RAC Insurance Limited

Solvency & Financial Condition Report

For the year ended 31 December 2022

Contents

Introduction

Solvency II, the harmonised, EU wide, regime for Insurance Companies, requires insurance companies to put in place reporting and public disclosure arrangements, including the Solvency & Financial Condition Report ("SFCR").

This SFCR has been prepared to enable the customers of RAC Insurance Limited ("RACIL" or "Company") and other stakeholders to assess the financial position of the Company. It provides details of the Business and Performance of RACIL, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

RAC Insurance Limited

RACIL is part of the RAC Group ("Group" or "RAC") which provides breakdown assistance services and general insurance cover to both individual and corporate customers. RACIL is a small insurer which underwrites a number of simple, short-term, general insurance, roadside assistance and legal services products offered by the Group.

This SFCR has been prepared for the Company's financial year ended 31 December 2022. It has been prepared on a "solo" basis covering RACIL as the only PRA authorised insurance entity within the RAC Group. In addition to benefiting from the governance structure of the wider Group, RACIL is also governed on an individual basis.

Executive Summary

The Company generated a profit of £0.1m in 2022 (2021: £1.9m) and continues to maintain own funds in excess of the Solvency Capital Requirement (SCR). For the financial year to 31 December 2022, RACIL has a SCR of £7.0m (2021: £5.7m) while holding own funds totaling £15.2m (2021: £23.0m). This equates to an own funds to SCR ratio of 218% (2021: 403%).

There have been no material changes in the business during the year. Further details of RACIL's solvency position can be found in sections D and E of the SFCR, while further information on the Company's financial performance can be found in RACIL's Annual Report and Financial Statements for the year ending 31 December 2022 ("2022 Annual Report & Financial Statements").

Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that RACIL must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of RACIL's 2022 Annual Report & Financial Statements*, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, RACIL has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
(b) It is reasonable to believe that, at the date of publication of the SFCR, RACIL continues so to comply, and will continue so to comply in future.

** "At the time of writing the RACIL Annual Report has not been published and is due to be published by the end of September 2023*

By Order of the Board

Jo Baker
CFO

Section A – Business & Performance

A.1 Business

A.1.1 Background

The RAC Group operates within the motoring services and insurance broking sectors. The Group provides individual and business customers with access to a range of breakdown and optional extra products, legal expenses policies, as well as other RAC branded insurance products arranged through partner firms.

The Group includes three FCA authorised entities; RAC Motoring Services ("RACMS"), RAC Financial Services Limited ("RACFSL") and RAC Insurance Limited ("RACIL"). RACIL is authorised by the PRA and regulated by both the PRA and FCA. RACMS and RACFSL are authorised and regulated by the Financial Conduct Authority (FCA).

RACIL was incorporated in 1989 and currently has annual premium income of approximately £20m. It is classified by the Prudential Regulation Authority ("PRA") as a Smaller Insurer in the 'Motor, Property, Miscellaneous' Peer Group. RACIL does not sell insurance products directly to customers, this activity is undertaken by RACMS, RACFSL, or by other intermediary firms.

A.1.2 Products Underwritten

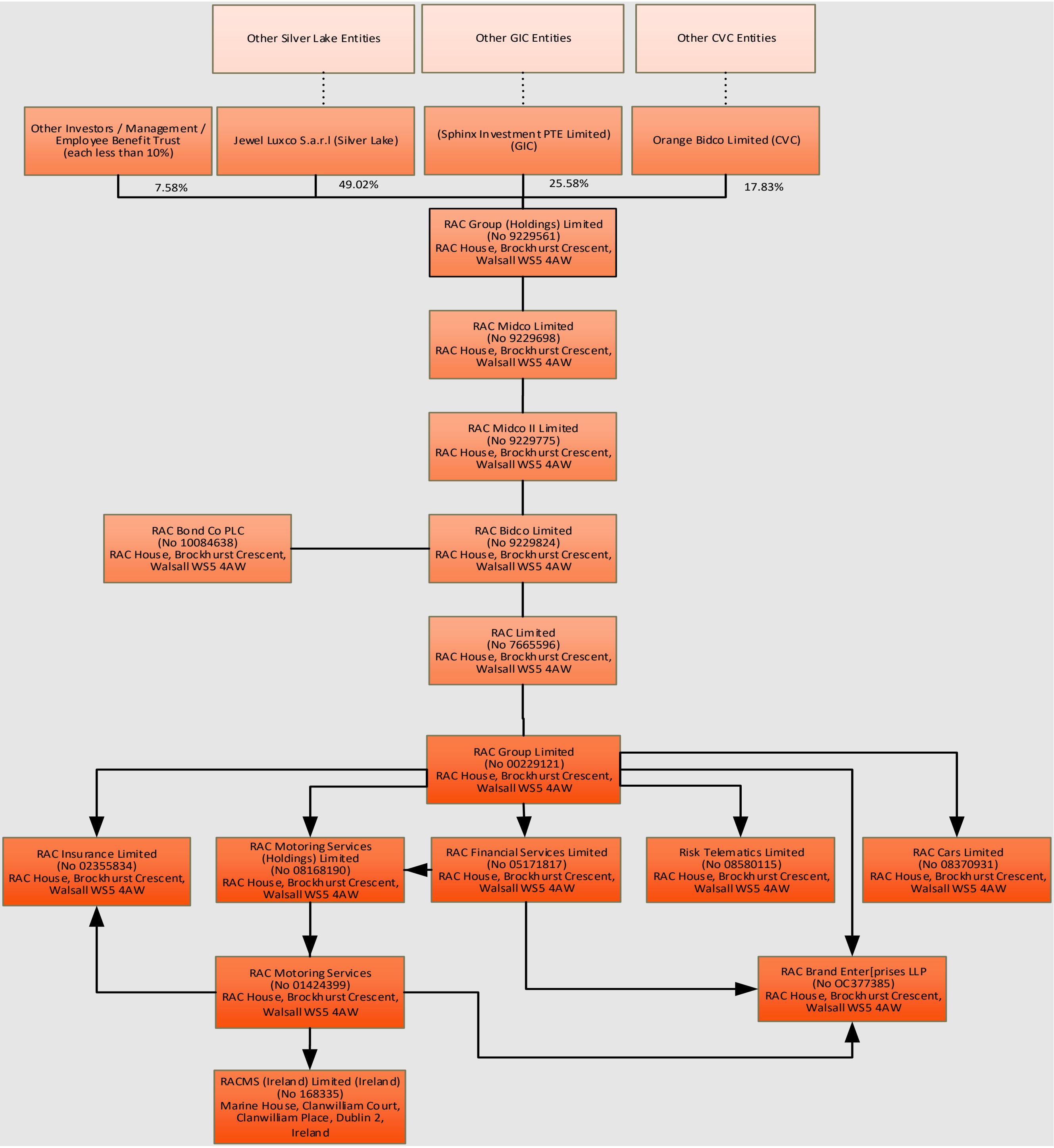
RACIL underwrites a number of breakdown assistance and 'optional extra' insurance products for both individual and corporate customers. These include Onward Travel, European Cover, 'Optional Extra' products (including Battery, Key, and Tyre Replace) and Legal Expenses products.

A.1.3 Recent Developments

During the period covered by this report, RACIL has not underwritten any new products and the products underwritten remain breakdown assistance and legal services related. Due to some corporate customer contract wins the Company has seen an increase in revenue and costs relating to legal expenses insurance. There have been no recent developments within the Group or Company which would impact the Company's solvency position, financing or profitability.

A.1.4 Structure

RAC Group Limited sits above RACIL and is deemed to be a Mixed Activity Insurance Holding Company, with RAC Group (Holdings) Limited deemed to be the Ultimate Mixed Activity Insurance Holding Company and ultimate parent company for the RAC Group. The diagram below shows the simplified structure of the RAC Group of Companies as at 31 December 2022. The percentage voting rights of the shareholders are shown.



A.1.5 Strategy

The Group's updated strategy, covering the period to 2022 to 2027, was launched in November 2022. This strategy aims to make RAC the UK's #1 consumer driving services subscription business providing complete peace of mind to a growing customer base.

The strategy is built around 3 strategic "pillars": 'Membership enabled by My RAC', Expanding RAC's Total Addressable Market (TAM) through the expansion of our Service Maintenance & Repair (SMR) product suite and 'Accelerating our core business'. The strategy will be underpinned by a step-change in leveraging RAC's brand, digital products, unique data capabilities, targeted technology, and colleague plans.

The continued focus on and investment in RAC's core businesses of breakdown services and insurance to power profitable and sustainable growth remains central to this strategy. At the same time, the Group will selectively innovate new products and services and move in to the SMR sector to realise opportunities to meet more of its members' driving and mobility needs.

A.1.5.1. Strategy – Impact to RACIL

Not all of elements of the Group's strategy are directly relevant to RACIL, as some aspects do not relate to regulated products or the products will not be underwritten by RACIL. The most impactful aspects are expected to be growth in breakdown services and legal services as a number of RAC's breakdown assistance and legal expenses insurance products are underwritten by RACIL.

The growth is planned to be achieved through improving the retention levels of existing customers, increasing the cross-sell of products to our customer base and the acquisition of new customers.

The products being arranged by the Group, including those being underwritten by RACIL, are intended to remain within the already established 'breakdown assistance' or general insurance categories. It is not anticipated that there will be material changes to the risk profile of the Group as a whole or RACIL individually as a result of changes to the product suite.

A.1.6 Regulators

The lead regulator for RACIL is the Prudential Regulation Authority (PRA). The PRA can be contacted at the following address:

Prudential Regulation Authority
Bank of England
20 Moorgate
London
EC2R 8AH

RACIL is also regulated by the Financial Conduct Authority (FCA). The FCA can be contacted at the following address:

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

A.1.7 Auditors

The financial statements are audited by Deloitte LLP who can be contacted as follows:

Deloitte LLP
Four Brindleyplace
Birmingham
United Kingdom
B1 2HZ

A.1.8 Shareholders

RAC Insurance Limited is a 100% owned subsidiary of RAC Group Limited. RAC Group Limited is a 100% indirect subsidiary of RAC Group (Holdings) Limited. The table below provides details of holdings across share classes and as at 31 December 2022.

Shareholder	% of Ownership (across all shares classes)	Voting control
Orange Bidco Limited (CVC)	42.52%	17.83%
Sphinx Investment PTE Limited (GIC)	37.31%	25.58%
Jewel Luxco S.a.r.l (Silver Lake)	0.02%	49.02%
Other Investors (each less than 10%)	18.08%	7.57%
Management / Employee Benefit Trust	2.07%	-

A.1.9 Segmental Analysis

All of RACIL's business risks and returns are within one segment (non-life insurance) and are split between breakdown assistance (and related add-on products) and legal expenses insurance. RACIL's operations are materially within the United Kingdom.

A.2 Underwriting Performance

The Company operates in the assistance and legal expenses insurance business and therefore the levels of insurance risk that RACIL is exposed to is limited. The underwriting performance of the Company for the year ending 31 December 2022 can be summarised as follows:

Underwriting performance	**2022 £'000**	**2021 £'000**
Net written premium	19,519	15,159
Net earned premium	17,015	14,348
Claims incurred	(14,261)	(10,133)
Expenses incurred	(2,962)	(2,579)
Underwriting performance	(208)	1,636
Combined operating ratio	99%	88%

During 2022, a change in methodology for Legal Expenses Insurance claims provisioning was implemented, which, in conjunction with the changes to the personal injury claims framework, has resulted in an increase in the claims ratio and a reduction in the underwriting performance.

It is the Company's intention to maintain its positive operating margin, whilst adhering to strict underwriting disciplines. Further details on the underwriting performance of the Company can be found in RACIL's 2022 Annual Report & Financial Statements.

A.3 Investment Performance

RACIL does not hold any complex investments or financial instruments, the main external asset being cash and cash equivalents held with a number of highly rated counterparties. This cash is held to help maintain appropriate levels of solvency capital and not for the purpose of generating a return, although a small amount of investment income in the form of interest is earned each year. RACIL also holds one property, which is held for capital purposes and, while it does generate low levels of investment income, this is not the primary purpose of this asset.

A.4 Any other information

None.

Section B – System of Governance

B.1 General governance arrangements

B.1.1 Introduction

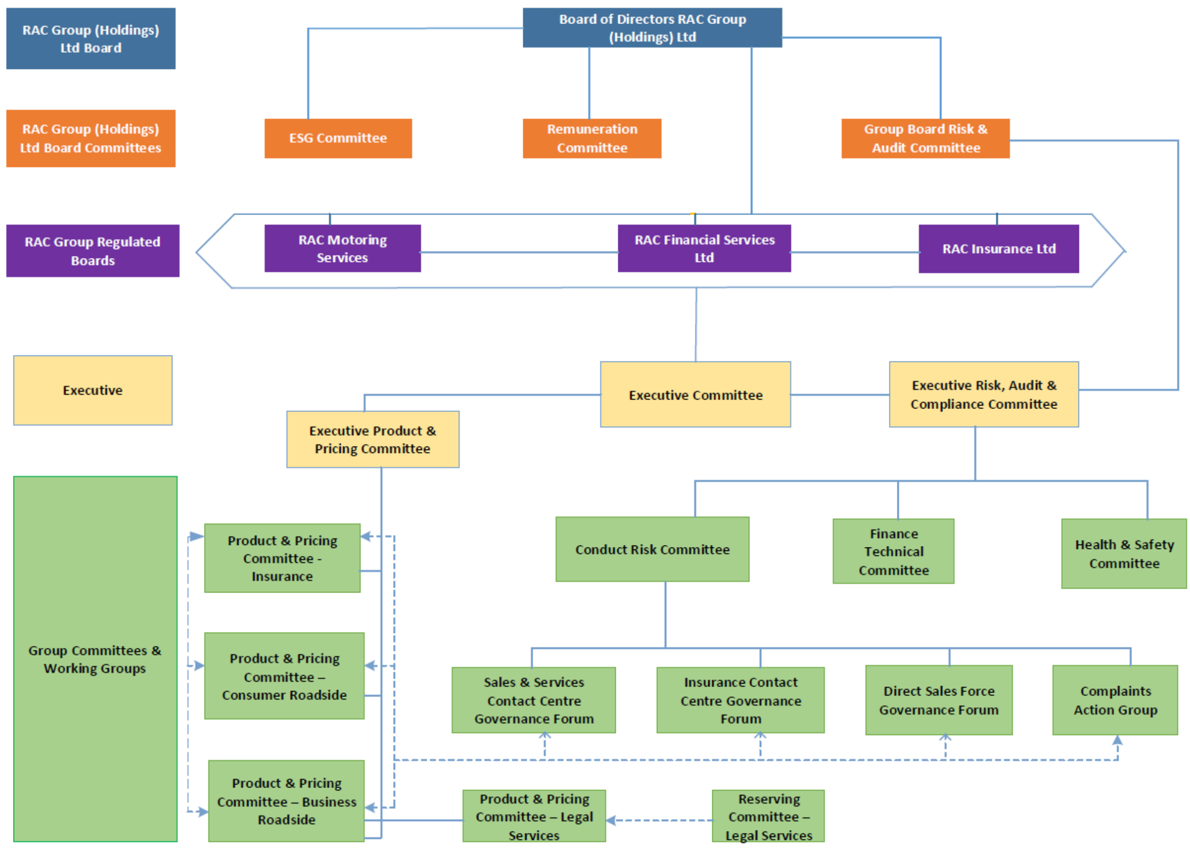
RAC has a comprehensive governance structure in place which includes the Committees detailed below. These Committees operate on behalf of RACIL, and the other regulated entities in the Group.

In line with PRA requirements, a Responsibilities Map is also in place to ensure that important governance activities are clearly allocated to individuals who are in scope of the Senior Managers Regime. The Responsibilities Map is supported by detailed Statements of Responsibilities which are in place for all Senior Management Functions and Key Function holders.

The purpose of this section is to provide an overview of the key elements of these governance arrangements, including the risk management framework and internal control system.

B.1.2 Committees & Working Groups

The RAC Group Committee & Working Group structure as at 31 December 2022 is outlined below:



Key responsibilities of each of the main Committees and working groups are summarised as follows:

B.1.2.1 Group Board Risk & Audit Committee

- Reviewing the Group's Financial Statements prior to approval on behalf of the Board and reviewing the external auditor's reports thereon;
- Establishing procedures to ensure that the Group monitors and evaluates risks appropriately;

- Ensuring that RAC has a culture of delivering good customer outcomes and identifying any risks to those outcomes is embedded consistently across the business;
- Reviewing internal controls and approving the internal audit plan to monitor the effectiveness of those controls;
- Considering the consistency of accounting policies across the Group and the accounting for any significant or unusual transactions where judgement has to be applied;
- Assessing the independence and objectivity of the external auditors.

The Board Risk & Audit Committee meets three times per annum.

B.1.2.2 Group Executive Risk, Audit & Compliance Committee

- Reviewing the risk registers from the business areas to ensure that key risks are captured and that appropriate mitigating actions are in place. Ensuring the Group key risks are captured and articulated to the Board Risk & Audit Committee;
- Review the design and implementation of the risk management framework and assessing the effectiveness of the RAC Group's management of risk and of regulatory compliance, including the specific risk appetite for strategic, operational, financial, regulatory and conduct risk;
- Assessing whether issues of a risk management or control nature are appropriately addressed by management in a timely manner;
- Keeping under review the risk appetite and risk profile to apply, providing assurance to the Committee that such appetite and policies are consistent with and aligned to the RAC Group's appetite and profile and making recommendations to the Committee; and
- Reviewing and assessing the approach taken by the RAC business to ensure fair outcomes to customers. Reviewing Conduct Risk MI to ensure it is fit for purpose and identify any trends which may cause concern and suggesting and overseeing mitigating actions and controls, where appropriate

The Executive Risk, Audit & Compliance Committee meets five times per annum.

B.1.2.3 Group Remuneration Committee

Key responsibilities of the Remuneration Committee include:

- Determining the participation of directors and employees in any equity holding or other long-term incentive schemes operated by the Group.
- Agreeing the framework for the remuneration of the executive directors and other senior executives, and determining their total individual remuneration packages including pension arrangements (the CEO is not present when his remuneration package is determined).
- Determining specific incentives for the executive directors and senior management in order to encourage enhanced performance and to ensure fair reward for individual contributions to the success of the Group.
- Ensuring contractual terms are adhered to on termination and that any payments made are fair to both the individual concerned and the Group, and that failure is not rewarded.
- Evaluating the performance of the executive directors against challenging objectives, including non-financial objectives.
- Ensuring that the remuneration practices across the Group operate in line with PRA and FCA requirements and specifically that they do not drive inappropriate behaviours.

The Remuneration Committee meets twice per annum.

B.1.2.4 Group Conduct Risk Committee

Key responsibilities of the Conduct Risk Committee include:

Conduct Risk Management and Monitoring:

- Providing oversight of Conduct Risk across the business and its adherence to Conduct Risk appetite;

- Monitoring business output to identify potential Conduct Risks, suggesting and overseeing mitigating actions where appropriate; and
- Conducting cross functional and departmental Conduct Risk reviews (where appropriate).

Conduct Risk Reporting:

- Reviewing the Conduct Risk MI and providing appropriate challenge and direction;
- Reviewing the Conduct elements of the business Risk Register and providing appropriate challenge and direction; and
- Reporting to the Board, through the Risk and Audit Committee, 3 times per year, the Conduct Risk MI and appropriate updates.

Conduct Risk Strategy:

- Reviewing and providing comment on the Conduct Risk strategy; and
- Reviewing and providing oversight of the Product Governance cycle, including the review and approval of new products.

The Conduct Risk Compliance Committee meets at least six times per annum.

B.1.2.5 Executive Product & Pricing Committee

Key responsibilities of the Executive Product & Pricing Committee are:

- To formulate and review the principles, practices and framework that each business division shall operate with regards to pricing and product governance;
- To review and ratify RAC product and proposition development including the distribution of products;
- To review and ratify product reviews, to ensure products perform as expected for their intended target market, can meet the demands and needs of that market and offer fair value;
- To review and ratify RAC pricing framework and strategy;
- To ensure that relevant Senior Managers and Approved Persons for each business area are able to effectively consider and ratify product and pricing strategies and to enable the business to meet its regulatory and customer requirements;
- To ensure that RAC conducts all of the above activities in line with its regulatory requirements; and
- To provide assurance to the Executive Committee of the product and pricing control framework.

The Executive Product & Pricing Committee meets at least four times per annum.

B.1.2.6 Other Committees & Action Groups

Other Committees and Working Groups are in place including an ESG working committee, a Complaints Action Group and Health & Safety Committee.

In addition, new committees, sub-committees and working groups may be established on a permanent or temporary basis. These committees may be dissolved as deemed necessary by the Committee's Chairperson or Senior Management, except in the case of the Board Committees, where full Board approval is required. Terms of reference describe the structure, purpose and membership of each of the committees and working groups.

B.1.3 Board of Directors

RACIL'S Board of Directors ("RACIL Board") is responsible for ensuring that sound governance arrangements are in place, that the operational effectiveness of the risk management and internal control environment is maintained and that effective risk management policies are followed within the overall RAC Group risk management framework.

RACIL Board meetings are held at least 6 times per annum. The following were members of the RACIL Board at 31 December 2022:

Director	Approved Function
Robert Templeman	Non-Executive Director / SMF12 Chair of REMCO
Dave Hobday	SMF1 Chief Executive Officer Function
Jo Baker	SMF2 Chief Finance Officer Function
Mark Wood	SMF10 / SMF11 Chairman of the Risk Committee / Chairman of the Audit Committee Function
Patrick Gale	SMF9 – Chair (Non-Exec)
Tesula Mohindra	Non-Executive Director (subsequently approved on 16/2/23)

B.1.4 Senior Manager Functions (SMFs)

The following individuals held Senior Manager Functions at 31 December 2022:

Director	Approved Function
Robert Templeman	SMF12 Chair of REMCO
Dave Hobday	SMF1 Chief Executive Officer Function
Jo Baker	SMF2 Chief Finance Officer Function
Mark Wood	SMF10 / SMF11 Chairman of the Risk Committee / Chairman of the Audit Committee Function (Tesula Mohindra subsequently appointed to hold these SMF functions from 16/2/23)
Patrick Gale	SMF9 – Chair (Non-Exec)
Alex Heath	SMF3 Executive Director Function
Paul Coulton	SMF3 Executive Director Function SMF24 Chief Operations Function
Phil Ryan	SMF3 Executive Director Function SMF24 Chief Operations Function
Mark Godfrey	SMF3 Executive Director Function
Andy Baker	SMF3 Executive Director Function
Rhys Aubrey	SMF5 Head of Internal Audit
Clare Woolley	SMF4 Chief Risk Officer SMF16 Compliance Oversight

RACIL will periodically review the appropriateness of the SMF functions in place and will appoint additional SMFs or Key Function Holders, if required. The individual responsibilities of each of the SMFs will also be reviewed and adjusted periodically. The respective roles and responsibilities of each of these individuals is set out in the Management Responsibilities Map and in their individual Statement of Responsibilities.

B.1.5 Remuneration Policy & Practices

The Company provides a range of benefits to employees, including contractual salary, pension, and other 'flexible benefits' which can be selected by the employee, if required.

The Group also operates a non-contractual annual bonus scheme for certain employees based on Group performance. The bonus plan principles for both Executive members and members of the Senior Leadership Team operate on a "balanced scorecard" approach and enable a proportion of the bonus payment to be forfeited if there is a failure to demonstrate strong regulatory compliance and customer focus. In 2022 RACIL board approved introduction of a clawback mechanism for Executive members and Senior Leadership Team, whereby any bonus may be required to be repaid in the event that the colleague has, within a period of three years from the date of payment, shown material wrong-doing, material conduct, dishonesty, fitness & propriety issues or otherwise brought the Group into disrepute.

The Group operates various local bonus and incentive schemes which may apply from time to time to selected groups of colleagues. The Group has a policy in place to regulate these schemes which requires a risk assessment based on any risks to good customer outcomes and requires approval of the relevant SMF functions or their certified population, along with the Chief Risk & Legal Officer and Chief People Officer. Each scheme is required to be reviewed on an annual basis.

The Group has in place a Remuneration Policy which applies to all Group entities, including RACIL. The Remuneration Policy aims to ensure that remuneration practices encourage the delivery of fair and consistent customer outcomes, do not encourage excessive risk taking or threaten the capital base of businesses in the RAC Group, including the regulated entities. The Group's Remuneration Policy is overseen by the Remuneration Committee. Details of the Terms of Reference of the Remuneration Committee are provided at Section B.1.2.3.

B.1.6.1 Risk Function

The Risk function is led by the Chief Risk & Legal Officer who reports directly to the Board via the Chair of the Risk and Audit Committee and, with effect from March 2023, is a member of RAC's Executive Team, reporting to the CEO. The aims of the Risk Function are to:

- Support and challenge the management of risks across the business as a whole;
- Review and collate risk information supplied by business units, ensuring that mitigating actions and controls are appropriate;
- Ensure that material risk issues receive sufficient and timely attention by senior management and the Board;
- Develop the RAC risk framework, methods and tools;
- Prepare reports and other management information for the Executive, Board and Risk Committees in order to provide them with details of key risks, mitigating actions and controls, and to enable them to assess the overall effectiveness of the risk management framework;
- Ensure that appropriate processes and procedures are in place in order to enable the identification, assessment, management, monitoring and reporting of risks to which RAC is, or may be, exposed;
- Ensure that emerging risks are identified by the business, and that clear ownership is in place in order to monitor these risks;
- Promote the continuous development of a robust risk-focused culture, ensuring that the importance of effective risk management is understood by 1st line staff and management;
- Provide proactive advice and guidance on risk issues to business units, colleagues, and senior management, including participating in ad-hoc business projects to provide risk management input and oversight; and
- Co-ordinate and undertake activity required in connection with Solvency II compliance, including the ORSA process and report, reporting to the RACIL Board, and coordinating and contributing to SII reporting.

B.1.6.2 Compliance Function

The Compliance Key Function is led by the Chief Risk & Legal Officer who reports directly to the Board via the Chair of the Risk and Audit Committee and, with effect from March 2023, is a member of RAC's Executive Team, reporting to the CEO. The key aims of the Compliance Function are to:

- Operate a risk-based Compliance Oversight Plan to provide independent oversight of all business areas and ensure that regulatory requirements are being adhered to and that conduct / regulatory risks are being mitigated and customers are receiving appropriate outcomes;
- Undertake Compliance Monitoring focused on key conduct or regulatory risks;
- Review regulatory developments to assess their potential impact on RAC, communicate these to key stakeholders, and ensure that the business has appropriate plans in place to implement any changes required;
- Provide general compliance advice to the business in relation to strategic change programmes and other business initiatives;
- Manage the relationship with the PRA, FCA, and other regulators;
- Coordinate regulatory reporting to the PRA and FCA in order to ensure timely and accurate submissions;
- Provide the Board and Executive with regular reports in order to enable them to assess the compliance and regulatory risk profile of the business and to take action where areas of concern are identified; and
- Provide the Board, Executive and other staff with appropriate regulatory training to ensure that they can understand the key regulatory requirements relating to RAC and to their specific roles.

B.1.7 Adequacy of System of Governance

The governance arrangements in place are deemed to be proportionate to the nature, scale and complexity of RACIL. RAC periodically reviews the governance arrangements in place against the principles of the UK Corporate Governance Code and current best practice in order to identify any areas where our governance structure and processes can be enhanced. In addition, the Compliance, Risk and Internal Audit Functions will undertake periodic reviews and audits of specific areas of our governance arrangements.

B.2 Fit & Proper requirements

The 'Fit & Proper' requirement is the standard required by the FCA and PRA for Senior Management and Key Function Holders, both at appointment and on an ongoing basis.

RAC will ensure that members of the Board of RACIL, individuals who effectively run the Company, or other individuals holding key functions are 'fit and proper' taking into account the respective duties allocated to individual persons to ensure appropriate diversity of qualifications, knowledge and relevant experience so that the firm is managed and overseen in a professional manner.

The Group's assessment of the fitness and propriety of approved and notified individuals reflects the SMR fit and proper requirements, namely:

- Financial soundness;
- Honesty, integrity and reputation; and
- Competence and capability.

RAC will undertake detailed due diligence to satisfy itself of the appropriateness of the applicants for Senior Management Function or Key Function Holder roles. This will include:

- Regulatory references;
- Qualification certificates;
- Credit checks;
- Criminal Records checks; and
- Directorship checks.

In addition, RAC will ensure that the Board collectively possess appropriate qualifications, experience, and knowledge of at least:

- Insurance and financial markets;
- Business strategy and business model;
- System of governance;
- Financial and actuarial; and
- Regulatory framework and requirements.

The fit and proper assessment will consider the outcome of this due diligence and a wider assessment of the individual's experience and knowledge relevant to the specific role in question. The assessment will take place at appointment, and annually thereafter.

B.3 Risk Management System (including the ORSA)

B.3.1 Risk Management Framework – Overview

RAC operates an Enterprise Risk Management Framework, which is a collection of processes and tools established to ensure that the risks to which the Group is exposed, including those which could specifically impact on RACIL, are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk reports and the governance and oversight structure.

In common with many firms that operate in the insurance sector, RAC has a 'Three Lines of Defence' risk management model in place. The Three Lines of Defence model helps RAC ensure that an appropriate level of 'oversight' and challenge is in place. The roles and responsibilities of each line of defence are summarised below.

Executive Management (1st line of Defence) – Day to Day Management & Control

- Responsibility for managing risk and implementing effective controls;
- Operating the business within set risk management appetite and tolerances;
- Risk taking & managing those risks;
- Implementing the risk framework;
- Embedding a risk culture;
- Implementing controls and ensuring that they are operating effectively;
- Ensuring risks are identified and managed during projects; and
- Ensuring outsourced activity is managed and controlled to an acceptable level.

Risk / Compliance Functions (2nd line of Defence) – Oversight, Policy & Methodology

- Quantitative and qualitative oversight and challenge of key risks;
- Ensuring compliance with risk limits;
- Developing the risk framework, methods and tools;
- Being a centre of excellence for risk management expertise; and
- Being able to influence and objectively challenge all key material business decisions.

Internal Audit (3rd line of Defence) – Independent Assurance

- Monitoring the effectiveness of risk management processes
- Performing tests of control effectiveness
- Identifying and agreeing corrective actions with management
- Liaising with the Risk and Compliance functions
- Reporting to the Board Audit & Risk Committee.

B.3.2 Risk Identification & Reporting

Risk identification is described as the process of finding, recognising and describing risks.

The aim of risk identification is to identify our exposure to uncertainty and help us decide how we want to manage it. The identification of risks will consider:

- External factors - regulatory/legal change, competitor strategies, economic factors etc.; and
- Internal factors - such as system malfunctions, ineffective operating processes, loss of key staff etc.

RAC has a comprehensive process in place to ensure that material risks are identified, mitigated and reported.

Business Divisions / Group Functions

The Group-wide risk assessment requires business units to formally review business risks three times per annum. In order to capture, effectively manage, and report on risks, risk registers are in place for all business areas and functions. Individual members of the Executive team are responsible for ensuring that material risks within their business area are identified and mitigated and reported via their risk register. These are then reported to the Executive Risk, Audit & Compliance Committee.

Group Key Risks

In addition, RAC has in place a Group Key Risks Register to capture key risks to the business. These represent the "principal" risks to the Group. Each risk is allocated an Executive level risk owner(s) in order to ensure clear ownership and ongoing focus on monitoring the risk and ensuring that mitigating actions and controls remain appropriate.

The Group Key Risk Register and Group Key Emerging Risk Register is updated regularly and is reviewed and approved by both the Executive Risk, Audit & Compliance Committee and the Board Risk & Audit Committee.

RAC Insurance Limited – Material Risks

The specific risk assessment process for RACIL will consider whether any of the risks arising from the individual business areas of RAC Group, as well as Group Key Risks, have the potential to have a material impact on the solvency of RACIL, or on the delivery of services to RACIL policyholders. These risks will be included in the annual ORSA process and report, if appropriate.

Emerging Risks

RAC defines emerging risks as being "newly developing or changing risks which are in the process of being understood and quantified and which may have a major impact on RAC". Emerging risks will be considered during both the identification and review of Business Area / Function risks, the update of the Group Key Risks, and also when considering the risks to RACIL.

RAC maintains a Group Emerging Risk Register to capture any risks which may have a major impact on RAC. Each risk is allocated an Executive level risk owner(s) and initial actions to monitor the risk are identified and captured on the risk register.

B.3.3 Risk Appetite & Tolerance

RAC has a set of high-level Group Risk Appetite Statements which have been approved by the Board.
The statements are aligned to the main categories of risk that RAC uses and also to specific categories of risk to which RAC is exposed.

RAC categorises risks into high-level categories ("key risk drivers"). These are:

- Strategic – risks impacting on RAC's mission and strategic objectives;
- Operational – risks resulting from inadequate or failed internal processes, people, and systems, or from external events;
- Financial – risks impacting on the solvency or financial performance of the business;
- ESG – risks arising from environmental, social or governance factors;

- Regulatory/Legal – risks arising from failure to comply with applicable laws and regulations; and
- Conduct – risk that RAC's behaviour will result in poor outcomes for customers.

Underneath the high-level risk categories sit a number of sub-categories of risks to which RAC is particularly exposed including Underwriting risk, Liquidity risk, Credit risk and Counterparty risk.

The statements are reviewed by the Board annually (last review Nov 2022).

B.3.4 Risk Management & Controls

The risk management framework is designed to identify, measure, manage, monitor and report significant risks to the achievement of our strategy, as well as other categories of risk, for example, operational and conduct risks. The following table provides a summary of the core elements of our risk management framework:

Core Elements	Description
Risk Appetite Framework & Statements	Describes our overall approach to risk appetite as well as risk appetite/tolerance statements aligned to the key categories of risk to which RAC is exposed
Risk Policies, Guidance & Other Documents	Our risk policies define our approach to risk management and establish the controls, procedures, limits and escalation to ensure that risks are managed in line with risk appetite. These policies include our Risk Management & Internal Control Policy, Compliance & Regulatory Risk Policy and Material Outsourcing Policy.
Risk Identification & Assessment	Identifies the risks which RAC Group, and RACIL specifically, is exposed to and assesses these based on their probability and potential impact
Risk Oversight	Conducted by the following individuals and groups: Compliance Function, Risk Management Function, Internal Audit Function, Executive Risk, Audit & Compliance Committee
RACIL Board / Group Board Risk & Audit Committee	RACIL Board, as well as the Group Board Risk & Audit Committee oversee the functioning of the risk management framework

The RAC Risk Management Framework, Guidance & procedures document provides full details of the risk management framework in place across RAC Group.

B.3.5 Own Risk & Solvency Assessment (ORSA)

The ORSA is the process by which the Board of RACIL considers the strategy of the Company, the risks faced in pursuing that strategy and the appropriate mitigation of those risks. The assessment of these risks and the overall risk profile is used to determine RACIL's solvency needs. The solvency needs are then projected for the duration of the planning period to ensure that the SCR and MCR are met at all times. The current and projected capital requirements are monitored, and any significant deviations or concerns will be acted on.

The ORSA process also considers whether the use of the Standard Formula remains appropriate considering the risk profile of RACIL. The ORSA is owned by the Board and is undertaken annually, or on an ad hoc basis following any material change in the strategy of the Group which could impact on RACIL. The most recent ORSA report was prepared in May/June 2022 and was reviewed by the RACIL Board in July 2022.

An ORSA Policy is in place to describe the framework, processes and procedures for the ORSA and ensure that the roles and responsibilities of key individuals in the ORSA process is clearly defined. The ORSA Policy is reviewed annually by the Board.

B.4 Internal Control System

RACIL's internal control system is designed to provide reasonable assurance that its financial reporting is reliable, compliant with applicable laws and regulations and that its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice the oversight and management of these systems necessarily involves the participation of the Board, the Group Board Risk & Audit Committee, senior management, the Risk, Compliance, Internal Audit and Finance Functions, as well as various other committees and working groups that operate on behalf of the Group as a whole.

Primary responsibility for ensuring day-to-day oversight of the internal control system lies with RACIL's Senior Manager Functions (SMFs) and Key Function Holders.
RACIL also has in place a comprehensive suite of policies which form a key component of the internal control system. These include a Risk Management & Internal Control Policy, Compliance & Regulatory Risk Policy, Group Financial Crime Policy, ORSA Policy, Underwriting, Reserving & Reinsurance Policy, Remuneration Policy, Material Outsourcing Policy, and Internal Audit Policy.

In terms of specific financial governance and controls in place in relation to RACIL, these include:

- Solvency statements and details of any significant changes in the financial regulatory environment are reported to each RACIL Board meeting and to the Board Risk & Audit Committee.
- Stress and Scenario testing performed by the Finance team and reviewed by the Group Finance Director, which takes into consideration wider finance stress testing as part of the forecasting for the Group.

B.5 Internal Audit Function

RAC maintains an Internal Audit Function ("Internal Audit"). The Head of Internal Audit reports functionally to the Chair of the Board Risk & Audit Committee and also reports administratively to the Chief Risk and Legal Officer.

The aims of the Internal Audit Function are to:

- Operate a risk-based audit programme;
- Review and evaluate the adequacy of the design and effectiveness of controls to manage key risks to the organisation and to ensure compliance with policies, plans, procedures and business objectives established by management;
- Provide consultancy and advisory reviews as required by management or by the Board Risk & Audit Committee;
- Perform tests of control effectiveness;
- Identify and agree corrective actions with management;
- Liaise with the Risk and Compliance functions; and
- Report to the Board Risk & Audit Committee.

These aims are documented in the Internal Audit Charter (Policy).

Internal Audit prepares an audit plan each year setting out the programme of work to be undertaken, which is agreed following consultation with the Board Risk & Audit Committee. The areas included in the plan are determined by Internal Audit with regard to key risk areas to RAC or to customers. The aim of the plan is to ensure the effectiveness of RAC's risk management and internal control system. The audit plan can be revised during the year in order to take account of any emerging trends and potential risks that may impact on RAC.

Internal Audit reports are circulated to key stakeholders and to the Board Risk & Audit Committee meetings. Where recommendations are made following audits or an audit identifies issues, these are raised with management, action plans to resolve are agreed, and actions are tracked until satisfactory completion.

Independence & Objectivity

Internal Audit is independent of the activities that it audits, and its auditors are objective in performing their work. Whilst consultative in approach, Internal Audit is free from interference in determining the scope of internal auditing, performing work and communicating results. In summary, Internal Audit is impartial, unbiased and avoids conflicts of interest.

To ensure independence, Internal Audit is directly accountable to the Chair of the Board Risk & Audit Committee. Internal Audit has free and unrestricted access to the Chair of the Board Risk & Audit Committee and the Chairman of the Board of Directors. To maintain objectivity, Internal Audit is not authorised to perform day-to-day control procedures or take operational responsibility for any part of the Group outside of Internal Audit. Instead, RAC management is responsible for maintaining an efficient and effective system of internal controls.

The Board Risk & Audit Committee will review the scope and nature of the work of Internal Audit to confirm its independence and objectivity.

B.6 Actuarial Function

OAC Plc provide certain actuarial services to RACIL on an outsourced basis to assist us in undertaking PRA requirements in relating to Solvency II. Jo Baker (CFO) is RACIL's Actuarial 'Key Function Holder'.

OAC are responsible for the activities detailed below:

- a review of the value of RACIL's assets for solvency purposes;
- a review of the calculation of the technical provisions;
- a review of the calculation of the SCR and MCR
- assistance, as required, in the preparation of the ORSA; and
- recommendations to RACIL on the appropriate assumptions and methodology to use for the valuation for solvency purposes.

In addition, OAC will also provide the Board of RACIL with an annual Actuarial Function Report covering the following areas:

- activities of the Actuarial Function;
- calculation of the Technical Provisions;
- opinion on Underwriting Policy;
- reinsurance arrangements;
- risk management; and
- known deficiencies and recommended developments.

In addition to the mandatory Key Functions described above, RACIL will periodically review its operations in order to identify whether other functions constitute Key Functions.

B.7 Outsourcing

The Company enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed. Due diligence is undertaken prior to any final decision being made as to whether to outsource a material business activity. This addresses all the material factors that would impact on the potential service provider's ability to perform the business activity.

The following key activities are outsourced by RACIL:

Service Provider	Description of Services Provided	Jurisdiction location
RAC Motoring Services / RAC Financial Services Limited	Policy sales and administration Complaints handling	UK
RAC Motoring Services	Claims and delivery of service	UK
APS Group	Print services including the production and dispatch of policy documentation	UK
Getronics/Colt	Telecommunication services	UK
SCC	IT support	UK
SSP	Provider of policy sales and administration systems	UK

Zafire	Provider of policy sales and administration systems	UK
Hexagon	Provider of 'ICAD' Patrol dispatch system	UK
Opteven	Service provider for European Breakdown underwritten by RACIL	EU
Concentrix	Sells/administers products, including those underwritten by RACIL	UK
Microsoft	Supplies Azure platform. In addition, supplies Office 365, email, Sharepoint, Teams.	Republic of Ireland
OAC	Provision of outsourced actuarial services (partial) which RAC Insurance Limited is required to complete under Solvency II	UK

A Material Outsourcing & Key Supplier Policy remains in place to establish a prudent risk management framework in relation to the management of the outsourcing arrangements and ensure compliance with the relevant regulatory requirements. The policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through to relationship management and oversight.

B.8 Any other information

None.

Section C - Risk Profile

Summary

The purpose of this section is to provide details of the current risk profile of RACIL which includes commentary on the overall risk profile of RACIL, an overview of the principal categories of risk to which RACIL is exposed, as well as the key actions that are taken to mitigate these risks.

In terms of the overall risk profile of RACIL, as described earlier in the report, RACIL is a small insurer which underwrites a limited number of simple, short-term, general insurance products. RACIL also takes a conservative approach to its capital position. In view of this, RACIL is not deemed to present a material risk to policyholders, the PRA's objectives, or to the wider financial system.

RACIL is exposed to a number of key risks which are categorised into principal categories of risk. As described at section B3, risk appetite statements are in place which are aligned to each of these categories of risk. The Company's principal sources of risk relate to operational risk, market risk, underwriting risk and credit (counterparty) risk. The annual ORSA process and report considers individual risks within these categories in detail.

The following section provides a high-level overview of each the principal categories of risk to which RACIL is exposed, as well as the key actions that are taken in order to mitigate them.

C.1 Underwriting Risk

Underwriting risk is the risk of loss arising on underwriting activity which may arise from inaccurate assessment of the risks entailed in writing an insurance policy, or from factors wholly out of an underwriter's control.

RACIL is exposed to underwriting risk resulting from its operations. There is a risk that RACIL fails to make adequate provisions to cover claims, or that claims levels are significantly higher than expected. In addition, failure to appropriately design and price products may result in losses due to operational costs not being covered.

RACIL mitigates this risk by ensuring that appropriate policies and procedures are in place in relation to product design and governance. An Underwriting, Reserving & Reinsurance Policy is in place to further strengthen our controls in this area. Regular profitability reviews are undertaken of individual products. RACIL also has in place specialist individuals, such as those within the Compliance Function, who provide oversight of products and guidance to the business during the product design and oversight process. Regular reviews are also undertaken of reserving levels in order to ensure that accurate and prudent reserves are maintained. During 2022, a change in methodology for Legal Expenses Insurance claims provisioning was implemented, which, in conjunction with the changes to the personal injury claims framework, has resulted in an increase in the claims incurred and a reduction in the underwriting performance.

There have been no material changes in this risk in the reporting period.

C.2 Market Risk

Market risk is the risk of losses on financial investments caused by adverse price movements, for example, changes in equity prices, interest rate movements or foreign exchange fluctuations.

RACIL does not hold investments but has some exposure to market risk as a result of interest rate movements on the cash it holds on deposit.

RACIL is subject to some market risk associated with commercial property, with a proportion of its capital held in an investment property owned by the Company. Third party valuations are obtained every three years to support management's valuations, carried out on an annual basis. There has been minimal movement in the valuation since the acquisition of this property in 2013, with the current valuation being £3m. The risk associated with this property is mitigated by reviewing its value on a regular basis. The property value is only a small element of the Company's total capital (which is held with a range of counterparties).

RAC is also exposed to risks from fluctuations in its supply chain. Most notably, fuel prices, which can lead to increased operating costs. This risk is managed by the RAC through the use of forward purchases of fuel for a period of up to twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in RAC's operational fleet of Patrols and recovery vehicles.

There have been no material changes in this risk in the reporting period.

C.3 Credit (Counterparty) Risk

Credit risk is the risk of loss in value of financial assets due to counterparties failing to meet all or part of their obligations when they fall due.

RACIL is exposed to credit (counterparty) default risk resulting from its operations as it holds cash reserves with a number of financial institutions. In the event that one or more of these institutions was to fail and RACIL was unable to recover these funds this could impact on the solvency position of RACIL. In addition, RACIL holds an intercompany receivable balance with RAC Motoring Services (a group company), were this company to fail and RACIL was unable to recover these funds this could also impact on the solvency position of RACIL.

RAC's management of credit risk is carried out in accordance with Group credit risk processes which include setting exposure limits and monitoring of exposures in accordance with ratings set by credit rating agencies such as Standard & Poor's. The Group has a minimum requirement for counterparties of BBB+ reflecting the general risk profile of the existing counterparties. RAC also undertakes credits checks on certain customers and suppliers.

RACIL also mitigates this risk by splitting its cash reserves over multiple institutions with no more than £2.5m being held with each institution. The value and institution with which deposits are placed are monitored by both the Group Treasury Function and by the wider Finance Team to ensure that counterparty limits are maintained, and appropriate institutions are being utilised. With regard to intercompany receivables, RAC Motoring Services is one of the main trading companies within the Group and its ability to continue to operate is assessed by Directors as part of the going concern assessment on an annual basis with no concerns raised.

In addition, cash that is held within RACIL is held for the purpose of solvency and capital requirements only and is not used for the payment of claims or other expenses as this is processed through RACMS.

There have been no material changes in this risk in the reporting period.

C.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial liabilities when they fall due. RACIL is exposed to some liquidity risk resulting from its operations due to the inherent risk of the wider Group having difficulty servicing its debt.

In order to mitigate this risk, RACIL is not included the 'Senior Facilities Agreement' and 'Whole Business Securitisation' which the wider Group is subject to. In view of this it is not required to provide security for the debt, which is held in a separate company within the Group. If there were to be an issue in relation to the wider Group being unable to meet its obligations, RACIL would not be directly impacted. Cash and deposits held by RACIL would therefore remain within RACIL and could be used to service customers of RACIL.
There have been no material changes in this risk in the reporting period.

In addition, RACIL is subject to Capital/Solvency Risk, which is the risk that an institution cannot meet its obligations as they fall due. By virtue of the nature of RACIL being an insurer, detailed solvency requirements apply, which RACIL must comply with at all times.

RACIL mitigates this risk by ensuring that it holds cash that is not used in the normal course of business and therefore could be used if a capital risk were to arise. In addition, the Group maintains and regularly updates a rolling daily cash flow forecast in order to ensure that it can meet its liabilities as they fall due.

The solvency position of RACIL is reported to the Board on a quarterly basis and is maintained by the Finance Department on a monthly basis, to ensure that any risks are identified as soon as possible. Furthermore, the annual forecast is used to project the expected solvency position.

There have been no material changes in this risk in the reporting period.

C.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

RACIL is exposed to operational risk resulting from its operations. For example, RAC uses a number of key IT and telephony systems in order to deliver service to customers. Many of these systems are provided by third parties and, if an operational issue was to occur with these IT or telephony systems could result in RACIL being unable to provide service to customers.

RACIL also utilises the Patrol force of the wider RAC Group, and also utilises the services of third-party contractors to deliver service to customers in respect of the products it has underwritten. In the event of an operational issue with the Patrol force, or with a key third-party supplier, this could result in RAC being unable to deliver service to customers.

In order to mitigate these operational risks, RAC employs specialist IT staff, with detailed Disaster Recovery and Business Continuity plans in place. The implementation and embedding of FCA/PRA Operational Resilience requirements is also further improving our ability to prevent and respond to operational risks. Governance arrangements are also in place in respect of key third-party suppliers. In order to maintain good relations with the Patrol force and contractors, RAC maintains constructive engagement with the Patrol force and Union and closely monitors the general Employee Relations (ER) climate.

C.6 Other material risks

C.6.1 Strategic Risk

Strategic risks are those impacting on RAC's mission and strategic objectives.

RACIL is exposed to some strategic risk resulting from its operations, and/or from those of the wider Group, which could potentially have an impact on RACIL.

As described at Section A.1.5 the Group has an overall strategy in place to grow the business. The strategy is based on a number of key elements and the element with relevance to RACIL relates to the planned growth in breakdown and legal expenses market share. Competitor activity, or damage to the strength and favourable recognition of the overall RAC brand, could result in a reduction in the propensity of customers to take out or renew breakdown or legal expenses policies underwritten by RACIL.

RAC mitigates this risk by having a clear strategy in place to embrace the opportunities presented by changes in the car industry, including the growth in electric, hybrid and ultimately autonomous vehicles. The Group has plans to leverage future mobility trends and to continue to develop a market leading electric vehicle ("EV") proposition to service customer needs in this growing area as EVs become more mainstream. In addition, the Group also has plans to increase its Total Addressable Market (TAM) through the expansion of our Service Maintenance & Repair (SMR) product suite. A robust governance structure is in place in order to mitigate the risk of damage to the RAC brand.

There have been no material changes in this risk in the reporting period.

C.6.2 Regulatory / Legal Risk

Regulatory/Legal risks are those arising from the potential failure to comply with the various laws and regulations to which RACIL is subject, or that changes to existing laws and regulations could impact on RAC's strategy, business model or on specific aspects of our operations.

RACIL is exposed to regulatory and legal risk. Failure to comply with the regulatory and legal requirements to which RACIL is subject, for example following a failure in governance arrangements relating to RACIL or to the wider Group, could result in regulatory action. This could in turn result in adverse publicity, and a reduction in the propensity of customers to renew policies that are underwritten by RACIL and/or in the acquisition of new customers. In addition, changes in regulatory and legal requirements could also have a material impact on the operations and financial condition of RACIL.

There is also a risk that arises from RACIL's failure to put in place contractual arrangements that adequately deal with risks arising from commercial relationships and/or the risk of litigation arising from contracts if RACIL fails to comply with its obligations pursuant to any of these contracts.

To mitigate these risks clear governance procedures are in place in order to minimise the risk of any legal/compliance failure or breach, to identify and assess the impact of regulatory developments on RACIL and to ensure that appropriate contracts are put in place and complied with.

Specialist committees and working groups are in place with responsibility for oversight of specific areas of regulatory or conduct risk, such as the Board Risk & Audit Committee, the Executive Risk, Audit & Compliance Committees and a Conduct Risk Committee. The wider RAC Group also employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are adhered to. Legislative and regulatory developments are monitored and assessed in order that the Group can adapt to any changes and minimise any impact. RAC provides regular training and briefings to its employees to ensure a customer-centric and compliant culture exists throughout the business.

There have been no material changes in this risk in the reporting period although the controls relating to this risk are evolving in response to the requirements of the Consumer Duty.

C.6.3 Conduct Risk

Conduct risks relate to the risk of RAC's behaviour resulting in poor outcomes for customers.
RACIL is exposed to conduct risk resulting from its operations, or from the operations of other regulated entities within the RAC Group. Failure to effectively identify and mitigate conduct risks could result in unfair customer outcomes as well as regulatory action against RACIL or the other regulated entities within the RAC Group. This could take the form of a fine or other action and/or adverse publicity, which could in turn result in a reduction in the propensity of customers to renew policies that are underwritten by RACIL and/or in the acquisition of new customers.

A Conduct Risk Committee is in place and a Conduct Risk Dashboard, which contains key management information in relation to conduct risks, is regulatory reviewed by senior management. In addition, RAC has implemented specific Conduct Risk Appetite Statements in order to ensure that all staff are clear on the Board's stated conduct risk appetite.

There have been no material changes in this risk in the reporting period although the controls relating to this risk are evolving in response to the requirements of the Consumer Duty.

C.6.4 Information Security

This is defined as the risk of failure to manage the evolving data risks presented to the RAC by external and internal threats, which increases the likelihood and potential impact of large scale or long-term data loss and cyber related operational disruption.

Failure to manage these risks could result in significant operational disruption, contractual breaches, regulatory fines and reputational and brand damage.

The Group has a specialist Information Security Team in place and an ongoing and regular colleague security awareness campaign. A cyber control framework is in place with regular penetration testing, vulnerability scanning and remediation schedules in place, as well as incident management process. The Group continues to improve its capabilities and a security strategy has been developed to deliver the maturity of security controls and processes in line with strategic goals.

C.6.5 Data Protection risk

The Group defines this risk as the risk of non-compliance with data protection laws and best practices resulting from: intentional misuse of personal data; unintentional misuse of personal data; security threat; non-compliance with data protection laws. These risks could result in enforcement action (by ICO), legal claims for breach of contract (by our partners) or breach of GDPR (by individuals).

RAC is committed to ensuring that its information assets are secure and protected from potential threats. The Group has specialist Data Protection teams in place advising the business and Executive on compliance with data protection laws and communicating key data protection messages to the business. The Group also has established data protection practices. These ensure the appropriate recording, storage, safeguarding and usage of data. The Group also operates a number of controls and procedures to ensure full compliance with laws and regulations including the General Data Protection Regulation ("GDPR"). The Group continues to enhance its processes and controls in this area.

C.7 Any other information

C.7.1 Risk Concentration

RACIL is not exposed to any material risk concentrations.

C.7.2 Risk Sensitivity

The risks most material to the Company's own assessment of its capital requirement are Non-Life Underwriting Risk and Counterparty Default Risk. RACIL uses a range of stress and scenario testing to ensure the ongoing stability of the Company's solvency and capital position. The key mitigating actions and controls in place are as described above.

C.7.3 Prudent Person Principle

Prudent Person Principle is as much a behavioral standard as an assessment of judgements and investment decisions. It requires insurers to invest their assets held for regulatory purposes (e.g. to cover expected liabilities and capital requirements) so as to ensure the security, quality, liquidity and profitability of their portfolio as a whole, which includes the need for it to be adequately diversified. Insurers also need to ensure that assets are localised so as to ensure their availability.

RACIL does not hold any investments, with the main assets being held in cash, and a property. Cash assets are held with multiple institutions, with a maximum of £2.5m held with each, in order to mitigate the risk of counterparty default, and our approach to the use of capital is set out in the Group Treasury Strategy & Policy. There is currently no expectation that the Company will change strategy regarding the way in which its assets are held.

Section D – Valuation for Solvency Purposes

D.1 Assets

During 2022, there have been no material changes in the accounting methodology or assumptions made in valuing assets. The material assets shown on RACIL's balance sheet are as follows:

31 December 2022	Solvency II value £	Financial Statements value £
Investment property	3,000,000	3,000,000
Receivables	17,918,838	17,918,838
Cash and cash equivalents	4,045,399	4,045,399
Other assets	22,378	22,378
Total assets	24,986,615	24,986,615

Assets and liabilities are required to be valued at the amount for which they could be exchanged or settled between knowledgeable willing parties in an arms-length transaction. This methodology underpins the valuation techniques used in assessing the value of the RACIL Solvency II balance sheet.

- The market value of the property held by RACIL was re-assessed by a third-party valuer as at 31 December 2021 and value increased by £230,000 in the financial statements. As at 31 December 2022, management considered the market trends within the property market and determined to reduce the value of the property by £350,000 in the financial statements. The technique used to value the property is disclosed in section I of the accounting policies and note 8 of RACIL's 2022 Annual Report & Financial Statements. This is judged to be the appropriate valuation for Solvency II purposes.
- The receivables balance within the financial statements represents the balance due from other Group companies. There has been no change to the value of the Group receivable from the financial statements (IFRS) value to the Solvency II value as this is considered to be equivalent to economic value as required for Solvency II valuation purposes and considered to be market value.
- The cash and cash equivalents balance is held with a number of reputable counterparties in order to spread the risk. This would be expected to be able to be exchanged at face value and therefore no adjustment has been made for Solvency II valuation purposes. Further details relating to the accounting policy for cash and cash equivalents can be found in section J of the accounting policies in the 2022 Annual Report & Financial Statements.
- Other assets include interest receivables and prepayments which are judged to be equivalent to the economic value as required for Solvency II valuation purposes.

D.2 Technical Provisions

Technical provisions have been calculated in accordance with the Solvency II requirements which states that the value of technical provisions shall be equal to the sum of a best estimate and a risk margin. At 31 December 2022, the technical provisions comprise:

Technical provisions	£
Best estimate of liabilities	8,466,403
Risk margin	1,286,893
Solvency II technical provisions	9,753,297
Financial Statements technical provisions	13,874,246

The best estimate of liabilities represents the projected future cash outflows in respect of incurred claims and expected future claims for the unexpired period and projected future cash inflows in respect of premiums receivable relating to the earned period and unearned period. In calculating the best estimate of liabilities, the Company considers the claims payment that it is expecting to make for:

- Claims on earned premiums both where the Company has already been notified and where notification of loss is yet to occur; and
- Claims on unearned premiums which the Company has contracted to.

The cash flows have been discounted where appropriate using the risk-free rates prescribed by the PRA. The Company considers that the risk-free rates are an appropriate discount rate and has considered the sensitivity of the calculation to using these rates. A decrease in the risk-free rate would increase the required technical provisions, while any increase would reduce the required technical provisions, however given the current level of the risk-free curve, any change in the rate would have a minimal impact.

The main estimate made in determining the best estimate technical provision is the loss ratio for claims payments and the period in which they are expected to be paid.

Both of these claims' amounts are discounted based on the expected period of payment. In order to calculate expected future claim cash outflows in respect of unearned premiums, the three-year average loss ratio of 69% (2021: 65%) has been used. In addition, within technical provisions, the Company includes an amount which it is expected to pay in respect of expenses using a net written expenses ratio of 16% (2021: 18%), calculated based on a three-year average. The value of the cash flows from claims costs and expenses is reduced for expected cash inflows for earned premiums and unearned premiums (where the Company is obligated to provide cover).

The risk margin is an addition to the best estimate of liabilities to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. As the Company has a low level of risk and is not considered to have a complex business model, it has been deemed appropriate for one of the simplification options available under PRA rules to be used and as such, and consistent with prior periods, this has been calculated as 15% of the best estimate of liabilities.

Within the financial statements the Company recognises a provision for outstanding claims and a provision for unearned premiums which are recognised in line with IFRS, further details on the valuation under IFRS are included in section G of the accounting policies and note 13 of the 2022 financial statements.

The Company does not apply the matching adjustment, does not use the volatility adjustment and does not apply the transitional risk-free interest rate-term structure or transitional deductions.

The Company has no contingent liabilities and therefore no consideration of recognition is required.

D.3 Other liabilities

Other payables includes balances due to third parties which are judged to be equivalent to the economic value as required for Solvency II valuation purposes.

D.4 Alternative methods for valuation

No alternative methods for valuation are utilised.

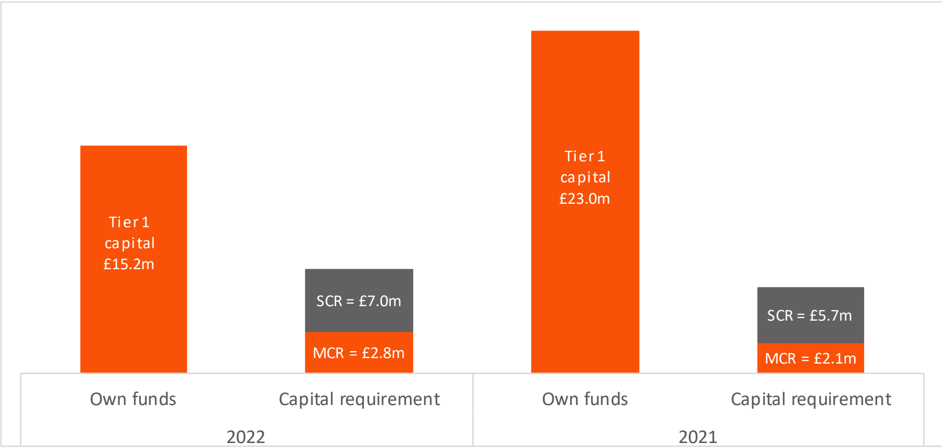
D.5 Any other information

None.

Section E – Capital Management

E.1 Own Funds

RACIL has £15,233,161 of own funds (2021: £23,023,947) which comprise share capital and reconciliation reserve, all of which are tier 1 basic own funds, with the decrease year on year due to an £8m dividend paid to the parent company of RACIL offset by profits generated. The total available and eligible own funds to cover the SCR and MCR are £15,233,161 (2021: £23,023,947), which results in coverage of 218% of SCR (2021: 403%).



There have been no significant changes in the composition of own funds during 2022, with the decrease from prior year due dividends paid. The difference between the Solvency II own funds and that reported in the financial statements is due to the reconciling differences for the valuation of assets and liabilities under Solvency II, split as follows:

	£
Financial statements - Net Assets	11,112,212
Difference in the valuation of assets	-
Difference in the valuation of technical provisions	4,120,949
Excess of assets over liabilities	15,233,161

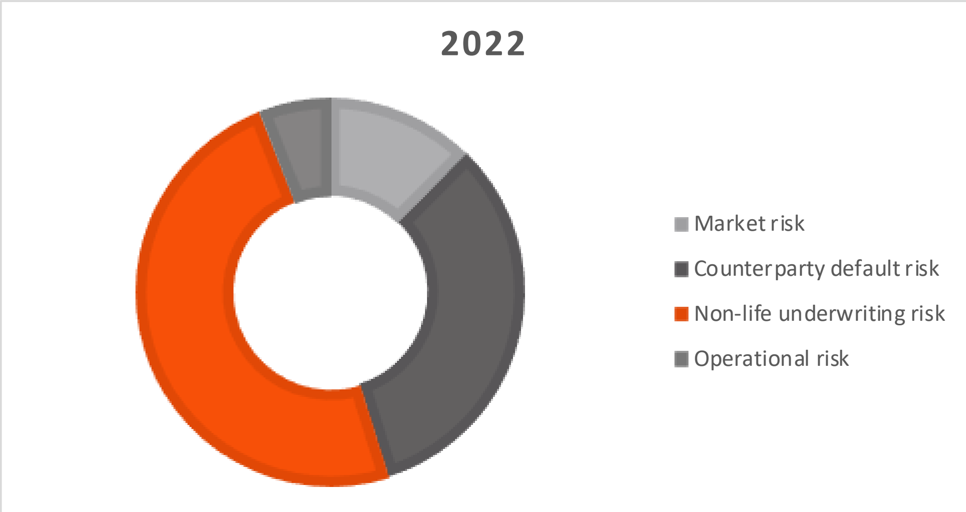
The difference in valuation of technical provisions is a result of calculations under Solvency II being based on expected cashflows.

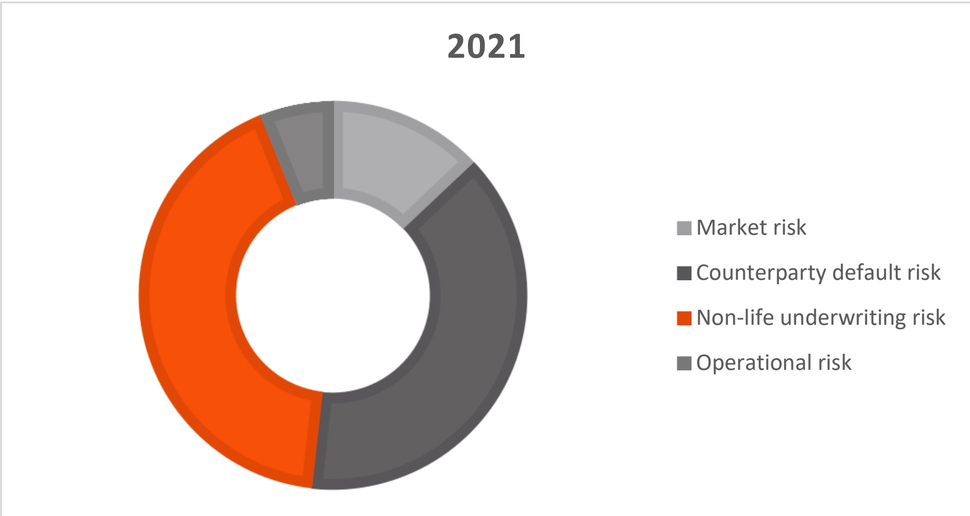
E.2 Minimum capital requirement and solvency capital requirement

RACIL's internal capital target is to hold a minimum of 150% of SCR. On a six-monthly basis and having regard to the results of stress tests applied to projections over the 3-year planning period, the Board will consider whether a dividend should be paid to remit any surplus capital above this target to the Group. This is RACIL's policy for managing own funds.

The MCR and SCR shown in the diagram above were calculated using the standard formula. The standard formula appropriateness has been assessed by RACIL and is considered satisfactory.

The diagram below provides a breakdown of the SCR (pre-impact of diversification benefit):





- Market risk (2022: £1.1m, 2021: £0.9m) is primarily that associated with the property, plus a small amount of risk in respect of interest rates.
- Counterparty default risk (2022: £2.8m; 2021: £2.7m) is in respect of the amounts held within cash and cash equivalents which is spread over 4 different institutions (2021: 5) and receivables from intermediaries. The increase in this risk is due to an increase in the receivables from intermediaries' balance.
- Non-life underwriting risk (2022: £4.2m; 2021: £3.0m) relates primarily to premium and reserving risk relating to legal expenses and assistance lines of business plus a small amount of lapse risk. The increase from 2021 is due to the increase in premiums and reserves for both lines of business.
- Operational risk (2022: £0.5m; 2021: £0.4m) is calculated as 3% of earned premiums and therefore has increased in line with increased earned premiums.
- Offset by diversification (2022: £1.6m, 2021: £1.3m) which has increased due to increases in the above risks.

There have been no simplifications or undertaking specific parameters used in the calculation of the SCR results.

MCR has been calculated to be £2.8m, which is above the absolute floor of the MCR as determined by the PRA of £2.3m (sterling equivalent of €2.5m) and therefore the calculated value is used as the minimum capital requirement of the Company.

E.3 Use of the duration based equity risk sub-module in the calculation of the SCR

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 models used

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

E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

There have been no periods of non-compliance with the MCR or SCR.

E.6 Any other information

None

RAC Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	RAC Insurance Limited
Undertaking identification code	2138009ZPKE33XOR5M53
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,000
R0080	*Property (other than for own use)*	3,000
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	17,919
R0370	Reinsurance receivables	15
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,045
R0420	Any other assets, not elsewhere shown	8
R0500	**Total assets**	24,987

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	9,753
R0520	*Technical provisions - non-life (excluding health)*	9,753
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	8,466
R0550	*Risk margin*	1,287
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	9,753
R1000	**Excess of assets over liabilities**	15,233

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business										3,530	15,989						19,519
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net										3,530	15,989						19,519
	Premiums earned																	
R0210	Gross - Direct Business										2,766	14,248						17,015
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net										2,766	14,248						17,015
	Claims incurred																	
R0310	Gross - Direct Business										2,809	11,452						14,261
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net										2,809	11,452						14,261
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net										0	0						0
R0550	**Expenses incurred**										530	2,399						2,929
R1200	**Other expenses**																	29
R1300	**Total expenses**																	2,958

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	19,519						19,519
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	19,519						19,519
	Premiums earned							
R0210	Gross - Direct Business	17,015						17,015
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	17,015						17,015
	Claims incurred							
R0310	Gross - Direct Business	14,261						14,261
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	14,261						14,261
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	2,929						2,929
R1200	**Other expenses**							29
R1300	**Total expenses**							2,958

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**										0	0						0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross										1,725	2,964						4,689
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**										1,725	2,964						4,689
	Claims provisions																	
R0160	Gross										3,135	642						3,777
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**										3,135	642						3,777
R0260	**Total best estimate - gross**										4,860	3,606						8,466
R0270	**Total best estimate - net**										4,860	3,606						8,466
R0280	**Risk margin**										739	548						1,287
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**										5,599	4,155						9,753
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**										0	0						0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**										5,599	4,155						9,753

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	7,157	55	0	0	0	0	0	0	0	0		0	7,212
R0170	2014	6,830	58	0	0	0	0	0	0	0			0	6,888
R0180	2015	7,335	2	0	0	0	0	0	0				0	7,337
R0190	2016	8,435	57	0	0	0	0	0					0	8,492
R0200	2017	8,873	58	0	0	0	0						0	8,930
R0210	2018	9,518	109	0	0	0							0	9,627
R0220	2019	9,004	245	3	0								0	9,252
R0230	2020	8,004	562	4									4	8,569
R0240	2021	9,663	259										259	9,922
R0250	2022	11,283											11,283	11,283
R0260												**Total**	11,547	87,513

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	55	-53	0	-2	0	0	0	0	0	0		0
R0170	2014	201	-61	8	-98	-50	0	0	0	0			0
R0180	2015	115	-111	9	-13	0	0	0	0				0
R0190	2016	241	-237	-4	0	0	0	0					0
R0200	2017	93	-93	0	0	0	0						0
R0210	2018	137	-126	-9	0	0							0
R0220	2019	361	-357	-4	0								0
R0230	2020	783	-508	-242									33
R0240	2021	416	601										1,016
R0250	2022	2,493											2,493
R0260												**Total**	3,542

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	7,250	7,250		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	7,983	7,983			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	15,233	15,233	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	15,233	15,233	0	0	0
R0510	Total available own funds to meet the MCR	15,233	15,233	0	0	
R0540	Total eligible own funds to meet the SCR	15,233	15,233	0	0	0
R0550	Total eligible own funds to meet the MCR	15,233	15,233	0	0	
R0580	**SCR**	6,982				
R0600	**MCR**	2,812				
R0620	**Ratio of Eligible own funds to SCR**	218.17%				
R0640	**Ratio of Eligible own funds to MCR**	541.71%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	15,233
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	7,250
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	7,983
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	604
R0790	**Total Expected profits included in future premiums (EPIFP)**	604

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,056		
R0020	Counterparty default risk	2,817		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	4,170		
R0060	Diversification	-1,572		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	6,472		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	510
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	6,982
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	6,982
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	2,812

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	4,860	3,530
R0120	Assistance and proportional reinsurance	3,606	15,989
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	2,812
R0310	SCR	6,982
R0320	MCR cap	3,142
R0330	MCR floor	1,746
R0340	Combined MCR	2,812
R0350	Absolute floor of the MCR	2,325
R0400	**Minimum Capital Requirement**	2,812