Solvency & Financial Condition Report

For the year ending 31 December 2024

CONTENTS

SUMMARY

The purpose of this report is to satisfy the public disclosure requirements under the Solvency II Directive including the Delegated Regulation of the European Parliament, and the Commissariat Aux Assurances (CAA) rules.

The main purpose of Solvency II is to enhance the level of policyholder protection across the EU. Solvency II also aims to harmonise the regulatory framework and is intended to improve the resilience of the insurance sector to shocks and so reduce the probability of insurers failing.

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

Quantative information is prepared in Euro, which is the presentational and functional currency of the Company, and rounded to the nearest €000.

2024 Solvency and Financial Condition

USAA S.A. was established in 2018 and is authorized by the Commissariat aux Assurances to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies in Continental Europe after the UK left the EU. USAA S.A. UK, a third country branch of USAA S.A., underwrites UK policies. USAA S.A. is a direct subsidiary of USAA International Services S.ár.l., and the ultimate parent is United Services Automobile Association (USAA).

The Company has two branches, one in Germany that handles claims in Europe, and a second third country branch in the UK, approved by the CAA on 2 December 2021, that provides Underwriting and Claims services to members residing in the United Kingdom.

The Company ended the year with a profit on the technical account of €24,089k and a profit after tax of €24,485k (2023: €11,555k). Net assets on a statutory basis have increased by €24.8m to €144.1m due to profit in the year and a gain arising from foreign currency translation in the UK branch. This strengthened the Company's financial position resulting in available capital under Solvency II of €155,245k (2023: €126,960k), a Solvency Capital Requirement (SCR) of €68,990k (2023: €57,276k) and a Solvency II capital ratio of 225% (2023: 222%).

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Article 86 of the Insurance Law of 7 December 2015 on the insurance sector requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names are listed on the Luxembourg Business Register, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the CAA regulations and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the board

Fiona Marry
Dirigeant Agréé, Director
26 March 2025

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

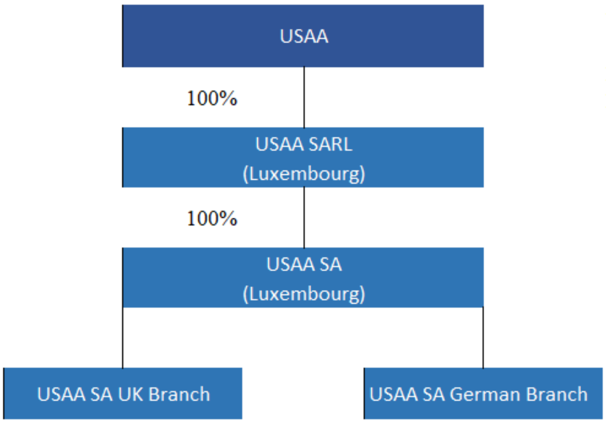
Name and Legal Form of the Undertaking

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

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

Its ultimate parent company is USAA, a mutual inter-insurance exchange reciprocal domiciled in the State of Texas in the United States of America, with its headquarters in San Antonio, Texas.

The following chart shows a simplified structure of the Company and its ultimate parent company and direct parent company as at 31 December 2024.



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

Name of Supervisory Authority

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

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

External Auditor

The details of the company's external auditor for the period ending 31 December 2024 are:

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

Material Lines of Business and Geographical Areas

The principal activity of the Company in 2024 is the provision of motor and property insurance to a defined customer base as detailed in Military Drawdown on page 44 in the UK and European Union (EU) in Germany, Italy, Spain, Netherlands, Belgium, Portugal, Greece, and France.

For Solvency II purposes the Company's general insurance business falls into defined Solvency II lines of business as follows:

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

Significant Events During the Period

Geopolitical tensions

Geopolitical risks, including the Russia-Ukraine conflict and Middle East tensions, are a key consideration for USAA S.A. Changes in the global presence of US forces are likely to affect the company's portfolio. While these conflicts have not yet had a significant impact on USAA S.A., the company actively monitors the evolving situation for potential future effects.

Inflation

Euro area inflation fluctuated throughout 2024 and January 2025. Several factors contributed to this, including geopolitical tensions and increased production costs. The company has considered the inflationary environment in its estimates for its insurance pricing and liabilities. In addition, the company is continuing to monitor the situation closely and will consider further changes to its insurance pricing and liability estimates if required.

A.2 UNDERWRITING PERFORMANCE

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

USAA S.A including the UK Branch underwriting performance by Solvency II lines of business in €'000 as of 31 December 2024

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	47,595	45,270	(28,442)	(17,873)	(1,045)
Other Motor	60,701	59,220	(24,506)	(17,249)	17,465
Fire and other damage to property	8,482	8,450	(2,964)	(2,485)	3,001
General liability	3,299	3,246	(947)	(921)	1,378
Total	120,077	116,186	(56,859)	(38,528)	20,799
Other technical expenses/income					1,417
Total					22,216

UK Branch underwriting performance by Solvency II lines of business in €'000 as of 31 December 2024

Lines of Business – UK Branch	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	13,276	12,235	(5,627)	(5,987)	621
Other Motor	8,229	8,126	(3,612)	(3,273)	1,241
Fire and other damage to property	1,796	1,824	(452)	(832)	540
General liability	621	630	(191)	(228)	211
Total	23,922	22,815	(9,882)	(10,320)	2,613
Other technical expenses/income					4,080
Total					6,693

USAA S.A including the UK Branch underwriting performance by Solvency II lines of business in €'000 as of 31 December 2023

Lines of Business	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	43,111	43,715	(30,502)	(16,169)	(2,956)
Other Motor	56,881	56,577	(29,223)	(16,127)	11,227
Fire and other damage to property	8,276	8,371	(4,299)	(2,467)	1,605
General liability	3,141	3,167	(424)	(789)	1,954
Total	111,409	111,830	(64,448)	(35,552)	11,830
Other technical expenses/income					1,483
Total					13,313

UK Branch underwriting performance by Solvency II lines of business in €'000 as of 31 December 2023

Lines of Business – UK Branch	Net Premium Written	Net Premium Earned	Net Claims Incurred	Expenses Incurred	Underwriting Performance
Motor Vehicle	11,469	11,433	(8,605)	(5,993)	(3,165)
Other Motor	7,631	7,631	(3,889)	(3,269)	203
Fire and other damage to property	1,750	1,768	(1,424)	(831)	(487)
General liability	595	604	(1)	(228)	375
Total	21,445	21,166	(13,918)	(10,321)	(3,073)
Other technical expenses/income					3,740
Total					667

Underwriting performance for the top five countries €'000 31 December 2024

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Net Expenses Incurred	Underwriting Performance
Germany	64,478	62,311	(35,333)	(20,854)	8,442
Italy	24,543	23,948	(9,243)	(7,494)	7,506
UK	23,922	22,815	(9,882)	(7,030)	6,693
Spain	2,216	2,321	(401)	(650)	1,177
Belgium	2,571	2,517	(977)	(763)	814
Total	117,730	113,912	(55,836)	(36,792)	24,632

Underwriting performance for the top five countries €'000 31 December 2023

Country	Net Premium Written	Net Premium Earned	Net Claims Incurred	Net Expenses Incurred	Underwriting Performance
Germany	59,905	60,585	(32,905)	(17,981)	9,699
Italy	22,968	22,828	(13,772)	(6,977)	2,079
UK	21,445	21,166	(13,918)	(6,581)	667
Spain	2,424	2,525	(1,243)	(728)	554
Belgium	2,473	2,507	(1,152)	(705)	650
Total	109,215	109,611	(62,990)	(32,971)	13,650

Net Premium Written during 2024 grew by €8.7m from the prior year. The increase is predominantly due to rate increases earned out during the period as well as the strong U.S. Dollar bolstering the top line.

Net claims incurred decreased by €7.6m due to significant prior year IBNR releases. Net Expenses increased by €3.0m mainly due to increased Staff Costs of EUR 1.6mand VAT of EUR 1.3m.

In 2024 Other Motor, Fire and other damage to property and General Liability were all profitable lines of business with Motor Vehicle line of business resulting in an underwriting loss, but this is within the acceptable range of the Company as Motor cover is provided as part of an overall service to policyholders. At a country level in 2024 all countries apart from Greece were profitable.

In 2023 Other Motor, Fire and other damage to property and General Liability were all profitable lines of business with Motor Vehicle line of business resulting in an underwriting loss, but this is within the acceptable range of the Company as Motor cover is provided as part of an overall service to policyholders. At a country level in 2023 all countries were profitable.

A.3 INVESTMENT PERFORMANCE

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

At 31 December 2024, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% of Portfolio	Amount €'000
Government Bonds	41,023	18%	640
Corporate Bonds	155,053	69%	5,443
Collateralised Securities	0	0%	0
Short Term Deposits	0	0%	0
Cash & Cash Equivalents	30,067	13%	726
Total Investments & Cash Equivalents	226,143		6,809
Investment Management Expenses			390

At 31 December 2023, the Company's investment portfolio comprised the following asset classes:

Investment Portfolio			Investment Return
Asset Class	Amount €'000	% of Portfolio	Amount €'000
Government Bonds	49,860	25%	1,912
Corporate Bonds	107,840	53%	6,733
Collateralised Securities	0	0%	0
Short Term Deposits	0	0%	0
Cash & Cash Equivalents	45,457	22%	30
Total Investments & Cash Equivalents	203,157		8,675
Investment Management Expenses			366

Total investments and cash equivalents increased by €23m in 2024 largely due to increases in the market value of the investments. The increase in Government and Corporate Bonds is due to a transfer from excess cash held in the UK branch.

In the Financial Statements the investment portfolio produced a positive annual return of 3.3% (2023: 4.41%). The investment performance improved due to better market conditions in 2024 and a Lux GAAP value re-adjustment of €1.2m, offset by a Lux GAAP premium amortisation charge of €2.8m.

The Company accounts for investment income on an amortised cost basis in the Financial Statements in line with Lux GAAP. Under the Fair Value method of accounting for investments there was a gain on investments of €6.8m and an annual return of 3.0%, underperforming the benchmark by 158 basis points.

In addition to measuring investment performance against the benchmark in its investment strategy the Company also uses total investment return, which comprises of net investment income, realised and unrealised market value gains and losses and realised gains and losses from movement in foreign exchange rates. The Company has not recognised any gains and losses directly through equity.

A.4 PERFORMANCE OF OTHER ACTIVITIES

There have been no other significant activities undertaken by the Company other than its insurance related activities.

Other Material Income and Expenses

- Intercompany service charges

  The Company operates under an outsourcing model and has entered into service agreements with related parties within the USAA International group, for the provision of services and human resources to run its insurance operations. These intercompany expenses of €19,106k (2023: €19,117k) account for the majority of operating expenses recorded for the period ended 31 December 2024. However, this has been partially offset by income earned of €1,416k (2023: €1,483k) for claims management services that the Company provides to other members of the group.

- Lease arrangements

  The Company does not have any lease obligations. However, it pays for the use of office premises under a service fee agreement with its parent company amounting to €471k (2023: €424k).

A.5 ANY OTHER INFORMATION

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

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The oversight of the Company's business and its operations are provided through its Governance Framework, which includes sound and prudent guidance for functional areas, management-led groups, and the Board of Directors (the Board) as it pertains to its effective management, oversight, and decision-making responsibilities. Its governance and control framework includes levels of authorities, accountability and oversight, and is supported by a 'three lines of defence' model.

The following sections provide high-level descriptions of the role and responsibilities of the Board of Directors, Committees and Key Functions at 31 December 2024, covering USAA S.A. and the USAA S.A. UK Branch.

Board of Directors (the Board)

USAA S.A.'s Board consists of a Chairman, two Executive Directors (one is the Dirigeant Agréé / General Manager) and three Independent Non-Executive Directors.

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

The Board takes an active part in the Own Risk Solvency Assessment (ORSA) process to include steering how the assessment is to be performed and challenging the results. To achieve this, the Board reviews the ORSA Process and ensures the ORSA framework is appropriately designed and embedded within the company culture and decision-making process.

All authority in the Company flows from the Board, but it delegates to sub-committees and designated senior management the matters set out in respective terms of reference of those committees and senior management responsibilities.

Audit Committee

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

- The integrity of the financial statements to ensure that the financial statements are:
  i. Fair
  ii. Balanced
  iii. Understandable
  iv. Providing the information necessary for the Shareholders to assess the company's position and performance
- The effectiveness of the internal financial controls
- The effectiveness of the internal and external audit processes
- The relationship with the external Auditors
- The primary responsibility and recommendation on the appointment, re-appointment and removal of the external auditors. The Board has no obligation to accept the recommendation from the Committee

but shall include in the annual reports the rational for not following the recommendation of the Committee.

Risk and Compliance Committee

The Risk and Compliance Committee is also a sub-committee of the USAA S.A. Board and is chaired by an Independent Non-Executive Director. The Committee oversees and is responsible for holding management accountable for implementation of, adherence to and operation of the Company's risk and compliance management, as defined by the USAA S.A. Risk Management Framework. Responsibilities include, but are not limited to:

- Maintain effective control and supervision over the Company's risk management and compliance programs
- Approve policies related to the Company's risk management and compliance operations and monitor management's adherence to such approved policies
- Oversee the design, implementation, and operation of the Company's risk management and compliance programs and practices as well as changes thereto considering:
    i. applicable regulatory or legal requirements and guidance
    ii. the evolution of industry risk management practices
    iii. the Company's structure, risk profile, complexity, activities, and size, (iv) growth into or acquisition of a new line of business
    iv. alignment to strategic, capital and liquidity plans
- Review and approve periodically, as appropriate, the Company's risk management, compliance, and governance frameworks
- Ensure the ORSA Report and USAA S.A. ORSA Policy is updated at least annually. Recommend updates to the ORSA Report and Policy to the Board.
- Provide oversight of Stress Testing activities and approve related proposed scenarios
- Provide oversight of new legislation and regulations with potential impact to the Company, including potential changes to existing relevant legislation and regulation. Deliver updates on proposed actions required to meet regulatory changes and any associated compliance risks
- Review relevant interactions with regulators, including oversight of external regulatory reporting and relevant findings

Executive Approved Management Group

The Executive Approved Management Group (EAMG) is chaired by the CEO/Dirigeant Agréé ("DA") of USAA. S.A., and consists of those individuals involved in the day-to-day running of the Company who are approved as Key Function Holders by the Commissariat aux Assurances (CAA) and in relation to the USAA S.A. UK Branch, such persons as are approved by the UK regulators to hold senior management functions. Persons designated are those who perform a critical role within the Company and who are responsible for the ongoing safety and soundness of the Company.

The Group shall:

- Provide organisational direction and oversight, advising the Chair on pertinent business matters, ensuring that resources are adequate to achieve approved objectives
- Actively participate in strategic planning, as well as monitor and evaluate progress toward the company's strategic goals and initiatives
- Assist in establishing the items and agenda for Board meetings, including following up with Board items and actions from previous Board meetings
- Oversee the daily implementation of Board policies and establish and maintain good governance practices
- Provide oversight of and accountability to related budget items and expenses

- Provide direction and guidance across the organisation data protection and information governance activities with Europe and the UK, establishing authority, responsibility, and accountability for key Privacy Risks.

Dirigeant Agréé

The Dirigeant Agréé, as delegated by the Board, is responsible for the day-to-day management of the Company. This includes, but is not limited to, developing and monitoring business strategy, plan and budget, and supporting the operations of the Company. The Dirigeant Agréé submits the business strategy and plan to the Board for approval, and reports to the Board on the progress against the strategy each quarter.

Chief Financial Officer (CFO)

The CFO is responsible for the production and integrity of the Company's financial information and financial regulatory reporting. The CFO is also responsible for the management of the allocation and maintenance of the Company's capital and liquidity as well as the Company's financial resources and reporting to the Board.

Actuarial Function

While the Company outsources most actuarial services to its parent, the Actuarial Function is covered by the Actuarial Key Function Holder, which is a Solvency II role notified to the CAA. The Actuarial Key Function Holder provides independent oversight and a measure of quality assurance through expert technical actuarial advice based on regulatory requirements, particularly relating to the technical provisions. Responsibilities include providing an opinion on the reinsurance arrangements and the underwriting policy, coordinating the calculation of the technical provisions, ensuring data quality, informing the Board of the reliability and adequacy of the calculations of the technical provisions, and contributing to the effective implementation of the risk management system. The actuarial key function holder shall produce a written report to be submitted to the Board of Directors at least annually, which documents all tasks that have been undertaken by the actuarial function and their results.

Compliance Function

The Compliance Function is covered by the Compliance Key Function Holder, which is a key function holder role notified to the CAA. The Compliance Function is responsible for identifying new rules and regulations applicable to USAA S.A., providing a comprehensive view of the regulatory risks arising from the business and operations of USAA S.A., and reporting these risks to the Board and senior management at least annually. The Compliance Key Function Holder will also facilitate annual compliance monitoring programs and provide ad hoc reports. In collaboration with the Risk Key Function Holder, the Compliance Key Function Holder supports the ownership and management of the USAA S.A. risk management framework and ensures that a comprehensive and effective corporate governance framework is maintained for USAA S.A.

The Compliance Function is also approved as the SMF16 (Compliance Oversight) for the UK Branch of USAA S.A.

Internal Audit Function

The Internal Audit function of USAA S.A. is covered by the Internal Audit Key Function Holder, which is a key function holder role notified to the CAA. This key function remains fully independent from any operational functions and is free from undue influence by any other functions or key functions. The key responsibilities of Internal Audit includes, providing an evaluation of the adequacy and effectiveness of the Company's internal control system and evaluating other elements of the governance framework. The Internal Audit function is responsible for developing and maintaining the internal audit policy, and for delivering on the internal audit plan. The function also conducts an independent review of the ORSA Report annually.

Risk Management Function

The Risk Management Function is covered by the Risk Key Function Holder, which is a key function holder role notified to the CAA. The Risk Key Function Holder provides an independent, clear, concise and holistic view of risks arising from USAA S.A.'s business strategy and operations. In collaboration with USAA S.A.'s senior management, the Risk Key Function Holder develops and implements risk management frameworks and appetites commensurate with the nature, scale and complexity of the risks faced by USAA S.A., develops and maintains policies related to risk management, and monitors processes and escalation thresholds to ensure alignment with USAA S.A.'s risk appetite statements. The Risk Key Function Holder also provides independent risk management assessments of business processes, initiatives, and decisions. The Risk Management Function has determined to focus on the strength of the business' resilience across a variety of financial, operational, digital, and sustainability domains.

Material Changes to System of Governance Over Reporting Period

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

Remuneration Policy

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

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

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

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

The fixed remuneration element of the policy is primarily focused on staff below Director (People Leader) and Lead (Individual contributor) level. Above this level the total package becomes progressively more focused on variable remuneration elements that are directly linked to the overall performance of the Company with staff at Executive Director level and above receiving long term bonus rewards.

Individual performance is rewarded via annual pay awards which are taken from a % based pot of money assigned to the People Leaders to allocate to employees. This % is based on company performance (Profitability) in the previous year, achievement of Company objectives (as set on the corporate scorecard) and the remuneration policy's intent to maintain competitive salaries in line with the market. All People Leaders conduct formal documented performance evaluations on a Semi-annual basis to ascertain achievement of objectives. No Non-Executive Director receives any variable compensation from the Company. A number of Directors are employed by other USAA Group companies from which they may be entitled to variable compensation.

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

B.2 FIT AND PROPER REQUIREMENTS

Key functions within the Company require the skills, knowledge and expertise in; Insurance Markets, Finance, Actuarial, Regulatory Frameworks & Compliance, Insurance Operations (Claims, Service, Underwriting), Governance and Risk. The Company's Fit & Proper Policy outlines the principles used to assess the fitness and propriety of all staff, including Board members and key functions.

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

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

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

The Company recruits to a high standard of competency and experience. A robust recruitment process is in place to ensure that the relevant skills required to fulfil the role and responsibilities are obtained. In addition, external background checks are completed with references validated by an external company. Then, on an ongoing basis all persons in key function roles are monitored for competency through an internal learning management system, self-reported learning and development objectives/goals as identified in regular meetings with their reporting Managers, and via formal quarterly performance evaluations.

Key Function Holders and SMF roles within USAA S.A. are subject to the processes procedures and assessments as contained within the USAA S.A. Fit and Proper policy.

B.3 RISK MANAGEMENT SYSTEM

A strong and clearly defined risk management framework is a key corporate function that promotes an understanding of risk and encourages risk-based decision making. Risk is inherent to operating a business. The primary objective of the USAA S.A.'s risk management framework is to protect the Company and its policyholders from events that hinder the sustainable achievement of the Company's mission and strategic objectives. The risk management framework describes the structure and approach to managing risk at USAA S.A., and applies the principles of sound corporate governance to the identification, measurement, monitoring reporting, and controlling of risks. The Board and senior management recognise the critical importance of having efficient and effective risk management systems in place.

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

Risk Governance

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

Risk Taxonomy and Risk Register

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

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

The Company's risk taxonomy structure (shown below) has been established to:

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

PRINCIPAL RISKS

	INSURANCE	CREDIT	MARKET	INTEREST RATE	LIQUIDITY	OPERATIONAL	COMPLIANCE	LEGAL	STRATEGIC	REPUTATION
TIER 1	Catastrophe Property & Casualty	Investment	Fixed Income	Duration & Cash Flow Misalignment	Market Liquidity	Execution & Operations	Laws, Rules, & Regulations	Contractual Rights	External Change	Member & Employee Expectations
	Non- Catastrophe Property & Casualty	Counterparty	Foreign Exchange	Yield Curve		Member & Business Processes	Conduct & Ethics	Non-Contractual Rights	Business Model	Brand Erosion
		Concentration		Pension Risk		Model	Sales Practices	Disputes & Litigation	Operational Consistency & Effectiveness	Communications
						People			Capital Planning & Management	
						Cyber Security			Military & Political	
						Theft and Fraud				
						Technology, Systems & Data				
						Third Party				
						Business Continuation				
						Pandemic				

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

- Risk appetite statements define acceptable risk levels.
  - Risk metrics, with defined appetite and trigger thresholds, are used to monitor USAA S.A.'s performance within its appetite, to proactively identify new or existing controls to be implemented or revised to address trending potential breaches, and to determine if a material change in USAA S.A.'s strategy should be considered.

- Policies integrate the corporate governance structure for USAA S.A. and facilitate strong governance and clearly defined roles and responsibilities.
- Risk and Control Self-Assessments (RCSAs) assess the effectiveness of risk management and control processes.

Risk Identification

Risk identification is a continuous process that considers the Company's objectives and a changing business and economic environment. The risk management process is deployed across the Company's risk taxonomy and addresses all key risks to which the Company is exposed.

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

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

- **Top Risk Exercise**: qualitative assessment performed by the business subject matter experts and the USAA S.A. Risk and Compliance Committee.
- **Capital Assessments**: quantitative assessment based on the standard formula. This formula has been designed to produce capital requirements that correspond with the 99.5% confidence level over a 1-year horizon. Further information regarding capital assessments can be found in Section E.
- **Risk and Control Self-Assessments (RCSA's)**: qualitative assessment, performed by the business subject matter experts with the oversight of the Risk Management team, over the risks and the controls put in place to mitigate those risks.

Risk Policies

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

Risk Monitoring and Reporting

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

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

Emerging Risks

Emerging risks are developments which could have a substantial impact on the Company. Drivers of emerging risks include economic, financial market, competitors, regulatory, technological, the geopolitical landscape and environmental developments. Growing interdependencies between risks can also lead to increasing accumulation of exposure. Emerging risk briefings describe a risk event, share relevant references, and estimate the likelihood and potential financial impact of an event to the Company. They are used by management to determine if mitigation tactics should be considered. In addition, the Company's risk metrics help serve as leading indicators to other potential emerging risks.

The cornerstone of this function is active scanning of the environment both by the 1st line of defence and the 2nd line of defence. In addition, as part of day-to-day business, emerging risks identified are discussed at the relevant management groups and the Risk and Compliance Committee.

Stress Testing

Stress testing is a critical risk identification and quantification technique. The Company has designed a stress testing program to identify the impact of a plausible risk scenario. Stress testing allows the Company to improve its financial strength by increasing preparedness through the quantification of risks and spurring the development of well-rehearsed action plans.

The stress testing program includes a variety of approaches: sensitivity analysis, scenario analysis and other analysis. It designs scenarios that incorporate a variety of Company specific and market-wide events across a time horizon. Stress scenarios are tailored to capture and quantify the Company's exposures, activities and risks influencing capital and liquidity adequacy. They enable senior management and the Board to analyse possible impacts on the Company's risk profile, capital availability, cash flows, liquidity position, profitability, and solvency. Robust scenario design, accurate and informed impact estimation and detailed, well-rehearsed action plans are the Company's goals for stress testing. Details on the stress testing activities conducted in 2023 are included in Section C.6.

Stress test results are summarised for the Board and may be considered by the Board and senior management when making decisions related to capital and liquidity adequacy. Stress test results also provide critical inputs to risk mitigation and contingency plans.

Own Risk & Self-Assessment (ORSA)

The purpose of the ORSA is to provide a comprehensive tool through which the Board and management can assess risks and determine the level of capital required to meet the solvency and strategic objectives set forth by the Board.

The Company is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital needs in consideration of its business plans and risk profile. The integration of capital management and risk management into the strategic and operational planning process is fundamental to a strong business model. The Company's integration of these disciplines is captured in its ORSA Report and aligns with Solvency II regulatory expectations.

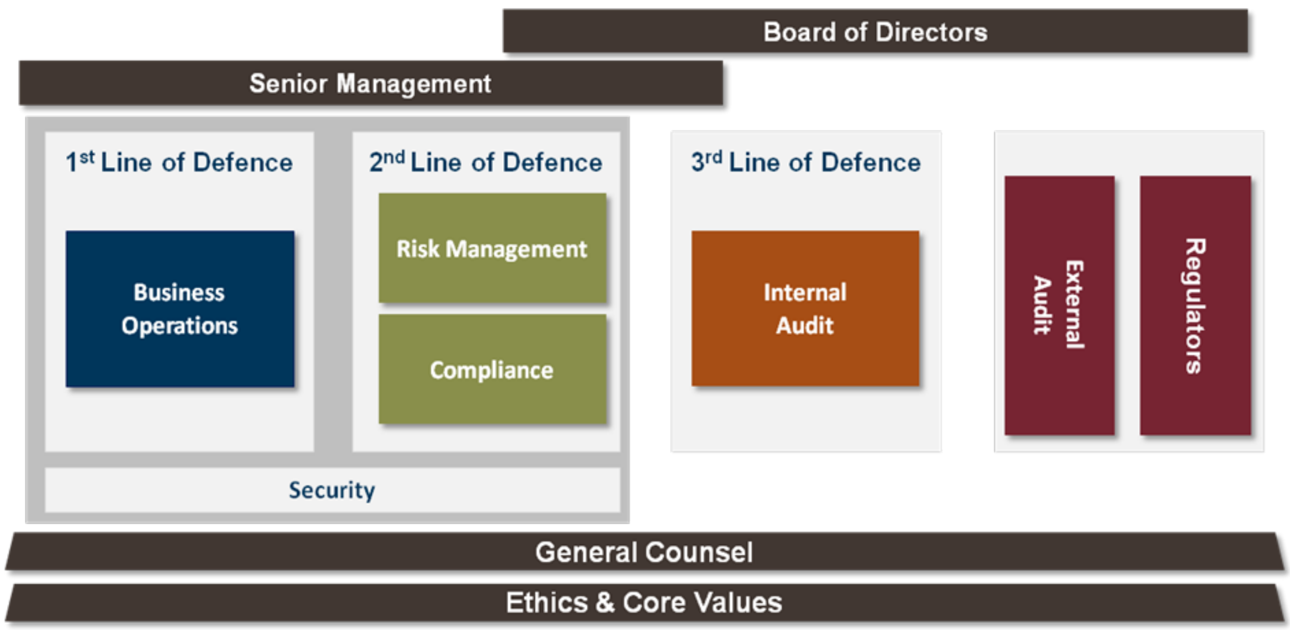
The objective of the ORSA process ensures a full understanding of risks to which the Company is exposed and for assessing capital adequacy against those risks. The process ensures that sufficient capital can be maintained to enable the Company to achieve its strategic objectives in light of its risk profile, and to withstand the impact of any foreseeable adverse events within the next one to three years. The Company's integration of these disciplines is illustrated below.

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

The ORSA Report is produced annually and when the Company's capital position is impacted significantly from a material event or change in its risk profile. It is reviewed and approved by the Board. The Report structure contains sections focused on material changes from the prior year, business strategy, risk framework and assessments, and capital and solvency results and projections.

B.4 INTERNAL CONTROL SYSTEM

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



1st Line of Defence: The Business

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

2nd Line of Defence: Risk Management and Compliance

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

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

3rd Line of Defence: Audit Services

Audit Services serves as the 3rd line of defence by providing senior management and the Board with independent and objective assurance on the effectiveness and efficiency of governance, risk management, internal controls and compliance processes. As the 3rd line of defence, Audit Services reviews, as part of its scope, the effectiveness of policies and processes in the 1st and 2nd lines of defence.

Process Risk and Control Inventory (PRCI)

The Process, Risk and Control Inventory, is the foundational element of risk identification and assessment for operational and compliance risks. The PRCI is an inventory that documents and identifies processes and associated risks. Controls are implemented to ensure appropriate risk mitigation and adherence to laws, rules, and regulations. Through the PRCI, the 1st line of defence can support day-to-day management of business processes and associated risks and controls.

Risk and Control Self Assessments (RCSA)

Risk and Control Self Assessments, also specific to Operational and Compliance Risks, is used by the 1st line of defence as a management tool to understand the risks associated with the business activities and processes conducted as it relates to the PRCI. The RCSA assesses the state of control design and control strength, compliance with laws, rules, and regulations, control issues that require remediation, the direction of risk over the next 12 months, and its ability to mitigate and control the risk. The 2nd line of defence SLOD provides credible challenge to RCSA results.

To ensure the documented risks and mitigating controls remain relevant to the main risks faced by the Company, each RCSA will be reviewed annually. This review, or refresh process, is led by the business units with oversight support from the 2nd line of defence.

For operational RCSAs, control testing is in place for controls that are deemed key to the mitigation of critical risks. Tests are performed by the 1st line of defence, and results are reported as appropriate. Control test effectiveness and timeliness is monitored and reported to the relevant routine on a bi-monthly basis and escalated to the Risk and Compliance Committee, if needed.

B.5 INTERNAL AUDIT FUNCTION

Details on the Internal Audit Function are disclosed in Section B.1 General Information on the System of Governance above.

B.6 ACTUARIAL FUNCTION

Details on the Actuarial Function are disclosed in Section B.1 General Information on the System of Governance above.

B.7 OUTSOURCING ARRANGEMENTS

Due to its size, outsourcing is a key part of the Company's strategy to serve its policyholders. The Company primarily outsources a number of functions and activities to related parties within the USAA International group and its ultimate parent company, USAA. The oversight role remains with the Dirigeant Agréé.

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

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

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

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

Outsourced Operation	Service Provider	Service Provider location	Jurisdictions	Description
Claims Handling	External Vendor – some EU claims are handled by External Vendors under supervision from the German claims office with strict authority limits	Azores, Belgium, France, Greece, Italy, Netherlands, Portugal & Spain	Azores, Belgium, France, Greece, Italy, Netherlands, Portugal & Spain	Claims handling and settlement
Investment Management	External Investment Management Company	UK	N/A	Investment portfolio management
Insurance Support Services	USAA International S.á.r.l Services – Parent Company & USAA - Ultimate Parent Company	Luxembourg and Ultimate Parent Company in the USA	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, United Kingdom	Administration, IT services, non-advised sales telephone support, premium collection, underwriting
Professional Support Services	USAA International S.á.r.l Services – Parent Company & USAA - Ultimate Parent Company	Luxembourg and Ultimate Parent Company in the USA	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, United Kingdom	IT services, Actuary, Legal, Audit, Compliance, Internal Loss Reserving, Human Resources, Compensation & Benefits, Accounting & Finance, Risk Management
Specialist Technical Services	External Vendor	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	Azores, Belgium, France, Germany, Greece, Italy, Netherlands, Portugal, Spain	Appraisers, Loss-adjusters, Fiscal Agents
Pension Administration	External Vendor	Germany	Germany	Pension actuarial valuations & pension advice

B.8 ANY OTHER INFORMATION

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

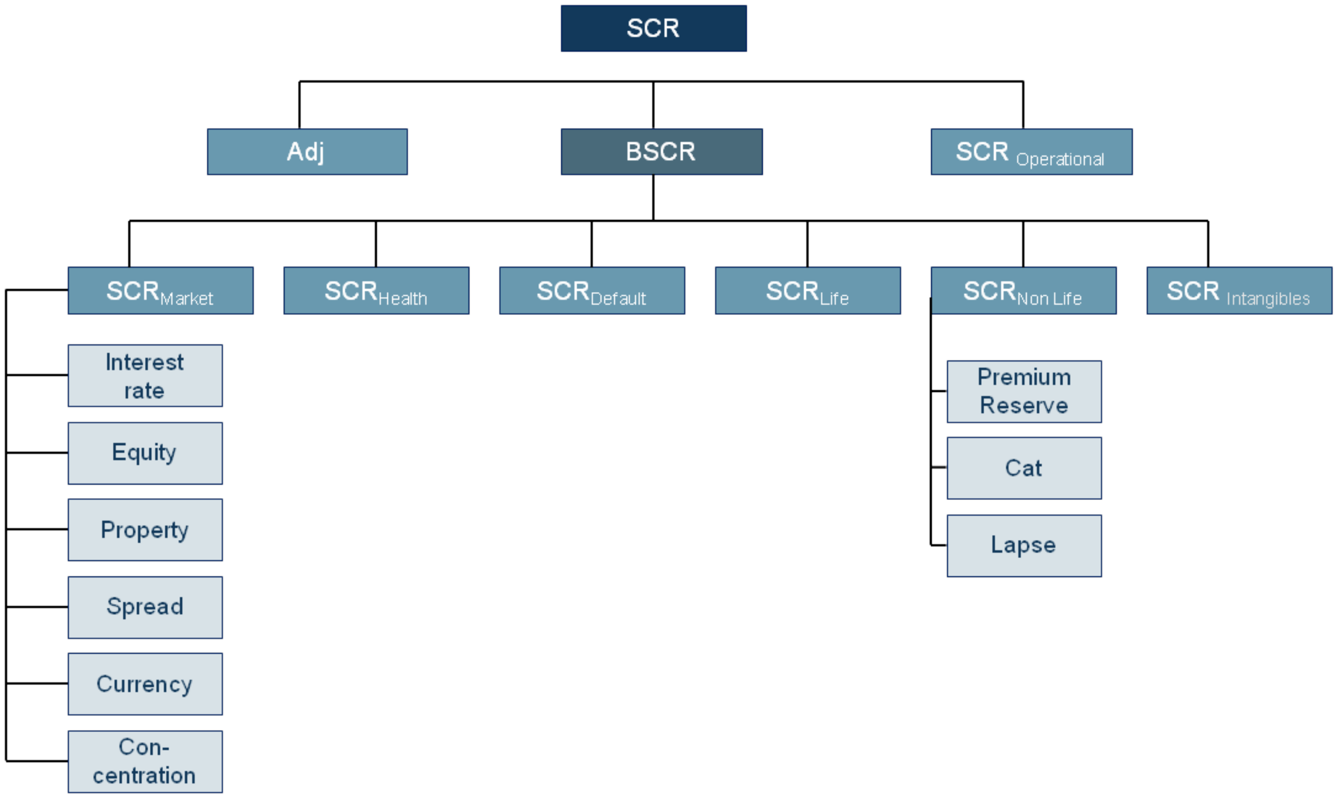
C. RISK PROFILE

The Company believes that a robust, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering its strategic objectives. The Company is committed to maintaining its strong financial position by assessing risk and prudently managing anticipated capital needs in light of its business plans and risk profile. The integration of capital management and risk management into the strategic and operational planning process is critical for long-term financial solvency.

The Company calculates it Solvency Capital Requirement (SCR) using the Solvency II standard formula. The risk profile is a point in time measurement of the risks that the Company is exposed to. The Company runs its SCR on a current and forward-looking perspective over a three-year time horizon. No additional quantitative data is used, as full use of standard formula.

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

The diagram below sets outs the standard formula risk modules and sub-modules:



The risk modules applicable to the Company's business operations are market risk, counterparty risk, non-life underwriting risk and operational risk modules and sub-modules. Full details of the standard formula SCR calculations can be found in Section E.2.

C.1 UNDERWRITING RISK

Underwriting Risk covers the risks the Company is exposed to arising from its insurance underwriting operation and is split between the following sub-risk categories:

- Premium Risk
- Reserve Risk
- Non-Catastrophe Risk
- Man Made Catastrophe Risk
- Lapse Risk

The principal risk that the Company faces under insurance contracts is that insured events occur and the uncertainty of the amounts and timing of resulting claims. This is influenced by the frequency and severity of claims, actual benefits paid and subsequent development of long-term claims.

The risk exposure is mitigated by diversification of its portfolio of insurance contracts over geographical areas across Europe. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company has two reinsurance contacts in place as part of its underwriting risk mitigation programme:

a) **External Motor Liability Excess of Loss Treaty**
This treaty provides reinsurance protection for unlimited liability limits for motor liability business written in Belgium and the UK and motor liability limits set in other European locations. The Company has a retention limit of €2.5m for European locations and the £3.45m for the UK.

b) **USAA Non-Proportional Stop Loss Treaty**
The majority of the Company's residual risk is covered by a non-proportional stop loss treaty with its ultimate parent company, USAA. Under this treaty an overall annual loss in its non-technical underwriting account is limited to €1m up to a maximum limit of €25m.

There are no material changes to the measures used to assess premium risk, reserve risk, natural catastrophe risk and man-made catastrophe risk during the reporting period.

C.2 MARKET RISK

Market Risk reflects the risk that the Company is affected by adverse movements in the fair value of its financial assets and liabilities. The Company is exposed to market risk on both the asset and liability side of its balance sheet arising from assets in the Company's investment portfolio, investment assets held in the Company's defined benefit pension schemes, the Company's technical provisions and transactions requiring settlement in a different currency.

The market risk sub-categories applicable to the Company are as follows:

- **Spread Risk**

  The spread risk the Company is exposed to stems from the sensitivity of the value of assets in the level or volatility of credit spreads over the risk-free interest rate return structure, which can cause a decrease in the asset's market value.

- **Interest Rate Risk**

  The interest rate risk the Company is exposed to arises from the risk of financial loss or adverse change in the value of assets and liabilities due to unanticipated changes in interest rates and their volatility.

- **Concentration Risk**

  The concentration risk is the additional risk to the Company from either a lack of diversification in the investment portfolio, or from large exposures to default risk by a single issuer or group of related issuers to securities.

Spread risk, interest rate risk and concentration risk are considered by the Company to be low risks due to the Company's prudent approach to managing its assets. The Company has a conservative investment strategy with strict investment guidelines in place, which requires the Company to maintain a well-diversified high-quality bond portfolio.

The concentration risk charge is zero under the standard formula as there are no holdings in excess of the specified thresholds prescribed by the EU Delegated Acts.

- **Currency Risk Rate**

  The most significant component of market risk that the Company is exposed to is currency risk, where the fair value of future cash flows and the values of assets and liabilities denominated in foreign currency will fluctuate because of changes in foreign exchange rates.

  The Company is exposed to currency risk as it underwrites its premiums in US Dollars and pays it claims and expenses in Euros. It also holds assets and liabilities in both US Dollars and Euros. The Company seeks to mitigate its foreign exchange risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. This is achieved by setting the currency allocation of its investment portfolio to match the currency allocation of its liabilities.

The Company monitors the impact of interest rates and foreign exchange rates very closely through the use of risk appetites and triggers, foreign currency management and capital management assessments.

The SCR relating to the Germany pension scheme has been calculated by Aon Hewitt, based on the guidelines set out in the standard formula. In these calculations the pension SCR is now being incorporated into the overall market and counterparty risk modules and the associated sub-modules, allowing for diversifications within the wider business.

Risk Mitigation and the Prudent Person Principle

The Company's Investment Management Guidelines ensure the Company complies with the requirements of the Prudent Person Principal set out in Article 132 of the Directive 2009/138/EC. The Investment Guidelines sets out the Company's strategic asset categories, limits and allocations that are suitable for its risk profile and strategic investment objectives. The Investment Guidelines are approved by the Board and reviewed annually.

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

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

C.3 CREDIT RISK

Counterparty Default Risk

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

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

C.4 LIQUIDITY RISK

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

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

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

The expected profit included in future premiums for the reporting period is €6,059k.

The Company does not consider its liquidity concentration exposures to be material. There have not been any material movements or changes in liquidity concentration exposures during the reporting period.

C.5 OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, systems, people or external events.

The Company considers operational risk to be a key risk as it is inherent across the Company and can prevent it from fulfilling its mission and strategic objectives. Particularly, as most of top risks that the Company has identified are categorised as operational risks. The Company is committed to managing all operational risks related to people, processes, systems and external events to ensure a stable, safe and secure operating environment. In all situations the management of the Company will act promptly to mitigate these risks when they occur.

Examples of operational risks that are actively managed include:

- Systems availability and performance.
- Employee training and turnover.
- Business continuity.
- Cyber security.
- Information security.
- Outsourcing.
- Fraud.
- Financial crime.

The Company maintains a comprehensive risk register detailing risks and internal controls, which is a critical risk management tool in managing operational risk. In addition, the Company has implemented a Risk Control Self-Assessment (RCSA) programme for key operational risks with identified risk owners. RCSA testing is carried out regularly throughout the year to test the effectiveness of internal controls with tests results being reported to the Board and governance committees.

The Company's exposure to operational risk is also mitigated by its Stop Loss reinsurance programme in place with its parent company. The Stop Loss reinsurance protects the company if it makes an underwriting loss in excess of €1m up a maximum limit of €25m in a financial year. This would cover any loss caused by operational events that impacted the Company's underwriting profitability.

Material operational risks are covered in section C.6.

C.6 OTHER MATERIAL RISKS

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

- **Cyber** – Global cyber threat is elevated due to increase in cybercriminal and nation-state activities.
- **Talent** – People risk can impact operational losses due to missed Service Level Objectives.
- **Outsourcing** – There is substantial reliance on the parent and some processes conducted on its behalf.
- **Military/Political Risk** - Material reduction in the size of US military deployed in Europe as a result of political decisions around the US Department of Defence budget.
- **Competitiveness Risk** - Increased competition from insurers resulting in significant erosion of market share.
- **Technology/Systems Risk** - Technological developments significantly changing the insurance product or the way in which it is delivered to customers.

  Technology/Systems fall within operating risk. The other risks, though not explicitly modelled in the standard formula, would be included in the modelled results as the risks would materialise into the financial risks of deteriorating growth and profitability. The SCR is considered sufficient to cover these risks for this reason.

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

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

Stress Testing and Sensitivities

USAA S.A. senior management understands the importance of stress testing. In order to determine stress tests scenarios, USAA S.A. management considers both internal and external risk factors, and reviews the Top and Emerging Risks identified and changes in the marketplace that may impact it solvency position.

USAA S.A. management:

a. carefully reviewed Risk Assessments to identify which Risks could materially impact its own funds positions both on a combined USAA S.A. and UK branch basis and separately for the UK Branch;
b. took EIOPA guidelines into account;
c. considered USAA S.A. business specificity (e.g., exchange rate exposure related to claims process, dependence to US government troops movement)
d. considered market and economic changes presented that could significantly impact the financial health of the business

Climate Change stress testing

USAA S.A. consistently reviews our exposure to climate change against the risks identified by EIOPA and the CAA. Our primary short term exposure rests in the increased incidence of catastrophe losses caused by increased frequency and/or severity of major weather events. Because our business consists of personal lines automobile and personal possessions, the Company believes that these potential losses are a relatively minor component of our regulatory capital over the planning horizon as calculated via the standard formula and would be well covered by our stop loss reinsurance policy with our parent company. Consequently, the

Company has not carried out a specific stress test but continues to monitor our exposure as part of our risk management framework.

The stress test scenarios investigated by USAA S.A. management this year are:

a. Inadequate Reinsurance
b. Geopolitical Escalation

Stress Test scenarios descriptions:

a. Inadequate Reinsurance
In an increasingly hard reinsurance market, insurers are facing both increasing costs and difficulty obtaining full placement of reinsurance. This scenario explores the potential effects limited reinsurance placement.

This stress test is applied to 2025 only. This assumes that management will take corrective action in the following years to mitigate these risks.

The scenario assumes the following:

- Excess-of-loss (XoL) reinsurance - Assume 25% placement of the treaty. The retention is assumed to remain the same as the current year, with €2.5 million and £3.45 million attachment points for EU and UK losses, respectively.
- Stop loss reinsurance - Our stop loss treaty with the parent company plays a major role in risk mitigation, effectively limiting our underwriting loss to €1 million in most scenarios. To fully assess the impacts of inadequate reinsurance coverage, assume that the parent company does not provide stop loss coverage in 2025.
- Large losses - The largest claim recorded in USAA's history of operating in Europe is currently reserved at £25 million. This scenario assumes a large loss of £50 million occurs in USAA S.A. UK, where bodily injury liability coverage is unlimited. Additionally, assume a large loss in the EU at the Company's policy limit of €7.5 million. While some countries in the EU do stipulate higher or unlimited policy limits, the Company writes the majority of our EU policies in Germany and Italy, which both have a policy limit of €7.5 million.
- Claims and expenses - Since this scenario is for two additional large claims, this scenario assumes no increase in loss adjustment expenses.

For a large loss in the UK of £50 million, the loss in excess of the £3.45m attachment point is £46.55m. 25% of this amount, £11.64m, would be recovered under the XoL contract. The retained portion is then £38.36 million.

For a large loss in the EU of €7.5 million, the loss in excess of the €2.5m attachment point is €5.0m. 25% of this amount, €1.25m, would be recovered under the XoL contract. The retained portion is then €6.25 million.

The loss is partially offset by a reduction in the XoL and stop loss ceded premium.

On the Lux GAAP income statement, USAA S.A. UK's underwriting profit decreases from £1.5m to an underwriting loss of £34.5m or €39.8m. Despite the EU large loss at policy limit, USAA S.A. excluding the UK branch enjoys a higher underwriting profit due to the significant reduction in ceded premium, with underwriting profit increasing from €5.9m to €7.4m. In total, for USAA S.A. including the UK branch, the underwriting profit decreases from €7.7m to an underwriting loss of €32.4m.

Inadequate Reinsurance stress test	**USAA S.A inc UK Branch** *Amounts in €m*	
	Dec-25	**Scenario (a)**
Own Funds	143.1	131.6
SCR	61.3	73.6
Excess available funds	81.8	58.0
SCR coverage ratio	233 %	179 %
Risk Trigger	130%	130%

This scenario has the following impacts:

- On a Lux GAAP basis, as expected, equity reduces by €30.1 million. However, on a Solvency II basis, Own Funds would decrease by €11.5 million. This is primarily due to the net increase in technical provisions of €25m being offset by a benefit in the reduction in ceded premium and tax payable due to the Lux GAAP losses.
- The SCR would increase by €12.3 with increases in premium and reserve risk of €8.8m and market risk of €6.1m.
- Solvency Ratio would be 55% lower than the baseline, due to the decrease in SII Own Funds and increase in SCR.
- Solvency Coverage continues to be well above the risk trigger of 130% and risk appetite of 120% for USAA S.A.

b. Geopolitical Escalation

Active duty US military make up the majority of our Europe portfolio and, given our mission, are the primary reason that USAA S.A. operates in Europe. If U.S. troops were deployed outside of Europe, our portfolio could shrink rapidly, potentially making the business non-viable. This scenario assesses the consequences of an intensification of geopolitical tensions resulting in widespread deployment of US troops.

Potential narratives that might cause a wide-scale movement of US troops include (a) withdrawal of the US from NATO following the 2024 U.S. presidential election, (b) escalation of or emergence of regional or even global geopolitical conflicts (d) catastrophes, whether natural or man-made, such as nuclear warfare.

This scenario assumes that all members currently serving in the US military will be deployed and that their families will move back to the US. Subsequently, they sell their vehicles and cancel their insurance policies on 1 January 2025.

As EIOPA is also conducting a geopolitical stress test in 2024, the Company will draw from some of EIOPA's stress test assumptions to create a more realistic scenario.

As described on the 2024 stress test landing page <https://www.eiopa.europa.eu/insurance-stress-test-2024_en>:

> The 2024 stress test exercise focuses on the economic consequences of a re-intensification or prolongation of geopolitical tensions. The scenario, developed in cooperation with the European Systemic Risk Board (ESRB), envisages a widespread resurgence of supply chain disruptions, leading to lower growth and higher inflation. Second-round effects stemming from a wage-price spiral would further exacerbate inflationary pressures, ultimately leading to

a re-appraisal of market expectations of interest rates across tenors and currencies. Concerns about the persistent effects of severe adverse shocks are reflected in a larger increase of expected market rates at the short end of the yield curve than at the long end. This contributes to a further inversion of the yield curve. Despite expectations of decreasing inflationary pressures over time, growth will continue to be adversely affected. The resulting tightening of financing conditions would heterogeneously increase government bond rates and would weigh on corporate profitability, widen credit spreads and have a negative impact across other asset classes.

This stress test uses the following inputs from the EIOPA stress test technical specifications:

- As the reference date for the EIOPA stress test is 31 December 2023, the Company will apply the percent change between the shocked and baseline Q4 2023 risk-free rates to the baseline 30 June 2024 risk-free rates.
- This stress test will apply EIOPA's market shocks. Shocks to the government bond spreads vary by country and bond term, while shocks to corporate bond spreads vary by region, type (financial or non-financial), and credit rating.
- As described within the specifications in section 5.2 "Insurance-Specific Shocks", non-life insurance companies should apply only the claims inflation and expense inflation shocks for the capital assessment. The excess claims inflation is 5.0% and 3.5% in years 1 and 2, respectively. The excess expense inflation is 1.5% and 0.8% in years 1 and 2, respectively.

Further details on EIOPA's 2024 stress test, including the development of the shocks and the stress test methodology, can be found in the Related Resources section of the landing page.

We will perform this exercise for both 2025 and 2026. Management will closely monitor the geopolitical landscape throughout 2025, so a reactive strategy and action plan will likely not be finalized within one year.

The Lux GAAP income statement results are as follows:

	USAA S.A. including the UK Branch *Amounts in €'000*			
	Dec-25	**Scenario (b)**	**Dec-26**	**Scenario (b)**
Underwriting income before stop loss	7,665	(37,984)	1,329	(10,943)
Stop loss recovery	0	25,000	0	9,943
Underwriting income after stop loss	7,665	(12,984)	1,329	(1,000)
Investment Income	2,052	(2,358)	0	171
Pre-tax net income	9,717	(15,343)	1,329	(829)

	USAA S.A. UK Branch *Amounts in £'000*			
	Dec-25	**Scenario (b)**	**Dec-26**	**Scenario (b)**
Underwriting income before stop loss	1,532	(7,033)	1,329	(1,325)
Stop loss recovery	0	4,629	0	1,204
Underwriting income after stop loss	1,532	(2,404)	1,329	(121)
Investment Income	0	0	0	0
Pre-tax net income	1,532	(2,404)	1,329	(121)

In 2025, the stop loss recovery is fully exhausted and capped at €25,000, resulting in an underwriting loss of €13m. In 2026, stop loss reinsurance limits the underwriting loss to €1m.

While this scenario considers the impacts of the stop loss recovery on the Lux GAAP income statement and on the asset side of the balance sheet, it is not included within the technical provisions nor the SCR standard formula.

The solvency calculations are as follows:

Geopolitical 2025	**USAA S.A inc UK Branch** *Amounts in €m*	
	Dec-25	**Scenario (b)**
Own Funds	143.1	101.1
SCR	61.3	41.6
Excess available funds	81.8	59.5
SCR coverage ratio	233 %	243 %
Risk Trigger	130%	130%

This scenario has the following impacts in 2025:

- Own Funds would reduce by €42.0 million, consistent with Lux GAAP P&L impacts.
- SCR would decrease by €19.7 million due to the lower non-life underwriting risk as a result of the decreased premium plus a decrease in market risk which is primarily driven by a decrease in currency risk.
- Solvency Ratio would be 10% higher than the baseline, due to the decrease in SII Own Funds offset by the decrease in SCR.
- Solvency Coverage continues to be well above the risk trigger of 130% and risk appetite of 120% for USAA S.A.

Geopolitical 2026	USAA S.A inc UK Branch *Amounts in €m*	
	Dec-26	**Scenario (c)**
Own Funds	144.2	72.3
SCR	60.1	48.0
Excess available funds	84.1	24.3
SCR coverage ratio	240 %	151 %
Risk Trigger	130%	130%

This scenario has the following impacts in 2026:

- Own Funds would reduce by €71.9 million which is inclusive of the above 2025 impacts.
- SCR would decrease by €12.1 million due to the lower non-life underwriting risk as a result of the decreased premium plus a decrease in market risk which is primarily driven by a decrease in currency risk, in line with the movements seen in 2025.
- Solvency Ratio would be 89% lower than the baseline, due to the decrease in cumulative SII Own Funds slightly offset by the decreased SCR.
- Solvency Coverage continues to be above the risk trigger of 130% and risk appetite of 120% for USAA S.A.

This stress test is an extremely drastic and highly improbable scenario. In reality, US troop deployments are drawn primarily from the U.S. even for the Ukraine conflict. As the Ukraine conflict unfolded, the number of active duty personnel in Europe stayed relatively stable, with slight increases mostly in Germany in the months immediately following Russia's invasion. Total troops in Europe since then have stabilized within range of recent historical numbers. While troop numbers and placement are driven by political and defense strategy, short-term rotational deployments would not impact us, as these servicemen would not purchase vehicles or have significant personal property in Europe to insure. Consequently, the Company currently has not seen a material change in our exposures despite the recent geopolitical tensions in Eastern Europe.

Despite these stressors, on a combined USAA S.A. basis including the UK branch, the Company still expects to hold enough capital to meet our solvency requirements. This stress test demonstrates the strength of the USAA S.A. balance sheet as well as the effectiveness of our risk mitigation program.

In particular, as seen in the Geopolitical stress scenario, our stop loss program effectively mitigates the risk to which the Company is exposed. The Solvency II standard formula for the SCR does not currently reflect the benefits of the stop loss reinsurance. Therefore, the capitalization of USAA S.A. is even more resilient than what our reported SCR ratio would suggest.

Scenario testing

USAA S.A. conducts scenario tests based on reasonably foreseeable, albeit low-probability, events. These scenarios, developed with Board input and using a combination of historical data, models, and expert judgment, assess the company's financial resilience to these events.

The results showed that under no scenario would the company's assets fall below its liabilities, thus ensuring its ability to meet policyholder obligations. Additionally, SCR coverage remains above risk appetite after allowing for the impact of each scenario. The detailed results were reported in the ORSA Report submitted to the CAA.

C.7 ANY OTHER INFORMATION

Risk-taking is limited by setting appropriate risk triggers and appetites with clear guidelines for limiting and controlling risk exposures to ensure the Company operates within the risk appetites statements. The Company's risk appetites statements are approved by the Board annually. Modifications, if necessary are made to reflect changes in business strategy, objectives, or the external environment.

D. VALUATION FOR SOLVENCY PURPOSES

The Solvency II Regulation (EU) 2015/35 ('the Solvency II Regulation') together with Guidelines issued by EIOPA requires companies falling under the scope of Solvency II to recognise and value their assets and liabilities generally in accordance with the fair value principles of International Financial Reporting Standards ('IFRS') subject to specific recognition and valuation rules for particular assets and liabilities, notably technical provisions. This Section D sets out the bases, methods and assumptions for assets and liabilities for the purposes of Solvency II.

The analysis in this section also explains material differences in valuation or classification between the Solvency II balance sheet and the Company's statutory financial statements. The Company prepares its financial statements in accordance with Lux GAAP. This accounting framework is generally consistent with IFRS in recognition and valuation criteria.

Solvency II Balance Sheet as at 31 December 2024 in €'000	Notes	LUX GAAP	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II
Assets					
Deferred tax assets	1	-	-	-	-
Pension benefit surplus	8	-	-	7,874	7,874
Property, plant & equipment held for own use	2	80	-	-	80
Investments	3	**190,842**	**2,709**	**2,525**	**196,076**
Government Bonds		40,077	433	513	41,023
Corporate Bonds		150,765	2,276	2,012	155,053
Collateralised securities		-	-	-	-
Deposits other than cash equivalents		-	-	-	-
Reinsurance recoverable from:		**32,440**	-	**(12,266)**	**20,174**
Non-life excluding health	D.2	32,440	-	(12,266)	20,174
Salvages and Subrogation		4,114	(4,114)	-	-
Insurance Intermediaries receivables	4	78,348	1,522	(70,921)	8,949
Receivables (trade, not insurance)	5	545	-	-	545
Cash and cash equivalents	6	30,067	-	-	30,067
Any other assets, not elsewhere shown	7	5,024	(2,709)	-	2,315
Total assets		**341,460**	**(2,592)**	**(72,788)**	**266,080**
Liabilities					
Technical Provisions					
Non-Life excluding health	D.2	184,627	(4,114)	(92,492)	88,021
Liabilities other than Technical Provisions					
Deferred tax liabilities	1	-	-	5,042	5,042
Insurance & Intermediaries payables	10	2,099	1,522	(2,790)	831
Payables (trade, not insurance)	11	8,880	-	2,277	11,157
Any other liabilities, not shown elsewhere	12	1,784	-	-	1,784
Total Liabilities		**197,390**	**(2,592)**	**(87,963)**	**106,835**
Excess of Assets over Liabilities		**144,070**	-	**15,175**	**159,245**

Solvency II Balance Sheet as at 31 December 2023 in €'000	**Notes**	**LUX GAAP**	**Reclassification Adjustments**	**Solvency II Valuation Adjustments**	**Solvency II**
Assets					
Deferred tax assets	1	-	-	-	-
Pension benefit surplus	8	-	-	5,215	5,215
Property, plant & equipment held for own use	2	35	-	-	35
Investments	3	**153,835**	**1,652**	**2,213**	**157,700**
Government Bonds		48,969	350	541	49,860
Corporate Bonds		104,866	1,302	1,672	107,840
Collateralised securities		-	-	-	-
Deposits other than cash equivalents		-	-	-	-
Reinsurance recoverable from:		**30,317**	-	**(11,309)**	**19,008**
Non-life excluding health	D.2	30,317	-	(11,309)	19,008
Salvages and Subrogation		3,419	(3,419)	-	-
Insurance Intermediaries receivables	4	69,359	1,376	(61,906)	8,829
Receivables (trade, not insurance)	5	-	1,751	-	1,751
Cash and cash equivalents	6	45,457	-	-	45,457
Any other assets, not elsewhere shown	7	3,635	(1,652)	-	1,983
Total assets		**306,057**	**(292)**	**(65,787)**	**239,978**
Liabilities					
Technical Provisions					
Non-Life excluding health	D.2	171,599	(3,419)	(75,744)	92,436
Liabilities other than Technical Provisions					
Deferred tax liabilities	1	-	-	2,568	2,568
Insurance & Intermediaries payables	10	7,165	3,127	(8,652)	1,640
Payables (trade, not insurance)	11	6,551	-	8,311	14,862
Any other liabilities, not shown elsewhere	12	1,512	-	-	1,512
Total Liabilities		**186,827**	**(292)**	**(73,517)**	**113,018**
Excess of Assets over Liabilities		**119,230**	-	**7,730**	**126,960**

The statutory accounting balance sheet forms the basis for the Solvency II balance sheet, with reclassifications and valuation adjustments made to assets and liabilities requiring a different recognition or valuation basis under Solvency II. Details of the valuation and recognition of Lux GAAP assets and liabilities can be found in the Company's Financial Statements, Note 4 on Significant Accounting Policies. Additional notes have been included in sections D.1 D.2 and D.3 below for reclassification and Solvency II adjustments made to the Solvency II balance sheet.

D.1 ASSETS

Note 1: Deferred Tax Asset

The deferred tax asset or liability is calculated based on the temporary difference between Solvency II values and the tax values.

Deferred tax represents the amounts of corporation taxes recoverable in future periods in respect of deductible temporary differences. Deferred taxes in respect of deductible temporary differences are valued based on the difference between:

- The values of assets and liabilities recognised and valued in accordance with Solvency II.
- The values of assets and liabilities recognised and valued for tax purposes.

Deferred tax has been calculated using the future Lux corporation tax rate of 24.94%.

The deferred tax liability of €5,042k is largely the valuation differences on Solvency II Non-life technical provisions.

Note 2: Plant & Equipment

Plant and equipment are depreciated at their residual values over their useful lives. Depreciation is calculated on a straight-line basis to reduce the carrying value to the residual amount over the following years:

- Motor Vehicles 3 Years
- Computer Equipment 2 Years

Annual reviews are conducted to ensure residual values, length of useful lives and depreciation methods are still applicable. Where the carrying value of an asset is greater than its estimated recoverable amount it would be written down immediately to its recoverable value.

Plant and equipment have not been revalued to a Solvency II market consistent value as the value of these assets is not deemed to be material.

Note 3: Investments

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

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

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

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

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

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

Note 4: Insurance & Intermediaries Receivables

Under Lux GAAP Insurance and intermediaries' receivables include both amounts owed by policyholders that are past due and amounts owed by the parent company. Under Solvency II the amounts owed by policyholders that are not past due are future cash flows and have been considered in the calculation of premium provisions within technical provisions. Details on the methodology for calculating technical provisions are covered in section D.2.

The amount remaining in insurance and intermediaries' receivables under Solvency II relates to the inter-company balance due from the parent company for premiums collected from policyholders on behalf of USAA S.A. The inter-company balance due is a short-term receivable and has been valued at the amount due to be paid by the parent company in the month following collection of the premiums.

Note 5: Receivables (Trade, not Insurance)

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

Note 6: Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash deposits with financial institutions that are highly liquid assets and can be withdrawn without penalty. Cash and cash equivalents are considered to be held at their fair value under Solvency II.

Note 7: Other Assets

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

Note 8: Pension Benefit Surplus

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

The assets of the Schemes are held separately from those of the Company and are invested with external investment managers, to meet long term pension liabilities of past and present members. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return of a high-quality corporate bond of equivalent term and currency to the liabilities.

The net pension benefit surplus reported in the Solvency II balance sheet are based on an International Accounting Standards, IAS19 valuation carried out by an independent actuary. Accordingly, this asset is reclassified from income statement as it is not recognised as an asset under Lux GAAP due to prudential reversal of pension surplus provisions. At 31 December 2024, the IAS 19 actuarial valuation reported a pension benefit surplus of €7,874k.

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

D.2 TECHNICAL PROVISIONS

Valuation of Technical Provisions for solvency purposes

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

Technical Provisions for SA (including the UK Branch) as of 31 December 2024 are shown below

Non-Life Technical Provisions	Gross Best Estimate €'000	Risk Margin €'000	SII Value €'000	Reinsurance Recoverable €'000	Net Technical Provisions €'000
Motor Vehicle Liability	84,456	6,904	91,361	-21,160	70,201
Other Motor	-4,746	476	-4,270	831	-3,439
Fire & Other Property	350	124	474	111	584
General Liability	341	116	457	44	501
Total	**80,401**	**7,620**	**88,021**	**-20,174**	**67,847**

Technical Provisions for the SA UK Branch as of 31 December 2024 are shown below (in GBP)

Non-Life Technical Provisions	Gross Best Estimate £'000	Risk Margin £'000	SII Value £'000	Reinsurance Recoverable £'000	Net Technical Provisions £'000
Motor Vehicle Liability	31,929	1,484	33,413	-19,016	14,397
Other Motor	-682	59	-623	87	-536
Fire & Other Property	-49	21	-28	19	-9
General Liability	-12	11	-1	7	6
Total	**31,186**	**1,576**	**32,762**	**-18,904**	**13,858**

Valuation Basis, Methods, and Main Assumptions

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to consider the time value of money considering all possible future scenarios. The cash flow projections used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

Technical provisions are grouped into the following key components:

- Claims provision: best estimates of the provision that relates to the earned exposure.
- Premium provision: best estimate of the provision that relates to the unearned exposure (i.e., driven by unearned premium and policies which are bound but not yet incepted (BBNI) at the valuation date).
- Risk margin: Additional provision to bring the best estimates to the level required to transfer the obligations to a third-party undertaking.

Overall, the assumptions underlying the technical provision calculations have remained consistent since the prior reporting period. However, there were material changes in the following premium provision assumptions:

- Loss ratios – Although the aggregate loss ratios remained fairly flat, there were material changes by region in order to better reflect recent loss experience.

The valuation basis for USAA SA did not change materially since the prior reporting period.

Claims Provision

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

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

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

Premium Provision

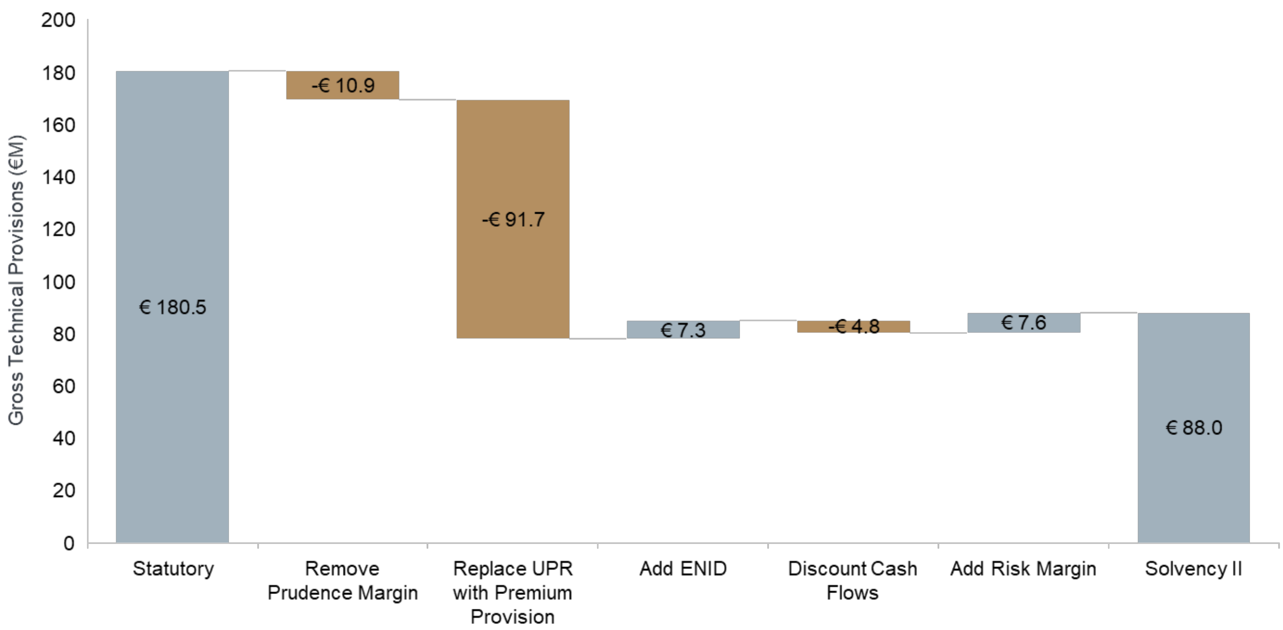
The unearned premium reserve is used as the starting point to estimate the premium provision before the following adjustments are applied:

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

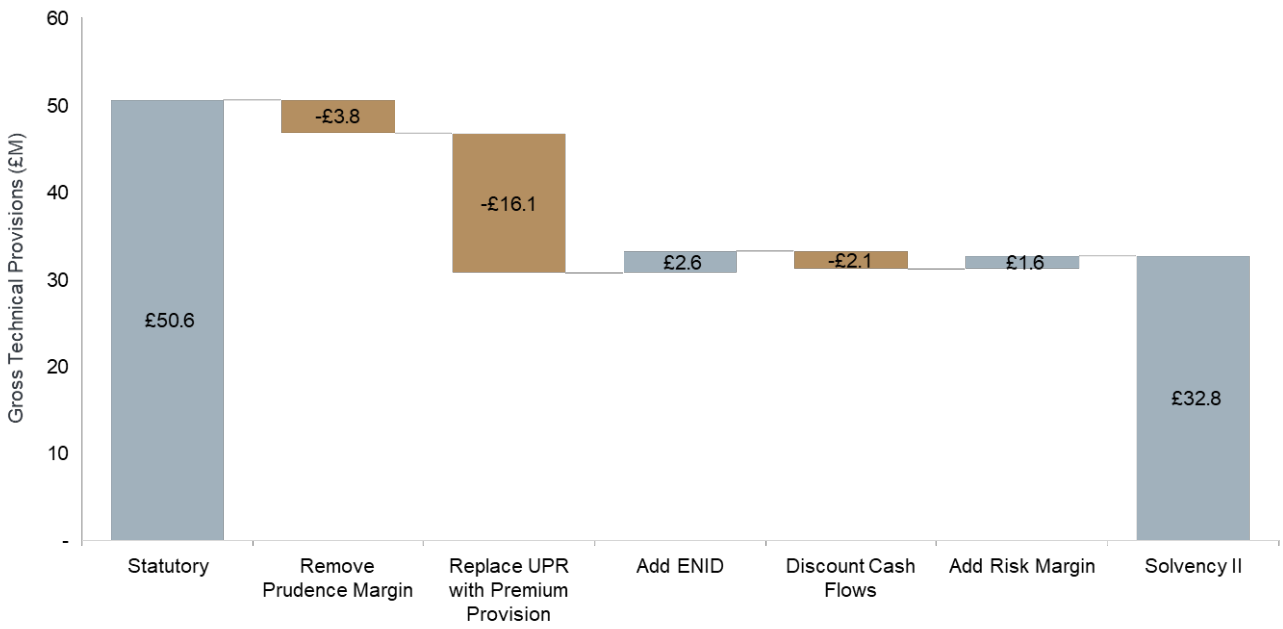
Solvency II Adjustments

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

USAA S.A including the UK Branch (Millions of EUR)



USAA S.A UK Branch (Millions of GBP)



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

USAA S.A. including SAUK (€'000)

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	Gross SII Technical Provisions
Motor Vehicle Liability	131,683	-9,934	-39,551	7,211	-4,952	6,904	91,361
Other Motor	39,605	-557	-43,992	-31	229	476	-4,270
Fire & Other Property	6,055	-127	-5,586	20	-13	124	474
General Liability	3,169	-291	-2,584	62	-15	116	457
Total	**180,512**	**-10,910**	**-91,713**	**7,262**	**-4,750**	**7,620**	**88,021**

UK Branch only in (£'000)

Lines of Business	Statutory Technical Provisions	Remove Prudence Margin	Replace UPR with Premium Provision	Add ENID	Discount Cash Flows	Risk Margin	Gross SII Technical Provisions
Motor Vehicle Liability	44,736	-3,730	-9,598	2,545	-2024	1,484	33,413
Other Motor	4,458	-67	-5,050	-4	-19	59	-623
Fire & Other Property	1,036	-21	-1060	3	-7	21	-28
General Liability	415	-29	-401	6	-3	11	-1
Total	**50,646**	**-3,848**	**-16,109**	**2,551**	**-2053**	**1,576**	**32,762**

The details of Solvency II adjustments that are applied to statutory reserves to obtain best estimates of technical provisions are as follows:

a) Removal of Prudence Margin

Due to the Company's moderately conservative reserving philosophy, a prudence margin is embedded in the statutory loss and expense reserves. To obtain best estimates, the prudence margins must be removed. To determine the prudence margins, a mean reserve is first calculated based on paid and reported reserving methodologies. Once the mean reserves are calculated, the booked reserves are divided by the mean reserves to determine the prudence margins. These margins are then applied to the statutory reserves to obtain best estimates.

b) Claims Cash Flows of Unearned Business

Selected loss ratios are used to calculate the expected losses from unearned business in the premium provision. They are then compared to next year's calendar year plan loss ratio. Since next year's plan includes future rate changes and loss ratio trend assumptions, it provides a reference to which we can compare the selected ratios.

c) Bound but Not Incepted Business (BBNI)

BBNI premium income relates to policies which the Company is legally required to write but which have not yet been incepted as of the valuation date. For USAA S.A. BBNI stems from either renewal packets being sent prior to the renewal effective date or new business being bound early. The BBNI is estimated using the renewal business in the in-force snapshot as of the valuation date. This assumes that no business will cancel between the renewal packet being sent out and the effective date but does not capture any new business during that time. Due to the stable nature of the business and the relatively minor impact this has on the final number, we felt that this was reasonable. The BBNI calculations differ by country depending on the renewal cycle in place.

d) Expenses

For USAA S.A. expenses are grouped into the following four categories: administrative expenses, investment management expenses, overhead expenses, claims management expenses. Since we book loss adjustment expense reserves, claims management expenses are included in the statutory reserves that serve as the starting point for the calculation of the claims provision. All expense categories are included in the calculation of the premium provision by applying expense ratios to unearned premium. For the premium provision, the expense ratios are selected based on next year's financial plan.

e) Events Not in Data (ENID)

ENID adjustments are designed to capture potential future claims that do not exist in the historical data used for the statutory reserve's calculation. These claims are typically caused by low-frequency, high-severity man-made hazards. Historical events which are contained within the Company's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied.

f) Discounting Credit

Claims and premium provisions are converted to future cash flows by applying payment patterns to determine how much of the provisions will be paid out in each of the future calendar years. Expertise is provided by the appropriate claims management team when determining the expected settlement of each individual recoverable.

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

g) Future Premium

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

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

h) Reinsurance Recoveries (Less Bad Debt)

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

As mentioned above, the Company has an extremely low volume of outstanding reinsurance recoveries. Thus, each outstanding claim subject to reinsurance is considered on a case-by-case basis. The appropriate claims management team is consulted when determining the expected settlement of each reinsurance claim. The recoverables are then discounted based on the expected settlement date. Due to the superior ratings of the reinsurers subject to the Company's reinsurance treaties, no adjustment for bad debt is included due to immateriality.

For the premium provision, ceded reinsurance ratios (as a percentage of gross losses) are developed based on historical data.

Risk Margin

Methodology 2, prescribed by EIOPA (i.e., to approximate the SCR for each future year by using the ratio of the best estimate at that future year to the best estimate at the valuation date), is used to project the future Solvency Capital Requirement (SCR) relating to current obligations. The initial adjusted SCR is determined by running the standard formula including the interest rate risk module. Subsequent adjusted SCRs are assumed to increase or decrease in proportion to the change in future net best estimates. We believe that a proportional methodology is appropriate for the Company due to the limited risk profile of our business as a personal lines insurer. The discounted SCRs are determined by multiplying the individual SCRs by the corresponding GBP present value factor

The final risk margin is determined by multiplying the promulgated 6% cost of capital by the sum of the discounted SCRs.

Level of Uncertainty

The level of uncertainty inherent in USAA S.A.'s business is affected by many factors. Future claims experience is in part dependent on the external environment, which is subject to uncertainty, including that related to legislative, social, and economic change (in particular, exchange rate impact). The impact of uncertain external factors is considered during each technical provision estimation.

There are several risk factors that USAA S.A. faces, including,

- **Large losses** - The potential for large liability losses due to high limits, or in some jurisdictions, unlimited liability, or property losses at military bases or in concentrated port areas where policyholder goods are being shipped, creates volatility in profitability. The Company appropriately plans for these potential losses in its planning process, and generally sees reserve reductions if large losses are not realised. This risk is mitigated by both stop loss and excess of loss reinsurance.

- **Exchange rate** - Premiums are collected in US Dollars. Losses are generally paid in local currency, primarily, Euros. This risk is mitigated by stop-loss reinsurance.
- **Unanticipated frequency or severity trends** - USAA S.A.'s planning process effectively plans for both claim frequency and severity trends. It uses historical data as well as known or anticipated information about loss costs to estimate prospective losses and then use the prospective losses to price accordingly. To the extent that claims frequency or severity trends emerge at an unanticipated level, pricing plans can be adjusted. Additionally, this risk is mitigated through reinsurance.
- **Military Drawdown** - USAA S.A.'s principal clientele are members of the United States military and their families stationed in Europe. Hence, the book is subject to the risk of a military drawdown, which could make the book too small to be sustainable. USAA S.A. monitors the plans of the US military in Europe and can act accordingly if the book became unsustainable.
- **Legal Risk** - The insurance business is subject to the vagaries of the legal system. Lawsuits, whether justified or not, regarding damages or contract terms, are rampant in many jurisdictions that the parent, USAA, does business in. USAA S.A.'s legal risk is deemed to be lower than that of the parent, as the litigiousness and case law in the jurisdiction that USAA S.A. operates is lower than that of the parent. However, because of high limits or in some jurisdictions, unlimited liability, USAA S.A. continuously monitors this risk. This risk is mitigated by both stop loss and excess of loss reinsurance.
- **Social Expectations and Behaviour** - The risk that social expectations and behaviour around insurance changes is a risk that all companies involved in insurance face. USAA S.A. is not an exception. Increased claims filing at levels not anticipated impact the volatility around the level of expected profitability. In the near term this is mitigated by stop-loss reinsurance. In the longer term it is mitigated by pricing actions.

Another factor than creates uncertainty in the technical provisions and profits is adverse selection. Adverse selection occurs when the likelihood of loss is correlated with the demand for insurance. That is, people who are more likely to have a loss are more likely to purchase insurance. If an insurer raises prices across the board to adjust for increasing losses, the risks less likely to have a loss can get lower prices elsewhere and leave the book, leaving the high risks in the book, which is now again under-priced. This creates a spiral of price increases driving better risks away from the business leading to losses greater than anticipated.

The means to avoid adverse selection is the ability to accurately charge each risk an appropriate premium based on its characteristics. Clearly understanding risk characteristics and having the ability to price accordingly is paramount in avoiding adverse selection. USAA S.A. employs sufficient risk classification to appropriately price individual risks, thus the potential for adverse selection is minimal.

Reinsurance stabilizes the volatility of USAA S.A.'s profitability in several ways. Excess of loss reinsurance is purchased to protect against the rare large liability losses. This is more for capital protection than limiting the volatility around expected profitability. The stop loss agreement between USAA S.A and its ultimate parent guarantees a combined ratio not greater than 100% plus its retention of €1m up to a limit of €25m, thus in most cases subjecting USAA S.A to an underwriting loss of €1m.

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

Transitional measures on technical provisions

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

Assumptions about future management actions

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

Assumptions about policyholder behaviour

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

Contract boundaries

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

Material changes during the reporting period

The valuation basis for USAA SA did not change materially since the prior reporting period.

Significant data deficiencies and adjustments

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

D.3 OTHER LIABILITIES

Note 10: Insurance & Intermediaries Payables

Under Lux GAAP insurance & intermediaries' payables include amounts due to policyholders, which are not yet due. Under Solvency II these have been included in the calculation of technical provisions. Other payables included represents the intercompany balance payable for services rendered under service agreements.

Note 11: Payables (Trade, not Insurance)

Payables (trade, not insurance) include amounts owed to the parent company and ultimate parent company, employees, suppliers and tax authorities that are not insurance related. Payables solely comprise of amounts which fall due within 12 months and are valued at the amounts expected to be paid by the Company.

Note 12: Other Liabilities, Not Shown Elsewhere

Other Liabilities, not shown elsewhere relates to accruals for expenses recognised in the reporting period that have not been paid at the end of the reporting period. Accruals have been based on amounts expected to be paid in the subsequent period and are deemed to be valued in accordance with Solvency II.

There have not been any changes during the reporting period to the recognition and valuation basis for any of the liabilities disclosed in section D.3.

D.4 ALTERNATIVE METHODS FOR VALUATION

The Company has not used any alternative valuation methods.

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

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

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

Own funds classified by tiers €'000	December 31 2024	2023
Tier 1	155,245	126,960
Tier 2	-	-
Tier 3	-	-
Total Own Funds	**155,245**	**126,960**

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

Tier 3 previously consisted of an amount equal to the value of net deferred tax assets, the regulatory guidance has been amended to state that if the deferred tax liabilities are higher than the deferred tax assets, then the net deferred tax assets classified to Tier 3 should be equal to zero.

Approach to Capital Management

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

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

Tier 1 Basic Own Funds

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

Own Funds Tier 1 – €'000	December 31 2024	2023
Tier1		
Ordinary Share Capital	80,030	80,030
Share Premium	19	19
Reconciliation Reserve	75,196	46,911
Tier 3		
An amount equal to the value of Net Deferred Tax Assets	-	-
Total Own Funds	**155,245**	**126,960**

All the Company's Tier 1 Own Funds are eligible to cover the SCR and MCR. The ordinary share capital and related share premium are classified as Tier 1 unrestricted capital since the Company's Articles of Association permit the cancellation of dividends after they have been declared.

The reconciliation reserve is calculated as follows:

Reconciliation Reserve €'000	December 31 2024	2023
Excess of assets over liabilities from SII Balance Sheet	159,245	126,960
Less:		
Foreseeable dividends	(4,000)	-
Ordinary Share Capital	(80,030)	(80,030)
Share Premium	(19)	(19)
An amount equal to the value of Net Deferred Tax Assets	-	-
Reconciliation Reserve	**75,196**	**46,911**

December 31	2024 €'000	2023 €'000
Total comprehensive income for the year	24,485	11,555
Legal Reserve	1,976	1,398
Revaluation Reserve	355	4
Retained Earnings B/F	37,205	26,224
Total Equity as per Financial Statements (Lux GAAP)	**64,021**	**39,181**
Fair Value adjustment - Investments	2,525	2,213
Fair Value adjustment - Prudential adjustment on pension surplus	7,874	5,215
Total Equity as per Financial Statements (Fair Value)	**74,420**	**46,609**
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	9,818	2,870
Difference in valuation of Net Deferred Tax Asset	(5,042)	(2,568)
Foreseeable dividends	(4,000)	-
Reconciliation Reserve	**75,196**	**46,911**

The reconciliation reserve has a potential volatility to currency risk from exchange rate movements. Premiums are collected in US Dollars and losses are generally paid in local currency, Euros. The Company also holds assets and liabilities in Euros and US Dollars. Sharp, short-term fluctuations can significantly impact the profitability of the Company. This risk is mitigated by the stop-loss agreement between the Company and its ultimate parent, which limits the underwriting loss of the Company to €1m up to an excess of €25m in each financial year.

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

December 31	2024 €'000	2023 €'000
Ordinary Share Capital	80,030	80,030
Share Premium	19	19
Total comprehensive income for the year	24,485	11,555
Legal Reserve	1,976	1,398
Revaluation Reserve	355	4
Retained Earnings B/F	37,205	26,224
Total Equity as per Financial Statements (Lux GAAP)	**144,070**	**119,230**
Fair Value adjustment - Investments	2,525	2,213

Fair Value adjustment - Prudential adjustment on pension surplus	7,874	5,215
Total Equity as per Financial Statements (Fair Value)	**154,469**	**126,658**
Adjustments for Solvency II:		
Difference in Technical Provisions Net of Reinsurance	9,818	2,870
Difference in valuation of Deferred Tax Asset	(5,042)	(2,568)
Foreseeable dividends	(4,000)	-
Excess of Assets Over Liabilities	**155,245**	**126,960**

Material Changes during the reporting period

Own funds did not change materially during the period, other than the comprehensive income for the year and a proposed dividend of €4m.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

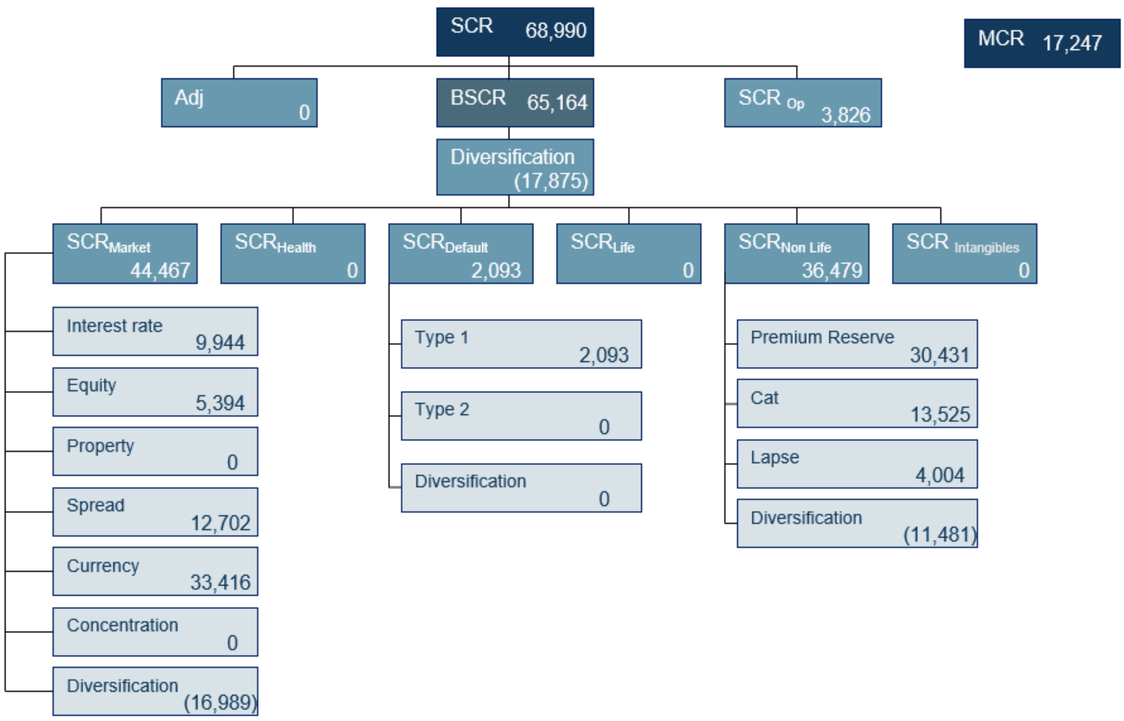
SOLVENCY CAPITAL REQUIREMENT (SCR)

The Company uses the standard formula to calculate its SCR and MCR. The standard formula is intended to be calibrated to ensure all quantifiable risks that the Company is exposed to are captured, covering all existing business and business to be written over the next 12 months.

The standard formula calculation is based on a calibration of the risk modules using a value-at-risk measure with a 99.5% confidence level over a one-year period. This provides a level of confidence that the Company will still be in a position, with a probability of at least 99.5% to meet its obligations to policyholders and other beneficiaries.

The Company has not used simplified calculations in applying the standard formula or applied the use of using specific parameters in the non-life underwriting risk calculations.

The waterfall chart below shows the Company's SCR and its SCR risk sub-modules as of 31 December 2024.



Total SCR

The total SCR as of 31 December 2024 was €68,990k. This is an increase of €11,714 over the previous reporting period.

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

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

Reconciliation of Movement in SCR	€'000	€'000
As of 31 December 2023		**57,276**
Movements in SCR		
Overall Diversification		**(2,683)**
SCR Operational Risk		**25**
SCR Market Risk Sub-modules:		
Interest Rate	3,634	
Equity	1,352	
Property	-	
Spread	4,734	
Currency	9,003	
Concentration	(60)	
Market Risk Diversification	(5,623)	
SCR Market Risk		**13,040**
SCR Counterparty Default Risk		**(823)**
SCR Non-Life Risk Sub-modules:		
Premium Reserve	1,521	
CAT	982	
Lapse	2,062	
Non-Life Risk Diversification	(2,410)	
SCR Non-Life Risk		**2,155**
As of 31 December 2024		**68,990**

Material Changes during the reporting period

The increase in the SCR is attributable to the SCR Non-Life risk and an increase in SCR Market risk modules.

SCR Market Risk

As of 31 December 2024, the exposure for the market risk component of the standard formula, which is the largest component of the SCR, was €44,467k (2023: €31,426k) with intra-module diversification at €16,989k (2023: €11,368k). This is driven mainly by risks inherent within the Company's assets and liabilities and pension schemes. The sub-components of market risk over the reporting period are as follows:

- Interest rate risk €9,944k (2023: €6,310k) is driven by changes in assets and liabilities in the Company's technical provisions, investment portfolio which had a cash injection of €35m and the pension scheme investments.
- Equity risk €5,394k (2023: €4,042k) results from the sensitivity of the values of financial instruments in the Company's pension schemes to changes in the level or in the volatility of market prices of equities.

- Spread risk €12,702k (2023: €7,968k) is driven by the Company's increased investment in bonds and securitised assets.
- Currency risk €33,416k (2023: €24,414k) is the largest component of market risk arising from the exposure of the Company's assets and liabilities denominated in foreign currencies. The Company collects premiums in US Dollars and pays claims in Euros. The Company's pension Scheme assets are also spread across a range of currencies.
- Concentration risk is driven by exposures to default to counterparties or groups of counterparties, referred to as single name exposures. The concentration risk charge for 2024 is €0k (2023: €60k).

SCR Non-Life Underwriting Risk

The Non-life underwriting risk €36,479k (2023: €34,324k) with intra-module diversification of €11,481 is made up of:

- Premium and Reserve risk €30,431k (2023: €28,910k) is mainly driven by earned premiums, forecast premiums, and claims provisions, non-life business (Motor Vehicle Liability, Other Motor, Fire and other Damage to Property and General Liability.
- Catastrophe risk €13,525k (2023: €12,542k) arises from the Company's exposure to man-made catastrophe and natural catastrophe risks.
- Lapse risk €4,004k (2023: €1,942k) covers the risk of insurance policy lapses.

The Management hold the view that the non-life underwriting risk is overstated as no credit is being taken for the non-proportional stop-loss reinsurance treaty in the standard formula. This is a limitation of the standard formula calculation which does not allow credit for non-proportional reinsurance in premium and reserve risk.

SCR Counterparty Risk

The SCR counterparty default risk €2,093k for the reporting period (2023: €2,916k) represents 3% of the total SCR. Exposure to counterparty default risk is well diversified across counterparties and therefore, not deemed to be a material risk to the Company. There have not been any material movements in counterparties during the reporting period.

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

The difference between the hypothetical SCR for underwriting and market risk if reinsurance arrangements did not exist and the SCR for the same risk modules with reinsurance arrangements included amounted to €14,255k increasing the counterparty default risk by €193k.

Loss-absorbing capacity of Deferred Taxes

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

MINIMUM CAPITAL REQUIREMENT (MCR)

The MCR represents the minimum level of capital below, which the amount of financial resources should not fall. The MCR is intended to be calibrated to achieve an 85% confidence level over a one-year period. It is subject to an absolute floor of a fixed euro amount. In addition to not falling below the absolute floor, the MCR must be no less than 25% of the SCR and no more than 45% of SCR.

The non-life MCR is based on factors applied to net premiums written in the previous 12 months and the net best estimate of technical provisions both split by Solvency II lines of business. The charge for premiums and technical provisions are then combined to give a total MCR charge.

The amount of the MCR for the reporting period is €17,247k. This is an increase of €2,106k over the previous reporting period.

The following table shows the components of the MCR calculation:

Overall MCR calculation – €'000	2024	2023
Linear MCR	15,558	15,141
SCR	68,990	57,276
MCR cap	31,045	25,774
MCR floor	17,247	14,319
Combined MCR	17,247	15,141
Absolute floor of the MCR	4,000	4,000
Minimum Capital Requirement	**17,247**	**15,141**

Material Changes during the reporting period

There is no material increase in the MCR during the period.

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

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

December 31 Eligible Own Funds - €'000	2024 SCR Coverage	2024 MCR Coverage	2023 SCR Coverage	2023 MCR Coverage
Available Eligible Own Funds	155,245	155,245	126,960	126,960
SCR/MCR	(68,990)	(17,247)	(57,276)	(15,141)
Excess Eligible Own Funds	86,255	137,998	69,684	111,819
Ratio of Eligible Own Funds to SCR/MCR	225%	900%	222%	839%

The increase in available own funds and SCR at the end of 2023 has increased the ratio of eligible own funds to SCR to 225%. The MCR has increased to 900%.

The table below presents the ratio of total eligible own funds for the UK Branch in £'000.

31 December Eligible Own Funds – £'000	2024	2023 SCR Coverage	2023 MCR Coverage
Available Eligible Own Funds	7,064	14,614	14,909
SCR/MCR	N/A	(11,735)	(3,495)
Excess Eligible Own Funds	N/A	2,879	11,414
Ratio of Eligible Own Funds to SCR/MCR	N/A	125%	427%

Following the PRA reforms for Solvency II brought into effect as at 31 December 2024, Third Country Branches are no longer required to calculate and report the SCR/MCR.

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

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

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

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

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

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

E.6 ANY OTHER INFORMATION

The Company does not have any other information to report.

F. APPENDICES

F.1 PUBLIC QRTs (ALL EXPRESSED IN € THOUSANDS)

S.02.01.02	Balance sheet
S.04.05.21	Premiums, claims and expenses by country
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

USAA S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in EUR thousands)

General information

Undertaking name	USAA S.A.
Undertaking identification code	222100GIQKRF94HI8657
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.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	7,874
R0060	Property, plant & equipment held for own use	80
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	196,075
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	196,075
R0140	*Government Bonds*	41,023
R0150	*Corporate Bonds*	155,053
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:	20,174
R0280	*Non-life and health similar to non-life*	20,174
R0290	*Non-life excluding health*	20,174
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	8,949
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	545
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	30,067
R0420	Any other assets, not elsewhere shown	2,315
R0500	**Total assets**	266,080

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	88,021
R0520	*Technical provisions - non-life (excluding health)*	88,021
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	80,401
R0550	*Risk margin*	7,620
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	5,042
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	831
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	11,157
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,784
R0900	**Total liabilities**	106,834
R1000	**Excess of assets over liabilities**	159,245

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				57,456	61,940		8,655	3,365									131,417
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				9,862	1,239		172	66									11,340
R0200	Net				47,595	60,701		8,483	3,299									120,077
	Premiums earned																	
R0210	Gross - Direct Business				55,132	60,459		8,623	3,312									127,526
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				9,862	1,239		172	66									11,340
R0300	Net				45,270	59,220		8,450	3,246									116,186
	Claims incurred																	
R0310	Gross - Direct Business				29,298	24,506		2,964	947									57,716
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				849													849
R0400	Net				28,449	24,506		2,964	947									56,866
R0550	**Expenses incurred**				17,873	17,249		2,485	921									38,528
R1210	**Balance - other technical expenses/income**																	-1,417
R1300	**Total technical expenses**																	37,111

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0		0	0									0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				-7,079	-8,985		-757	-690									-17,510
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-8,911	-831		-111	-44									-9,897
R0150	**Net Best Estimate of Premium Provisions**				1,832	-8,154		-646	-646									-7,613
	Claims provisions																	
R0160	Gross				91,535	4,239		1,106	1,031									97,911
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				30,071	0		0	0									30,071
R0250	**Net Best Estimate of Claims Provisions**				61,464	4,239		1,106	1,031									67,840
R0260	**Total best estimate - gross**				84,456	-4,746		350	341									80,401
R0270	**Total best estimate - net**				63,296	-3,915		460	385									60,227
R0280	**Risk margin**				6,904	476		124	116									7,620
R0320	**Technical provisions - total**				91,361	-4,270		474	457									88,021
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				21,160	-831		-111	-44									20,174
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				70,201	-3,439		584	501									67,847

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 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											0	0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	-8	0	0	0	0	0	0	0	0	0			0	0
R0180	-7	0	0	0	0	0	0	0	0				0	0
R0190	-6	0	0	0	0	0	0	3					3	3
R0200	-5	12,551	5,498	620	475	246	39						39	19,428
R0210	-4	21,151	5,223	1,277	191	66							66	27,908
R0220	-3	27,685	9,295	726	1,702								1,702	39,409
R0230	-2	33,047	17,809	9,021									9,021	59,876
R0240	-1	38,450	11,459										11,459	49,908
R0250	0	34,124											34,124	34,124
R0260												Total	56,413	230,657

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0		0
R0170	-8	0	0	0	0	0	0	0	0	0			0
R0180	-7	0	0	0	0	0	0	0	0				0
R0190	-6	0	0	0	0	0	0	0					0
R0200	-5	11,086	4,854	4,280	3,085	3,851	3,700						3,484
R0210	-4	15,140	6,847	4,060	3,098	2,982							2,836
R0220	-3	17,608	8,144	6,254	330								3,925
R0230	-2	76,393	59,343	54,728									52,481
R0240	-1	26,854	12,401										11,716
R0250	0	24,529											23,468
R0260												Total	97,911

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	80,030	80,030		0	
R0030	Share premium account related to ordinary share capital	19	19		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	75,196	75,196			
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**	155,245	155,245	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	155,245	155,245	0	0	0
R0510	Total available own funds to meet the MCR	155,245	155,245	0	0	
R0540	Total eligible own funds to meet the SCR	155,245	155,245	0	0	0
R0550	Total eligible own funds to meet the MCR	155,245	155,245	0	0	
R0580	**SCR**	68,990				
R0600	**MCR**	17,247				
R0620	**Ratio of Eligible own funds to SCR**	225.03%				
R0640	**Ratio of Eligible own funds to MCR**	900.11%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	159,245
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	4,000
R0730	Other basic own fund items	80,049
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	75,196
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	7,613
R0790	**Total Expected profits included in future premiums (EPIFP)**	7,613

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	44,467		
R0020	Counterparty default risk	2,093		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	36,479		
R0060	Diversification	-17,875		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	65,164		

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	3,826
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**	68,990
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	68,990
	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

		Yes/No
	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	15,558

		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	63,296	47,595
R0060	Other motor insurance and proportional reinsurance	0	60,701
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	460	8,483
R0090	General liability insurance and proportional reinsurance	385	3,299
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	15,558
R0310	SCR	68,990
R0320	MCR cap	31,045
R0330	MCR floor	17,247
R0340	Combined MCR	17,247
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	17,247