinsurance

Technical provisions – Risk Margin

The risk margin is defined within Article 77 of the Directive as:

The risk margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The AECS risk margin calculation uses the first simplification within the delegated acts, which is applied as follows:

- The one-year SCR is run off in line with the level of claims and premium provisions expected to remain at each year-end position,
- The prescribed cost of capital of 6% is applied to each SCR

The SCRs are then discounted to the valuation date using the prescribed EIOPA yield curve.

D.2.1.3 Level of uncertainty associated with the value of technical provisions

There are many areas of uncertainty within the technical provisions. Estimation techniques are therefore used in the calculation of the ultimate cost of settling both claims that have occurred prior to the balance sheet date and remain unsettled at the balance sheet date and claims costs that will arise in relation to events that have not happened at the balance sheet date.

The projected ultimate cost of claims is calculated using a variety of different actuarial projection techniques (including incurred and paid chain ladder and an average cost of claim approach) to allow an actuarial assessment of their potential outcome. They include allowance for unreported claims.

The most significant sensitivity in the use of the projection techniques arises from any future step change in claims costs, which would cause future claim cost inflation to deviate from historic trends.

The main sources of uncertainty considered are largely around the assumptions used in calculation of the large claims and the development of bodily injury claims

- Uncertainty in the numbers and average claim sizes, particularly of large bodily injury claims.

- The strength of case reserving practices over time, which impacts the claim development patterns and other measures.
- The significant changes seen and expected in the external claims environment, e.g. changes in the Baremo table for Spain.
- The most recent quarters, which are at an early stage of development.

In considering the above areas of uncertainty, in each country the estimation comes from a weighted average of several methods with different assumptions to take into consideration and mitigate the volatility around those sources of uncertainty approach and speed of settlement trend. Also in this case the differences are not significant.

Additionally, the External Actuary always provides the percentiles of the Log Normal distribution around the best estimate in order to measure, with approved methodology as bootstrap and Mack, the volatility around the selected estimation.

Finally, an independent peer review is provided by an external Actuary in Italy and France, where there is more volatility, who provides an independent validation of the undiscounted BEL (Best Estimate Liability) split by Line of Business.

D.2.1.4 Material differences between Solvency II and Statutory valuation

The differences in the valuation of Technical provisions under Statutory and Solvency II basis are shown in the following table:

000s Euros	Statutory	Solvency II
Technical provisions – non-life	**503,086**	**460,700**
Technical provisions – non-life (excluding health)	**503,086**	**460,700**
Best Estimate	-	457,213
Risk margin	-	3,487

The best estimate Solvency II technical provisions for AECS is lower than the equivalent provision held on an IFRS basis for financial statement purposes.

This is primarily due to the following:

- Statutory reserves are calculated based on the Spanish regulation in contrast with the Solvency II figures that are obtained using realistic assumptions.
- The SII approach to calculation of the premium provision (including the transfer of future premium cash-flows into technical provisions from other financial statement line items). In statutory basis, future premiums can only be included if they are set out in the Technical Notes.
- The consideration of all cash-flow sources. The Premium Reserve will be comparable to the local Unearned Premium Reserve (UPR) plus the Unexpired Risks Reserve (URR). For the future business, in case of profitable policies, the Solvency II premium reserve will be negative.
- The SII approach to calculation of the claims provision (through a cash-flow projection approach with the aim of estimate the ultimate cost of the incomplete claims at the end of the financial year). In statutory basis, claims provisions is obtained in line with the "Reglamento de Ordenación,

Supervisión y Solvencia de las entidades aseguradoras", (ROSSEAR), as the sum of the Reported claims pending of payment reserve (OC), Incurred but Not Reported reserve (IBNR) and the Unalocated expenses reserve (ULAE).

- The adjustment for credit risk in the reinsurance recoverables of the SII technical provisions.
- The approach to discounting, with SII technical provisions being discounted using the EIOPA risk free rate (no volatility adjustment has been applied).

The above disclosure is relevant for all lines of business as there are no specific transition adjustments recognised for individual lines.

The overall impact of moving from Statutory to Solvency II basis is around €45.9 million excluding risk margin. The introduction of the SII risk margin reduces the net impact of the reduction in provisions on translation from Statutory to SII by €42.4 million. The corresponding SII risk margin for AECS is €3.5 million.

D.2.1.5 Main variations during the year

AECS started the insurance activity on 1st January 2019, so there were no liabilities linked to the policies at the end of 2018. All the Technical provisions variation is due to the portfolio transfer and the new policies underwritten during the year.

D.2.1.6 Significant changes in the assumptions used in the Technical Provisions calculation

For the same reason as in the previous point, no material changes must be noted as 2019 is the first year for AECS evaluating the technical provisions under Solvency II regulation.

D.3. OTHER LIABILITIES

The following table shows the differences in the valuation of Other liabilities under Statutory and Solvency II regulations at the end of 2019:

000s Euros	Statutory	Solvency II
Provisions other than technical provisions	21,045	-
Deferred tax liabilities	931	28,373
Financial liabilities other than debts owed to credit institutions	3,031	3,031
Insurance & intermediaries payables	-	-
Reinsurance payables	25,149	(6,530)
Payables (trade, not insurance)	4,400	4,400
Any other liabilities, not elsewhere shown	16,258	1,599
Total other liabilities	**70,815**	**30,874**

Payables, other provisions and other liabilities are valued on an amortised cost basis which is materially consistent with fair value. The differences in valuation are produced because of the removal of the liabilities arising from the knock for knock systems in "Provisions other than technical provisions" and the future premiums owed to reinsurers in "Reinsurance payables", which are both already considered in the best estimate of liabilities. Also DAC liabilitiy has also been removed from the Solvency II balance sheet as deferred acquisition costs as a principle does not exist under Solvency II.

The following table shows the detail of other liabilities at the end of 2019, compared to the previous year:

000s Euros	31/12/2019	31/12/2018
Provisions other than technical provisions	-	-
Deferred tax liabilities	28,373	-
Financial liabilities other than debts owed to credit institutions	3,031	9
Insurance & intermediaries payables	-	-
Reinsurance payables	(6,530)	-
Payables (trade, not insurance)	4,400	20
Any other liabilities, not elsewhere shown	1,599	0
Total other liabilities	**30,874**	**30**

D.4. ALTERNATIVE METHODS OF VALUATION

No alternative methods for valuation have been applied.

D.5. ANY OTHER INFORMATION

Considering both, the assets and the liabilities in the balance sheet, the Excess of Assets and Liabilities in Statutory and Solvency II basis is shown in the table below:

000s Euros	Statutory	Solvency II
Total assets	682,346	586,608
Total liabilities	573,901	491,574
Excess of Assets over Liabilities	**108,445**	**95,034**

In the following table, a comparison with 2018 can be seen, although AECS didn’t have any underwriting activity:

000s Euros	31/12/2019	31/12/2018
Total assets	586,608	84,446
Total liabilities	491,574	30
Excess of Assets over Liabilities	**95,034**	**84,416**

E. CAPITAL MANAGEMENT

E.1. SOLVENCY RATIO

The AECS Solvency Ratio at 31st December of 2019 has reached 147.93%. No adjustments or transitional measures have been applied in the calculation.

This ratio has been obtained as the quotient between the Eligible Own Funds under Solvency II regulation and the AECS Regulatory Solvency Capital Requirement at the end of 2019.

E.2. OWN FUNDS

Capital management objectives

AECS manages its capital to ensure that it is able to continue as a going concern and also to ensure that it meets regulatory requirements with an appropriate margin.

Forward looking assessments of Capital is performed over a three-year planning horizon and is reported with the AECS annual ORSA process.

Structure, amount and quality of the Own Funds

The classification of Own Funds for AECS at 31 December 2019 is as follows:

	31/12/2019				
000s Euros	**Total**	**Nivel 1 - not restr**	**Nivel 1 - restr**	**Nivel 2**	**Nivel 3**
Ordinary share capital	9,016	9,016	-	-	-
Reconciliation reserve	86,018	86,018	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**
Total basic own funds after deductions	**95,034**	**95,034**	**-**	**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	95,034	95,034	-	-	-
Total available own funds to meet the MCR	95,034	95,034	-	-	-
Total eligible own funds to meet the SCR	**95,034**	**95,034**	**-**	**-**	**-**
Total eligible own funds to meet the MCR	95,034	95,034	-	-	-
SCR	**64,244**				
MCR	23,585				
Ratio of Eligible own funds to SCR	**147.93%**				
Ratio of Eligible own funds to MCR	402.93%				

The Own Funds structure of AECS is made of the high quality funds, being classified all of them as Tier 1. This structure meets the classification and limits by Tiers established in the Solvency II regulation.

As it is shown in the table above, the Own Funds are enough to cover the SCR and MCR. The surplus obtained allows for the compliance with the risk appetite established by the Company. To help AECS meeting this requirement, AGp has made a capital injection of 11.1 million euros during the year 2019.

The following table shows the Own Funds at the end of 2018:

	31/12/2018				
000s Euros	**Total**	**Nivel 1 - not restr**	**Nivel 1 - restr**	**Nivel 2**	**Nivel 3**
Ordinary share capital	9,015	9,015	-	-	-
Initial funds	75,493	75,493	-	-	-
Reconciliation reserve	(91)	(91)	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**
Total basic own funds after deductions	**84,416**	**84,416**	**-**	**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	84,416	84,416	-	-	-
Total available own funds to meet the MCR	84,416	84,416	-	-	-
Total eligible own funds to meet the SCR	**84,416**	**84,416**	**-**	**-**	**-**
Total eligible own funds to meet the MCR	84,416	84,416	-	-	-
SCR	**1,781**				
MCR	3,700				
Ratio of Eligible own funds to SCR	**4739.83%**				
Ratio of Eligible own funds to MCR	2281.52%				

AECS has no Ancillary own funds or any other funds approved by the DGSFP to be considered as basic own funds.

Material differences with the statutory own funds

The reconciliation reserve is the difference between the Excess of Assets and Liabilities of the Solvency II balance sheet and Other basic own fund items and is basically explained by the stabilisation reserve, other funds from shareholders and the P&L profit.

000s Euros	31/12/2019
Ordinary share capital (gross of own shares)	9,016
Other shareholder contributions	90,513
Accounting reserves	2,339
Result (year and previous)	5,546
Adjustments for Changes in Value	1,032
Statutory Own Funds	**108,445**
Valuation SII vs Statutory	
Differences in assets*	(95,739)
Differences in TPs valuation*	(31,790)
Differences in other liabilities*	(50,537)
Adjustments for Solvency II	**(13,412)**
Excess of Assets over Liabilities	**95,034**

*The differences in valuation include the ones resulting from the difference in valuation and add the impact of the deferred taxes caused by the change in valuation.

Own Funds not represented by the reconciliation reserve

All AECS Own Funds are represented by the reconciliation reserve and there are not restrictions in their availability.

E.3. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Calculation of the AECS solvency capital requirement

The AECS Capital Requirement is calculated on the basis of the standard formula, in line with risks applicable at the end of 2019. The reported Solvency Capital Requirement as at 31 December 2019 for each applicable risk is as follows:

000s Euros	31/12/2019
Market Risk	9,673
Counterparty Default Risk	6,403
Life Underwiting Risk	0
Non Life Underwiting Risk	44,088
Diversificatión	(9,127)
BASIC SCR	**51,037**
Operational Risk	13,207
Loss absorbing capacity of deferred taxes	0
SCR	**64,244**

Solvency Ratio

When combined with the Eligible Own Funds, the resulting reported solvency positions are as follows:

000s Euros	**31/12/2019**
SCR	64,244
Eligible own funds	95,034
Excess	30,790
Solvency Ratio	**147.93%**

The AECS Solvency Ratio has amounted to 147.93% as at 31st December 2019. Among other factors, the capital injection provided by AGp has contributed to keep the ratio at higher levels than the risk appetite capital buffer applicable to AECS in 2019**.**

Calculation of the minimum capital requirement

The Minimum Capital Requirement for AECS is calculated as per Article 129 of the Directive and in line with the Standard Formula.

The coverage of eligible own funds to MCR at 31 December 2019 is as follows:

000s Euros	**31/12/2019**
MCR	23,585
Eligible own funds	95,034
Excess	71,448
Minimum Ratio	**402.93%**

E.4. USE OF THE DURATION-BASED EQUITY SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The duration-based equity sub-module has not been used in the calculation of the Solvency Capital Requirement.

E.5. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Not applicable – no internal model has been used during the reporting period.

E.6. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the period.

E.7. ANY OTHER INFORMATION

Not applicable.

APPENDIX 1. GLOSSARY

Term	Definition
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the policy was incepted.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES

AECS, under the status of a new constitution company, is required to disclose just the following templates for 2019:

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 - Only SF
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		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0.00
Deferred tax assets	R0040	28,373,404.24
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	91,011.78
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	232,114,656.47
Property (other than for own use)	R0080	0.00
Holdings in related undertakings, including participations	R0090	0.00
Equities	R0100	0.00
Equities – listed	R0110	0.00
Equities – unlisted	R0120	0.00
Bonds	R0130	155,164,275.90
Government Bonds	R0140	0.00
Corporate Bonds	R0150	155,164,275.90
Structured notes	R0160	0.00
Collateralised securities	R0170	0.00
Collective Investments Undertakings	R0180	76,950,380.57
Derivatives	R0190	0.00
Deposits other than cash equivalents	R0200	0.00
Other investments	R0210	0.00
Assets held for index-linked and unit-linked contracts	R0220	0.00
Loans and mortgages	R0230	0.00
Loans on policies	R0240	0.00
Loans and mortgages to individuals	R0250	0.00
Other loans and mortgages	R0260	0.00
Reinsurance recoverables from:	R0270	292,966,068.40
Non-life and health similar to non-life	R0280	292,966,068.40
Non-life excluding health	R0290	292,966,068.40
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0.00
Health similar to life	R0320	0.00
Life excluding health and index-linked and unit-linked	R0330	0.00
Life index-linked and unit-linked	R0340	0.00
Deposits to cedants	R0350	0.00
Insurance and intermediaries receivables	R0360	1,222,856.42
Reinsurance receivables	R0370	0.00
Receivables (trade, not insurance)	R0380	7,033,980.23
Own shares (held directly)	R0390	0.00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0.00
Cash and cash equivalents	R0410	24,805,627.82

Any other assets, not elsewhere shown	R0420	0.00
Total assets	**R0500**	**586,607,605.36**
Liabilities		
Technical provisions – non-life	R0510	460,700,363.65
Technical provisions – non-life (excluding health)	R0520	460,700,363.65
Technical provisions calculated as a whole	R0530	0.00
Best Estimate	R0540	457,212,883.56
Risk margin	R0550	3,487,480.09
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	0.00
Best Estimate	R0580	0.00
Risk margin	R0590	0.00
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0.00
Technical provisions - health (similar to life)	R0610	0.00
Technical provisions calculated as a whole	R0620	0.00
Best Estimate	R0630	0.00
Risk margin	R0640	0.00
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0.00
Technical provisions calculated as a whole	R0660	0.00
Best Estimate	R0670	0.00
Risk margin	R0680	0.00
Technical provisions – index-linked and unit-linked	R0690	0.00
Technical provisions calculated as a whole	R0700	0.00
Best Estimate	R0710	0.00
Risk margin	R0720	0.00
Other technical provisions	R0730	0.00
Contingent liabilities	R0740	0.00
Provisions other than technical provisions	R0750	0.00
Pension benefit obligations	R0760	0.00
Deposits from reinsurers	R0770	0.00
Deferred tax liabilities	R0780	28,373,404.24
Derivatives	R0790	0.00
Debts owed to credit institutions	R0800	0.00
Financial liabilities other than debts owed to credit institutions	R0810	3,031,051.40
Insurance & intermediaries payables	R0820	0.00
Reinsurance payables	R0830	(6,529,568.54)
Payables (trade, not insurance)	R0840	4,400,147.73
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	0.00
Subordinated liabilities in Basic Own Funds	R0870	0.00
Any other liabilities, not elsewhere shown	R0880	1,598,681.90
Total liabilities	**R0900**	**491,574,080.38**
Excess of assets over liabilities	**R1000**	**95,033,524.98**

S.05.01.02
Premiums, claims and expenses by line of business

		Motor vehicle liability insurance	Other motor insurance	Total
		C0040	C0050	C0200
Premiums written				
Gross - Direct Business	R0110	252,113,220.78	140,360,750.54	392,473,971.32
Gross - Proportional reinsurance accepted	R0120	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0130			0.00
Reinsurers' share	R0140	156,750,880.66	87,081,186.99	243,832,067.65
Net	R0200	95,362,340.12	53,279,563.55	148,641,903.67
Premiums earned				
Gross - Direct Business	R0210	227,595,199.94	126,332,938.96	353,928,138.90
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0230			0.00
Reinsurers' share	R0240	142,887,104.15	79,149,125.68	222,036,229.83
Net	R0300	84,708,095.79	47,183,813.28	131,891,909.07
Claims incurred				
Gross - Direct Business	R0310	221,803,935.29	22,930,933.04	244,734,868.33
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0330			0.00
Reinsurers' share	R0340	140,506,439.49	14,526,089.23	155,032,528.72
Net	R0400	81,297,495.80	8,404,843.81	89,702,339.61
Changes in other technical provisions				
Gross - Direct Business	R0410	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430			0.00
Reinsurers' share	R0440	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00
Expenses incurred	R0550	71,055,852.04	7,346,023.79	78,401,875.83
Other expenses	R1200			145,584.01
Total expenses	R1300			78,547,459.84

S.05.02.01
Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		SPAIN	ITALY	FRANCE	TOTAL
		C0080	C0090	C0100	C0140
Premiums written					
Gross - Direct Business	R0110	69,525,721.46	211,824,696.70	111,123,553.16	392,473,971.32
Gross - Proportional reinsurance accepted	R0120	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0130	0.00	0.00	0.00	0.00
Reinsurers' share	R0140	49,983,147.08	116,093,793.63	77,755,126.94	243,832,067.65
Net	R0200	19,542,574.38	95,730,903.07	33,368,426.22	148,641,903.67
Premiums earned					
Gross - Direct Business	R0210	65,447,246.90	189,580,286.05	98,900,605.95	353,928,138.90
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0230	0.00	0.00	0.00	0.00
Reinsurers' share	R0240	46,913,737.29	107,334,900.77	67,787,591.77	222,036,229.83
Net	R0300	18,533,509.61	82,245,385.28	31,113,014.18	131,891,909.07
Claims incurred					
Gross - Direct Business	R0310	48,865,825.19	128,980,885.29	66,888,157.85	244,734,868.33
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0330	0.00	0.00	0.00	0.00
Reinsurers' share	R0340	33,520,671.49	75,658,268.01	45,853,589.22	155,032,528.72
Net	R0400	15,345,153.70	53,322,617.28	21,034,568.63	89,702,339.61
Changes in other technical provisions					
Gross - Direct Business	R0410	0.00	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00	0.00
Reinsurers' share	R0440	0.00	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00	0.00
Expenses incurred	R0550	14,373,400.22	47,476,288.38	16,552,187.23	78,401,875.83
Other expenses	R1200				145,584.01
Total expenses	R1300				78,547,459.84

S.17.01.02
Non-Life Technical Provisions

		Motor vehicle liability insurance	Other motor insurance	Total Non-Life obligation
		C0050	C0060	C0180
Technical provisions calculated as a whole	R0010	**0.00**	**0.00**	**0.00**
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	R0050	0.00	0.00	0.00
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	110,640,938.98	40,209,669.36	150,850,608.34
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	67,609,428.92	21,635,157.69	89,244,586.61
Net Best Estimate of Premium Provisions	R0150	43,031,510.06	18,574,511.67	61,606,021.73
Claims provisions				
Gross	R0160	277,657,036.50	28,705,238.72	306,362,275.22
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	187,958,155.61	15,763,326.18	203,721,481.79
Net Best Estimate of Claims Provisions	R0250	89,698,880.89	12,941,912.54	102,640,793.43
Total Best estimate - gross	R0260	**388,297,975.48**	**68,914,908.08**	**457,212,883.56**
Total Best estimate - net	R0270	**132,730,390.95**	**31,516,424.21**	**164,246,815.16**
Risk margin	R0280	**3,262,034.28**	**225,445.81**	**3,487,480.09**
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290	0.00	0.00	0.00
Best estimate	R0300	0.00	0.00	0.00
Risk margin	R0310	0.00	0.00	0.00
Technical provisions - total				
Technical provisions - total	R0320	391,560,009.76	69,140,353.89	460,700,363.65
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	255,567,584.53	37,398,483.87	292,966,068.40
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	135,992,425.23	31,741,870.02	167,734,295.25

S.19.01.21
Non-life insurance claims

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											216,376
N-9	R0160										523,499	
N-8	R0170									1,220,864		
N-7	R0180								595,579			
N-6	R0190							1,942,619				
N-5	R0200						3,370,240					
N-4	R0210					3,206,865						
N-3	R0220				12,991,759							
N-2	R0230			31,726,282								
N-1	R0240		106,896,325									
N	R0250	59,706,582										

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	216,376	216,376
N-9	R0160	523,499	523,499
N-8	R0170	1,220,864	1,220,864
N-7	R0180	595,579	595,579
N-6	R0190	1,942,619	1,942,619
N-5	R0200	3,370,240	3,370,240
N-4	R0210	3,206,865	3,206,865
N-3	R0220	12,991,759	12,991,759
N-2	R0230	31,726,282	31,726,282
N-1	R0240	106,896,325	106,896,325
N	R0250	59,706,582	59,706,582
Total	**R0260**	**222,396,991**	**222,396,991**

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											2,517,680
N-9	R0160										1,877,234	
N-8	R0170									2,109,022		
N-7	R0180								3,815,047			
N-6	R0190							6,565,542				
N-5	R0200						6,345,367					
N-4	R0210					35,493,125						
N-3	R0220				19,572,585							
N-2	R0230			47,488,213								
N-1	R0240		82,186,154									
N	R0250	102,516,283										

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	2,523,022.30
N-9	R0160	1,881,200.04
N-8	R0170	2,113,995.06
N-7	R0180	3,824,304.28
N-6	R0190	5,845,426.32
N-5	R0200	6,370,029.72
N-4	R0210	25,029,297.66
N-3	R0220	19,658,686.07
N-2	R0230	44,996,290.09
N-1	R0240	82,572,468.15
N	R0250	102,929,794.57
Total	**R0260**	**297,744,514.26**

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	9,016,000.00	9,016,000.00		0.00	
Share premium account related to ordinary share capital	R0030	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00	0.00		0.00	
Subordinated mutual member accounts	R0050	0.00		0.00	0.00	0.00
Surplus funds	R0070	0.00				
Preference shares	R0090	0.00		0.00	0.00	0.00
Share premium account related to preference shares	R0110	0.00		0.00	0.00	0.00
Reconciliation reserve	R0130	86,017,524.98				
Subordinated liabilities	R0140	0.00				0.00
An amount equal to the value of net deferred tax assets	R0160	0.00				0.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00	0.00	0.00	0.00	0.00
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						
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	R0220	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	0.00
Total basic own funds after deductions	R0290	95,033,524.98	95,033,524.98	0.00	0.00	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00			0.00	
Unpaid and uncalled preference shares callable on demand	R0320	0.00			0.00	0.00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00			0.00	0.00

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00			0.00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00			0.00	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00			0.00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00			0.00	0.00
Other ancillary own funds	R0390	0.00			0.00	0.00
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	95,033,524.98	95,033,524.98	0.00	0.00	0.00
Total available own funds to meet the MCR	R0510	95,033,524.98	95,033,524.98	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	95,033,524.98	95,033,524.98	0.00	0.00	0.00
Total eligible own funds to meet the MCR	R0550	95,033,524.98	95,033,524.98	0.00	0.00	
SCR	R0580	64,244,205.15				
MCR	R0600	23,585,434.13				
Ratio of Eligible own funds to SCR	R0620	1.48				
Ratio of Eligible own funds to MCR	R0640	4.03				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	95,033,524.98
Own shares (held directly and indirectly)	R0710	0.00
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	9,016,000.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.00
Reconciliation reserve	R0760	86,017,524.98
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0.00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	10,544,959.41
Total Expected profits included in future premiums (EPIFP)	R0790	10,544,959.41

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	9,673,473.70	0
Counterparty default risk	R0020	6,402,891.23	
Life underwriting risk	R0030	0.00	0
Health underwriting risk	R0040	0.00	0
Non-life underwriting risk	R0050	44,087,730.24	0
Diversification	R0060	(9,126,855.26)	
Intangible asset risk	R0070	0.00	
Basic Solvency Capital Requirement	R0100	**51,037,239.91**	

		Value
		C0100
Operational risk	R0130	13,206,965.24
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency Capital Requirement excluding capital add-on	R0200	**64,244,205.15**
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	**64,244,205.15**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.00
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0.00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	23,585,434.13

Background information

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0.00	0.00
Income protection insurance and proportional reinsurance	R0030	0.00	0.00
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	132,730,390.94	91,107,386.34
Other motor insurance and proportional reinsurance	R0060	31,516,424.22	18,340,330.26
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.00	0.00
Fire and other damage to property insurance and proportional reinsurance	R0080	0.00	0.00
General liability insurance and proportional reinsurance	R0090	0.00	0.00
Credit and suretyship insurance and proportional reinsurance	R0100	0.00	0.00
Legal expenses insurance and proportional reinsurance	R0110	0.00	0.00
Assistance and proportional reinsurance	R0120	0.00	0.00
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0.00	0.00
Non-proportional health reinsurance	R0140	0.00	0.00
Non-proportional casualty reinsurance	R0150	0.00	0.00
Non-proportional marine, aviation and transport reinsurance	R0160	0.00	0.00
Non-proportional property reinsurance	R0170	0.00	0.00

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	0.00

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	0.00	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

Overall MCR calculation

		C0070
Linear MCR	R0300	23,585,434.13
SCR	R0310	64,569,876.56
MCR cap	R0320	29,056,444.45
MCR floor	R0330	16,142,469.14
Combined MCR	R0340	23,585,434.13
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	**23,585,434.13**