Solvency and Financial Condition Report

31st December 2020

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 2020 AECS result before tax increased from €8,9M€ in 2018 to €16,6M. The AECS operations in Spain, Italy and France recorded higher profits than in 2019 and exceeded their respective budgets for 2020. The 2020 result was based on the Company's excellent reaction to the COVID crisis, adapting to remote working from the start of the lockdowns, maintaining the level of service to policyholders and its competitiveness in the market, and mainly to the drop in frequency, a consequence of lower mobility, which has had a positive impact on the claims ratio.

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.

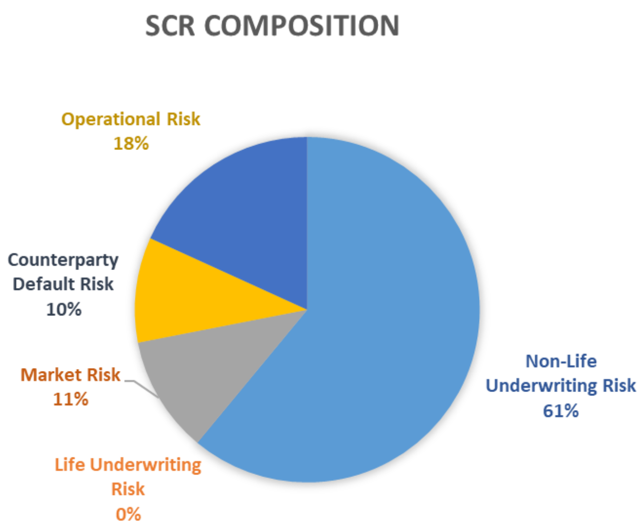
Section B, in the body of this report, explains in detail as to how the system of governance works in practice, including a focus on the remuneration policy, the system of internal control and the Solvency II key functions of Risk Management, Compliance, Internal Audit and Actuarial.

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. The SCR composition by risk modules at 31st December 2020 is shown in the following chart:



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 tables show the main blocks of the AECS Solvency II balance sheet and the comparison with the corresponding figures under Local GAAP basis at 31st December 2020 and at the end of 2019:

	31/12/2020	
000s Euros	**Statutory**	**Solvency II**
Total assets	756,993	663,846
Total liabilities	635,277	548,463
Excess of Assets over Liabilities	**121,716**	**115,383**

	31/12/2019	
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 deferred 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 terms of Own Funds, this last adjustment has no impact in the Own Funds, as it is also made in the liabilities side.

In the **liabilities** side, the main differences between the Statutory accounts and the Solvency II figures come from the different methodology used fo 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 2020, and it has amounted to 65,591 thousand euros. The detail of the reported Solvency Capital Requirement as at 31 December 2020 is as follows:

000s Euros	**31/12/2020**	**31/12/2019**
Non-Life Underwriting Risk	48,454	44,088
Life Underwriting Risk	14	-
Market Risk	8,669	9,673
Counterparty Default Risk	7,822	6,403
Diversification	(9,217)	(9,127)
Basic SCR	55,742	51,037
Operational Risk	14,462	13,207
LAC DT	(4,613)	-
SCR	**65,591**	**64,244**

Considering the amount of SCR and the available own funds to cover the SCR, the solvency ratio obtained as at 31 December 2020 has been 175.91%, in compliance with the minimum required by the regulator and with the risk appetite of AECS.

000s Euros	**31/12/2020**	**31/12/2019**
SCR	65,591	64,244
Eligible own funds	115,383	95,034
Excess	49,792	30,789
Solvency Ratio	**175.91%**	**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 been approved by the Board of Directors of AECS on March 23rd 2021 by written and without session, and had been reviewed by the AECS Directors. The content of this SFCR report has been reviewed by Deloitte, S.L., through a multidisciplinary team including actuarial and accounting 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 address:
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 2020 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).
Annuities stemming from non life contracts (other than health)	Private motor insurance, capturing bodily injury liabilities (whose payments have been settled by way of Periodic Payment Order and they are considered as Life business under Solvency II regulation).

Significant events during the reporting period

First settled PPO (Periodical Payment Order)

During the 2020 financial year, the first annuity from motor contracts was consolidated in L'olivier. AECS has calculated the technical provisions for this annuity, as well as the corresponding SCR risks relating to the life line of business "Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations".

Covid-19

The coronavirus pandemic has been a big challenge to the European economy. Future strategies will have to take into account the high level of uncertainty and the severe economic downturn resulting from the coronavirus outbreak. This crisis is a shock of historic proportions for the global and EU economies, with very serious social and economic consequences for all countries.

One of the first impacts of the pandemic, a consequence of the strict lockdown of the first wave, is that it forced all companies to urgently implement working from home. In this respect, Admiral Group companies have demonstrated their resilience and in record time were able to enable employees to work remotely, with minimal impact on clients.

In terms of results, in the specific case of the insurance sector, the pandemic has had very different impacts depending on the line of business. In the motor segment, Admiral's core business in Europe, the strict closures and subsequent partial restrictions have clearly affected new production volumes. Despite the reduction in new car sales, low vehicle utilisation and the deteriorating economic situation, Admiral has been able to respond to this pressure on sales with measures such as additional discounts, payment relaxation, tariff adjustments, etc. This has allowed a strong recovery in volumes after the end of the first wave. In addition, partly due to similar measures but also due to good customer service, renewals have performed extraordinarily well.

The other major impact of COVID-19 has been a sharp drop in frequency, aligned with low vehicle utilisation. This has had a very positive impact on claims across the sector, offsetting the impact on the expense ratio from reduced volumes and pressure on policy incomes.

Other effects of the pandemic, which seems to be here to stay, are the changes in the way we consume, the acceleration of digitalisation and the aforementioned increase in working remotely. Therefore, in the coming years, it will be essential to adapt products to these new needs and consumption patterns of our customers, to continue to accelerate digitalisation and probably to implement hybrid working models that allow us to achieve the expected business results while improving employee satisfaction and protecting the corporate culture.

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 only written policies in Motor Third Party Liability, Motor Other guarantees and Household, 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, all the business has been reported in Motor Third Party Liability and Motor Other guarantees.

The Active Policy Base, even in the challenging environment of 2020, grew 15% year-on-year, with growth in all three markets. Net written premium was 11% higher than in 2019. This growth continues to be one of the Company's main focuses to achieve economies of scale and greater efficiency.

The direct market continued to be very competitive in 2020. Quotes through Price Comparison websites continued not to grow at the expected rate, although this weakness has been offset by the effectiveness of other direct marketing campaigns and growth in new sales channels. This competition in the market has put further pressure on premiums especially in the Italian market.

The performance of renewals was better than budgeted in all three countries, reaching record levels of retention, as a result of management decisions in the face of the COVID crisis.

The volume of written premiums gross of reinsurance in 2020 are the ones shown in the following table:

000s Euros	31/12/2020	31/12/2019
Motor, Third Party Liability	243,729	247,795
Motor, Other	187,326	137,890
Total	**431,055**	**385,685**

The volumes of written premiums gross of reinsurance by country for 2020 and the previous year are shown in the following table:

000s Euros	31/12/2020 Italy	France	Spain	Total
Motor, Third Party Liability	122,475	77,244	44,010	243,729
Motor, Other	94,132	59,368	33,825	187,326
Total	**216,608**	**136,612**	**77,835**	**431,055**

000s Euros	31/12/2019 Italy	France	Spain	Total
Motor, Third Party Liability	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 2020, AECS has achieved a level of gross written premiums in direct business of €431,06 million. 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 2020 compared to the previous year:

000s Euros	31/12/2020	31/12/2019
Earned premiums net of reinsurance	149,410	125,103
Paid claims net of reinsurance	(92,520)	(98,360)
Expenses	(41,271)	(20,437)
Other income	798	774
Other expenses (-)	545	1,711
Underwriting result	**16,961**	**8,791**

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The earned premiums in the exercise have amounted to €149,4 million. However, paid claims have amounted to €92,5 million and, considering also the expenses and other income, the underwriting result of AECS at the end of 2020 has been of €17,0 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 2020:

- 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, and the comparison with the previous year, is as follows:

000s Euros	**31/12/2020**	**31/12/2019**
Bonds	151,208	155,164
Collective Investments Undertakings	102,139	76,950
Cash	31,612	21,806
Cash equivalent	4,500	3,000

The amount of investments as at 31st December 2020 has amounted to 289,459 thousand euros (256,920 thousand euros as at 31st December 2019). The main part of the portfolio is invested in bonds and investments funds whose underlying assets are also bonds.

Regarding the interest income in 2020 it was 1,356,643€ (476,308€ in 2019).

The following tables show the incomes and expenses resulting from the investment business in the year 2020, and the ones resulting in 2019, that have impact on the profits and loss account:

	31/12/2020			
000s Euros	**Available for sale**	**Held for trading**	**Equipment**	**Total**
Income arising from financial investments	1,357	-	-	**1,357**
Profits on realisation	49	-	-	**49**
Losses from property, plant and equipment and investments	1,233	308	22	**1,563**
Impairment of financial investments	-	-	-	**-**
Net result	**173**	**(308)**	**(22)**	**(157)**

	31/12/2019			
000s Euros	**Available for sale**	**Held for trading**	**Equipment**	**Total**
Income arising from financial investments	476	-	-	**476**
Profits on realisation	-	-	-	**-**
Losses from property, plant and equipment and investments	-	150	-	**150**
Impairment of financial investments	-	-	-	**-**
Net result	**476**	**(150)**	**-**	**326**

In the financial year 2020, the total expenses for the management and custody of the investment portfolio amount to EUR 154 thousand euros (211 thousand euros in 2019).

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

000s Euros	**31/12/2020**	**31/12/2019**
Gains recognised directly in equity	1,800	1,032
Loses recognised directly in equity	-	-
Net result in equity	**1,800**	**1,032**

A.4. PERFORMANCE OF OTHER ACTIVITIES

AECS has not performed any activities other than Underwriting and Investments managements during 2020.

A.5. ANY OTHER INFORMATION

On 11 March 2020, the World Health Organisation declared pandemic the outbreak of the new coronavirus, called COVID-19, due to its rapid global spread. This situation is significantly affecting the global economy, due to the disruption or slowdown of supply chains and a significant increase in economic uncertainty, evidenced by an increase in asset price and exchange rate volatility and a decrease in long-term interest rates.

Many organisations and governments are taking restrictive measures to contain the spread, including: isolation, lockdown, quarantine and restriction of free movement of people, closure of public and private premises, except for essential and health facilities, closure of borders and drastic reduction of air, sea, rail and road transport. In addition, in December 2020, the worldwide vaccination process began, the progress of which is not uniform in the different countries. In Spain, the Government has approved Royal Decree 956/2020 of 3 November, declaring a state of alarm for the second time since the pandemic began, in order to contain the spread of infections caused by SARS-CoV-2. Furthermore, to mitigate the economic and social impacts of this crisis in the different geographies where the Group operates, the authorities have established social support and public spending measures.

In view of this pandemic situation, given the Company's activity, the risks must be analysed within the Group in which it operates. In view of the situation described above, the estimates made by the Company at 31 December 2020 have been made on the basis of the best information available on the events analysed..

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

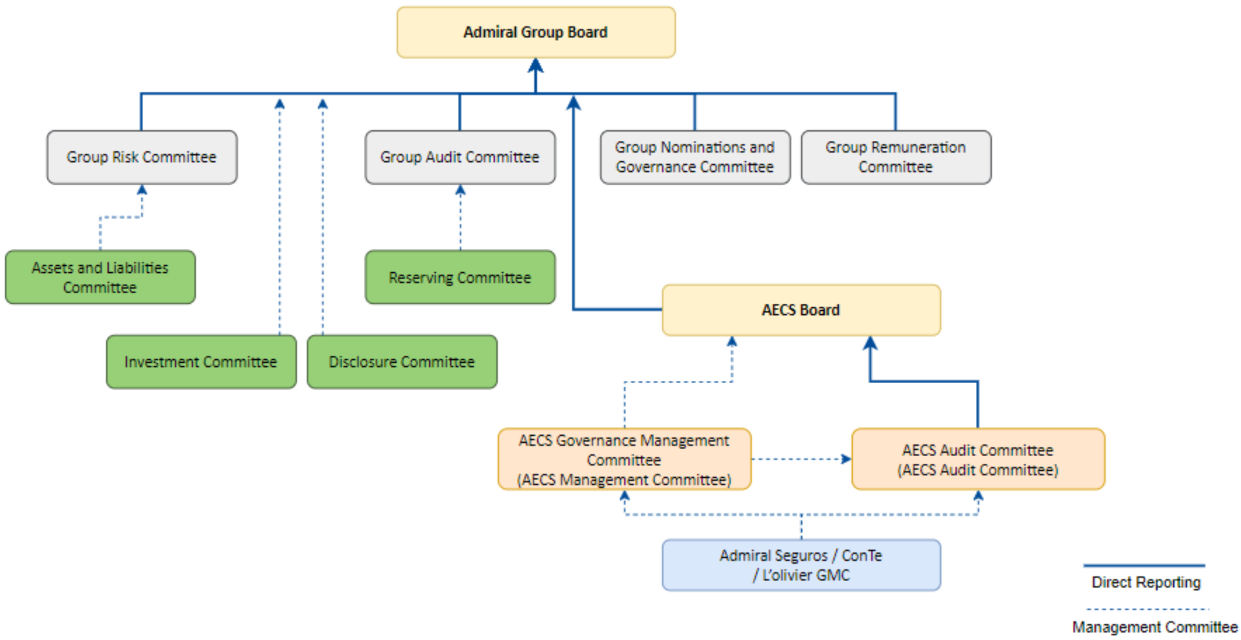
Structure of the administrative, management or supervisory body

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.

Moreover, 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, 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 and AECS Board compensation.

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") formed by the executives responsible for the business and the AECS General Director

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 (33.3%) are guaranteed to vest subject to continued employment until the vesting date.

The remaining two thirds (66.7%) are subject to "DFSS internal rules" performance criteria based on several KPIs.

In the case of persons covering some of the key Solvency II functions in AECS, the guaranteed part is 50% and the remaining 50% will be subject to financial and non-financial indicators

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.

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

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 AECS Board prior to submission to the Group Risk Committee 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. 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 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 consultants and auditors 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, scrutinises 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.

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, as well as in ensuring the effective implementation of the risk-management system.

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.

The Actuarial Function Report 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 as well as on the data quality.

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 and the own risk and solvency assessment.

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 properly qualified actuaries with the skills and knowledge necessary to make decisions without the influence of third parties.

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.

AECS Risk Appetite operates within Admiral Group Risk Appetite. During the year 2020, AECS has defined and approved its risk appetite level, fixed at a 135% of Solvency Ratio.

Material risks

The main risks of AECS during 2020 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
Life and Non-Life 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 2020 by risk sub-module are shown in the next table:

000s Euros	**31/12/2020**	**31/12/2019**
Premium and Reserve Risk	47,843	43,523
Lapse Risk	4,843	4,218
Catastrophe Risk	1,398	1,369
Diversification	(5,631)	(5,023)
SCR Underwriting Risk	**48,454**	**44,088**

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

000s Euros	**31/12/2020**	**31/12/2019**
Volume of premiums	149,285	132,241
Volume of reserves	105,169	96,223
Expected profit in future premiums	12,108	10,545
Volume mesure flood	1,588,342	1,326,924
Volume mesure hail	2,989,992	2,772,135
Num vehicles < 24M	754	679
Num vehicles > 24M	642	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

Although AECS is not authorised to operate in the life business, it sells motor products whose injuries can lead to annuities. In 2020, a claim has been settled in France that generates this payment scheme. This leads AECS to report a new line of business " Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations" and to calculate the life risks associated with this annuity.

The risks applicable to AECS for this type of annuities are:

- Longevity
- Expense

For its assessment, AECS uses the simplifications set out in the Standard Formula in accordance with the principle of proportionality as it is a single claim and immaterial over the total portfolio.

At 31 December 2020, AECS has only recorded a capital charge for longevity risk, amounting to 14 thousand euros. Note that the expenses related to annuities are managed together with the whole portfolio, so there is no a specific allocation of the expenses to the annuities. That’s the reason why there is no capital requirement for the expense risk.

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	**31/12/2020**	**%**
Ceded to Quota Share	319,359	97.9%
Ceded to XoL	7,000	2.1%
Total Reinsurance recoverables	**326,359**	**100.0%**

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

000s Euros	**31/12/2020**	**31/12/2019**
Gross Best Estimate of TPs	501,054	457,213
Net Best Estimate of TPs	174,695	164,247
Reinsurance mitigation (ceded)	**326,359**	**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 2020, 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:

Review
- Management review of asset classes, asset managers and proposed assets
- Factors considered include: yield, capital, asset and liability duration, diversification, credit quality, liquidity, currency, cost, tax and accounting

Proposal
- Proposals discussed at Group Investment Committee
- Senior Management review including AGp Chief Financial Officer and Chief Risk Officer and AECS Head of Finance and Head of Risk

Approval
- Investment Policy approved by Group Board and AECS Board

Implement-ation
- Management implement Policy

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 2020 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 11% of the pre-diversification SCR at 31 December 2020.

The SCR figures at 31st December 2020 by risk sub-module are shown in the next table:

000s Euros	**31/12/2020**	**31/12/2019**
Interest Rate Risk	1,539	2,970
Equity Risk	-	45
Property Risk	35	-
Spread Risk	8,305	7,738
Concentration Risk	1,876	1,115
Diversification	(3,086)	(2,195)
SCR Market Risk	**8,669**	**9,673**

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

000s Euros	**31/12/2020**	**31/12/2019**
Discounted value of assets	253,708	238,325
Discounted value of liabilities	166,257	152,002
Government bonds	3,865	-
Corporate bonds	246,577	232,043
Deposits	-	-

In addition, AECS has an amount of 138 thousand euros in Property, plant & equipment held for own use that is considered as Property risk following the EIOPA guidelines. In 2019, it was stressed in Equity Risk Type 2 as these assets were not considered in any of the other market modules, as previously 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 10% of the pre-diversification SCR at 31 December 2020.

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

000s Euros	**31/12/2020**	**31/12/2019**
Type 1	6,485	5,151
Type 2	1,677	1,558
Diversification	(340)	(306)
SCR Counterparty Default Risk	**7,822**	**6,403**

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

000s Euros	**31/12/2020**	**31/12/2019**
Reinsurance recoverables *	326,617	288,522
Cash	38,684	24,877
Receivables < 3months	11,177	10,386
Receivables > 3months	-	-

** Reinsurance recoverables before the credit adjustment for the modelled business.*

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.

In 2020, as part of the COVID monitoring, both liquidity and the solvency ratio have been monitored more closely, and no tensions have been identified in this respect.

The result of the expected profit in future premiums as at 31 December 2020 has amounted to 12,108 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 14,462 thousand euros at the end of 2020. The exposure at the end of the reporting year and the comparison with the previous year is as follows:

000s Euros	**31/12/2020**	**31/12/2019**
Gross writen premiums (last 12 months)	382,354	330,933
Gross writen premiums (12 months prior to previous 12 months)	329,711	275,413
Total gross best estimate	492,392	440,232

C.6. OTHER MATERIAL RISKS

None.

C.7. ANY OTHER INFORMATION

Loss absorbing capacity of deferred taxes (LACDT)

In the 2020 financial year, AECS has performed a deferred tax recoverability study to be able to use both the net deferred tax assets in the economic balance sheet as Tier 3 Own Funds and to apply the loss absorbing capacity of deferred taxes to the Solvency II capital requirements.

AECS has prepared a tax projection for all the economic balance sheet and CSO items generating deferred taxes at the valuation date with the aim of demonstrating sufficient future profits against which to utilise the deferred tax assets earned, taking into account the applicable tax regulations. Furthermore, taking into consideration the maximum amount of tax justified, AECS has defined thresholds that will determine the percentage of tax to be applied as LACDT based on the solvency ratio before adjustment.

As at 31 December 2020, AECS has applied a deferred tax loss absorbency adjustment of €4.6 million.

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 2020). For these risks, the Entity performs, in addition, stress test for a period of three years.

Taking into account these 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 economic balance sheet as at 31st December 2020 has been valuated according to the Article 75 of the Solvency II Directive, taking as starting point the Spanish GAAP balance sheet and in line with the proportionality principle.

The following sections contain the detail of the main differences of valuation in the economic balance sheet and the comparison with the previous year.

D.1. ASSETS

D.1.1 Valuation of assets

The balance sheet assets as at 31 December 2020 are shown in the following table (and the comparison with 2019), both under Statutory and Solvency II basis:

	31/12/2020		31/12/2019	
000s Euros	**Statutory**	**Solvency II**	**Statutory**	**Solvency II**
Deferred acquisition costs	37,172	-	30,683	-
Intangible assets	237	-	230	-
Deferred tax assets	215	41,145	1,380	28,373
Property, plant & equipment held for own use	138	138	91	91
Investments (other than assets held for index-linked and unit-linked contracts)	**253,347**	**253,347**	**232,115**	**232,115**
Government bonds	2,333	2,333	-	-
Corporate bonds	148,875	148,875	155,164	155,164
Collective Investments Undertakings	102,139	102,139	76,950	76,950
Reinsurance recoverables from:	352,667	326,359	328,567	292,966
Non-life excluding health	352,667	314,650	328,567	292,966
Life excluding health and index-linked and unit-linked	-	11,709	-	-
Insurance and intermediaries receivables	53,891	(5,237)	47,299	1,223
Reinsurance receivables	-	-	-	-
Receivables (trade, not insurance)	23,212	11,982	17,177	7,034
Cash and cash equivalents	36,112	36,112	24,806	24,806
Any other assets, not elsewhere shown	-	-	-	-
Total assets	**756,993**	**663,846**	**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 2020. 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 of the economic balance sheet is shown at 31 December 2020 compared to the figures at the end of 2019:

000s Euros	**31/12/2020**	**31/12/2019**
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	41,145	28,373
Property, plant & equipment held for own use	138	91
Investments (other than assets held for index-linked and unit-linked contracts)	**253,347**	**232,115**
Government bonds	2,333	-
Corporate bonds	148,875	155,164
Collective Investments Undertakings	102,139	76,950
Deposits other than cash equivalents	-	-
Reinsurance recoverables from:	326,359	**292,966**
Non-life excluding health	314,650	292,966
Life excluding health and index-linked and unit-linked	11,709	-
Insurance and intermediaries receivables	(5,237)	1,223
Reinsurance receivables	-	-
Receivables (trade, not insurance)	11,982	7,034
Cash and cash equivalents	36,112	24,806
Any other assets, not elsewhere shown	-	-
Total assets	**663,846**	**586,608**

Main variations have been produced in the reinsurance recoverables (they moved in line with the increase of the technical provisions) and in the investments, as they are managed according to the liabilities held.

D.2. LIABILITIES

The balance sheet liabilities as at 31 December 2020 (and the comparison with the previous year) are shown in the following table, both under Statutory and Solvency II basis:

	31/12/2020		31/12/2019	
000s Euros	Statutory	Solvency II	Statutory	Solvency II
Technical provisions – non-life	**546,867**	**494,799**	**503,086**	**460,700**
Technical provisions – non-life (excluding health)	**546,867**	**494,799**	**503,086**	**460,700**
Best Estimate	-	488,901	-	457,213
Risk margin	-	5,898	-	3,487
Technical provisions - life (excluding index-linked and unit-linked)	**-**	**12,184**	**-**	**-**
Best Estimate	-	12,152	-	-
Risk margin	-	32	-	-
Provisions other than technical provisions	21,475	-	21,045	-
Deferred tax liabilities	1,690	40,675	931	28,373
Financial liabilities other than debts owed to credit institutions	-	-	3,031	3,031
Insurance and intermediaries payables	-	-	-	-
Reinsurance payables	38,287	(8,872)	25,149	(6,530)
Payables (trade, not insurance)	9,676	9,676	4,400	4,400
Any other liabilities, not elsewhere shown	17,281	(0)	16,258	1,599
Total liabilities	**635,277**	**548,463**	**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 2020 is shown in the table below:

000s Euros	31/12/2020	31/12/2019
Technical provisions – non-life	494,799	460,700
Technical provisions – non-life (excluding health)	494,799	460,700
Best Estimate	488,901	457,213
Risk margin	5,898	3,487
Technical provisions - life (excluding index-linked and unit-linked)	12,184	-
Best Estimate	12,152	-
Risk margin	32	-

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 Liability	423,928	5,521	429,449
Motor, Other	64,973	377	65,350
Total Non-Life	**488,901**	**5,898**	**494,799**
Annuities stemming from non-life contracts related to insurance obligation other than health insurance obligations	12,152	32	12,184
Total Life	**12,152**	**32**	**12,184**

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 other 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 non 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. Both 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 and handling 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 policies already written but not started yet (Bound But Not Incepted – BBNI) at the valuation date.

A consistent methodology is used for the calculations of the best estimate of all homogeneous risk groups (type of damage) and in each homogeneous risk group all future in-flows and out-flows are projected based on realistic assumptions.

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

The **premium provision** is the discounted best estimate of all future cash-flows relating to future claim events not yet occurred arising from policies that the insurer is obligated to cover at the valuation date. These cash-flows are made up of:

Outgoing cash-flows:

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

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 from BBNI policies

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.

The detail of the best estimate liabilities gross of reinsurance at the end of 2020 is as follows:

000s Euros	Premium Provision	Claims Provision	Total
Motor, Third Party Liabity	121,202	302,727	423,928
Motor, Other	34,922	21,390	56,311
Total Non-Life	**156,124**	**324,116**	**480,240**
Annuities stemming from non-life			12,152
Total modelled business			**492,392**

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	492,392	98.3%
Not modelled business	8,661	1.7%
Total	**501,054**	**100.0%**

Technical provisions – Reinsurance Recoverables

Reinsurance recoverables are a significant element within AECS technical provisions. The reinsurance premium paid out, and recoverables 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 amount of reinsurance recoverables.

The reinsurance recoverables within AECS Technical Provisions reflect the contractual reinsurance arrangements in place. For AECS in 2020 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 is obtained separately for life and non-life and it uses the second simplification within the Solvency II implementation measures, which is applied as follows:

- The one-year SCR is run off by risk modules in line with the level of best estimate of liabilities 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 claims 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 commonly used in the market (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.

- Uncertainty about the expected loss ratio in recent years derived from mobility restrictions due to COVID-19 dictated by the governments of the countries where AECS operates.
- Evolution of the annuities estimated to be paid to the insured who is currently collecting the PPO (Periodic Payment Orders), as well as potential PPO claims and the associated longevity risk.

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 France, where there is more volatility in large claims and 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	**546,867**	**494,799**
Technical provisions – non-life (excluding health)	**546,867**	**494,799**
Best Estimate	-	488,901
Risk margin	-	5,898
Technical provisions - life (excluding index-linked and unit-linked)	**-**	**12,184**
Best Estimate	-	12,152
Risk margin	-	32

The best estimate of technical provisions under Solvency II for AECS is lower than the equivalent provision held on local 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 Solvency II approach to calculate 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), in case it applies. In the Solvency valuation, future premium will be projected (in the case of having a fractionation in the payment) as well as claims and associated expenses, being able to have a negative provision or lower than the accounting provision.

- The Solvency II approach to calculate 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 (not any 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 €45.8 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 €39.9 million. The corresponding SII risk margin for AECS is €5.9 million.

D.2.1.5 Main variations during the year

Non-life technical provisions increased by €34.1 million compared to the previous year mainly due to the growth in business volume in 2020.

With regard to life technical provisions, the first PPO claim is recognised in AECS in 2020. This claim arises from a motor policy in France, the payment of which has been established on the basis of a life annuity until the death of the insured. In accordance with the Solvency II regulation, this annuity is calculated using similar to life techniques and is classified under business line 34 "Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations". In the previous year, the amount of the reserve for this policy at the end of 2019 was included in the non-life technical provisions, as the claim had not been settled as an annuity.

Despite the emergency situation caused by COVID-19, AECS took immediate measures to monitor possible future impacts as a result of this exceptional situation. In general terms, the impacts were positive, as the accident rate was considerably reduced due to the mobility restrictions imposed by the governments.

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

Derived from COVID-19, different scenarios were run to estimate a loss ratio consistent with the new situation, especially focusing on claims frequency, which has dropped considerably due to the mobility restrictions as of March 2020.

In the financial year 2020 the first PPO claim is booked in AECS. As a result, life-like assumptions are used to estimate the best estimate of future annuity payments. A future inflation assumption is derived based on the historical average of recent years, market mortality tables are used based on the estimated life expectancy of the insured and the future cash-flows are discounted to the EIOPA risk-free curve at the valuation date.

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 2020 (and the comparison with the previous year):

	31/12/2020		31/12/2019	
000s Euros	Statutory	Solvency II	Statutory	Solvency II
Provisions other than technical provisions	21,475	-	21,045	-
Deferred tax liabilities	1,690	40,675	931	28,373
Financial liabilities other than debts owed to credit institutions	-	-	3,031	3,031
Insurance & intermediaries payables	-	-	-	-
Reinsurance payables	38,287	(8,872)	25,149	(6,530)
Payables (trade, not insurance)	9,676	9,676	4,400	4,400
Any other liabilities, not elsewhere shown	17,281	(0)	16,258	1,599
Total other liabilities	**88,409**	**41,479**	**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 liability has also been removed from the Solvency II balance sheet as deferred acquisition costs as a principle does not exist under Solvency II.

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	756,993	663,846
Total liabilities	635,277	548,463
Excess of Assets over Liabilities	**121,716**	**115,383**

A comparison of the economic balance sheet with 2019 can be seen in the following table:

000s Euros	31/12/2020	31/12/2019
Total assets	663,846	586,608

Total liabilities	548,463	491,574
Excess of Assets over Liabilities	**115,383**	**95,034**

E. CAPITAL MANAGEMENT

The AECS Solvency Ratio at 31st December of 2020 has reached 175.91%. 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 2020, being the SCR adjusted by the loss absorbing capacity of deferred taxes.

No adjustments or transitional measures have been applied in the calculation.

E.1. 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 2020 is as follows:

	31/12/2020				
000s Euros	**Total**	**Nivel 1 - not restr**	**Nivel 1 - restr**	**Nivel 2**	**Nivel 3**
Ordinary share capital	9,016	9,016	-	-	-
Reconciliation reserve	105,897	105,897	-	-	-
An amount equal to the value of net deferred tax assets	470	-	-	-	470
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	**115,383**	**114,913**	**-**	**-**	**470**
Available and eligible own funds					
Total available own funds to meet the SCR	115,383	114,913	-	-	470
Total available own funds to meet the MCR	114,913	114,913	-	-	-
Total eligible own funds to meet the SCR	**115,383**	**114,913**	**-**	**-**	**470**
Total eligible own funds to meet the MCR	114,913	114,913	-	-	-
SCR	**65,591**				
MCR	25,918				
Ratio of Eligible own funds to SCR	**175.91%**				
Ratio of Eligible own funds to MCR	443.37%				

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.

The following table shows the Own Funds at the end of 2019:

	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%				

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	31/12/2020
Ordinary share capital (gross of own shares)	9,016
Other shareholder contributions	90,513
Accounting reserves	5,524
Result (year and previous)	17,269
Stabilisation reserve application	(2,405)
Adjustments for Changes in Value	1,800
Statutory Own Funds	**121,716**
Valuation SII vs Statutory	
Differences in assets	(82,443)
Differences in TPs valuation	10,385
Differences in other liabilities	(65,725)
Adjustments for Solvency II	**(6,333)**
Excess of Assets over Liabilities	**115,383**

*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.2. 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 2020. The reported Solvency Capital Requirement as at 31 December 2020 for each applicable risk is as follows:

000s Euros	31/12/2020	31/12/2019
Market Risk	8,669	9,673
Counterparty Default Risk	7,822	6,403
Life Underwiting Risk	14	-
Non Life Underwiting Risk	48,454	44,088
Diversificatión	(9,217)	(9,127)
BASIC SCR	**55,742**	**51,037**
Operational Risk	14,462	13,207
Loss absorbing capacity of deferred taxes	(4,613)	-
SCR	**65,591**	**64,244**

Solvency Ratio

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

000s Euros	**31/12/2020**	**31/12/2019**
SCR	65,591	64,244
Eligible own funds	115,383	95,034
Excess	49,792	30,789
Solvency Ratio	**175.91%**	**147.93%**

The AECS Solvency Ratio has amounted to 175.91% as at 31st December 2020 showing a comfortable solvency with respect to the AECS risk appetite set at 135%.

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 2020 is as follows:

000s Euros	**31/12/2020**	**31/12/2019**
MCR	25,918	23,585
Eligible own funds	114,913	95,034
Excess	88,995	71,448
Minimum Ratio	**443.37%**	**402.93%**

E.3. 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.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

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

E.5. 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.6. 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.
PPO	Periodical Payment Orders. Annuity consolidated by a judge and arising from large bodily injury claims.
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 2020:

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.12.01.02	Life Technical Provisions
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	41,144,858.25
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	138,105.68
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	253,347,277.65
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	151,208,137.93
Government Bonds	R0140	2,333,454.43
Corporate Bonds	R0150	148,874,683.50
Structured notes	R0160	0.00
Collateralised securities	R0170	0.00
Collective Investments Undertakings	R0180	102,139,139.72
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	326,358,999.43
Non-life and health similar to non-life	R0280	314,649,557.25
Non-life excluding health	R0290	314,649,557.25
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	11,709,442.18
Health similar to life	R0320	0.00
Life excluding health and index-linked and unit-linked	R0330	11,709,442.18
Life index-linked and unit-linked	R0340	0.00
Deposits to cedants	R0350	0.00
Insurance and intermediaries receivables	R0360	-5,236,694.50
Reinsurance receivables	R0370	0.00
Receivables (trade, not insurance)	R0380	11,981,676.90
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	36,112,064.63

Any other assets, not elsewhere shown	R0420	0.00
Total assets	**R0500**	**663,846,288.04**
Liabilities		
Technical provisions – non-life	R0510	494,799,409.04
Technical provisions – non-life (excluding health)	R0520	494,799,409.04
Technical provisions calculated as a whole	R0530	0.00
Best Estimate	R0540	488,901,288.51
Risk margin	R0550	5,898,120.53
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	12,184,391.03
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	12,184,391.03
Technical provisions calculated as a whole	R0660	0.00
Best Estimate	R0670	12,152,245.72
Risk margin	R0680	32,145.31
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	
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	40,674,839.41
Derivatives	R0790	0.00
Debts owed to credit institutions	R0800	0.00
Financial liabilities other than debts owed to credit institutions	R0810	0.00
Insurance & intermediaries payables	R0820	0.00
Reinsurance payables	R0830	-8,871,893.82
Payables (trade, not insurance)	R0840	9,676,387.75
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	-0.01
Total liabilities	**R0900**	**548,463,133.40**
Excess of assets over liabilities	**R1000**	**115,383,154.64**

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	243,729,210.24	187,326,007.85	431,055,218.09
Gross - Proportional reinsurance accepted	R0120	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0130			0.00
Reinsurers' share	R0140	140,363,849.45	130,864,755.59	271,228,605.04
Net	R0200	103,365,360.79	56,461,252.26	159,826,613.05
Premiums earned				
Gross - Direct Business	R0210	229,313,259.59	176,115,242.07	405,428,501.66
Gross - Proportional reinsurance accepted	R0220	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0230			0.00
Reinsurers' share	R0240	130,206,680.67	122,965,891.13	253,172,571.80
Net	R0300	99,106,578.92	53,149,350.94	152,255,929.86
Claims incurred				
Gross - Direct Business	R0310	167,071,627.99	46,874,180.48	213,945,808.47
Gross - Proportional reinsurance accepted	R0320	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0330			0.00
Reinsurers' share	R0340	103,712,424.73	30,056,630.40	133,769,055.13
Net	R0400	63,359,203.26	16,817,550.08	80,176,753.34
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	62,093,182.48	51,367,291.67	113,460,474.15
Other expenses	R1200			166,382.23
Total expenses	R1300			113,626,856.38

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	77,835,373.18	216,607,601.75	136,612,243.16	431,055,218.09
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	55,818,490.27	116,800,613.94	98,609,500.83	271,228,605.04
Net	R0200	22,016,882.91	99,806,987.81	38,002,742.33	159,826,613.05
Premiums earned					
Gross - Direct Business	R0210	71,346,773.71	211,193,170.17	122,888,557.78	405,428,501.66
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	51,133,967.05	114,719,680.61	87,318,924.14	253,172,571.80
Net	R0300	20,212,806.66	96,473,489.56	35,569,633.64	152,255,929.86
Claims incurred					
Gross - Direct Business	R0310	45,012,346.30	117,289,873.39	51,643,588.78	213,945,808.47
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	32,074,033.51	70,009,839.95	31,685,181.67	133,769,055.13
Net	R0400	12,938,312.79	47,280,033.44	19,958,407.11	80,176,753.34
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	18,665,044.83	65,587,698.15	29,207,731.17	113,460,474.15
Other expenses	R1200				166,382.23
Total expenses	R1300				113,626,856.38

S.17.01.02
Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0210
Technical provisions calculated as a whole	R0010	**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	R0020	**0.00**	**0.00**
Technical provisions calculated as a sum of BE and RM			
Best Estimate			
Gross Best Estimate	R0030	**12,152,245.72**	**12,152,245.72**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	11,709,442.18	11,709,442.18
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	442,803.54	442,803.54
Risk Margin	R0100	**32,145.31**	**32,145.31**
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0110	0.00	0.00
Best estimate	R0120	0.00	0.00
Risk margin	R0130	0.00	0.00
Technical provisions - total	R0200	**12,184,391.03**	**12,184,391.03**

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	121,201,814.25	42,903,069.79	164,104,884.04
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	74,837,864.63	21,099,365.34	95,937,229.97
Net Best Estimate of Premium Provisions	R0150	46,363,949.62	21,803,704.45	68,167,654.07
Claims provisions				
Gross	R0160	302,726,667.69	22,069,736.78	324,796,404.47
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	204,304,182.54	14,408,144.74	218,712,327.28
Net Best Estimate of Claims Provisions	R0250	98,422,485.15	7,661,592.04	106,084,077.19
Total Best estimate - gross	R0260	**423,928,481.94**	**64,972,806.57**	**488,901,288.51**
Total Best estimate - net	R0270	**144,786,434.77**	**29,465,296.49**	**174,251,731.26**
Risk margin	R0280	**5,520,924.80**	**377,195.73**	**5,898,120.53**
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	429,449,406.74	65,350,002.30	494,799,409.04
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	279,142,047.17	35,507,510.08	314,649,557.25
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	150,307,359.57	29,842,492.22	180,149,851.79

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
Anteriores	R0100											116,559,311
N-9	R0160	22,361,522	21,081,214	6,273,415	3,534,629	2,555,798	779,430	676,259	751,524	248,484	101,341	
N-8	R0170	29,313,294	23,227,720	7,224,543	2,442,288	2,755,477	1,009,848	736,409	932,646	967,723		
N-7	R0180	36,442,934	26,942,173	9,126,168	4,083,872	3,183,816	1,724,542	1,390,151	860,519			
N-6	R0190	46,709,744	27,052,231	8,264,948	4,224,820	2,335,653	1,186,254	1,452,335				
N-5	R0200	53,300,720	31,849,869	10,405,341	6,649,660	3,917,180	2,128,255					
N-4	R0210	59,746,924	44,409,193	13,946,295	5,568,060	3,054,936						
N-3	R0220	79,494,039	50,027,972	19,278,852	5,627,404							
N-2	R0230	88,969,940	55,838,606	14,890,580								
N-1	R0240	115,148,047	64,315,013									
N	R0250	97,463,544										

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	116,559,311	116,559,311
N-9	R0160	101,341	58,363,617
N-8	R0170	967,723	68,609,948
N-7	R0180	860,519	83,754,175
N-6	R0190	1,452,335	91,225,985
N-5	R0200	2,128,255	108,251,025
N-4	R0210	3,054,936	126,725,407
N-3	R0220	5,627,404	154,428,266
N-2	R0230	14,890,580	159,699,127
N-1	R0240	64,315,013	179,463,060
N	R0250	97,463,544	97,463,544
Total	**R0260**	**191,219,684**	**1,244,543,465**

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
Anteriores	R0100											2,082,339
N-9	R0160									1,732,428	980,117	
N-8	R0170								3,252,708	3,038,278		
N-7	R0180							8,244,718	7,426,837			
N-6	R0190						6,015,879	4,404,667				
N-5	R0200					22,703,648	9,040,148					
N-4	R0210				29,477,288	30,193,745						
N-3	R0220			36,545,537	30,854,645							
N-2	R0230		54,735,585	39,583,581								
N-1	R0240	146,451,616	75,737,347									
N	R0250	128,791,673										

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

		Year end (discounted data)
		C0360
Prior	R0100	760,313.61
N-9	R0160	981,963.00
N-8	R0170	3,043,818.81
N-7	R0180	6,998,494.69
N-6	R0190	4,067,585.25
N-5	R0200	6,197,938.05
N-4	R0210	27,573,567.63
N-3	R0220	29,316,702.23
N-2	R0230	38,381,064.53
N-1	R0240	76,465,162.77
N	R0250	130,329,617.10
Total	**R0260**	**324,116,227.65**

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	0			
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	105,897,135.80	0			
Subordinated liabilities	R0140	0.00		0	0	0.00
An amount equal to the value of net deferred tax assets	R0160	470,018.84				470,018.84
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	115,383,154.64	114,913,135.80	0.00	0.00	470,018.84
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
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	0
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	115,383,154.64	114,913,135.80	0.00	0.00	470,018.84
Total available own funds to meet the MCR	R0510	114,913,135.80	114,913,135.80	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	115,383,154.64	114,913,135.80	0.00	0.00	470,018.84
Total eligible own funds to meet the MCR	R0550	114,913,135.80	114,913,135.80	0.00	0.00	
SCR	R0580	65,591,303.70				
MCR	R0600	25,918,143.43				
Ratio of Eligible own funds to SCR	R0620	1.76				
Ratio of Eligible own funds to MCR	R0640	4.43				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	115,383,154.64
Own shares (held directly and indirectly)	R0710	0.00
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	9,486,018.84
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.00
Reconciliation reserve	R0760	**105,897,135.80**
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	12,107,619.85
Total Expected profits included in future premiums (EPIFP)	R0790	**12,107,619.85**

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	8,668,767.48	0
Counterparty default risk	R0020	7,821,888.53	
Life underwriting risk	R0030	14,029.80	0
Health underwriting risk	R0040	0.00	0
Non-life underwriting risk	R0050	48,454,453.59	0
Diversification	R0060	9,216,803.45	
Intangible asset risk	R0070	0.00	
Basic Solvency Capital Requirement	R0100	**55,742,335.95**	

		Value
		C0100
Operational risk	R0130	14,461,880.23
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	-4,612,912.48
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	**65,591,303.70**
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	**65,591,303.70**
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	25,910,288.30

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	144,786,434.77	102,995,778.94
Other motor insurance and proportional reinsurance	R0060	29,465,296.49	22,825,878.46
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	7,855.13

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	374,053.98	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

Overall MCR calculation

		C0070
Linear MCR	R0300	25,918,143.43
SCR	R0310	65,591,303.70
MCR cap	R0320	29,516,086.67
MCR floor	R0330	16,397,825.93
Combined MCR	R0340	25,918,143.43
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	**25,918,143.43**