LÍNEA DIRECTA ASEGURADORA S.A.

Compañía de Seguros y Reaseguros (C0720)

Solvency and Financial Condition Report

at 31 December 2023

Tres Cantos, 19 March 2024

CONTENTS

EXECUTIVE SUMMARY

This Solvency and Financial Condition Report (SFCR) for the year ended 31 December 2023 is an annual report issued by the Company under the requirements of the Solvency II regime (EU regulations under Articles 292 to 298 and Annex XX of Delegated Regulation (EU) 2015/35, as well as national legislation, mainly Chapter III of Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance companies and reinsurance companies).

The structure required by these regulations is as follows:

Topics	Content
Activity and results	Basic information about the Company with a summary of the results of its activity detailed by business lines in the reporting period.
Governance system	Information about the Company's organisational structure, with a description of its committee structure and the responsibilities of each of these committees for risk management.
Risk profile	Information about the Company's risk profile and qualitative and quantitative information about the risks that it faces.
Valuation for solvency purposes	A description of the valuation differences in the solvency balance sheet and the financial statements. The assumptions and methodologies used to obtain the balance sheet for solvency purposes are also reported.
Capital management	Information about the capital required for solvency purposes and a comparison with eligible funds to determine the Company's solvency position.

The Company publishes its SFCR report on its website.

Activity and results

Developments on the Spanish insurance market

In 2023, global economic activity remained buoyant despite the tightening of global monetary policy and multiple sources of geopolitical uncertainty. Israel's incursion into Gaza dominated the latter part of the year and the whole of the Middle East and the West are watching the situation closely due to the risk of a further escalation. In the meantime, there has still been no solution to the ongoing conflict in Ukraine.

In any case, GDP growth slowed markedly - with considerable heterogeneity across regions - and is not expected to pick up appreciably in 2024, partly as a result of the expected loss of growth momentum in the United States and China.

The insurance sector, with its countercyclical nature, reached a premium volume of 76,463 million euros, a growth of 18%, well above the 4.8% recorded in 2022. Premiums in the Non-Life branch increased by a solid, but much more moderate 6.8%, up to 43,011 million, according to data published by the Insurance sector association (ICEA).

The Motor segment, which represents 28% of total non-life turnover, grew by 6.6% (compared to a growth of 3.3% in 2022), mainly due to the increase in average premiums among the industry in general in response to strong inflation, which was passed on to the cost of claims.

The Home segment recorded an outstanding year of growth, despite the transmission of the tightening of monetary policy to credit and the sharp slowdown in home sales, with the figure for November dropping 15% year-on-year. The drop adds to the declines seen in the last eleven months, according to the Spanish National Statistics Institute (INE). Despite this, the Home segment grew by 6.4% in 2023, compared to a growth of 5.5% in 2022, thanks to rate adjustments and increased penetration.

Likewise, the Health segment grew by 6.6%, slightly less than the 7.6% recorded in 2022. The segment now accounts for more than 26% of total non-life turnover, second only to Motor.

Trends in the Company's business performance

The year presented notable challenges, especially in cost management due to the sharp increase in inflation, which fed through to the statement of profit or loss in the cost of claims cost item. Despite the difficult economic conditions throughout the year, the Company achieved net earned reinsurance premiums for the year of 937 million euros, up 3.99% on the previous year.

The number of policyholders decreased by 4.16% compared to 2022, to 3.3 million.

Turnover was 792.7 million euros in the motor vehicle business line, an increase of 2.57% compared to the previous year.

Premium turnover for the home segment amounted to 149.4 million euros in 2023, an increase of 3.98% compared to the previous year. In September 2017, Línea Directa Aseguradora launched the Vivaz brand to operate in the health insurance sector. The Health segment generated premium income of 30.4 million euros.

However, the technical result showed a loss of 25.2 million euros, down 137% on the profit obtained in 2022. The main factor behind this decline is the increase in claims incurred during the year to 85.94%, as a result of inflationary pressures on the cost of claims. In particular, the cost of claims was heavily impacted by the sharp increase in repair and replacement costs, higher expenditure on personal injury claims and higher hospital charges.

The average rate of return was 2.61% for fixed income securities and 4.75% for equities.

The financial result amounts to €29 million, a decrease of 20.5% compared with the previous year.

Governance system

The organisational structure of risk management and control is based upon the principles of independence and segregation of duties between business units and risk monitoring and control units. The Company's risk governance system is configured around three lines of defence. The first of its lines of defence is made up of the operational areas. The second line is made up of three key functions: Risk Management and Internal Control, Actuarial Function and Regulatory Compliance. The third line of defence that makes up this key structure is the Internal Audit function. The board of directors determines and manages the risk control and management policy, supervises its internal information and control systems, and exercises its Company administration and control functions, in accordance with the Spanish Corporate Enterprises Act and through its two advisory committees: the Audit and Compliance Committee, and the Appointments, Remuneration and Corporate Governance Committe.

The governance system implemented within the Company, which is made up of the organisational structure and risk management, internal control and compliance systems, is considered to be effective. It provides optimal support for the Company's strategic objectives, ensuring that the board makes business decisions with comprehensive understanding of their impact on risk exposure, within the limits set by its risk appetite.

Risk profile

The Company has maintained its distinctive personality based on organic growth, commitment to technology and innovation, and use of the direct channel, since it started operations in 1995. Its pursuit of business growth over these years has led to a volume of over 973 million euros in premiums and more than 3.3 million risks. This objective of volume growth has been pursued hand-in-hand with a profitability target. It has been achieved through rigorous underwriting, prudent investment and a policy of containing operating expenses.

The Company was authorised to apply a specific parameter for premium risk in the other motor insurance business line in 2016, which it uses in calculating its solvency capital requirement (SCR). This was as follows as at 31 December 2023 and 2022.

Solvency capital requirement (SCR)		
(in thousand euro)	31.12.2022	31.12.2023
Underwriting risk	172,651	192,387
Market risk	91,899	91,493
Counterparty risk	7,027	6,076
Health insurance underwriting risk	3,142	3,499
Diversification	(55,772)	(57,125)
Basic solvency capital requirement (BSCR)	218,947	236,330
Operational risk	27,795	28,812
Deferred tax adjustment	(61,686)	(66,286)
Solvency capital requirement (SCR)	185,057	198,856

Valuation for solvency purposes

The following table presents a comparison of the assets, liabilities and funds in the solvency balance sheet and financial statements as at 31 December 2023 and 2022.

31 December 2023:

ASSETS AND LIABILITIES		
(in thousand euro)	Capital adequacy	Financial statements
Total assets	1,175,394	1,281,464
Total liabilities	817,392	1,004,898
Excess assets over liabilities	358,002	276,566

As at 31 December 2022:

ASSETS AND LIABILITIES		
(in thousand euro)	Capital adequacy	Financial statements
Total assets	1,063,114	1,165,105
Total liabilities	714,491	897,290
Excess assets over liabilities	348,623	267,815

The main differences that caused the funds available for solvency purposes to increase by 81,436 thousand euros and 80,806 thousand euros in 2023 and 2022, respectively, compared to the own funds in the financial statements are as follows:

There are no significant valuation differences for assets, as the investment portfolio, which is the largest category on the asset side of the balance sheet, is valued at market value in both cases. Intangible assets and acquisition expenses are eliminated from the asset side of the solvency balance sheet, while, in the opposite direction, capital gains on property and holdings in subsidiaries, which are not included in the balance sheet in the financial statements, are included. Premiums paid in instalments in the economic balance sheet are included in liabilities netting the premium provision.

The differences for liabilities arise mainly from the valuation of technical provisions:

- The provision for unearned premiums in the financial statements is eliminated from the solvency balance sheet and is replaced by the provision for premiums.
- The provisions for claims in the financial statements are calculated on the solvency balance sheet on the best estimate basis, discounting the flows using the risk-free interest rate structure.
- The solvency balance sheet includes a risk margin. This is a concept that is not used in the balance sheet in the financial statements.

In January 2019, the IFRS 16 lease rule entered into force, recognising the right to use a leased property as a new asset and the obligation to pay leases as a new liability, on the balance sheet. Both the asset and the liability must be valued as per this criterion.

The previous system did not allow the calculation of the stabilisation reserve as eligible equity for the solvency capital requirement, while the new system does consider it eligible equity. As of 31 December 2023, this amounted to €43,839 thousand, net of taxes. As at 31 December 2022, this amount stood at 93,608 thousand euros.

This Solvency and Financial Condition Report was reviewed and approved by the board of directors at its meeting on 19 March 2023.

Capital management

The Company's capital planning reflects its projected own-funds requirements over a three-year period for its solvency capital requirement (SCR) calculated as its overall solvency requirements (economic capital) estimated through its own risk and solvency assessment (ORSA), with a minimum solvency threshold set by the board of directors, which is always above 120% (with a risk appetite of 150%). The Company calculates its solvency capital requirement on a quarterly basis, broken down by risk category and available funds, in order to assess its solvency ratio.

The solvency ratio is a risk indicator that is monitored and considered by the Company's Board of Directors when implementing its capital management policy (such as setting the dividend policy for shareholders and decisions on investment policy) and its strategy for the business (such as launching new products or business lines, or acquiring risk mitigators). The solvency ratio at 31 December 2023 and 2022 was as follows:

(in thousand euro)	31.12.2022	31.12.2023
Eligible own funds	347,531	358,002
Solvency capital requirement (SCR)	185,057	198,857
Ratio of eligible own funds to the SCR	188%	180%

In 2023, the Bank's Board of Directors did not suggest that dividends be shared.

If in any year it is decided to share dividends, the decision would be based on a thorough and thoughtful analysis of the Company's situation, which does not compromise either its future solvency or the protection of the interests of policyholders and insured persons, and would be made in the context of the supervisors' recommendations on this area. The Company will perform a prospective analysis to verify that solvency is not compromised.

All the available funds are classified as Tier 1, i.e., they are of the highest quality and are eligible for coverage of both the SCR and the MCR (Minimum Capital Requirement).

A. ACTIVITY AND RESULTS

A.1. ACTIVITY

Company details

Línea Directa Aseguradora, S.A. de Seguros y Reaseguros (LDA) is an insurance company, head of the Línea Directa Group and under the supervision of the Directorate General of Insurance and Pension Funds, with reference no. C0720.

Its registered office is at Calle Isaac Newton 7, Tres Cantos, Madrid, Spain.

Supervisory authority

The Company is supervised by the Spanish regulator:

Directorate General of Insurance and Pension Funds
Calle de Miguel Angel 21
28010 Madrid, Spain

The Company operates under the reference code C0720.

External auditor

The external auditor of the Company's financial statements and this report on its financial position is:

PricewaterhourseCoopers, auditores, S.L.
Paseo de la Castellana 259, B
28046, Madrid, Spain.

Corporate and solvency structure

The Company is the parent company of the Línea Directa Group, which was listed on the Spanish stock market on 29 April 2021.

The main shareholders as at the end of 2023 are as follows:

Shareholder	% Shareholding
Cartival	19.90%
Bankinter, S.A.	17.42%
Fernando Masaveu	5.38%
Norbel	5.00%
Lazard Asset Management	3.20%
Brandes	3.00%
Candriam	2.72%
Fidelity	2.02%
Other	41.36%

The Company is required to draw up consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union.

The tax and financial years of both the Company and the consolidated group of which it is parent company, end on 31 December.

The Company is the parent of several ancillary insurance and investment subsidiaries, none of which are involved in insurance or reinsurance activity. It is not treated as a supervised group under Article 132.1 of Law 20/2015, of 14 July 2015, on the management, supervision and solvency of insurance and reinsurance companies.

Subsidiary companies	Corporate purpose	Shareholding
Línea Directa Asistencia, S.L.U.	Vehicle inspections and assistance	100%
Moto Club LDA S.L.U.	Provision of motorcycle services	100%
Centro Avanzado de Reparaciones CAR, S.L.U.	Provision of vehicle-repair services	100%
LD Activos, S.L.U.	Asset management on behalf of insurance companies	100%
Ambar Medline, S.L.U.	Insurance brokerage	100%
LDA Reparaciones,S.L.U.*	Provision of home repair services.	100%

*LDA Reparaciones was dissolved by agreement dated 22 November 2023, registered in the Madrid Trade and Companies Register on 1 December 2023.

Business lines and geographical distribution

Línea Directa Aseguradora S.A.'s corporate purpose Compañía de Seguros y Reaseguros' corporate purpose is providing insurance and reinsurance for motor vehicles, the home and other non-life segments. It is authorised to perform this activity by the Spanish Directorate General of Insurance and Pension Funds.

The Company operates entirely in Spanish territory, except for the Assistance sector, in which the Company is authorised to operate in Portugal (premiums in Portugal amounted to 87 and 80 thousand euros in 2023 and 2022 respectively). Its business distribution channels are mainly telephone and internet sales.

A.2. UNDERWRITING RESULTS

The Company's business lines and the main figures for its technical account are set out in the following table:

2023:

	2023 TECHNICAL ACCOUNT BY BUSINESS LINES						
	(in thousand euro)	TOTAL	Motor, third-party liability	Motor, other coverages	Fire and other damage to property	Attendance	Medical expenses
1	Premiums earned, net of reinsurance	936,617	362,373	415,409	141,956	773	16,105
2	Investment income	48,004	26,922	14,401	4,028	23	2,629
3	Other technical income	0	0	0	0	0	0
4	Claims incurred net of reinsurance	804,948	384,527	308,637	97,244	84	14,457
5	Profit sharing	393	0	0	0	393	0
6	Net operating expenses	208,003	65,521	87,923	41,866	58	12,635
7	Other technical expenses	(22,094)	(27,538)	5,441	0	0	3
8	Investment costs	18,574	12,101	6,473	0	0	0
	Technical account result (1+2+3-4-5-6-7-8)	(25,204)	(45,315)	21,337	6,874	261	(8,361)

2022:

2022 TECHNICAL ACCOUNT BY BUSINESS LINES							
	(in thousand euro)	TOTAL	Motor, third-party liability	Motor, other coverages	Fire and other damage to property	Assistance	Medical expenses
1	Premiums earned, net of reinsurance	900,647	346,293	406,985	129,800	1,065	16,504
2	Investment income	68,429	38,099	22,376	5,119	39	2,796
3	Other technical income	-	-	-	-	-	-
4	Claims incurred net of reinsurance	684,515	311,432	276,714	82,038	10	14,321
5	Profit sharing	637	-	-	-	637	-
6	Net operating expenses	201,412	66,587	83,442	41,990	65	9,328
7	Other technical expenses	(17,021)	(21,649)	4,143	241	-	243
8	Investment expenses	31,388	19,774	11,614	-	-	-
	Technical account result (1+2+3-4-5-6-7-8)	68,145	8,248	53,447	10,650	392	(4,592)

The business lines for solvency purposes are directly equivalent to the segments reported by the Company in its financial statements. The "Fire and other damage to property" business line includes the home insurance segment.

A.3. INVESTMENT PERFORMANCE

The Company's investment activity follows the guidelines in its investment policy. The Investment Committee is responsible for monitoring and oversight.

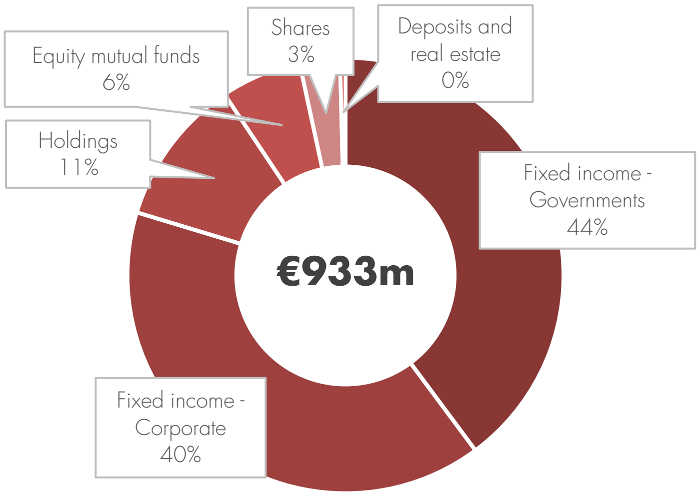
The Company has continued its investment policy with the aim of ensuring the security, liquidity and profitability of its investments, applying principles of dispersion, diversification and adequacy of maturities to the technical liabilities to be covered, in order to offset market, credit, liquidity and cash-flow risks, taking into account the economic backdrop, with rising rates of return on fixed income assets.

The average rates of return on fixed-income securities were 2.40%, while the return on the equity portfolio was 7.58%.

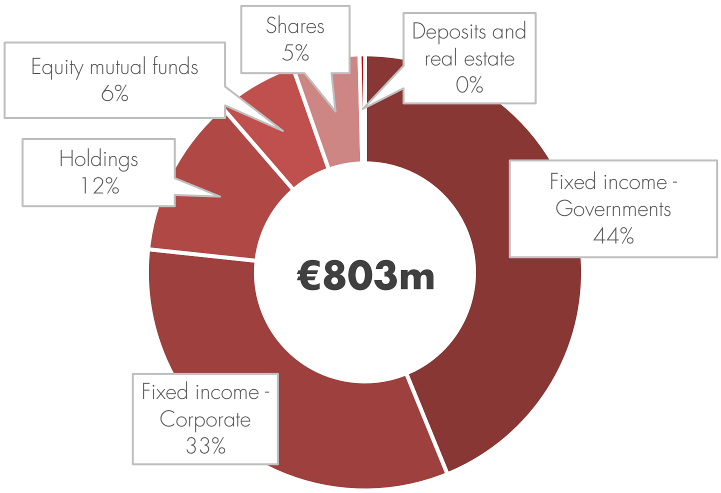
All financial income and expenses are allocated to the technical account by business line, except 2,800 thousand euros from a dividend received for the shareholding in the Línea Directa Asistencia, S.L.U. subsidiary, which was allocated to the non-technical account.

The distribution of the portfolio, based on the economic balance sheet and including holdings, as at 31 December 2023 and 2022 is set out in the following table:

2023:


Shares
3%
Deposits and real estate
0%
Equity mutual funds
6%
Holdings
11%
Fixed income - Governments
44%
€933m
Fixed income - Corporate
40%

2022:


Shares
5%
Deposits and real estate
0%
Equity mutual funds
6%
Holdings
12%
Fixed income - Governments
44%
€803m
Fixed income - Corporate
33%

2023:

Breakdown of investment income and expenses by asset type		
(in thousand euro)	Technical account	Non-technical account
Net financial income from accounts and deposits	1,208	-
Coupon income from government bonds and corporate bonds	16,854	-
Realised gains on sales of government bonds and corporate bonds	2,743	-
Realised losses on sales of government bonds and corporate bonds	(2,519)	-
Net financial income from government bonds and corporate bonds	17,077	
Reversal of shareholding impairments	(290)	-
Share dividend income	3,184	-
Shareholding dividend income	-	3,229
Realised gains from sales of shares	5,276	-
Realised losses from sales of shares	(2,412)	-
Net financial income from equities and holdings	5,758	3,229
Income from loan interest	603	-
Income from premium instalments	4,738	-
Income / Expenses from property, plant and equipment or investment property	68	
Hedges	954	
Other income	676	-
Deferral costs for dividend payments to shareholders	-	-
Internal investment-management expenses	1,653	-
TOTAL INVESTMENT INCOME AND EXPENSES	29,429	3,229

2022:

Breakdown of investment income and expenses by asset type		
(in thousand euro)	Technical account	Non-technical account
Net financial income from accounts and deposits	159	-
Coupon income from government bonds and corporate bonds	15,319	-
Realised gains on sales of government bonds and corporate bonds	2,325	-
Realised losses on sales of government bonds and corporate bonds	(2,924)	-
Net financial income from government bonds and corporate bonds	14,720	
Reversal of shareholding impairments	110	-
Share dividend income	3,125	-
Shareholding dividend income	-	16,000
Realised gains from sales of shares	10,322	-
Realised losses from sales of shares	(2,540)	-
Net financial income from shares and holdings	11,016	16,000
Income from loan interest	567	-
Income from premium instalments	4,571	-
Income / Expenses from property, plant and equipment or investment property	127	
Hedges	(803)	
Other income	8,744	-
Deferral costs for dividend payments to shareholders	-	-
Internal investment-management expenses	2,062	-
TOTAL INVESTMENT INCOME AND EXPENSES	37,040	16,000

All financial income and expenses are allocated to the technical account by business line, except 3,229 thousand euros from a dividend received for the shareholding in the Línea Directa Asistencia, S.L.U. subsidiary, and the effect of the dissolution of the subsidiary LDA Reparaciones, which was allocated to the non-technical account.

A.4. RESULTS FROM OTHER ACTIVITIES

The non-technical account includes income and expenses from other activities, mainly from brokerage of credit cards and policies from other insurance companies, with an income of 3,914 thousand euros (4,231 thousand euros in 2022) and an expense of 362 thousand euros (43 thousand euros in 2022).

A.5. OTHER INFORMATION

Outlook for 2024

The outlook for the coming quarters is of a gentle and gradual acceleration in economic activity within Spain, driven by a gradual improvement in the European and global context, the recovery of confidence and, looking further ahead to 2025–2026, less of an macroeconomic impact from the ongoing tightening of monetary policy.

.In any case, GDP growth will be significantly lower than in 2023, as pre-pandemic levels of activity have already been exceeded. Moreover, GDP growth has been slightly downgraded by the Bank of Spain in 2024 and 2025, owing, among other factors, to a less favourable outlook for future consumption developments.

Headline inflation is expected to remain on a slightly rising path in early 2024 and to resume a declining path from the second part of the year onwards. This outlook is largely determined by the expected trend in energy prices moving forward and is conditional (in an upward sense) on the authorities lifting the main measures in place to mitigate the effects of the inflationary upturn. Meanwhile, core inflation is expected to gradually retreat, given the likely decline in energy and food commodity prices and the downward trend in producer prices.

In the insurance context, the cost of claims in the Motor business is expected to be somewhat lower in 2024, albeit still high. The scale of injuries limited escalation to 3.8% (compared to the 8.5% increase experienced in 2023) and repair costs have already started to slow down increases.

This year, Línea Directa will continue its transformation into a multi-product, customer-centric, more commercially capable, digital and efficient company. These actions, coupled with the positive market momentum, should increase revenue growth across the various segments in which the Company operates.

The actions undertaken in 2023 and the technical measures adopted to reduce the impact of inflation and to reverse the trend in the claims ratio will lead to steady improvements.

Last but not least, efficiency and productivity will be key features of our roadmap as always, as we work to further improve our expense ratios. Improved efficiency will allow us to grow and become more agile, while deploying our strategy with a greater impact, improving our costs structure, and offering better products at more competitive prices.

B. GOVERNANCE SYSTEM

B.1. GENERAL INFORMATION ABOUT THE GOVERNANCE SYSTEM

The Company has a Corporate Governance Policy, approved by the board of directors on 20 July 2021 and updated in 2022, which sets out the corporate and governance structure of Línea Directa Group, its underlying principles, its bodies and the essential rules of its internal operations.

Línea Directa Aseguradora's shares have been listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) since 29 April 2021. Since 20 September of the same year, the Company has been listed on the IBEX Medium Cap.

Línea Directa Aseguradora's corporate bodies are as follows:

I. **General Shareholders' Meeting**

The General Meeting is the Company's sovereign body. The duly convened shareholders meet there to deliberate and decide, by the majorities required in each case, on the matters in which they have a say.

II. **Board of directors**

- Duties

The Board of Directors is the body responsible for the Company's administration, governance and representation, in accordance with the duties assigned to it by law, the Bylaws and the Rules and Regulations of the Board of Directors.

One of said functions and for the purposes of this document is the determination of risk control and management policy, including tax risks and ESG risks (environmental, social, governance), and the supervision of internal information and control systems. To this end, approving the risk control and management policy, along with regularly monitoring the risk appetite level and internal information and control systems, including the risks associated with the marketing of products and transparency with customers, and compliance with professional ethics and securities market conduct standards.

According to the provisions of the Bylaws, the Board of Directors must be composed of a minimum of 5 and a maximum of 15 directors and it must be made up in such a way that ensures compliance with the requirements of the Spanish Capital Companies Act and Articles 13, 38 and 65 et seq. of Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance companies, and Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance in such a way that its members have the appropriate professional qualifications, competence and experience, as well as the requirements of good repute required by the Supervisor and included in the Company's Fitness and Good Repute Policy.

As of the date of this report, the Company's Board of Directors is made up of seven directors, in particular:

Board members	Legal category	Position
D. Alfonso Botín-Sanz de Sautuola y Naveda	Proprietary (shareholder represented: CARTIVAL, S.A.)	Chairman
D. Fernando Masaveu Herrero	Proprietary	Member
Dª. Ana María Plaza Arregui	Independent	Member *Chairwoman of the Audit and Compliance Committee
Dª. Elena Otero-Novas	Independent	Member
Dª. Rita Estévez	Independent	Member
D. John de Zulueta	Independent	Member *Chairman of the Appointments, Remuneration and Corporate Governance Committee
Dª. Patricia Ayuela de Rueda	Executive	Member

D. Pablo González-Schwitters is the non-director Secretary of the Board of Directors.

III. Committees

The Board of Directors has two advisory committees:

The Audit and Compliance Committee

It is made up of the following members:

Member	Position	Legal category
Dª. Ana María Plaza Arregui	Chairwoman	Independent
Dª. Elena Otero-Novas	Member	Independent
D. Alfonso Botín-Sanz de Sautuola	Member	Proprietary
D. Pablo González-Schwitters	Non-board Secretary	

The members of the Audit and Compliance Committee as a whole, and in particular its Chairwoman, have been appointed on the basis of their knowledge and experience in accounting, auditing and risk management, both financial and non-financial. Comprehensive information about the Committee's members can be found on the corporate website.

The Audit and Compliance Committee's main responsibilities include the following:

- Report to the Annual General Meeting through its Chairwoman about the control status for the Company and the Committee's activities during the year.
- Propose the appointment, re-appointment or replacement of the external auditors and their contracting terms and conditions to the Board for submission to the Annual General Meeting. Ensuring the external auditor's independence and monitor compliance with the audit contract.
- Learn about, monitor and assess the preparation process and integrity of financial and non-financial information, control and management systems for financial and non-financial risks related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political, reputational and corruption risks).
- Report to the Board of Directors, in advance, on all matters required by law, e.g. related party transactions to be approved by the Board of Directors.
- Monitor the implementation of the general policy on disseminating economic-financial, non-financial and corporate information, as well as communicating with shareholders and investors, proxy advisors and other stakeholders.
- Monitor and promote compliance with the company's Internal Rules of Conduct for the Securities Market, the Code of Ethics and, in general, the company's internal rules of conduct, as well as monitor and promote the confidential whistleblowing procedure by stakeholders.
- Monitor the development of the following functions by the Company and, where appropriate, its subsidiaries: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) actuarial.

The Appointments, Remuneration and Corporate Governance Committee is made up of the following members:

Member	Position	Legal category
D. John de Zulueta	Chairman	Independent
Dª. Rita Estévez	Member	Independent
D. Alfonso Botín-Sanz de Sautuola	Member	Proprietary
D. Pablo González-Schwitters	Non-board Secretary	

The Appointments, Remuneration and Corporate Governance Committee's main responsibilities include the following:

- Proposing the appointment, confirmation, re-election and removal of independent directors and report on the remaining directors.
- Assess the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors.
- Reporting to the Annual General Meeting, through its Chairman, on the Committee's activities during the year, as appropriate.
- Propose the Remuneration Policy for the Directors and their individual remuneration, the individual remuneration of the Executive Directors and, where appropriate, the external Directors for performing duties other than the duties of a Director, and other terms of their contracts. to the Board of Directors.
- Propose the Remuneration Policy for senior management, including the General Managers or managers who perform senior management duties under the direct supervision of the Board of Directors.
- Monitor and review the Company's compliance system.
- Monitor the Company's corporate governance.
- Monitor the company's sustainability strategy and practises by assessing their level of compliance and reviewing the company's sustainability policies and ensuring that they are aligned with value creation.

IV. Management Team

Name or company name of director	Position(s)
Dª. Patricia Ayuela	Chief Executive Officer
D. Pablo González-Schwitters	General Secretary
D. Carlos Rodríguez Ugarte	Chief Financial Officer
D. Diego Ferreiro	Commercial Director
Dª. Mar Garre	Head of People, Communications and Sustainability
Dª. Eva del Mazo	Portfolio Director
Dª. Olga Moreno	Quality Director
Dª. María Ana Sánchez	Head of Technology
D. Antonio Valor	Head of Marketing
D. Juan José Álvarez	Chief Technical Officer
Dª. Inmaculada Aldea	Chief Risk Officer

Name or company name of director	Position(s)
Dª. Isabel Guzmán Lillo	Head of Claims and Services
D. Jose Luis Díaz	Head of Internal Audit

V. Internal committees

Notwithstanding the functions attributed to the Board of Directors and its committees in the Board Regulations, Linea Directa Aseguradora has established a system of committees which are intended to support achieving the strategic objectives and provide the Board of Directors, directly or through its committees, with all the information that they need to make well-informed decisions.

The various committees are responsible for ensuring the proper implementation, maintenance and monitoring of the risk management system in accordance with the guidelines set out by the Board of Directors.

The most important committees to risk management are as follows:

Standing Risk Committee: responsible for facilitating and monitoring the implementation of effective risk management practices at the Línea Directa Aseguradora Group through the reporting of risks by the first lines of defence. It is tasked with controlling and monitoring risks by ensuring that Línea Directa has a suitable level of internal control compatible with the Group's standards and compliant with the applicable law and regulations.

Reserves and Claims Committee: The Reserves and Claims committee is a body for information, discussion and decision making in all areas relating to claims management and the adequacy of reserves as determined by the Board and its committees. Regularly reports to the Audit and Compliance Committee

The Investment Committee is governed by the Investment Policy, as approved by the Board of Directors. It is chaired by the Chief Executive Officer and its functions include, among others, ensuring that investments are made in accordance with the Investment Objectives approved by Línea Directa's Board of Directors, and also in accordance with the Investment Policy.

The Investment Committee reports to the Board of Directors through the Chief Financial Officer. In any case, the Audit and Compliance Committee will be regularly informed of all investment transactions approved by the Investment Committee or, as the case may be, by the Chief Financial Officer, thereby contributing towards fulfilling the Audit and Compliance Committee's role of overseeing the process of drawing up and ensuring the integrity of financial and non-financial information.

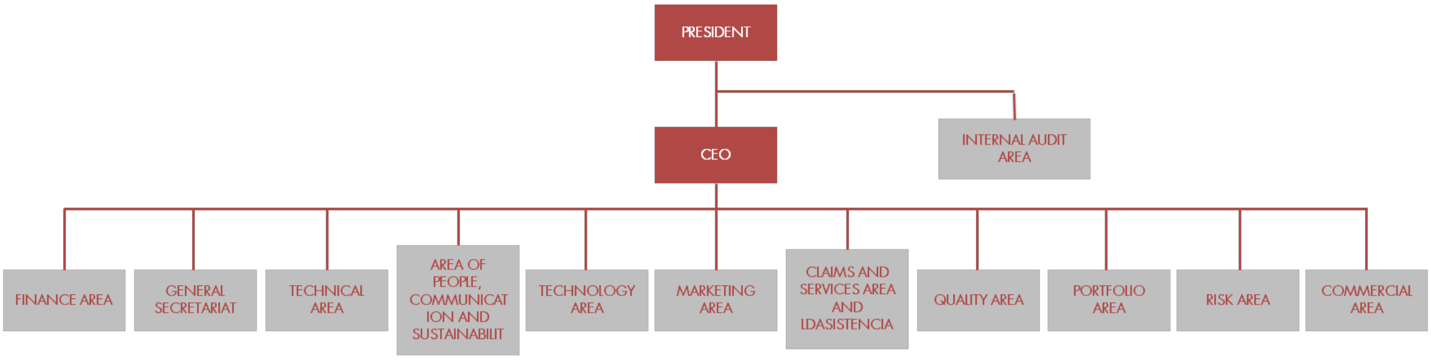
Organisational changes

In September 2023, a new Director of Services and Benefits was appointed to fill the existing vacancy in the Area.

In addition, in January 2024 a new Quality direction was created to guarantee a single vision of the customer and ensure that all processes, products and services offered meet the highest standards of excellence. This area includes the Corporate Quality, Complaints and Claims (SAC) and Portfolio Quality teams.

On the other hand, Health is no longer a separate area and the different teams in this area now form part of the Commercial, Portfolio and Technical structure.

The organisational chart is as follows:



Remuneration Policy and Practices

The Company has a Policy, approved by the Board of Directors, which will apply to Company employees as a whole, and contains specific mechanisms that will be applied to specific individuals whose professional activities have a significant impact on the Company's risk and who are part of the Identified Staff.

The main objective of Línea Directa's Remuneration Policy is alignment with the Company's interests, promoting its corporate values and culture. The remuneration system must aim to promote the Company's long-term profitability and sustainability, rewarding behaviour and attitudes consistent with its culture and values, and incorporating the precautions required to avoid excessive risk-taking and rewards for adverse outcomes.

In order to achieve these objectives, Línea Directa establishes the following general principles that guide how its Remuneration Policy is shaped:

- Equanimity and coherence (Internal Equity): Both the applicable policy and the remuneration amounts will be defined based on the content of the positions, aiming at uniform treatment for positions in the organisation with similar content based on the following aspects:
  - the level of demand and responsibility of the position undertaken,
  - the impact on the results contributed to the organisation, and
  - the knowledge, experience and skills necessary to perform the functions.
- Sustainability and persistence over time: Remuneration will be designed with a medium and long-term vision, seeking to drive the actions of the Company's executives towards achieving the strategic objectives set by Línea Directa in the medium and long term, without overlooking achieving short-term results.
- Measures to prevent conflicts of interest: The Company will establish suitable controls and mitigating measures internally, in accordance with the relevant regulations in force, in order to prevent potential conflicts of interest that would harm customers.
- Flexibility: The variable components of the remuneration of all staff will be sufficiently flexible to allow for modulation as far as possible in order to discontinue the payment of variable remuneration should the targets set by the Company not be met. In particular, under no circumstances will any type of variable remuneration be paid should the Company targets to which it is linked not be fulfilled.
- Variability and relationship to Línea Directa's interests: Remuneration will include a variable amount, which must be linked at all times to the objectives set by Línea Directa being achieved

and to the level of achievement. The Remuneration Policy will therefore consider the appropriate instruments for linking remuneration to the Company's results.

- Balance: Línea Directa's Remuneration Policy must present a balanced relationship between its fixed and variable components. The benchmark variable-remuneration percentage, compared to fixed remuneration, will vary based on whether and how much the targets are achieved.

The Remuneration Management strategy applies to all Línea Directa employees, guaranteeing sufficient fixed remuneration, so that the Company's employees do not make decisions that put the Company at risk by achieving a target that involves receiving an incentive.

- No guaranteed variable remuneration: Under no circumstances will variable remuneration be treated as guaranteed, as it is conditional upon the individual staff member achieving the targets.
- Transparency: The remuneration-management rules of the entire workforce must be explicit and irrefutably known by the employees covered by them. They must also know the requirements that they must meet in order to entitle them to be paid the variable remuneration.
- Simplicity: Remuneration management rules will be drafted clearly and concisely, simplifying, as far as possible, both the description of these rules, the calculation methods and the terms and conditions applying to implementing them.
- Equity and external competitiveness: Both the applicable Policy and the corresponding remuneration amounts will take market trends and market positions into account in order to ensure that Línea Directa has the best professionals in the sector.
- Equality and diversity: The Remuneration Policy will prevent any discrimination based on gender, race, religion or disability.

Under the terms of the collective bargaining agreement for the sector, the Company is required to take out a collective life insurance policy for all of its employees. This policy has been outsourced in the form of an annually renewable risk insurance policy.

The Company must also pay a retirement bonus, though only if the employee retires at the normal retirement age while an active employee at the Company. This obligation is outsourced in the form of a machete policy and therefore the Company does not recognise any provision in its financial statements.

At present, only those employees hired before 1 January 2017 who have decided not to migrate to the new system outlined under the agreement remain under the existing system.

For employees hired on or after 1 January 2017 and employees who have decided to transfer to this new system, the Company has outsourced the obligations by arranging a new insurance contract. This new contract is for a defined contribution policy covering more contingencies than the old system. The transfer of the rights of employees who have decided to migrate to the new system took effect in 2020.

The Company also has a number of collective insurance policies in effect to formalise its retirement pension commitments with certain members of Senior Management. These defined contribution policies are also externalised and regular contributions are made for the different members of the group. The contributions made to this policy are entirely voluntary for the Company and are made at the discretion of the Board of Directors.

The Company also has a defined contribution savings and retirement insurance policy in force for members of Senior Management.

In 2023, as in 2022, employees were given the opportunity to be part of a share-purchase plan as part of its flexible remuneration plan.

The General Shareholders' Meeting held on 30 March 2023 approved the 2023-2025 Long-Term Incentive Plan. The Beneficiaries of the Multi-Year Plan are the members of the Company's Management Team on the date of approval of the Incentive, including the Chief Executive Officer, and certain key or relevant persons at the Company.

The Plan aims to motivate and retain certain people considered key or relevant to the achievement of the Company's medium and long-term strategic objectives, helping to retain and encourage the key staff of Línea Directa Aseguradora, improving the profit and loss account in the medium-long term, as well as the Company's sustainability.

The remuneration plan applying to members of the Board of Directors is governed by the Remuneration policy for Línea Directa Directors, which was approved by the General Shareholders' Meeting on 24 March 2022 and published on the corporate website.

Information about significant transactions with shareholders and individuals who exercise significant influence

As at 31 December 2023, Bankinter's stake was 17.42% and it has had no seat on the Group's Board of Directors since the IPO date.

The Company was involved in the following transactions with its significant shareholder Bankinter, S.A. and its subsidiaries, distinguishing between insurance activity and other services provided and received:

2023:

Direct insurance	Premiums	Committees
Bankinter, S.A.	626	5,224
Bankinter Consumer Finance, E.F.C, S.A.	12	13
Bankinter Consumer Finance, E.F.C., S.A. (Sucursal em Portugal)	87	-
EvoBanco, S.A.	-	107
Total	725	5,344

	Expenses	
Services rendered and received	Services received	Interest and financial services
Bankinter, S.A.	1068	338
Bankinter Consumer Finance, E.F.C, S.A.	173	-
Bankinter, S.A. Sucursal em Portugal	43	-
Total	1,284	338

2022:

Direct insurance	Premiums	Committees
Bankinter, S.A.	596	5,783
Bankinter Consumer Finance, E.F.C, S.A.	361	16
Bankinter Consumer Finance, E.F.C., S.A. (Sucursal em Portugal)	80	-
EvoBanco, S.A.	-	110
Total	1,037	5,909

	Expenses	
Services rendered and received	Services received	Interest and financial services
Bankinter, S.A.	1233	479
Bankinter Consumer Finance, E.F.C, S.A.	270	-
Bankinter, S.A. Sucursal em Portugal	43	-
Total	1,546	479

B.2. FIT AND PROPER PERSON REQUIREMENT

The Company has had a Code of Ethics since 2010, the latest version of which was approved in March 2021, which applies to the Company and the Companies in the Group. The purpose of this Code is to establish the general guidelines that should govern the conduct of its employees and its subsidiaries, in the performance of their functions and in their business and professional relationships, in accordance with the law and observing ethical principles.

The Board of Directors approved the current Director Selection Policy that applies to the Company on 18 March 2021, and updated in October 2022. One of the main objectives of this Policy is to promote diversity of gender, experience and knowledge on the Board of Directors, avoiding any implicit bias that could entail discrimination and, in particular, make it harder to select female directors, and to encourage the Company to have a significant number of female directors.

In line with this policy, the Company's Board of Directors also aims to have a Board that is made up in such a way to ensure a healthy diversity of opinions, perspectives, skills, experience and professional backgrounds, in accordance with the latest recommendations on good corporate governance for listed companies. A summary of all of Board members' professional profiles and career histories can be found on the corporate website.

Similarly, one of the Company's fundamental principles is that the number of independent directors constitutes an overwhelming majority on the Board and that the number of Executive Directors is kept as low as needed.

Board of Director members have four-year terms and they may be re-elected for the same term.

As of the date of this report, it is worth highlighting that the data on independence and diversity on the Board of Directors exceeds the ratios recommended by the Code of Good Corporate Governance.

The Company also complies with Article 38 of Law 20/2015 of 14 July and Article 42 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, on life insurance and the taking-up and pursuit of the business of insurance and reinsurance, and its implementing regulations, under which insurance companies must ensure that the persons who effectively manage them and perform other key functions, including members of the Board of Directors and management, meet the following requirements:

- their professional qualifications, knowledge and experience are suitable to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

The recommendations of the EIOPA Guidelines on the System of Governance have also been followed, in addition to the requirements under Law 20/2015 of 14 July, on the management, supervision and solvency of insurance and reinsurance companies, and Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance and reinsurance companies, in relation to the implementation and development of a fit and proper person policy to ensure that the persons subject to this policy have adequate qualifications and experience to ensure that companies are professionally managed and supervised.

In September 2022, the Board of Directors updated the Company's Fitness and Good Repute Policy, which sets out the requirements that must be met by individuals who perform key functions covered by the "suitability" analysis.

The fitness and good repute requirement is made up of a broad set of criteria, structured around three main pillars:

▪ Good commercial and professional repute and integrity: for this assessment, the professional and personal background of the person being assessed for the function undertaken, as well as any convictions or other penalties for crimes, misdemeanours or administrative offences, and the existence of well-founded investigations into business or financial offences, will be considered.

▪ Knowledge and experience (fit): this considers theoretical training and development, which must be of the right level and have the correct profile, relating to insurance and financial services in particular.

▪ Good governance: this will only apply to members of the Board of Directors and senior management, and includes assessment of any conflicts of interest.

B.3. RISK MANAGEMENT SYSTEM

Risk function

Línea Directa Aseguradora has internal control processes and an effective risk management system that complies with applicable regulations and is in line with best practices for the sector.

In order to ensure effective risk management, the Company has a set of risk management policies that define responsibilities and determine the framework for action for each type of risk and ensure uniform application across all Group divisions and subsidiaries.

The Company's organisational structure for risk management and control is based upon the principles of independent and segregated functions between business units and risk monitoring and control units. Therefore, the Group has established a definition of the key responsibilities of the governance bodies in the risk management and control process:

- The Board of Directors of Línea Directa Aseguradora is responsible for determining the General Risk Policy, which will serve as a framework for the specific policies for each risk to which the Company is exposed.
- The Audit and Compliance Committee is responsible for monitoring the effectiveness of the company's internal control, internal audit, risk management systems, Actuarial Function,

Regulatory Compliance Function and Financial Reporting. The heads of the Risk function and the Internal Audit function report to this Committee on the most significant risks included in the Company's Risk Map, as well as the status of the recommendations issued and the movements in the Key Risk Indicators (KRI).

- The Internal Audit function is responsible for executing the Internal Audit Plan, which includes overseeing the risk management system.
- The Risk Management function, Actuarial function, Regulatory Compliance function and ICFR have the following responsibilities:

    - Ensuring the proper functioning of risk management and control systems and, in particular, ensuring that all significant risks affecting the company are identified, managed and properly quantified.

    - Playing an active role in drawing up the risk strategy and in important decisions around risk management.

    - Ensuring that the risk control and management systems properly mitigate risks within the framework of the policy defined by the Board of Directors.

    - Regularly assessing the adequacy and effectiveness of controls (defined as measures for mitigating the impact of identified risks) and making recommendations to managers responsible for risk management, which will be turned into action plans.

    - Regularly reporting to the Management Committee (and, as often as deemed appropriate, to the Standing Risk Committee) on the status of the company's risks, and on any possible risks that could emerge and the status of all recommendations arising from testing.

- The Standing Risk Committee is responsible for facilitating and monitoring the implementation of effective risk management practices for all risks to which the company is exposed, including ESG risks.
- The specific Committees: the structures and powers of these committees are outlined in Línea Directa Aseguradora's Governance System.
- The Senior Management is responsible for creating a culture and organisational structure that promotes effective risk management. The heads of the Business and Support departments must be aware of the risks in their area of activity and manage them in a way that is consistent with their functions, powers and responsibilities, while also implementing the necessary risk-management measures.
- The entire Company is responsible for detecting and reporting risks that may become apparent in the course of its business activities, and for managing them, working alongside the departments that make up the Risk Function.

The Board of Directors is ultimately responsible for establishing and defining the risk appetite and ensuring that identified risks are limited and properly monitored and managed. It is also responsible for updating the Company's risk appetite framework annually, monitoring the effective risk profile and ensuring that there is consistency between the two.

The Board of Directors or the Audit and Compliance Committee sets the risk tolerance thresholds annually. They also approve changes to the KRIS (Key Risk Indicator) thresholds, which are reviewed annually.

In 2022, as a result of the restructuring of the Company, a new Corporate Risk Management department was created, which includes all the functions that already existed (Risk Management and Internal Control Unit, the Actuarial Function, Regulatory Compliance, Internal Control of Financial Information), with the aims of harnessing synergies, increasing the profile of risk functions and enhancing the Company's control environment. The mission of the department is to build a global risk map of the Company, analyse the interrelationships between the different risks and optimise the control environment to ensure that risks are properly assessed and identified, and then integrated into forecasts and decision-making.

Integration into the organisational structure and decision-making

The purpose of the risk management system is to ensure that the main risks to which the Company is exposed in its normal business activities are always identified and monitored so they can be managed appropriately.

The risks are addressed in the Company's committees and regularly reported to the Audit and Compliance Committee and the Board of Directors.

The Línea Directa Group has established different levels of defence, designing an organisational structure for each of the types of risks identified:

- A management unit with direct responsibility for the day-to-day or ongoing management of such risks, as a first line of defence.
- A structure of committees, each responsible for identifying, managing and reporting on risks. As a result of their membership and functions, these committees have executive functions in that they make decisions relating to the risks that they manage.
- Control functions as the second line of defence; i.e., the Risk Management, Actuarial and Compliance functions and ICFR.
- A supervisory function as the third line of defence, i.e., the Internal Audit function.

This structure fulfils four critical objectives. Firstly, it ensures there is suitable control, management and reporting of all risks at the various levels of defence. Secondly control and reporting is vertical and horizontal, through both dependent entities and independent control functions. Thirdly, there is suitable scalability of reporting, control and decision-making. Lastly, responsibility, knowledge and control of risks is performed at different levels, including the highest level of governance.

Managing environmental, social and governance (ESG) risks.

The governing bodies receive information quarterly on the key risks to which the Company is exposed and the capital resources available to manage them, as well as on compliance with the limits set out in the risk appetite.

The Risk Team, together with the Company's departments, regularly analyses the factors that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an assessment of the Company's main risks is performed, considering the prevention and mitigation measures that will help to measure the residual risk.

The Company has defined the management model, processes and methodology for assessing ESG risks, and has regular monitoring that boosts the dissemination of information between the departments responsible for risks and the Company's Risk Management department.

The Company is also monitoring the mitigation measures or controls identified in each department, analysing whether they are being performed effectively using the evidence, updating the control environment and risk assessment. If any improvements are identified, appropriate action plans are put together.

The ESG risk map shows the risks to which the Company is exposed, with each of them linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018, on non-financial information).

Although the Línea Directa Group is not in a critical sector in relation to climate change, the company is particularly aware of this problem, and therefore promotes and encourages responsible management of resources and the environment. Therefore, it has specific policies and measures.

The Línea Directa Group also has social protocols and concrete measures in place to unlock the full potential of its employees by fostering diversity and inclusion, offering the best solutions to maintain employability and promoting a safe working environment and employee health.

Finally, the Good Corporate Governance area highlights the approval mechanisms for suppliers, the company's corporate governance structure that aligns with all regulatory and best practise requirements, the company's zero tolerance for bribery and other illegal acts reflected in the Code of Ethics and other internal policies and, of course, all the measures the organisation has implemented to protect information and data.

Internal risks and solvency assessment

The Company performs an annual own risk and solvency assessment (ORSA), which is approved by the Board of Directors and presented to the Regulator. This is performed in accordance with the Company's ORSA policy, which is approved by the Board of Directors and reviewed and updated regularly.

This exercise involves a self-assessment of the risks to which the Company will be exposed over a three-year time horizon, considering the outlook for developments in the Company's business and the market, historical experience of the size and type of risks to which the Company has been exposed in the past, and the risk appetite and limits set by the Board of Directors.

As a first step, once the main guidelines of the plan have been agreed by the Board of Directors based on the strategic objectives and market conditions, the financial statements for the Company and its subsidiaries are projected with local valuations as a baseline scenario. These financial statements are approved by the Board of Directors.

In addition to the baseline scenario, various stress scenarios are also considered, whereby the Company's solvency and any potential capital requirements are tested by stressing key parameters for the business. These stress scenarios are approved by the Board of Directors through the Audit and Compliance Committee.

At the same times, the local balance sheets are adjusted and reclassified for the baseline and stress scenarios for the projection period, in order to obtain the financial balance sheets for solvency purposes. This determines the available funds (excess assets over liabilities) in each of the years for each scenario.

The solvency capital requirement (SCR) and initial economic capital are then projected for a three-year time horizon for each scenario.

This is used to obtain the solvency position for each financial year and projection scenario, in terms of the available and eligible funds for both the SCR and economic capital.

If the solvency position in any of the projections in any scenario is below the minimum threshold set by the Board of Directors or less than 100%, management options are presented to return solvency to a position above the minimum required levels.

Finally, the Board of Directors approves the projected financial statements for solvency purposes and the solvency position projected for all of the years and scenarios, along with the management measures that may be required to restore the solvency position.

B.4. INTERNAL CONTROL SYSTEM

Under Article 46 of the Solvency Directive and Article 66 of Law 20/2015 on the management, supervision and solvency of insurance companies, the Company is required to have an effective internal control system. This system must include administrative and accounting procedures, an internal control framework, suitable reporting arrangements at all Company levels and a compliance function, as a minimum.

The control activities should be proportionate to the risks arising from the activities and processes being controlled.

It must ensure that the control and reporting mechanisms of the internal control system provide the administrative, management and control body with the information needed for decision-making processes.

Internal Control Framework

The Company has the required processes for identifying, measuring, controlling, managing and reporting the risks to which it is exposed or may be exposed in the future on a continuous basis, at both an individual and aggregate level, always taking into account the principle of proportionality.

The Company has a risk map of the business processes that include all of its potentially serious inherent risks, with the residual risk level based on the effectiveness of existing controls. This covers specific significant transactions and the risks associated with each process.

Through the risks identified and the key risk indicators (KRIs) defined, the risk management system underpins the Company's process for defining strategies and decision-making, as these KRIs are included in the Company's scorecard, meaning that these risks can be managed proactively. This report is made available to the Board of Directors through reporting to the Audit and Compliance Committee and the Management Committee.

The Company has an effective risk management system that determines how to manage each risk category and area, and any risk aggregation. The risk management system assesses the overall solvency needs identified in the Group's assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, as well as the description of the frequency and content of the regular stress tests and situations that require specific stress tests. Policies are in place that define the risk categories and risk measurement methods.

The Board of Directors has established the risk profile and overall risk tolerance limits and supervises the committees established to monitor and manage potentially serious risks, through the Audit and Compliance Committee.

The internal control environment is therefore deemed to have the control and notification mechanisms required to provide the Board of Directors and the Management Committee with relevant and accurate information for decision-making. The controls are proportional to the risks and cover all of the Company's departments and business lines.

The degree to which the risk culture and risk management system have been embedded makes it easier to understand the implications of decisions taken by the Board of Directors and Management, depending on the level of risk they are willing to assume.

Risk reporting mechanisms

The Corporate Risk Management Department collates all of the Group's risk information so that it can report regularly to the Audit and Compliance Committee. It also reports on the status of the key risk indicators (KRIS scorecard), which makes it easier for the Company's management bodies to monitor them.

The regular risk reports are as follows:

- The Corporate Risk Management Department reports monthly to the Group's Management Committee on the status of the Group's risks, on the results of control tests and on any key risk indicators (KRIs) that exceed the set thresholds.

- The Corporate Risk Management Department reports to the Audit and Compliance Committee on the most significant risks on the Group's risk map, on the results of the control tests performed, on the status of recommendations issued, and on KRI performance.

- The Internal Audit function reports to the Audit and Compliance Committee every quarter.

Compliance function

The Compliance Function, which is managed from the Compliance Department, with the Chief Compliance Officer as the most senior officer, is located in the Company's Corporate Risk Management department and, like the rest of the key functions, regularly reports to the Audit and Compliance Committee. It advises the Company on all legal matters (such as workplace, corporate and fiscal matters), providing guidance that will help to define the legal risk management strategy, ensuring compliance with standards and policies covering risks arising from positive law standards including, not only standards and polities arising from relationships with third parties and from sector and standards whose compliance is legitimately expected by stakeholders in the communities where it operates.

The Regulatory Compliance department is responsible for ensuring the functioning of and compliance with the Criminal Compliance Policy, ensuring it is adapted at all times to the needs and circumstances of the companies in the Línea Directa Group.

It is also responsible for fostering a culture of Compliance within the Company, working with the Communications Department to put together and roll out dissemination, awareness and communication programmes on the Compliance environment and the Group's commitment to ethical behaviours and conduct which complies with Regulations in order to guarantee that it will be rolled out effectively.

Along with specialised departments such as the Data Protection Office or Tax Advice, Compliance also assesses the potential impact of any change to the legal environment on the Company's operations, and determines and assesses compliance risk.

The Compliance Function performs its task in accordance with the Compliance Policy. which was approved by the Board of Directors, and the Regulatory Compliance Management System.

The Regulatory Compliance Department's operations and powers include:

1. Provide support and advice for all functions to the Chief Compliance Officer.
2. Assess the potential impact of any changes in the legal environment on the organisation's operations.
3. Design and roll out the Company's compliance plan, including the identification and analysis of risks and regulatory controls, management and implementation of verification plans and identification and approval of new measures and action plans.
4. Draw up the Annual Compliance Report to be presented by the Chief Compliance Officer to the Company's governance bodies.

Other internal control aspects

The Company's internal control framework and information mechanisms are set out in the previous sections. In order to cover all of the aspects under Article 46 of the Directive, all that remains is to mention the administrative and accounting procedures.

The Company applies the Chart of Accounts for Insurance Companies. International accounting standards are applied in the consolidated financial statements. Under the regulations of Spain's National Securities Market Commission (CNMV), the Internal Control over Financial Reporting System (ICFRS) for listed companies is a set of processes that the Board of Directors, the Audit Committee, senior management and the personnel involved in the Company perform to provide reasonable assurance regarding the reliability of the financial information published and disclosed to the markets and stakeholders.

Following the IPO, the Línea Directa Group must ensure compliance with European Union regulations by adopting International Financial Reporting Standards. To this end, the Internal Control over Financial Reporting Department was created in 2021, with the aim of identifying and determining which information in this area should be subject to the Internal Control System (ICFR).

The ICFR is a part of internal control and is configured as a set of processes performed by the Board of Directors, the Audit Committee, the Senior Management and the personnel involved in the Company to provide reasonable assurance regarding the reliability of the financial information published on the markets. In this regard, the Internal Control over Financial Reporting department, which falls under the Corporate Risk Management department, is responsible for effectively implementing the ICFR and properly monitoring it, and promotes the identification, review and documentation of the relevant information processes included in the ICFR. It also designs and implements the controls in the Risk Controls department, establishes a periodic report to the Audit and Compliance Committee for the quarterly closings for each year, and establishes a review process by the external auditor.

The Company's Finance department has the following internal control functions:

- The Company's planning, developing an annual plan approved by the Board of Directors and monitoring monthly compliance with that plan
- Cost control, by monitoring and managing costs in all organisational areas, with regular checks on developments in strategic operational improvement projects, making specific proposals to rationalise expenditure
- Monitoring and control of the financial statements Línea Directa group companies.

The Company draws up the annual Solvency and Financial Condition Report (SFCR) in accordance with the Solvency II requirements (Articles 292 to 298 of Delegated Regulation (EU) 2015/35 and its Annex XX, as well as national legislation, mainly Chapter III of Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurance and reinsurance companies). This report is signed by the members of Línea Directa's Board of Directors and filed with the Regulator.

B.5. INTERNAL AUDIT FUNCTION

Internal Audit performs independent and objective assessment and assurance activity, and evaluates the effectiveness, for example, of risk control and management processes, internal control, compliance and corporate governance, adding value and flagging, where appropriate needs for modifications, as appropriate, and detecting aspects for improvement in Línea Directa's operations.

The Internal Audit function performs its duties in accordance with the Internal Audit Policy reviewed and approved by Línea Directa's Audit and Compliance Committee at its meeting in April 2023, which regulates the operating statute of Internal Audit and defines, among other aspects, the principles of action, attributes, responsibility, authority and organisational position of the function.

In line with best good governance practices and with the provisions of the current regulatory framework, Internal Audit is an independent area within the organisation, which acts objectively.

In accordance with the provisions of the Corporate By-Laws and the Rules and Regulations of the Board of Directors, the Internal Audit function operates under and reports to the Audit and Compliance Committee and is administratively subordinate to the Chairman of the Board of Directors.

This guarantees the independence, proportionality, autonomy and universal scope of the Internal Audit function at Línea Directa Group at all times.

Functions

Within the scope of its powers, capabilities and the approved Audit Plan, Internal Audit reviews the processes, procedures and business activities, the control environment, risk identification and management, and the corporate governance and regulatory compliance framework of Línea Directa Group.

Every year, Internal Audit draws up the Audit Plan for Línea Directa Group. This plan covers the Company's key processes as determined on the basis of the following aspects, among others: the Línea Directa Group risk map; suggestions or concerns conveyed by management, the Chief Executive Officer and the Audit and Compliance Committee; suggestions or priorities of external supervisors and regulators; and its own experience from performing its role.

The Audit Plan is approved annually by Línea Directa Group's Audit and Compliance Committee.

Internal Audit reports mainly to Línea Directa Group's governing bodies, through the Audit and Compliance Committee, on the results of the work completed, the status of the observations issued or action plans awaiting implementation, as well as the main indicators included in its Continuous Quality Assurance and Improvement Programme for the function.

In addition, the Internal Audit function draws up and submits its annual activity report for approval by the Audit and Compliance Committee.

Membership

In 2023, the Internal Audit function of Línea Directa Group consists of 4 people including the head of Internal Audit.

B.6. ACTUARIAL FUNCTION

Línea Directa's Actuarial Function is an independent function located organically in the Corporate Risk Management department and reports to the Audit and Compliance Committee.

It is part of the second line of defence, together with the Risk Management Function, the Regulatory Compliance Function and the ICFR, thereby guaranteeing that the review of the tasks entrusted **to it will be fully independent.**

Its functions include: coordinating the calculation of technical provisions; evaluating the adequacy and quality of data: validating the methodologies used to calculate technical provisions; compare the best estimates with previous experience through backtesting; informing the Audit and Compliance Committee of the reliability and adequacy of the technical provisions; giving an opinion on the underwriting policy and reinsurance agreements; and contributing to the effective implementation of the risk management system, in relation to calculating capital requirements, internal risk assessment and solvency.

It also draws up annual actuarial reports for the governing body, documenting all significant tasks performed during the year and their results, identifying any weaknesses and making recommendations to correct them. At the beginning of the year, it presents the plan for its year-long activity to the governing body, structured into six large blocks:

- Technical provisions.
- Underwriting Policy, including the impact of sustainability risks on it.
- Reinsurance.
- Quality of data relating to technical provisions.
- Risk Management System, particularly in relation to the underwriting risk modelling on which the calculation of capital requirements is based, and the internal risk and solvency assessment.
- Internal models and specific parameters.

Quarterly report to the Audit Committee on the progress of the planned activity, and the findings and possible incidents that require correction or remediation, arising from the analyses carried out.

B.7. OUTSOURCING

The Outsourcing Policy, which was updated in 2022, aims to comply with Article 49 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), Law 20/2015 of 14 July, on the management, supervision and solvency of insurance and reinsurance companies, and Royal Decree 1060/2015 of 20 November on the management, supervision and solvency of insurers and reinsurers, and its implementing regulations, under which insurers must ensure that the outsourcing of critical or important functions or operational activities cannot be carried out in such a way that it might:

- materially impair the quality of the governance system of the company involved;

- unduly increase operational risk;
- impair the ability of the supervisory authorities to monitor the Company's compliance with its obligations;
- or affect continuous and satisfactory service to policyholders.

The Policy summarises the requirements and conditions required of companies when outsourcing of functions, and in particular sets out:

a) the criterion for determining whether a function or activity is critical or important;

b) how to select a supplier with appropriate quality, and how and on what basis its performance and results can be evaluated;

c) the details to be included in the contract with the service provider; and

(d) business contingency plans, including the conditions for terminating or revoking contracts for critical or important outsourced functions or activities.

e) The requirements and formalities that must also be applied in relation to outsourcing to cloud service providers.

In 2023, the Company outsourced its outsourcing services in the area of information technology, as well as some claims processing procedures

Management of the assistance network for the Health business line, which the Company has marketed under the Vivaz brand, was also outsourced.

With Línea Directa Asistencia S.L.U., a subsidiary of Línea Directa Aseguradora S.A., the travel assistance service is outsourced for policyholders who have taken out this cover.

B.8. OTHER INFORMATION

Suitability of the governance system

The governance system implemented in the Company, which is made up of the organisational structure and risk management and internal control systems, is considered to be effective. It provides optimal support for the Company's strategic objectives, ensuring that the Board of Directors makes business decisions with a comprehensive understanding of their impact on risk exposure, within the limits set by its risk appetite.

C. RISK PROFILE

C.1. RISK APPETITE, LIMIT AND EXPOSURE

Risk appetite and limit

The Board of Directors has ultimate responsibility for defining and setting the risk appetite. It is also responsible for the limits for identified risks and ensuring they are properly monitored and managed. This means that the Board of Directors is responsible for establishing and updating the Company's annual risk appetite and monitoring the effective risk profile, and ensuring they are consistent.

Prudence principle

The Company manages its investments in accordance with the regulations and guidelines set by the Company's governing bodies relating to the Solvency Margin and coverage of the Technical Provisions.

The Company manages market risk and reduces its exposure to it through an Investment Policy that is proposed by the Chief Financial Officer and approved by the Board of Directors. This is reviewed annually.

This policy contains the terms of reference for the Investment Committee. Following the prudence principle, these include the following objectives:

- Applying investment strategy approved by the Board of Directors that fulfils the requirements of all regulators, and aligns with Línea Directa Group's Investment Objectives and market trends.

- Analysing the convenience of having external advice on Investments, approving (where appropriate) the hiring Investment advisors and assessing the suitability of all their recommendations, in line with Línea Directa Group's Investment Guidelines and circumstances.

In addition to establishing reporting obligations to the governing body should there be irregularities:

- "Report to the Línea Directa Board of Directors, and, where applicable, its Committees, and ensure that the Board of Directors is immediately aware of any irregularities or breaches of the investment objectives and investment guidelines".

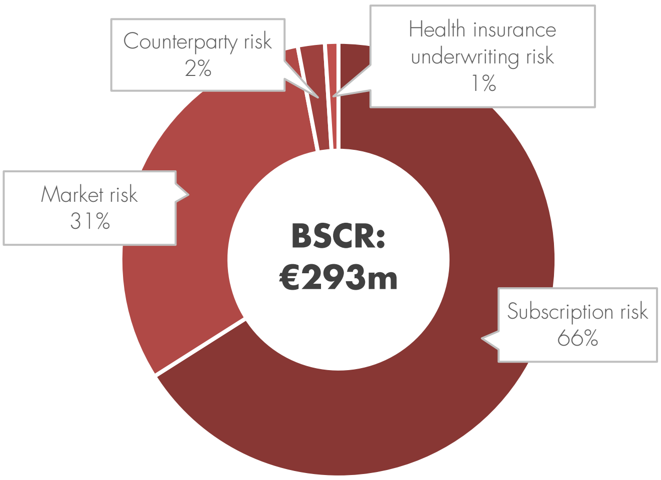
The limits set by the investment guidelines demonstrate that this is a very conservative policy in terms of investment risks. Derivatives can only be used for hedging market risk, with the objective of efficiently managing the portfolio, and never for speculative purposes. Approval from the Investment Committee is required, when appropriate, and the regulatory body's eligibility criteria must be met.

Finally, the Investment Policy also sets down the authorisation limits for transactions, requiring authorisation from the Board of Directors for the largest investments.

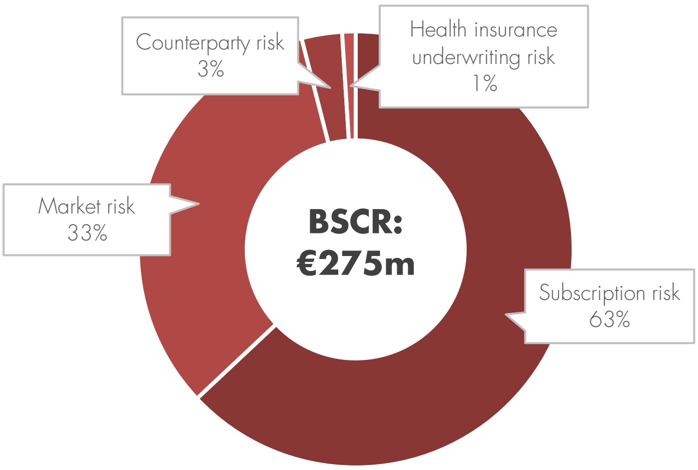
Risk exposure

The Company's risk exposure, measured by the basic solvency capital requirement risk categories, without diversification and calculated using the standard formula, at 31 December 2023 and 2022 is shown in the chart below:

31 December 2023:



31 December 2022:



As the chart shows, the main risk to which the Company is exposed is the underwriting risk, followed by market risk and counterparty risk.

Risk sensitivity

As discussed, the Company conducts stress and sensitivity analysis on its most significant risks as part of the annual ORSA exercise.

Based on the Company's experience and the types of risks to which it is exposed due to its business activity, the most significant risks are the risks associated with underwriting risk, with the most important parameters being the frequency and severity of claims, which are subject to stress separately and simultaneously.

Strategies, objectives and processes by risk category

The Company conceptualises the establishment of the risk profile through self-assessment of quantitative and qualitative aspects of each risk category. The overall risk profile derives from the absolute and relative positions of each of these risks in terms of these aspects.

The Company has an effective risk management system that determines how to manage each risk category and area, and any potential risk aggregation. Specific policies are in place that define the risk categories and risk measurement methods.

The risk management system assesses the overall solvency needs identified in the Company's assessment of its own risks (based on the ORSA principles), its legal capital requirements and risk tolerance limits, in addition to the description of the frequency and content of the regular stress tests and situations that require specific stress tests.

The risks covered by the Company's Risk Policy, established based on the estimated materiality of the Company's exposure, are set out below.

The methods for measuring each risk and details of how each risk is managed and any risk aggregation are described in the prospective risk assessment documents.

C.2. UNDERWRITING RISK

Underwriting risk is the most significant risk for the Company, particularly the premium and reserve risk module.

Premium risk involves future claims during and after the period, up to the horizon for solvency valuations. The risk is that the expenses and costs of the claims might exceed the premiums received. Exposure to this risk, measured by the volume of premiums, is 966,154 thousand euros (955,390 thousand euros in 2022).

There are two sources of reserve risk: underestimation of the absolute level of provisions and the random nature of claims pay-outs. Both of these risks cover claims with regular frequency, as extreme events fall within the realm of catastrophe risk, which, with lapse risk, goes alongside the underwriting risk. Exposure to this risk, measured by the volume of technical provisions for claims, is 325,266 thousand euros (255,566 thousand euros in 2022).

The solvency capital requirement for premium and reserve risk is 190,730 thousand euros (170,871 thousand euros in 2022).

Assessing the Company's risk profile requires us to consider some specific circumstances of the Spanish insurance market and some intrinsic circumstances to the Company that influence the risks to which it is exposed, such as the circumstances in which it encounters them:

a) Idiosyncrasies of the Spanish market compared to the European market

1. Existence of the Spanish Insurance Compensation Consortium

This body gives the sector greater stability and certainty in its pricing. It is a very important mitigating factor for catastrophe risk relating to nature. For risks arising from the natural world that are not covered by the Consortium, the Company has arranged renewable, annual excess-loss reinsurance with a priority established by event that also has a mitigating effect on catastrophe risk from the accumulation of sums insured due to fire events. The Company also has excess-loss reinsurance with claim priority for man-made risks. This is also renewable annually.

2. Settlement agreements in claims management

In Spain, there are several agreements covering a large percentage of the material damage claims in the sector. The agreement setting standard compensation modules provides lower payment volatility for such material claims, while streamlining the settlement period for claims and increasing management efficiency, and limiting the maximum cost that the Company has to pay for claims under an agreement in which the Company's policyholder is responsible.

3. Application of the injury scale

The existence of a scale that sets compensation amounts provides much greater stability and predictability for the cost of claims for injuries than in other nearby countries, as judges generally respect this appraisal system, making future compensation more easily quantifiable, significantly limiting possible surprises in claims costs.

b) Specific characteristics of the Company in the Spanish market

1. A business based on organic growth

The Company was launched in 1994 and began its activity the following year. This means it is a comparatively young Company in the Spanish insurance market. Since then, the Company has achieved sustained growth without mergers or acquisitions of other companies or portfolios. This provides consistency, quality and information for its risk portfolio.

2. Commitment to technology

The Company is committed to centralising and automating its business processes, with particular emphasis on information and pricing systems. This facilitates monitoring of the development of the policy portfolio and claims costs, enabling tactical business decision-making that can be implemented nimbly.

The business model developed by the Company is also a tool that drives the culture of innovation in the organisation. The Company's centralised organisational structure and operations provide the alignment and agility that, together with direct contact with customers at all stages of business, give the Company a greater ability to adapt to ever-changing customer needs with specific products and to improve customer service and experience.

3. Use of the direct channel

The Company operates without offices or intermediaries, using exclusively telephone and digital channels, centralising all its operations at its headquarters in Tres Cantos (Madrid). Together with a flat organisational structure, technical excellence and the advanced digitalisation of its processes, this enables the Company to be more efficient and competitive against the intermediary, more traditional model, as it passes on these internal savings to the customer in the form of complete products and an extraordinary quality of service at more competitive prices.

This means, among other things, that the policies are owned by the Company and there is centralisation and control of the pricing and underwriting systems. The specific characteristics set out in the paragraphs above, which define the Company's underwriting profile, have led it to request the specific parameter for premium risk in the "Other motor insurance" business line. The Company received authorisation for this from the DGSFP (Directorate General of Insurance and Pension Funds) in writing on 18 April 2016. It has used this specific parameter in calculating its solvency capital requirement for the year of this report. The Company reviews the value of this parameter every year using the latest data, applying the established methodology.

For all other underwriting risks (premium risk for business lines for which the specific parameter is not authorised, reserve risk, lapse risk and catastrophe risk), the solvency capital requirement (SCR) is quantified using the standard formula on a quarterly basis.

The Company uses two internal models to quantify economic capital for the planning time horizon for premium and reserve risks for the motor vehicle business lines.

In catastrophe risk, the Company is exposed to both natural risks (wind and hailstorms) and man-made risks (third-party liability for motor vehicles and fire), with a net capital charge for the mitigation effect of 5,858 thousand euros (5,706 thousand euros in 2022).

Lapse risk relates to exposure to premiums for tacit renewals of policies in the portfolio at the end of the reference period. The net capital burden of the mitigation effect is 6,492 thousand euros (9,569 thousand euros in 2022).

Underwriting risks are managed and monitored by the Company's Business Committee and Reserves Committee.

C.3. HEALTH UNDERWRITING RISK

In 2017, the Company started marketing policies in the healthcare sector. The most significant risk is the premium risk.

The solvency capital requirement for the health underwriting risk is 3,300 thousand euros (3,039 thousand euros in 2022).

C.4. MARKET RISK

The Company manages market risk through its investment policy guidelines, which are approved by the Board of Directors and reviewed annually. This policy is managed and monitored through the Investment Committee and implemented operationally by the Company's Finance Department.

The profitability objectives for the investment portfolio consider the risk constraints in the policy for setting concentration limits by issuers, concentration limits by type of financial assets and concentration by rating steps, in addition to the minimum credit rating required for each issue.

The investment portfolio is segmented into funds for transactions and long-term funds in order to set these limits.

The investment policy explicitly prohibits the use of futures or options for speculative purposes.

Internally, the market risk of the portfolio is measured using the Value at Risk (VaR) methodology with historical simulation. This enables us to measure the maximum expected loss in the portfolio's value for a given period of time and for a specific level of confidence under normal market conditions. This estimated loss depends mainly on the total exposure and the volatility of the risk factors associated with the securities or assets.

The value at risk (VaR) for the portfolio is estimated for monitoring purposes every month with a horizon of one month at a 95% confidence level, based on historical data for three years. The solvency capital requirement (SCR) for market risks is quantified using the standard formula on a quarterly basis.

Property

The Company is exposed to property risk through the properties that it owns for its own use for its insurance activity and for investment. The exposure to this risk is 109,637 thousand euros (117,931 thousand euros in 2022).

Due to the amendment of Commission Delegated Regulation 2019/981 of 8 March 2019 amending Delegated Regulation 2015/35, the Company conducts its transparency approach on its subsidiary LDActivos, S.L.U. since the transparency approach should ensure that the risks to which the insurance or reinsurance Company is exposed are duly taken into account, whatever its investment structures. This approach therefore applies to companies linked to insurance or reinsurance companies whose main purpose is holding or managing assets on behalf of that insurance or reinsurance company.

The Company's investment policy sets a limit on property investment in the asset portfolio.

Interest rates

The Company is exposed to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates and their volatility. Historically, given the excess in the asset portfolio (mainly made up of fixed income instruments) over the technical provisions and the maturities of these types of assets and liabilities, the capital charge under the standard formula was determined by the stress of interest rate increases.

The current climate of very low and even negative interest rates in the early years of the risk-free interest rate curve makes the capital requirements for this risk module less demanding. However, in turn, the yields on the fixed income assets in which the profits generated by the Company are invested and the maturities of the portfolio assets are also lower, with the corresponding impact on the Company's profits.

The exposure to this risk is 764,253 thousand euros for assets and 583,783 thousand euros for liabilities (635,457 thousand euros for assets and 506,493 thousand euros for liabilities in 2022).

Shares

The share risk to which the Company is exposed is due to the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of stock market prices, including investment funds investing in equities.

The exposure to equities is 120,651 thousand euros (125,428 thousand euros in 2022), including exposure to shareholdings in Group companies.

As indicated for property risk, share risk does not take the investee LD Activos, S.L.U. into account.

Spread

This risk results from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads in relation to the risk-free term structure of interest rates.

The Company's investment policy sets portfolio limits per rating step with a minimum required credit rating. The securities outside these limits are, mainly, securities issued or guaranteed by European Economic Area governments.

The exposure to this risk is 768,930 thousand euros (638,628 thousand euros in 2022).

Exchange rates

This risk measures the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of exchange rates. The Company's exposure to this risk is not material, due to the limits in its investment policy.

Exposure to this type of risk was 23,185 thousand euros in 2022 (23,120 thousand euros in 2022)

Concentration

This risk results either from a lack of diversification in the asset portfolio or from significant exposure to the risk of default by an issuer of securities or a group of linked issuers.

The Company's investment policy sets portfolio limits for issuers based on their credit ratings.

The exposure to this risk is 999,218 thousand euros (881,987 thousand euros in 2022).

C.5. CREDIT RISK

Counterparty default risk relates to possible losses or adverse changes in the financial position resulting from changes in the solvency of issuers of securities, counterparties and debtors to which the Company is exposed.

In addition to the credit risk linked to the investment portfolio (spread and concentration), there is also counterparty risk for unpaid insurance premiums, counterparties in the accounts receivable from reinsurers, counterparties in treasury positions and other non-material items on the asset side of the balance sheet.

The capital charge for counterparty risk is calculated using the standard formula and is monitored on a quarterly basis.

Specifically, non-payment of insurance premiums is monitored in the Business Committee, receivables from reinsurance companies are monitored in the Reserves Committee, and positions with treasury and liquid asset counterparties are monitored in the Investment Committee.

The exposure to this risk is 96,533 thousand euros (95,290 thousand euros in 2022).

C.6. LIQUIDITY RISK

This non-regulatory risk (i.e. it does not require regulatory capital) is due to the potential temporary inability of the Company to pay its obligations within the agreed timeframes, due to such obligations maturing before maturity dates for incoming payments from customers or from financial investments.

Given the nature of the Company's activities, with daily generation of liquidity from premium income, liquidity risk is not viewed as critical for the continuity of the Company's activities. The capital required is, therefore, not quantified.

The expected profit from future premiums at the end of 2023 was 42,914 thousand euros (41,721 thousand euros in 2022).

This risk is managed and monitored by the Company's Finance Department and the Investment Committee.

C.7. OPERATIONAL RISK

Operational risk results from mismatches or failures in internal processes, personnel and systems, and from external events. This risk is assessed for calculating solvency using the standard formula methodology, with the capital charge being monitored on a quarterly basis. This risk is monitored in the Standing Risk Committee. The volume of exposure is measured by the premiums earned and amounts to 960,412 thousand euros (926,512 thousand euros in 2022).

C.8. REPUTATIONAL RISK

This non-regulatory risk (i.e. it does not require regulatory capital) consists of the possible loss of customers, decreases in income or legal procedures for the Company that may result from its image being tarnished or negative publicity in the eyes of stakeholders (customers, employees, suppliers, institutions, shareholders, society, the community, consumers, the media and the insurance sector).

As this is a non-regulatory risk (it is not included in the calculation of solvency capital requirement under the standard formula), this is estimated in the ORSA exercise by the External Communication department, using an in-house methodology based on expert judgement.

C.9. LEGAL RISK

Compliance risk includes both the possibility that the Company's processes and operations may become obsolete or do not comply with current legislation in the event of a possible change or new developments in the specific applicable regulations, as well as the possible non-compliance with the ethical rules and standards defined by the Company.

As these are both non-regulatory risks (i.e., they are not part of the calculation of solvency capital under the standard formula), they are estimated in the ORSA exercise by the Compliance area, using an in-house methodology based on expert judgement for regulatory risks, and qualitative analysis and a quantitative valuation based on the legal compliance risks map for compliance risks.

C.10. SUSTAINABILITY RISK

Sustainability risk is:

- In relation to investments, any environmental, social or governance development or state which, if any, could have a real or possible negative material effect on the value of the investment.
- In relation to liabilities, an environmental, social or governance event or condition which, if it occurs, can have a significant real or potential negative impact on the value of the liability.

The Company has approved a sustainability plan based around the three pillars (environment, social and governance).

For environmental issues, the Company has published its environmental management and climate change policy, its ESG investment policy and its Responsible Procurement policy, has assessed the investment portfolio based on these criteria and has adhered to the TCFD (Task Force on Climate Related Disclosure), among others. It has also continued to promote insurance for electric vehicles through its Respira Policy, launched in 2016, which it expanded to plug-in hybrid vehicles in 2022. For social issues, the health, safety and well-being policy, the talent policy, an equality plan and an anti-harassment protocol have also been added to United Nations Road Safety.

In the governance area, the product control and governance policy, the internal fraud policy, the compliance policy and the criminal compliance policy, the Information Security policy, the privacy policy, the tax strategy policy have been updated and the Company has been listed in the IBEX Gender Equality Index BME.

The Corporate Risk Management Team, together with the Company's departments, regularly analyses the factors that could impact the business if they were to occur, including environmental, social and governance (ESG) factors. Based on this analysis, an assessment of the Company's key risks is performed, taking into account prevention and mitigation measures.

The ESG risk map shows the risks to which Línea Directa is exposed, with each of them linked to the Sustainable Development Goals (SDGs) and other reporting frameworks (GRI or Spanish Law 11/2018, on non-financial information).

As this is a non-regulatory risk (i.e., it is not part of the calculation of solvency capital under the standard formula), the Company has performed qualitative analysis and a quantitative valuation based on the ESG risk map for the ORSA exercise.

C.11.CYBERSECURITY RISK

The cybersecurity risk is the risk arising from technology that can affect data, confidentiality, misuse of information and system outages that can affect business, among other things.

The Company's Security Policy is the reference framework for ensuring the sound definition, management, administration and implementation of the security measures and procedures needed to achieve a suitable level of protection for the criticality of Línea Directa Aseguradora's physical and information assets.

The Company has implemented a Business Continuity Policy, which was drawn up and will continue to be monitored by the Group's Corporate Security Department. The Policy is there to guarantee the continuity of business operations in response to events that affect the normal functioning of the Group's processes, and also to comply with Article 41.4 of Directive 2007/138/EC of the European Parliament and of the Council of 25 November 2009 (Solvency II) and its implementing regulations, under which insurance companies must take reasonable steps to ensure continuity and regularity in the performance of their activities.

In response to the current digital environment and the growing threat of cyber-attacks, the Company has a powerful cybersecurity strategy in place which aims to protect the Company's processes and operations from this threat. This strategy includes the implementation, assessment and improvement of mechanisms to prevent, detect and respond to cyber-attacks on the Group's systems and networks, together with awareness-raising actions and training for all employees in cybersecurity.

As this is a non-regulatory risk (i.e. it is not part of the calculation of solvency capital under the standard formula), the Company has performed a quantitative valuation based on the cybersecurity risk map.

C.12.SUITABILITY OF INVESTMENTS

Credit rating

The Company uses credit ratings from external rating agencies for positions in bond, equity, securitisation, treasury and other liquid asset portfolios included in calculating the solvency capital requirements for spread, concentration and counterparty risk. These ratings are always issued by an ECAI (External Credit Assessment Institution), pursuant to Regulation No 1060/2009 of the European Parliament and of the Council.

There are two ECAI-issued credit ratings for reinsurance recoverables for calculating counterparty risk. LDA has continuously used the one provided by Standard & Poors consistently over time.

There is no dependence on a single external rating, as the valuation is obtained from the average of the ratings assigned by several ECAIs.

Concentration

Any positions exceeding the concentration limits in the Investment guidelines, which are approved by the Board of Directors, are treated as high exposure. These limits prevent the Company from holding significant positions in a single item. This means that it does not need to perform its own internal credit assessment, in accordance with Article 4 of the Delegated Regulation. The Investment Committee ensures that day-to-day investment management complies with the investment guidelines.

Sustainability

The Investment Guidelines aim to integrate ESG criteria (environmental, social and corporate governance) into investment decision-making. Thanks to a preventive approach and long-term vision, the Company avoids investing in any organisations, projects or products that may cause, or otherwise be conducive to, serious violations or breaches in these areas.

We have had an ESG Investment Policy since 2022. Línea Directa Group's purpose in defining and implementing this Policy is to maximise the risk-return balance, also taking into account ESG risks in its investments, and thus enabling a more sustainable operation, supporting specific activities with a positive impact and avoiding or limiting activities with an adverse reaction and which may affect the confidence of its stakeholders.

We also perform a quarterly quantitative assessment of ESG risks calculated using a tool endorsed by an independent third party, who is an expert in this area.

Complex exposures

Under Article 4(5) of the Delegated Regulation, complex exposures are exposures that require a high degree of knowledge of financial products. They usually also have the following features:

- they are traded on OTC markets,
- they are not listed,
- they are domiciled in non-OECD countries,
- the underlying is a structured product with limited liquidity.

The Company's Investment Guidelines limit these types of exposures.

C.13.OTHER INFORMATION

The Company performs various sensitivity analyses of the solvency ratio for different market risks:

	31.12.2023	Change
Solvency Ratio	180%	
Interest rates +100 bps	167%	-13 p.p.
Interest rates -100 bps	189%	9,3 p.p.
Equity markets +10%	181%	0,86 p.p.
Equity markets -10%	178%	-2.52 p.p.
Equity markets +30%	187%	6,98 p.p.
Equity markets -30%	172%	-7.87 p.p.
Real estate +10%	183%	3,18 p.p.
Real estate -10%	177%	-3.23 p.p.
Credit spreads +100 bps	176%	-3.72 p.p.
Credit spreads -100 bps	184%	3,98 p.p.

D. VALUATION FOR SOLVENCY PURPOSES

The general valuation rules for assets and liabilities under Article 75 of the Directive and, as a general valuation rule, the solvency regime is based on international accounting standards. If the valuation methods in these standards are not consistent, temporarily or permanently, with the valuation approach under Article 75 above, other valuation methods that are deemed consistent will be used. In any case, the Company has applied the principle of proportionality.

The following sections detail the most significant items on the asset and liability sides of the balance sheet, comparing the solvency and financial statement balance sheets as at 31 December 2023 and 2022, as well as differences in the valuation methodologies.

D.1. ASSETS

The asset side of the compared balance sheets as at 31 December 2023 and 2022, grouped into the most significant items, is as follows:

31 December 2023:

COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET		
(in thousand euro)	Solvency	Financial statements
Intangible assets and deferred acquisition costs	-	117,876
Deferred tax assets	75,274	13,164
Property, land and equipment held for own use	47,901	38,612
Investments and loans	958,654	923,204
Reinsurance recoverables	30,993	29,214
Receivables on reinsurance business	7,019	7,019
Other receivables	18,974	109,950
Cash and any other assets	36,579	42,425
TOTAL ASSETS	1,175,394	1,281,464

31 December 2022:

COMPARISON OF HEADINGS ON THE ASSET SIDE OF THE BALANCE SHEET		
(in thousand euro)	Solvency	Financial statements
Intangible assets and deferred acquisition costs	-	109,075
Deferred tax assets	80,440	23,371
Property, land and equipment held for own use	48,742	40,226
Investments and loans	831,351	796,759
Reinsurance recoverables	23,333	19,263
Reinsurance receivables	12,290	12,290
Other receivables	19,612	110,656
Cash and any other assets	47,346	53,465
TOTAL ASSETS	1,063,114	1,165,105

The following sections detail the valuation criteria and differences between the financial statements and the solvency balance sheets for each heading on the asset side.

Intangible assets and deferred acquisition costs

The Company has valued the intangible assets and deferred acquisition costs in accordance with Article 12 of the Delegated Regulation.

Deferred acquisition costs have been valued at zero, considering that, as goodwill, no value can be assigned to them.

Intangible assets have also been valued at zero, as they cannot be deemed to be sold separately and it cannot be demonstrated that similar assets exist with a value obtained in accordance with Article 10(2), in which case the asset would be valued in accordance with this Article. These assets are mainly made up of software licences and software developments, which are valued at their net book value in the financial statements.

31 December 2023:

Goodwill, deferred acquisition costs and intangible assets		
(in thousand euro)	Solvency	Financial statements
Goodwill		-
Deferred acquisition costs		88,690
Intangible assets	-	29,186

31 December 2022:

Goodwill, deferred acquisition costs and intangible assets		
(in thousand euro)	Solvency	Financial statements
Goodwill		-
Deferred acquisition costs		94,608
Intangible assets	-	14,467

Deferred tax assets

This heading in the solvency balance sheet includes the tax assets heading of the financial statements, which amount to 75,275 thousand euros and 80,440 thousand euros at the end of 2023 and 2022, respectively, due to temporary differences.

31 December 2023:

Deferred tax assets		
(in thousand euro)	Capital adequacy	Financial statements
Deferred tax assets	75,274	13,164

31 December 2022:

Deferred tax assets		
(in thousand euro)	Solvency	Financial statements
Deferred tax assets	80,440	23,371

The valuation of this heading for solvency purposes differs from the financial statements due to valuation adjustments between the accounting regulations and Solvency II that generate a deferred tax asset. In particular, the requirement under Article 15(3) of the Delegated Regulation on deferred taxes allows the application of tax credits *"where it is likely that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits"*.

Property, plant and equipment held for own use

This balance sheet heading includes information-processing equipment, facilities, furniture and property for the Company's own use in its insurance activity. Property investments are included under investments and loans in the following section.

31 December 2023:

Property, land and equipment held for own use		
(in thousand euro)	Capital adequacy	Financial statements
Property for own use	42,045	30,926
Other property, plant and equipment	5,856	7,686
	47,901	**38,612**

31 December 2022:

Property, land and equipment held for own use		
(in thousand euro)	Solvency	Financial statements
Property for own use	42,044	31,392
Other property, plant and equipment	6,698	8,834
	48,742	**40,226**

For the purposes of the financial statements, property, plant and equipment and investment property are recorded at their acquisition price, which includes, in addition to the purchase price, all additional expenses incurred in bringing the asset into operation, including financial expenses. These assets are depreciated systematically on a straight-line basis over their estimated lifespan, taking into account the depreciation effectively sustained from operating, using and enjoying. At year-end, any relevant valuation adjustments are made to property, plant and equipment.

For solvency purposes, the net book value of the items that make up property, plant and equipment are used as their fair value, while the last appraisal value is used for property held for own use. In this latter case, the solvency value exceeds the value in the financial statements by 11,119 thousand euros and 10,652 thousand euros as at 31 December 2023 and 2022, respectively.

The other property, plant and equipment heading has taken the provisions of international regulations concerning leases (IFRS 16) into account.

Investments and loans portfolio

The assets in the investment portfolio as at 31 December 2023 and 2022 are presented in the following table, with comparative valuations:

31 December 2023:

(in thousand euro)	Capital adequacy	Financial statements
Investments (other than index-linked and unit-linked assets)	**939,237**	**903,814**
Property (other than for own use)	1,910	1,867
Shareholdings	98,048	68,905
Shares	32,158	32,158
Listed shares	32,152	32,152
Unlisted shares	6	6
Bonds	749,504	743,684
Government bonds	377,817	375,568
Corporate bonds	371,687	368,116
Structured notes	-	-
Collateralised securities	-	-
Investment funds	51,708	51,708
Derivatives	5,909	5,492
Deposits (other than cash equivalents)	-	-
Other investments	-	-
Loans and mortgages	**19,417**	**19,390**
To private individuals	-	-
Other	19,417	19,390

31 December 2022:

(in thousand euro)	Capital adequacy	Financial statements
Investments (other than index-linked and unit-linked assets)	811,584	777,004
Property (other than for own use)	1,910	1,895
Shareholdings	97,989	69,494
Shares	38,760	38,760
Listed shares	38,754	38,754
Unlisted shares	6	6
Bonds	618,778	612,672
Government bonds	356,493	353,381
Corporate bonds	262,285	259,291
Structured notes	-	-
Collateralised securities	-	-
Investment funds	46,339	46,339
Derivatives	7,808	7,844
Deposits (other than cash equivalents)	-	-
Other investments	-	-
Loans and mortgages	19,767	19,754
To private individuals	-	-
Other	19,767	19,754

Some noteworthy points about the main headings are outlined below:

Shareholdings

Holdings in the Company's subsidiaries are recognised in the financial statements at their acquisition value corrected for any impairment, while they are recorded at the net book value of each Company in the solvency balance sheet, which includes the tacit gains corresponding to accumulated profits that have not been distributed as dividends, amounting to 29,144 thousand euros and 28,494 thousand euros as at 31 December 2023 and 2022, respectively.

Listed shares

There are no major differences in valuations for this asset category between the financial statements and the solvency financial statements, as, in both cases, they are valued through prices listed in active markets.

Government and corporate bonds

This asset category is valued at fair value in the financial statements and for solvency purposes. Unless there is evidence to the contrary, this is the transaction price, recognising any changes directly in equity until the asset is sold or impaired. For debt instruments, value adjustments are made if there is objective evidence that their value is impaired due to a reduction or delay in estimated future cash flows, which may be down to the debtor's insolvency.

Accrued and unmatured interest from financial investments, when this is not part of their redemption value in the financial statements, is classified as an increase in value for the investment portfolio for solvency purposes, while in the financial statements this is classified under "Any other assets, not recorded elsewhere", amounting to 5,820 thousand euros and 6,105 thousand euros at at 31 December 2023 and 2022, respectively.

Investment funds

This balance sheet item includes holdings in investment and venture capital funds that are valued at their last settlement value, for both the financial statements and solvency purposes.

Deposits

Deposits are valued at acquisition cost plus the corresponding interest accrual/deferral to the date considered, for both the financial statements and solvency purposes.

Accrued and unmatured interest from financial investments that is not part of the redemption value in the financial statements is classified as increased value of the investment portfolio for solvency purposes, while in the financial statements this is classified as "Any other assets, not recorded elsewhere". The Company had no deposits as at 31 December 2023 and 2022.

Loans and mortgages

This solvency balance sheet heading amounted to 19,417 thousand euros and 19,767 thousand euros at 31 December 2023 and 2022, respectively, corresponding to two loans extended by the Company to two subsidiaries and various accounts receivable, also with subsidiaries, for prepayments on account of corporation tax that the Company settles as the head of the tax group on their behalf and subsequently adjusts with them.

Reinsurance recoverables

The "Reinsurance recoverables" in the Solvency balance sheet correspond to the "Reinsurers' share of technical provisions" in the financial statements.

31 December 2023:

Reinsurance recoverables:		
(in thousand euro)	Solvency	Financial statements
Reinsurance recoverables:	30,993	29,214
Non-life and health similar to non-life	30,993	29,214
Non-life excluding health	28,054	20,535
Health similar to non-life	2,939	8,679

31 December 2022:

Reinsurance recoverables:		
(in thousand euro)	Solvency	Financial statements
Reinsurance recoverables:	23,333	19,263
Non-life and health similar to non-life	23,333	19,263
Non-life excluding health	20,546	11,364
Health similar to non-life	2,787	7,899

The main differences between the valuation criteria in the financial statements and for solvency purposes are:

- The reinsurers' share of the unearned premium provision in the financial statements is replaced in the solvency balance sheet by the recoverable amount corresponding to the provision for direct insurance premiums.
- Reinsurance recoverables are calculated using the same methodology as the methodology for the best estimate of the technical provisions on the liability side of the solvency balance sheet, considering the reinsurance programme in the exposure period.
- The possibility of non-payment by counterparties is considered when estimating reinsurance recoverables.

Reinsurance receivables

This heading contains the outstanding balance for reinsurance policies. There are no valuation differences between the financial statements and Solvency II, as these are valued at fair value.

Other receivables

This heading in the local balance sheet contains the premium receipts, both issued and pending issuance, that are pending collection from the policyholders. It also includes recoveries for claims that are considered certain and have not yet been settled or paid, which account for almost the entire balance of the heading. Historically, these recoveries have occurred satisfactorily and very rapidly, and are usually settled through claims settlement agreements.

A less significant part is made up of positions with debtors for various transactions, with collection rights with Bankinter Group companies accounting for a significant proportion.

In the solvency balance sheet, the amounts of unissued premiums paid in instalments are reclassified to the liabilities in the balance sheet (premium provision) in the amount of 46,570 thousand euros as of December 2023 (48,493 thousand euros in 2022) and the amount of all certain claims recoveries are reclassified to the claims provision under liabilities in the solvency balance sheet, in the amount of 41,255 thousand euros as of December 2023 (42,551 thousand euros in 2022).

Cash and cash equivalents

This heading in the solvency balance sheet contains the same items and applies the same valuation criteria as the equivalent in the financial statements.

The balance corresponds to current account positions and short-term liquid assets, with the counterparties for almost all of the balance being Bankinter, the parent of the group to which the Company belongs, and Banco Santander, amounting to 31,757 thousand euros. (44,044 thousand euros in 2022).

Any other assets, not recorded elsewhere

This heading in the solvency balance sheet contains items not classified under other headings on the asset side of the balance sheet.

31 December 2023:

Any other assets, not recorded elsewhere		
(in thousand euro)	Solvency	Financial statements
Any other assets, not recorded elsewhere	4,822	10,668

31 December 2022:

Any other assets, not recorded elsewhere		
(in thousand euro)	Solvency	Financial statements
Any other assets, not recorded elsewhere	3,306	9,425

The valuation difference between the solvency balance sheet and the financial statements is due to the accrual of interest amounting to 5,846 thousand euros (6,119 thousand euros in 2022), which is included under "Other assets" in the financial statements but is reclassified to the headings where the assets originating the interest are recognised in the Solvency balance sheet (mainly in Bonds, under Investments).

D.2. TECHNICAL PROVISIONS

The most important heading on the liability side of the solvency balance sheet at 31 December 2023 and 2022 is Technical provisions, as shown in the following table:

31 December 2023:

COMPARISON OF BALANCE SHEET LIABILITY HEADINGS		
(in thousand euro)	Capital adequacy	Financial statements
Technical provisions	648,500	898,007
Deferred tax liabilities	104,995	15,742
Other liabilities	63,897	91,149
TOTAL LIABILITIES	817,392	1,004,898

31 December 2022:

COMPARISON OF BALANCE SHEET LIABILITY HEADINGS		
(in thousand euro)	Solvency	Financial statements
Technical provisions	554,349	798,190
Deferred tax liabilities	112,010	28,006
Other liabilities	48,132	71,094
TOTAL LIABILITIES	714,491	897,290

The Technical provisions heading of the solvency balance sheet compares to the equivalent in the financial statements as at 31 December 2023 and 2022 as follows:

31 December 2023:

TECHNICAL PROVISIONS		
(in thousand euro)	Capital adequacy	Financial statements
Technical provisions, non-life (excluding health)	638,385	876,141
Technical provisions calculated as a whole	-	
Best estimate	607,857	
Risk margin	30,528	
Technical provisions, non-life (Health similar to non-life)	10,115	21,866
Technical provisions calculated as a whole	-	
Best estimate	9,756	
Risk margin	359	

31 December 2022:

TECHNICAL PROVISIONS		
(in thousand euro)	Solvency	Financial statements
Technical provisions, non-life (excluding health)	543,915	778,474
Technical provisions calculated as a whole	-	
Best estimate	521,425	
Risk margin	22,490	
Technical provisions, non-life (Health similar to non-life)	10,434	19,716
Technical provisions calculated as a whole	-	
Best estimate	10,105	
Risk margin	329	

The technical provisions on the liability side of the solvency balance sheet have been valued in accordance with the Methodologies for calculating technical provisions under Section 3 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 and the EIOPA Guidelines on the Valuation of technical provisions, as set out in document EIOPA-BoS-14/166 ES.

The technical provisions in the financial statements have been valued in accordance with the Regulations on the management, supervision and solvency of insurance companies (ROSSEAR).

The breakdown of the technical provisions by business line on the liability side of the solvency balance sheet is detailed in the following table:

31 December 2023:

TECHNICAL PROVISIONS BY BUSINESS LINE						
Technical provisions calculated as the sum of a best estimate and a risk margin (in thousand euro)	Motor, third-party liability	Other motor insurance	Fire and other damage to property insurance	Assistance insurance	Medical expense insurance	TOTAL
Best estimate:						
Premium provisions						
Gross	110,755	121,638	30,724	-185	1,894	264,826
Total reinsurance recoverables	7,262	-	1,282	-147	-973	7,424
Net best estimate of premium provisions	103,493	121,638	29,442	-38	2,867	257,402
Claims provisions						
Gross	246,212	70,857	27,671	183	7,862	352,785
Total reinsurance recoverables	8,810	2,287	8,559	0	3,912	23,568
Net best estimate of claims provisions	237,402	68,570	19,112	183	3,950	329,217
Total gross best estimate	356,967	192,495	58,395	-2	9,756	617,611
Total net best estimate	340,895	190,208	48,554	145	6,817	586,619
Risk margin:	17,949	10,015	2,556	8	359	30,887
TOTAL TECHNICAL PROVISIONS:						
Total technical provisions	374,916	202,510	60,951	6	10,115	648,498
Total reinsurance recoverables	16,072	2,287	9,841	-147	2,939	30,992
Total technical provisions minus reinsurance recoverables	358,844	200,223	51,110	153	7,176	617,506

31 December 2022:

TECHNICAL PROVISIONS BY BUSINESS LINE						
Technical provisions calculated as the sum of a best estimate and a risk margin (in thousand euro)	Motor, third-party liability	Other motor insurance	Fire and other damage to property insurance	Assistance insurance	Medical expense insurance	TOTAL
Best estimate:						
Premium provisions						
Gross	116,808	105,271	32,943	(315)	3,565	258,272
Total reinsurance recoverables	8,561	-	845	(10)	(460)	8,936
Net best estimate of premium provisions	108,247	105,271	32,098	(305)	4,025	249,337
Claims provisions						
Gross	192,909	53,385	20,189	234	6,541	273,258
Total reinsurance recoverables	5,548	360	5,242	-	3,247	14,397
Net best estimate of claims provisions	187,361	53,025	14,947	234	3,294	258,861
Total gross best estimate	309,717	158,656	53,132	(81)	10,106	531,530
Total net best estimate	295,608	158,296	47,045	(71)	7,319	508,197
Risk margin:	13,271	7,107	2,112	-	329	22,819
TOTAL TECHNICAL PROVISIONS:						
Total technical provisions	322,990	165,764	55,244	(84)	10,435	554,349
Total reinsurance recoverables	14,108	360	6,087	(10)	2,787	23,332
Total technical provisions minus reinsurance recoverables	308,882	165,404	49,157	(74)	7,648	531,017

A) Bases, methodologies and assumptions used in calculating pending claims provisions

For the Provision for pending claims in the motor vehicle and fire insurance and other property damage business lines, the Company uses a statistical methodology known as "Chain Ladder". This is actuarially accepted and used for projecting claims incurred. It is one of the methods based on "run-off" triangles, using the best estimate for all business lines. The Merz-Wüthrich stochastic methodology, approved by the regulator on 29 December 2021, is used for financial-statement purposes. For insurance for fire and other damage to property, as well as health assistance in the health segment, the provision is on a case-by-case basis, as the Company does not have authorisation from the regulator to use a statistical method.

The expert judgement applied in the Chain Ladder methodology used to calculate the Best Estimate in the motor business line was modified so that it is aligned with the methodology used for financial purposes, which was approved by the Directorate General of Insurance and Pension Funds in 2021. The most relevant changes are due to the geometry of the triangles and history used in the projections.

The provision for benefits for claims pending declaration, for fire insurance and other damage to property and in the health insurance segment, is calculated in accordance with the provisions of Article 41.2 of the Regulation on the Organisation and Supervision of Private Insurance, approved by Royal Decree 2486/1998 and amended on the basis of Royal Decree 239/2007 of 16 February.

With guarantees that are fully reassured, which belong to the other motor insurance and fire and other damage to property business lines and health assistance in the health segment, the provision for outstanding claims is estimated according to the exposed policies containing the guarantee, with a sector claims module equivalent to the risk premium, with no significant valuation differences.

For travel assistance cover, the valuation methodology used to calculate provisions for claims pending settlement is on an individual and claim-by-claim basis, for both the financial statements and solvency purposes, as the claims for the period are settled and pending payment and there is no uncertainty about their future expense.

The provision for unreported claims is calculated as 5% of the provision for outstanding claims, with no significant valuation differences for both the financial statements and solvency purposes.

For the provision for claims settlement expenses (which is part of the claims provision), the undertaking calculates the provision for internal claims settlement expenses in accordance with Article 42 of the Regulations on the Management and Supervision of Private Insurance, as approved by Royal Decree 2486/1998 and amended by Royal Decree 239/2007 of 16 February.

B) Bases, methodologies and assumptions used in calculating the premium provision

The provision for premiums in the solvency balance sheet replaces the unearned premium provision in the balance sheet in the financial statements.

For the premium provision in the business lines of motor vehicles, fire insurance and other property damage in the solvency balance sheet, the Company considers the expected present value of future cash flows when calculating the best estimate of the premium provision for current contracts at the reference date plus tacit renewals. The portfolio of contracts subject to the projection is assessed in accordance with Article 18 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 and the response to the DGSFP consultation (4/2016), which clarifies that tacit renewals at 31 December shall include renewals in January and February the following year, as the Company cannot oppose the extension of such contracts. This also includes a lapse assumption based on the Company's experience.

The cash flow projections used consider all expenses related to all the recognised insurance and reinsurance obligations of insurance and reinsurance companies referred to in Article 78(1) of Directive 2009/138/EC.

The best estimate of the cash flows resulting from future claims is projected based on the Company's historical claims samples, to obtain cost forecasts for each of the motor vehicle, fire insurance and other property damage business lines. A simulation procedure is used to generate a final annual aggregated distribution of claims costs, the average value of which is the best estimate of the cash flows of future claims costs.

Claims management expenses and projected current management expenses are estimated based on the planning exercise.

The cash flows are discounted to their present value by applying the risk-free interest rate curve published by EIOPA each quarter. Technical provisions are estimated considering future management decisions, which mostly stem from the annual planning exercise, where various management scenarios and actions are considered to achieve LDA's strategic, financial and solvency objectives.

The Company uses the simplification described in Technical Annex III to the guidelines on the valuation of technical provisions published by EIOPA in its calculation of the best estimate of the premium provision for the assistance and medical expense insurance business lines. This simplification is based on applying the planned combined ratio to the unearned premium at the calculation date and release of the profit margin or loss implicit in tacit renewals at that date.

C) Other considerations relating to technical provisions

The Company does not apply the marriage adjustment stipulated under Article 77 ter of Directive 2009/138/EC.

The Company does not apply the volatility adjustment under Article 77 quinquies of Directive 2009/138/EC.

The Company does not apply the temporary structure of interest rates without transitional risk stipulated in Article 308 quater of Directive 2009/138/EC or the transitional deduction set out in Article 308 quinquies of Directive 2009/138/EC.

D) Bases, methodologies and assumptions used for calculating the Risk Margin

The Company uses a simplified calculation to obtain the risk margin for each business line. Based on guideline 62 on the hierarchy of methods for calculating the risk margin, when valuating the technical provisions, the Company uses method three to approximate the discounted sum of all future solvency capital requirements in a single step, without estimating the solvency capital required for each future year separately, as described in Article 58(b) of the Implementing Measures, using the amended duration of insurance liabilities as a proportionality factor.
This method considers the maturity and run-off pattern of obligations net of reinsurance.

D.3. OTHER LIABILITIES

Tax liabilities

The solvency balance sheet includes the same valuation concepts and criteria as the financial statements, except for the tax liability included in the solvency balance sheet for adjustments between the accounting regulations and under the Solvency II regulations, which generates a deferred tax liability.

31 December 2023:

Tax liabilities		
(in thousand euro)	Capital adequacy	Financial statements
Current corporate tax liabilities	11,384	11,384
Temporary differences in liabilities	15,742	15,742
Deferred tax liability arising from the reconciliation reserve	89,253	-
	116,379	27,126

31 December 2022:

Tax liabilities		
(in thousand euro)	Capital adequacy	Financial statements
Current corporate tax liabilities	-	-
Temporary differences in liabilities	28,006	28,006
Deferred tax liability arising from the reconciliation reserve	84,004	-
	112,010	28,006

Liabilities for temporary differences between assets and liabilities with a creditor arise from past Company tax settlements and payments on account for the current year. In 2015, the Company informed the Tax Administration of its decision to pay tax under the tax consolidation regime laid down in the Spanish Corporation Tax Act, forming a consolidated tax group of which it is the parent company.

The deferred tax liability under the Solvency II regulations is estimated as the measurement difference between the accounting and Solvency II regulations of the adjustments that generate a deferred tax liability.

Other liabilities

There are no valuation differences between the solvency balance sheet and the financial statements for the other liability items, with the exception of "provisions other than technical provisions" and "other payables" (payables are included under IFRS 16), as detailed in the following table:

31 December 2023:

COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET		
(in thousand euro)	Solvency	Financial statements
Provisions other than technical provisions	357	28,931
Payables with brokers and insurance business	2,818	2,818
Due on reinsurance business	1,351	1,351
Derivatives	0	0
Other payables (other than payables arising from insurance business) and any other liabilities	59,371	58,049
	63,897	91,149

31 December 2022:

COMPARISON OF HEADINGS ON THE REST OF THE LIABILITY SIDE OF THE BALANCE SHEET		
(in thousand euro)	Solvency	Financial statements
Provisions other than technical provisions	764	26,102
Payables with brokers and insurance business	2,490	2,490
Reinsurance payables	1,363	1,363
Derivatives	-	-
Other payables (other than payables arising from insurance business) and any other liabilities	43,515	41,139
	48,132	71,094

The following concepts are included:

- The change under the heading "Provisions other than technical provisions" corresponds to the estimated payments for repairs for insured persons who are not at fault in claims under settlement agreements that are included in the calculation of the best estimate for the claims provision under the Solvency II regulations. Most of the balance with brokers under the "Brokers and insurance business payables" heading mostly relates to Ámbar Medline, an exclusive agent of the Company that brokers policies directly and through its insurance agents.
- The "Reinsurance payables" heading includes the cash accounts with various reinsurance companies arising from reinsurance contracts.
- "Other payables and other liabilities" includes various balances payable to suppliers, public administrations and other counterparties, and "Securities lending debts" refers to the monetary guarantee received for a Government Bond "repo" transaction (assignment of Government Bonds with a repurchase agreement).

D.4. OTHER INFORMATION

In 2021, the Company stopped using the simplified method in the best estimate of premiums for the "Fire and other property damage" business line outlined in Technical Appendix III of the guidelines for valuing technical provisions issued by EIOPA.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

The Company's capital planning shows its own fund requirements over a three-year period for regulatory capital requirements such as the overall solvency (economic capital) requirements estimated through the ORSA self-assessment process, with a minimum solvency threshold set by the Board of Directors, which is always greater than 120% (with a risk appetite of 150%).

Reconciliation of the valuation of own funds for solvency purposes and based on the financial statements

Article 70 of the Delegated Regulation stipulates the general content of the reconciliation reserve.

The Company's reconciliation reserve as at 31 December 2023 and 2022 is:

31 December 2023:

Reconciliation reserve	
(in thousand euro)	Total
Excess assets over liabilities	358,002
Own shares (included as assets on the balance sheet)	-
Foreseeable dividends and distributions	-
Other own funds item (share capital)	43,537
Adjustment of own fund items due to limited available funds	-
Total reconciliation reserve	314,465

31 December 2022:

Reconciliation reserve	
(in thousand euro)	Total
Excess assets over liabilities	348,621
Own shares (included as assets on the balance sheet)	-
Foreseeable dividends and distributions	1,090
Other own funds item (share capital)	43,537
Adjustment of own fund items due to limited available funds	-
Total reconciliation reserve	303,994

The composition of excess assets over liabilities in the reconciliation reserve is detailed in the following table:

31 December 2023:

Reconciliation of excess assets over liabilities and equity in the financial statements		
Notes	*(in thousand euro)*	Total
	Own funds according to the financial statements	276,566
1	Share capital	43,537
1	Retained earnings and earnings for the year	205,250
1	Equalisation reserve net of tax	43,839
1	Treasury shares	(618)
1	Dividends and interim equalisation	(7,430)
1	Portfolio capital gains net of tax	(8,012)
	Asset valuation differences	(140,928)
2	Intangible fixed assets	(29,186)
3	Reinsurers' share of technical provisions	1,779
4	Property, plant and equipment and investment property	8,426
5	Shareholdings in group and associated companies	29,144
6	Any other assets. Prepaid fees and other acquisition costs	(151,091)
	Liability valuation differences	249,509
7	Premium-provision effect on unearned premium	221,290
8	Provision for claims	59,106
9	Risk margin	(30,887)
10	Tax effect on previous valuation differences	(27,145)
	Total excess assets over liabilities	358,002

31 December 2022:

Reconciliation of excess assets over liabilities and equity in the financial statements		
Notes	*(in thousand euro)*	Total
	Own funds according to the financial statements	267,814
1	Share capital	43,537
1	Retained earnings and earnings for the year	221,651
1	Equalisation reserve net of tax	93,608
1	Own shares	(1,018)
1	Dividends and interim equalisation	(59,601)
1	Portfolio capital gains net of tax	(30,363)
	Asset valuation differences	(136,098)
2	Intangible fixed assets	(14,467)
3	Reinsurers' share of technical provisions	4,070
4	Property, plant and equipment and investment property	6,119
5	Shareholdings in group and associated companies	28,494
6	Any other assets. Prepaid fees and other acquisition costs	(160,314)
	Liability valuation differences	243,843

7	Premium-provision effect on unearned premium	214,890
8	Provision for benefits	51,771
9	Risk margin	(22,818)
10	Tax effect on previous valuation differences	(26,936)
	Total excess assets over liabilities	348,623

The asset and liability valuation chapter of this report explains the main measurement differences for each item in the solvency balance sheet and financial statements. Details of the reason and justification for each item in the reconciliation reserve based on the notes in the table above are given below:

1. These headings make up the net equity, based on the Company's financial statements.
2. The full balance for intangible assets is eliminated from the asset side of the Solvency balance sheet, as there are no market prices for the items which make them up (mainly software licences at their net book value) that can be objectively justified.
3. The share of reinsurance in the technical provisions has risen by 1,779 thousand euros (4,070 thousand euros in 2022) on the asset side of the solvency balance sheet by applying the best estimate of recoverable reinsurance.
4. Properties for own use and for investment are valued at acquisition cost on the financial statements balance sheet, net of depreciation and impairment, if applicable, while they are valued at market value on the solvency balance sheet. The reconciliation reserve includes the tacit gains between the appraisal values and the local net book value. The international standard IFRS 16 is applied in Solvency II.
5. Shareholdings in group and associated companies in the financial statements balance sheet are valued at acquisition cost corrected for impairment, while the market value is treated as the book value of each share for solvency purposes. The reconciliation reserve is increased by the tacit gains of 29,144 thousand euros (28,494 thousand euros in 2022), which is the difference between these two values.
6. The prepaid fees and deferral of acquisition expenses on the asset side of the balance sheet in the financial statements are eliminated from the solvency balance sheet, reducing the reconciliation reserve and reclassifying the outstanding premiums awaiting issue to the best estimate calculation of the premium provision. Recoveries from claims are also eliminated as they are accounted for in the calculation of the best estimate for claims.
7. The unearned premium provision is eliminated from the liability side of the solvency balance sheet and is replaced by the premium provision calculated as a best estimate.
8. When calculated on the liability side of the solvency balance sheet at best estimate, the provision for all claims, which is made up of the provision for claims, the provision for claims that have been incurred but not reported (IBNR) and the provision for claims settlement expenses, contributes 59,106 thousand euros (51,771 thousand euros in 2022) to the reconciliation reserve.
9. The risk margin is an item from the liability side of the solvency balance sheet that does not exist on the liability side of the local balance sheet.
10. The tax effect on all of these adjustments is calculated at 25%, which is the current corporation tax rate in Spain.

Structure and quality of own funds

The Company had no subordinated liabilities as at the reference date, so its basic own funds are made up solely of the difference between its assets and liabilities. The own funds in the financial statements are reconciled with basic own funds through the reconciliation reserve, as detailed in the following section.

The Company does not plan to use ancillary own funds and, therefore, does not plan to request authorisation for this from the supervisor.

In summary, the Company's own funds as at 31 December 2023 and 2022 were fully classified as basic own funds.

Classification of own funds into tiers

The items of basic own funds are classified as Tier 1 where they substantially have the following characteristics:

a) the item is available, or callable on demand, to fully absorb losses on a going-concern basis and in the event of winding-up (permanent availability);

b) in the event of winding-up, the total amount of the item is available to absorb losses and repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

If these requirements are not met, they are classified as Tier 2 or 3.

The Company understands that all basic own funds (disbursed share capital and components of the reconciliation reserve) meet the above requirements, so they are classified as Tier 1.

31 December 2023:

Basic own funds	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Share capital in ordinary shares	43,537	43,537			
Share issue premium					
Initial mutual fund					
Subordinated mutual accounts					
Surplus funds					
Preference shares					
Issue premiums for shares and preference shares					
Reconciliation reserve	314,465	314,465			
Subordinated liabilities					
An amount equivalent to the value of deferred tax assets					
Other supervisor-approved items					
Total	358,002	358,002	-	-	-

31 December 2022:

Basic own funds	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Share capital in ordinary shares	43,537	43,437			
Share issue premium					
Initial mutual fund					
Subordinated mutual accounts					
Surplus funds					
Preference shares					
Issue premiums for shares and preference shares					
Reconciliation reserve	303,994	303,994			
Subordinated liabilities					
An amount equivalent to the value of deferred tax assets					
Other supervisor-approved items					
Total	347,531	347,431	-	-	-

As the Company considers, as mentioned above, that all its available own funds are Tier 1, the limits and restrictions of the Directive and the Delegated Regulation are met with respect to their 100% eligibility to cover the solvency capital requirement (SCR) and the Minimum Capital Requirement (MCR).

31 December 2023:

Available and eligible basic own funds (in thousand euro)	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Eligible own funds to cover the solvency capital requirement	358,002	358,002	-	-	-
Eligible own funds to cover the Minimum Capital Requirement	358,002	358,002	-	-	-

31 December 2022:

Available and eligible basic own funds (in thousand euro)	Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
Eligible own funds to cover the solvency capital requirement	347,531	347,531	-	-	-
Eligible own funds to cover the Minimum Capital Requirement	347,531	347,531	-	-	-

There are no basic own funds to which the transitional provisions in Article 308 ter (9) and (10) of Directive 2009/138/EC apply.

There are no ancillary own funds as referred to in Article 89(1)(a) to (c) of Directive 2009/138/EC.

Deferred tax information

The detail of the deferred taxes between the financial statements and Solvency II is as follows:

31 December 2023:

Deferred taxes	Capital adequacy	Financial statements	Difference
Deferred tax liabilities (DTL)	75,274	13,164	62,110
Deferred tax assets (DTA)	104,995	15,742	89,253
Deferred tax liabilities minus deferred tax assets	29,721	2,578	
Deferred tax absorption used in the SCR	(66,286)		
Excess (shortage) loss absorption	(36,565)		

The Company's planned data were used to calculate future taxable profits. These data are prepared every year and approved by the Board of Directors.

The difference between the "Solvency Value II" and the financial statements of deferred tax assets and liabilities is mainly due to valuation differences in the following headings:

Deferred tax assets	
Reinsurance recoverables	2,174
Intangible assets	7,296
Prepaid fees and other acquisition costs	22,172
Other receivables	22,746
Non-life risk margin	7,632
Health risk margin	90
Deferred tax assets (DTA)	62,110

Deferred tax liabilities	
Reinsurance recoverables	(2,619)
Property, plant and equipment and investment property	(2,107)
Shareholdings in group and associated companies	(7,284)
Non-Life technical provisions (no RM)	(74,216)
Health technical provisions (no RM)	(3,027)
Deferred tax liabilities (DTL)	(89,253)

31 December 2022:

Deferred taxes	Capital adequacy	Financial statements	Difference
Deferred tax liabilities (DTL)	80,440	23,371	57,069
Deferred tax assets (DTA)	112,010	28,006	84,004
Deferred tax liabilities minus deferred tax assets	31,570	4,635	
Deferred tax absorption used in the SCR	(61,686)		
Excess (shortage) loss absorption	(30,116)		

The difference between the "Solvency II value" and the "Book Value" of deferred tax assets and liabilities is mainly due to valuation differences in the following headings:

Deferred tax assets	
Reinsurance recoverables	1,334
Intangible fixed assets	3,617
Prepaid fees and other acquisition costs	23,652
Other receivables	22,762
Non-life risk margin	5,622
Health risk margin	82
Deferred tax assets (DTA)	57,069

Deferred tax liabilities	
Reinsurance recoverables	(2,351)
Property, plant and equipment and investment property	(1,530)
Shareholdings in group and associated companies	(7,123)
Non-Life technical provisions (no RM)	(70,597)
Health technical provisions (no RM)	(2,403)
Deferred tax liabilities (DTL)	(84,004)

The Company's planned data was used to calculate future taxable profits. These data are put together every year and approved by the Board of Directors. The Company puts together a three-year plan that is approved by the Audit and Compliance Committee, which provides a basis for putting together the post-stress business plan.
This post-stress test takes any management actions to adjust the business following the shock scenario into account.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The solvency capital requirement (SCR) detailed by risk module as at 31 December 2023 and 2022 is as follows:

Solvency capital requirement (SCR)		
(in thousand euro)	31.12.2022	31.12.2023
Underwriting risk	172,651	192,387
Market risk	91,899	91,493
Counterparty risk	7,027	6,076
Health insurance underwriting risk	3,142	3,499
Diversification	(55,771)	(57,125)
Basic solvency capital requirement (BSCR)	**218,947**	**236,330**
Operational risk	27,795	28,812
Deferred tax adjustment	(61,686)	(66,286)
Solvency capital requirement (SCR)	**185,057**	**198,856**

Given the nature of the Company and its business lines, the minimum capital requirement is the minimum of 45% of the SCR and the maximum of the Linear MCR and 25% of the SCR.

Supporting data for calculating the SCR	31.12.2022	31.12.2023
Linear MCR	117,104	125,975
SCR	185,057	198,856
Maximum MCR (45% of the SCR)	83,275	89,485
Minimum MCR (25% of the SCR)	46,264	49,714
Minimum Capital Requirement (MCR)	83,275	89,485

The solvency ratios for the solvency capital requirement and the minimum capital requirement therefore are:

Solvency capital requirement (SCR) and minimum capital requirement (MCR)		
(in thousand euro)	31.12.2022	31.12.2023
Solvency capital requirement	185,057	198,856
Minimum Capital Requirement	83,275	89,485
Eligible own funds ratio for the SCR	188%	180%
Eligible own funds ratio for the MCR	419%	400%

There were no significant changes in the solvency capital requirement and the Minimum Capital Requirement during the reference period.

The Company does not use any simplification in its calculations of the risk modules for the solvency capital requirement.

On 16 April 2016, the Company received authorisation to apply the specific premium risk parameter for the other motor insurance business line.

This parameter was calibrated using the Company's internal data, or data which is directly relevant for the operations of the Company using standard methods. The Company updates the specific parameter annually using the standard method approved by the supervisor with its new business data, verifying that the required assumptions have been met.

The Company does not use internal models to calculate the capital required in any risk category.

The Company does not use the duration-based equities risk sub-module outlined in the option under Article 304 of Directive 2009/138/EC for calculating its solvency capital requirement.

The Company has not experienced any breach of the minimum capital requirement or any significant breach of the solvency capital requirement.

F. APPENDICES

F.1. MAIN CONCEPTS AND ABBREVIATIONS USED

Economic balance sheet	The balance sheet for solvency purposes.
Best estimate	The value of the best estimate, mainly applied when valuing technical provisions on the solvency balance sheet.
SCR	The solvency capital requirement, i.e. the capital required as a result of applying the standard formula.
MCR	The Minimum Capital Requirement. The minimum capital required to operate as an insurance company. This is calculated specifically for each Company.
BSCR	The basic solvency capital requirement. This covers the total capital required for all risks in a correlated way without considering operational risk and adjustments for absorption of deferred tax losses and technical provisions.
DGSFP	Spain's Directorate General of Insurance and Pension Funds. This body is the national insurance regulator.
The (Solvency) Directive	DIRECTIVE 2009/138/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
EIOPA	The European Insurance and Occupational Pensions Authority. The European insurance regulator.
RSR	The Regular Supervisory Report that each Company must file with the regulator every three years.
SFCR	The annual Solvency and Financial Condition Report provided for the market.
Risk margin	An item included in the technical provisions on the liability side of the solvency balance sheet. It quantifies the margin to be paid to another Company for the transfer of the business. It does not exist on the liability side of the balance sheet in the financial statements.
AMSB	The Administrative, Management and Supervisory Body of the Company
ORSA	The annual Own Risk and Solvency Assessment.
(Solvency) Regulation	COMMISSION DELEGATED REGULATION (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
ROSSEAR	Spanish Regulations on the Management, Supervision and Solvency of Insurance and Reinsurance Companies.

F.2. INFORMATION TEMPLATES

This section includes the templates to accompany this report, as required by Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

The information templates that are not applicable to the Company (mainly relating to life insurance business activity information, companies that use partial or complete internal models, and relating to groups) have not been included. All of the Company's business activity is in Spain. Therefore, template S.05.02.01, with information on premiums, claims incurred and expenses by country, is not attached.

The figures in all of the attached templates are in thousands of euros.

Code	List of templates attached
S.02.01.02	Solvency balance sheet
S.05.01.02	Premiums, claims incurred and expenses according to the financial statements
S.17.01.02	Non-life technical provisions by business lines
S.19.01.21	Information on non-life insurance claims in the format of development triangles
S.23.01.01	Own funds, including basic own funds and ancillary own funds
S.25.01.21	Solvency capital requirement for undertakings on the standard formula
S.28.01.01	Minimum capital requirements for life and non-life insurance activity

S.02.01.02 Solvency balance sheet information

		Solvency II value	Book Value
Assets	X0010		
Goodwill	R0010	-	-
Prepaid fees and other acquisition costs	R0020	-	88,690
Intangible assets	R0030	-	29,186
Deferred tax assets	R0040	75,274	13,164
Assets and redemption rights on long-term staff remuneration	R0050	-	-
Property, plant and equipment held for own use	R0060	47,901	38,612
Investments (other than assets held for index-linked and unit-linked assets)	R0070	939,237	903,814
Property (other than for own use)	R0080	1,910	1,867
Shareholdings	R0090	98,048	68,904
Shares	R0100	32,158	32,158
Listed shares	R0110	32,152	32,152
Unlisted shares	R0120	6	6
Bonds	R0130	749,504	743,684
Government bonds	R0140	377,817	375,568
Corporate bonds	R0150	371,687	368,116
Structured notes	R0160	-	-
Collateralised securities	R0170	-	-
Investment funds	R0180	51,708	51,708
Derivatives	R0190	5,909	5,492
Deposits other than cash equivalents	R0200	-	-
Other investments	R0210	-	-
Assets held for index-linked and unit-linked contracts	R0220	-	-
Loans and mortgages	R0230	19,417	19,390
Advance payments on policies	R0240	-	-
To private individuals	R0250	19,417	19,390
Other	R0260	-	-
Reinsurance recoverables	R0270	30,993	29,214
Non-life and health similar to non-life.	R0280	30,993	29,214
Non-life excluding health	R0290	28,054	20,535
Health similar to non-life	R0300	2,939	8,679
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-	-
Health similar to life	R0320	-	-
Life excluding health and index-linked and unit-linked	R0330	-	-
Index-linked and unit-linked life	R0340	-	-
Deposits posted on accepted reinsurance	R0350	-	-
Direct insurance and coinsurance receivables	R0360	11,881	61,602
Receivables on reinsurance business	R0370	7,019	7,019
Other receivables	R0380	7,093	48,348
Treasury shares	R0390	-	-
Amounts due relating to own fund items or initial fund called up but not yet paid in	R0400	-	-
Cash and cash equivalents	R0410	31,757	31,757
Any other assets, not recorded elsewhere	R0420	4,822	10,668
TOTAL ASSETS	R0500	1,175,394	1,281,464

		Solvency II value	Book value
Liabilities	X0440		
Technical provisions – non-life	R0510	648,500	798,190
Technical provisions - non-life (excluding health)	R0520	638,385	778,474
Technical provisions calculated as a whole	R0530	0	0
Best estimate (BE)	R0540	607,857	0
Risk margin (RM)	R0550	30,528	0
Technical provisions - health insurance (similar to non-life)	R0560	10,115	19,716
Technical provisions calculated as a whole	R0570	0	0
Best estimate (BE)	R0580	9,756	0
Risk margin (RM)	R0590	359	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0	0
Technical provisions - health insurance (similar to life)	R0610	0	0
Technical provisions calculated as a whole	R0620	0	0
Best estimate (BE)	R0630	0	0
Risk margin (RM)	R0640	0	0
Technical provisions - life (excluding index-linked and unit-linked)	R0650	0	0
Technical provisions calculated as a whole	R0660	0	0
Best estimate (BE)	R0670	0	0
Risk margin (RM)	R0680	0	0
Technical provisions - index-linked and unit-linked	R0690	0	0
Technical provisions calculated as a whole	R0700	0	0
Best estimate (BE)	R0710	0	0
Risk margin (RM)	R0720	0	0
Other technical provisions	R0730	0	0
Contingent liabilities	R0740	0	0
Other non-technical provisions	R0750	357	28,931
Provision for pensions and similar obligations	R0760	0	0
Deposits received from ceded reinsurance	R0770	0	0
Deferred tax liabilities	R0780	104,995	15,742
Derivatives	R0790	0	0
Debts owed to credit institutions	R0800	0	0
Debts owed to credit institutions resident domestically	ER0801	0	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0	0
Debts owed to credit institutions resident in rest of the world	ER0803	0	0
Financial liabilities other than debts owed to credit institutions	R0810	0	0
Payables to non-credit institutions	ER0811	0	0
Payables to non-credit institutions resident domestically	ER0812	0	0
Payables to non-credit institutions resident in the euro area other than domestic	ER0813	0	0
Payables to non-credit institutions resident in rest of the world	ER0814	0	0
Other financial liabilities (debt securities issued)	ER0815	0	0
Insurance and co-insurance payables	R0820	2,818	2,818
Due on reinsurance business	R0830	1,351	1,351
Other payables and items to be paid	R0840	59,432	58,527
Subordinated liabilities	R0850	0	0
Subordinated liabilities not in basic own funds (BOF)	R0860	0	0
Subordinated liabilities in basic own funds (BOF)	R0870	0	0
Other liabilities, not recorded elsewhere	R0880	-61	-478
TOTAL LIABILITIES	R0900	817,392	905,081
EXCESS ASSETS OVER LIABILITIES	R1000	358,002	376,382

S.05.01.02 Premiums, claims incurred and expenses based on the financial statements

		Non-life insurance and non-proportional reinsurance					
		Medical expense insurance	Motor-vehicle third-party liability insurance	Other motor-vehicle insurance	Fire and other damage to property insurance	Assistance	TOTAL
		C0020	C0040	C0050	C0070	C0110	C0200
Premiums written	X0010						
Gross direct insurance	R0110	30,377	371,491	420,999	149,411	783	973,061
Gross accepted proportional reinsurance	R0120	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0130	-	-	-	-	-	-
Reinsurer's share	R0140	13,603	1,943	3,108	4,891	11	23,556
Net amount	**R0200**	**16,774**	**369,548**	**417,891**	**144,520**	**772**	**949,505**
Premiums earned	X0060						
Gross direct insurance	R0210	29,641	364,316	418,517	146,847	784	960,105
Gross accepted proportional reinsurance	R0220	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0230	-	-	-	-	-	-
Reinsurer's share	R0240	13,536	1,943	3,108	4,891	11	23,489
Net amount	**R0300**	**16,105**	**362,373**	**415,409**	**141,956**	**773**	**936,616**
Claims incurred	X0010	-	-	-	-	-	-
Gross direct insurance	R0310	22,669	358,284	301,238	85,516	84	767,791
Gross accepted proportional reinsurance	R0320	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0330	-	-	-	-	-	-
Reinsurer's share	R0340	11,148	5,806	(28)	3,393	-	20,319
Net amount	**R0400**	**11,521**	**352,478**	**301,266**	**82,123**	**84**	**747,472**
Changes in other technical provisions	X0160	-	-	-	-	-	-
Gross direct insurance	R0410	-	-	-	-	-	-
Gross accepted proportional reinsurance	R0420	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0430	-	-	-	-	-	-
Reinsurer's share	R0440	-	-	-	-	-	-
Net amount	R0500	-	-	-	-	-	-
Technical expenses	**R0550**	**15,405**	**99,221**	**100,495**	**56,192**	**58**	**271,371**
Administrative expenses		-	-	-	-	-	-
Gross direct insurance	R0610	894	1,578	14,456	5,875	23	22,826
Gross accepted proportional reinsurance	R0620	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0630	-	-	-	-	-	-
Reinsurer's share	R0640	-	-	-	-	-	-
Net amount	R0700	894	1,578	14,456	5,875	23	22,826
Investment management expenses							
Gross direct insurance	R0710	-	1,077	576	-	-	1,653
Gross accepted proportional reinsurance	R0720	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0730	-	-	-	-	-	-
Reinsurer's share	R0740	-	-	-	-	-	-
Net amount	R0800	-	1,077	576	-	-	1,653
Claims management expenses							

		Non-life insurance and non-proportional reinsurance					
		Medical expense insurance	Motor-vehicle third-party liability insurance	Other motor-vehicle insurance	Fire and other damage to property insurance	Assistance	TOTAL
Gross direct insurance	R0810	2,767	32,121	7,325	14,326	-	56,539
Gross accepted proportional reinsurance	R0820	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0830	-	-	-	-	-	-
Reinsurer's share	R0840	-	-	-	-	-	-
Net amount	R0900	2,767	32,121	7,325	14,326	-	56,539
Acquisition expenses							
Gross direct insurance	R0910	11,783	63,943	73,539	35,991	36	185,292
Gross accepted proportional reinsurance	R0920	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R0930	-	-	-	-	-	-
Reinsurer's share	R0940	-	-	-	-	-	-
Net amount	R1000	11,783	63,943	73,539	35,991	36	185,292
Overhead expenses							
Gross direct insurance	R1010	3	502	4,598	-	-	5,103
Gross accepted proportional reinsurance	R1020	-	-	-	-	-	-
Gross accepted non-proportional reinsurance	R1030	-	-	-	-	-	-
Reinsurer's share	R1040	42	-	72	-	-	114
Net amount	R1100	(39)	502	4,526	-	-	4,989
Other expenses	**R1200**						**(27,198)**
Total expenses	**R1300**						**244,101**

S.17.01.02 Information about non-life technical provisions by business lines

		Direct insurance and proportional reinsurance					
		Medical expenses insurance	Motor-vehicle third-party liability insurance	Other motor insurance	Fire and other damage to property insurance	Assistance	TOTAL
		C0020	C0050	C0060	C0080	C0120	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-	-
Total recoverables from reinsurance, SPV and finite reinsurance after the adjustment for expected losses due to counterparty default associated to the technical provisions calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of the best estimate and risk margin	X0030	-	-	-	-	-	-
Best estimate:	X0030	-	-	-	-	-	-
Premium provisions	X0030						
Gross	R0060	1,894	110,755	121,638	30,724	-185	264,826
Total recoverables from reinsurance, SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0140	-973	7,262	0	1,282	-147	7,424
Net best estimate of premium provisions	R0150	2,867	103,493	121,638	29,442	-38	257,402
Claims provisions	X0060						
Gross	R0160	7,862	246,212	70,857	27,671	183	352,785
Total recoverables from reinsurance, SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0240	3,912	8,810	2,287	8,559	0	23,568
Net best estimate of claims provisions	R0250	3950	237,402	68,570	19,112	183	329,217
Total gross best estimate	R0260	9,756	356,967	192,495	58,395	-2	617,611
Total net best estimate	R0270	6,817	340,895	190,208	48,554	145	586,619
Risk margin	R0280	359	17,949	10,015	2,556	8	30,887
Technical provisions for applying transitional provisions	X0120						
Technical provisions calculated as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
TOTAL TECHNICAL PROVISIONS:	X0150						
Total technical provisions	R0320	10,115	374,916	202,510	60,951	6	648,498
Total recoverables from reinsurance, SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0330	2,939	16,072	2,287	9,841	-147	30,992
Total technical provisions minus recoverables from reinsurance, SPV and finite reinsurance	R0340	7,176	358,844	200,223	51,110	153	617,506

S.19.01.21 Non-life insurance claims Total non-life business

Total non-life business Accident year

Gross claims paid (non-cumulative) (absolute amount)

	Year	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 and up
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Previous	R0100																-
N-14	R0110	301,200	102,572	21,973	7,547	3,755	1,264	646	150	1,025	101	87	276	829	-	(6)	
N-13	R0120	304,460	109,637	19,918	7,468	3,257	1,784	1,546	475	674	629	322	(47)	-	(8)		
N-12	R0130	296,215	93,753	14,446	6,650	3,545	2,302	483	764	729	114	(48)	56	213			
N-11	R0140	272,780	81,976	13,440	5,805	2,763	2,228	329	711	160	415	(20)	99				
N-10	R0150	259,565	79,499	11,997	4,340	2,981	3,123	1,423	(290)	(510)	82	(50)					
N-9	R0160	240,886	80,042	14,312	6,144	4,277	2,589	747	994	(70)	(192)						
N-8	R0170	247,882	81,549	16,241	6,802	4,697	1,906	670	621	1,652							
N-7	R0180	254,659	82,956	21,838	14,066	6,591	3,300	2,178	2,786								
N-6	R0190	274,878	101,162	25,329	11,483	6,165	1,885	1,441									
N-5	R0200	302,136	111,284	27,437	12,301	4,266	3,556										
N-4	R0210	338,329	115,365	24,914	12,415	5,478											
N-3	R0220	279,694	85,906	18,735	8,734												
N-2	R0230	339,130	113,677	26,988													
N-1	R0240	371,682	136,806														
N	R0250	407,128															

	In the current year	Sum of years (cumulative)
	C0170	C0180
Previous	0	2,577,915
N-14	0	437,470
N-13	0	443,783
N-12	0	419,223
N-11	23	380,686
N-10	-50	362,159
N-9	-192	349,729
N-8	1,652	362,021
N-7	2,786	388,374
N-6	1,441	422,314
N-5	3,556	460,980
N-4	5,478	496,501
N-3	8,734	393,069
N-2	26,988	479,795
N-1	136,806	508,487
N	407,128	407,128
Total	594,351	8,889,634

Gross undiscounted best estimate for claims provisions (absolute amount)

Performance year

	Year	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 and up
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Previous	R0100																-
N-14	R0110	157,554	44,988	21,964	13,133	8,289	4,933	3,154	2,232	775	135	(221)	(762)	62	-	-	
N-13	R0120	152,556	47,298	24,971	15,002	9,798	6,436	5,127	3,626	838	(152)	(938)	100	1	-		
N-12	R0130	137,598	40,140	22,568	12,004	6,984	4,131	2,036	371	(608)	(838)	250	(21)	(24)			
N-11	R0140	119,920	31,993	14,891	6,733	4,805	3,043	1,861	362	(247)	248	46	(2)				
N-10	R0150	119,490	26,316	10,308	6,029	2,918	687	(25)	(1,421)	390	550	52					
N-9	R0160	125,905	30,669	14,209	7,953	2,997	1,719	1,186	1,395	35	59						
N-8	R0170	124,883	34,935	14,980	6,980	2,942	298	904	333	(57)							
N-7	R0180	141,748	53,765	29,838	9,213	4,854	3,329	661	342								
N-6	R0190	141,901	43,670	15,979	6,800	4,754	1,616	1,554									
N-5	R0200	129,018	30,119	17,911	9,565	3,242	3,539										
N-4	R0210	136,224	51,395	24,845	6,406	7,405											
N-3	R0220	109,237	39,154	14,363	11,341												
N-2	R0230	163,750	71,164	21,511													
N-1	R0240	180,563	54,779														
N	R0250	221,286															

		Year end (discounted data)
		C0360
Previous	R0100	-
N-14	R0110	-
N-13	R0120	-
N-12	R0130	(22)
N-11	R0140	(2)
N-10	R0150	59
N-9	R0160	67
N-8	R0170	(70)
N-7	R0180	389
N-6	R0190	1,693
N-5	R0200	3,879
N-4	R0210	8,072
N-3	R0220	12,287
N-2	R0230	23,131
N-1	R0240	59,304
N	R0250	235,541
Total	R0260	344,328

S.23.01.01 Own funds

		Total	Tier 1, unrestricted	Tier 1, restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (including own shares)	R0010	43,537	43,537		-	
Premium issued on ordinary share capital	R0030	-	-		-	
Initial mutual fund	R0040	-	-		-	
Subordinated mutual accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Issue premiums for shares and preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	358,002	358,002			
Subordinated liabilities	R0140	-	-	-	-	-
An amount equivalent to the value of net deferred tax assets	R0160	-				-
Other items approved by the regulatory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve	R0220	-	-			
Deductions not included in the reconciliation reserve						
Deductions for shareholdings in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after adjustments	R0290	358,002	358,002	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital	R0300	-			-	
Unpaid and uncalled initial mutual funds	R0310	-			-	
Unpaid and uncalled preference shares	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2)	R0340	-			-	
Other letters of credit and guarantees held on deposit	R0350	-			-	-

Supplementary members calls under first subparagraph of Article 96(3)	R0360	-			-	
Supplementary members calls other than member calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to cover the SCR	R0500	358,002	358,002	-	-	-
Total available own funds to cover the MCR	R0510	358,002	358,002	-	-	
Total eligible own funds to cover the SCR	R0540	358,002	358,002	-	-	
Total eligible own funds to cover the MCR	R0550	358,002	358,002	-	-	
SCR	R0580	198,857				
MCR	R0600	89,485				
Ratio of eligible own funds for the SCR	R0620	1.80				
Ratio of eligible own funds for the MCR	R0640	4.00				

		C0060
Reconciliation reserve		
Excess assets over liabilities	R0700	358,002
Own shares (included as assets on the balance sheet)	R0710	-
Foreseeable dividends and distributions	R0720	-
Other basic own fund items	R0730	43,537
Adjustment for restricted own fund items in relation to ring-fenced funds	R0740	-
Total reconciliation reserve	R0760	314,465
Expected profits		-
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	42,914
Total EPIFP	R0790	42,914

S.25.01.21 Solvency capital requirement - for companies that use the standard formula

		Gross solvency capital requirement	Company specific parameter	Simplifications
		C0030	C0040	C0050
Market risk	R0010	91,493	-	-
Counterparty risk	R0020	6,076	-	-
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	3,499	-	-
Non-life underwriting risk	R0050	192,387	Standard deviation of risk premium for non-life;	-
Diversification	R0060	(57,126)	-	-
Intangible asset risk	R0070	-	-	-
Basic solvency capital requirement	R0100	236,330	-	-

		C0100
Operational risk	R0130	28,812
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(66,286)
Capital requirement for business in accordance with Article 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	198,857
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	198,857
Other SCR information		
Capital requirement for the duration-based equity risk sub-module	R0400	-
Total notional solvency capital requirements for remaining portion	R0410	198,857
Total notional solvency capital requirements for ring-fenced funds	R0420	-
Total notional solvency capital requirements for matching adjustment portfolios	R0430	-
Diversification effects due to notional SCR aggregation ring-fenced funds under Article 304	R0440	-

S.28.01.01 Minimum Capital Requirement - Only for life or non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} **result**	R0010	125,975

		Net best estimate plus technical provisions calculated as a whole	Net premiums issued
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	6,817	16,793
Income protection insurance and proportional reinsurance	R0030	-	-
Workplace accident insurance and proportional reinsurance	R0040	-	-
Motor-vehicle third-party liability insurance and proportional reinsurance	R0050	340,895	369,650
Other motor insurance and proportional reinsurance	R0060	190,208	418,200
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	48,553	144,740
General third-party liability insurance and proportional reinsurance	R0090	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	145	772
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional third-party damages reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

I, Pablo González-Schwitters Grimaldo, in my capacity as secretary of the board of directors of LINEA DIRECTA ASEGURADORA S.A, COMPAÑÍA DE SEGUROS Y REASEGUROS, with tax ID number (CIF) A-80871031 (the undertaking), hereby certify that, according to the minutes for the meeting of the board of directors of the undertaking held on 19 March 2024, the board of directors has adopted the resolution to approve the Solvency and Financial Condition Report for the financial year 2023 contained in this document, which comprises 89 pages (including this one) all of which I have endorsed.

Pablo González-Schwitters Grimaldo

Secretary to the Board of Directors