GROUP AND SOLO
SOLVENCY AND FINANCIAL CONDITION REPORT

Year ended 31 December 2022

Soteria Finance Holdings Limited
Soteria Insurance Limited

Contents

Executive Summary

1. Introduction and Purpose

The Directors are pleased to present the Solvency & Financial Condition Report (SFCR) for the year ended 31 December 2022.

The Report contains detailed qualitative and quantitative information on the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management, together with standardised Quantitative Reporting Templates with respect to the reporting period for the Soteria Finance Holdings Limited Group (the Group) and Soteria Insurance Limited (SIL).

SIL is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home). It is a wholly owned subsidiary of Soteria Finance Holdings Limited (SFHL). As there are no significant differences between the nature of the business of the Group and SIL, and the governance and risk management systems are consistent, this SFCR covers both the Group and Solo entity disclosures. As SIL is the only regulated insurance company in the Group, the data relating to underwriting and investment performance are aligned for both the Group and SIL, and are presented together.

This Executive Summary provides an overview to assist policyholders and other stakeholders in understanding the nature of the business, how the business is managed and its solvency position.

Amounts are presented in thousands of pounds, sterling (£000), unless otherwise stated.

The document makes reference to the Annual Reports and Accounts, which also provide relevant information about SIL, SFHL and the Group, copies of which can be found at www.soteriainsurance.co.uk.

2. Business Performance (Summary of Section A)

2.1 Business Model & Strategy

On 11 February 2021, as part of the Group's strategy, the SIL Board made the decision to place SIL into run-off and subsequently made an application to the PRA for SIL's regulatory permissions to effect new insurance contracts to be cancelled. This application was approved on 29 March 2021. SIL's last insurance policies expired in March 2022. Since entering run-off, the principal activity of SIL has been the administration of existing policies in force and the settlement of outstanding claims. The focus of the Directors is to ensure that SIL meets all obligations to customers throughout a solvent run-off, to fulfil all regulatory requirements and, to the extent the Group has surplus capital above a prudent risk appetite to meet its liabilities and regulatory requirements, it aims to distribute this capital to its investors.

Proposed Acquisition

The shareholders of SFHL have entered into discussions with Pollen Street Capital (PSC) regarding the potential acquisition of SFHL by funds managed by PSC. A Section 178 notification for a proposed change in control has been submitted to the Prudential Regulatory Authority and was acknowledged by the PRA as a complete application on 22 March 2023. Any acquisition remains subject to regulatory approval and final agreement between the parties.

2.2 Other Significant Events

Impact of inflation and interest rate rises

Driven by the war in Ukraine as well as rising fuel prices and other global factors, inflation has risen sharply during 2022, with CPI at 10.5% by the end of the year. As a result, the Bank of England have increased the base rate from 0.25% at the start of the year to 3.5% by the end of December. Subsequently this has increased to 4.25% by the end of March 2023.

Claims

Increased inflation has led to an increase in claims costs as the cost of vehicle parts and building materials has increased. As a result of being in run-off, SIL's exposure to these types of claim is now much reduced. The observed impact of wage increases on bodily injury claims has been relatively low to date, but is expected to continue to have an impact in 2023, particularly if current widespread industrial action leads to further wage increases in the public sector. The impact of inflation on SIL's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with Markerstudy Insurance Services Limited (MISL).

Investments

Rising interest rates have had an adverse effect on the market values of fixed rate and index-linked bonds held by SIL and have been the primary cause of the £17.8m unrealised losses made during the year.

2.3 Performance

Lines of Business and Geographical Areas

Lines of business which are material to the performance of the Group are defined in the table below:

Line of Business	Definition
Motor vehicle liability insurance (Motor)	Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land. Obligations are predominantly those relating to third parties involved in incidents with policyholders.
Other motor insurance (Other Motor)	Insurance obligations which cover all damage to or loss of land vehicles, predominantly those vehicles owned by policyholders.
Fire and other damage to property insurance (Home)	Insurance obligations which cover all damage to or loss of property due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft.

All business is conducted in the UK, Isle of Man and the Channel Islands.

Overall Performance

The table below shows the performance of the Group over the year to 31 December 2022.

	Solo £000	Group £000
Net earned premiums	(745)	(745)
Net policyholder claims and benefits	(24,733)	(24,733)
Fee and commission income	(1,743)	(1,743)
Fee and commission expenses	117	117
Acquisition and administrative expenses	(8,246)	(8,662)
Underwriting result	(35,350)	(35,766)
Net investment income	(14,708)	(14,708)
Investment expenses and charges	(2,888)	(13,013)
Loss on ordinary activities before tax	(52,946)	(63,487)

Differences between Solo and Group figures are as follows:

- £56k of acquisition costs included in Solo, which relate to the unwind of deferred acquisition costs. These were expensed at the point of sale for Group.
- £10,125k of finance costs, primarily relating to interest charges on the £60m subordinated loan issued in December 2020, and £473k of administrative expenses incurred by SFHL.

A more detailed analysis of the performance of SIL and the Group, including comparatives against the prior year, can be found in the Annual Report and Accounts which are available at www.soteriainsurance.co.uk.

The underwriting result is described in more detail in Section A.2.2.

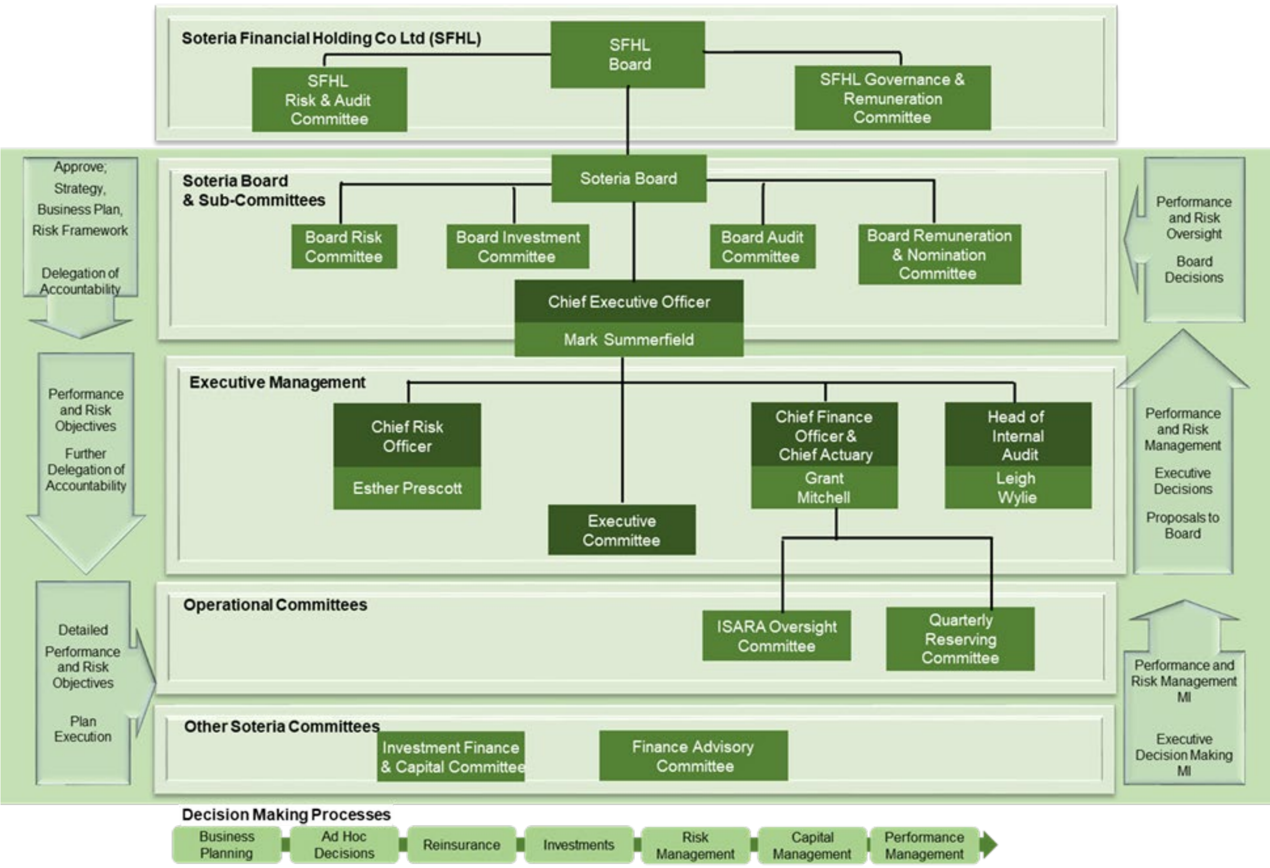
Investment income and net unrealised losses on investments reflect income on corporate bonds, gilts, real-estate backed lending and collective investments held by the Group during the year. Realised gains represent total gains made on assets which were sold or matured in the year. Investments have performed less strongly in the year than in the previous period, following lower market performance.

3. System of Governance (Summary of Section B)

The holding company has its own Board and sub-committees. The governance structure of SIL has remained largely unchanged since the Group was formed despite the decision to place SIL into run-off.

3.1 Governance Framework

The Group has a strong governance framework and has ensured that the accountability and responsibility of individual Senior Managers and Directors is clearly defined and documented. This enables the Board, Executive and associated committees to interact effectively to support delivery of the agreed strategy and the ability to manage and mitigate the risks faced by the business.



The SFHL and SIL Boards own and approve the Risk Vision, the Risk Appetite Statements and the Risk Management Framework for SFHL and SIL respectively, setting the thresholds and approach to risk taking activities. To assist the SFHL Board in carrying out its functions and to ensure that there are effective internal controls and risk management, the SFHL and SIL Boards have established sub-committees and delegated certain responsibilities to them. All Board sub-committees have Terms of Reference which document the membership, their accountabilities and describe the authority delegated to them by their Board. The Boards ensure that each committee is provided with sufficient resources to enable it to undertake its duties.

3.2 Key elements of the System of Governance

Appropriate Responsibility and Accountability

The Group operates a 'three lines of defence' governance model to ensure appropriate responsibility and accountability is allocated to the identification, measurement, management, monitoring and reporting of risks.

Business management is the 1st line of defence. It is responsible for implementing and operating processes to identify, measure, manage, monitor and report risks. As the Group is largely an outsourced model, much of the first line work is carried out by third parties. 2nd line oversight activities are not necessarily carried out by the Risk team and can be carried out by anyone working in or for Soteria, as long as they are independent from whomever carried out the work. The Risk function owns the Risk Management Framework, oversees and challenges its implementation and operation by the 1st line of defence, and considers current and emerging risks across the business.

Internal Audit is the 3rd line of defence within the Group structure. Internal Audit independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the SFHL Board Risk and Audit Committee (BRAC), SIL Board Audit Committee (BAC) and senior management on the adequacy of both the 1st and 2nd lines of defence, including the quality of their work.

Fitness & Propriety of Key Function Holders

As a regulated company, all accountabilities within SFHL's trading subsidiary, SIL, are allocated as part of The Senior Manager and Certification Regime (SM&CR).

The SIL Management Responsibilities Map describes and documents the firm's overall governance arrangements. It demonstrates that there are no gaps in the allocation of responsibilities amongst its management.

Senior Manager Functions are roles the regulators deem 'critical' within a firm. They are occupied by individuals who have significant influence over the firm's business strategy, culture and compliance with regulatory requirements. Individuals who are appointed to perform a Senior Manager function must be approved by the FCA and/or PRA.

Key Functions, as defined by Solvency II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The firm's system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

The Group has established fit and proper processes which comply with the SM&CR. Certified Employees (the next tier of management below Senior Managers where the role has a risk of significant harm to the firm or any of its customers) have been identified, to which the requirements will also apply.

The Group will ensure that Senior Managers and Certified Employees are at all times fit and proper persons. This means that these persons have adequate professional qualifications, knowledge and experience to enable the sound and prudent management of the firm and that they are of good repute and integrity.

Robust Risk Management Framework

The Group operates within a Risk Management Framework that identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across the Group.

The Risk Management Framework is designed to aid the business in the management of risks at all levels in the business in accordance with the 'Three Lines of Defence' model.

4. Key Risks (Summary of Section C)

The Group's ongoing management of the run-off of claims through SIL exposed the Group to a number of risks which could adversely affect its performance and its ability to meets its objectives. These risks include:

Risk	Definition
Insurance Risk	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events for earned policies, and in the timing and amount of claim settlements[1].
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.
Market Risk, including climate change risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers including interest rates, market prices of assets and liabilities. Included within market risk is climate change risk; the risks that arise from the adjustment to a low-carbon economy which could impact a firm's assets, in particular the value of investments[2].
Counterparty Risk, including Credit Risk	The risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations.
Liquidity Risk	The current and prospective risk to earnings or solvency arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk is explicitly excluded from the Standard Formula Solvency Capital Requirement.

The most material risks that the Group is exposed to are reserve risk and market risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

[1] Risk is relative to technical provisions on a SII basis or best estimate reserves on an UK GAAP basis

[2] Climate change can also impact other level 1 risks, however, given the long-term nature of climate change, the assets backing long-dated PPO liabilities are the biggest area of concern for Soteria.

Risks are captured within the Standard Formula calculation of the Solvency Capital Requirement (SCR). The table below shows the value of capital held by the Group for each risk. With the exception of £1k (2021: £1k) of counterparty risk relating to SFHL's cash holdings, the SCR relates entirely to SIL.

	31 December 2022 £000	31 December 2021 £000	Movement £000
Insurance risk – non life	44,922	69,628	(24,706)
Insurance risk – life	1,883	3,271	(1,388)
Operational risk	7,372	10,496	(3,124)
Market risk	13,639	12,799	840
Counterparty risk	2,152	3,043	(891)
Diversification	(11,169)	(13,014)	1,845
SCR	58,799	86,223	(27,424)

Insurance risk is managed by thorough claims reserving and will continue to reduce as the business runs off and claims are paid. Insurance risk is mitigated through the use of appropriate reinsurance. The Group had two main reinsurance programmes in place: catastrophe excess of loss cover and motor excess of loss cover. For the years 2017-2020, a quota share arrangement was in place which covered both Motor and Home business.

Market risk reflects the portfolio of assets held by the Group which focuses on higher rated corporate bonds, gilts and cash and also includes investments in higher-yielding assets. Market risk (credit-spread and counterparty default risks) from corporate bonds is managed through defined limits for exposure to credit ratings and individual counterparties.

Operational risks are identified, measured, managed and mitigated through on-going risk management practices including risk assessments, formal control procedures and contingency planning, and mitigated through corporate insurances. The value calculated for each individual risk is the estimated loss that would be incurred in an adverse scenario for that specific risk. As not all of these negative outcomes would be expected to occur within a short time frame the Standard Formula SCR calculation allows for a diversification benefit which is an estimate of the total reduction in the overall level of risk. The impact of changes in the risk profile of the Group on capital management is explained in Section 6 of this Summary.

5. Valuation for Solvency Purposes (Summary of Section D)

Assets and liabilities within the Solvency II balance sheet are valued in accordance with Solvency II regulations. The principle that underlies the valuation methodology is that assets and liabilities are valued at amounts for which they could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The table below shows the valuation of assets and liabilities on a Solvency II basis as at 31 December 2022. Section D includes explanations of the valuation and recognition basis under Solvency II as well as a comparison to the UK GAAP valuation basis which is used in the Annual Report and Accounts. The valuation of the balance sheet on a statutory basis is different to the Solvency II balance sheet due to the reclassification of accrued interest, the difference in the valuation of the technical insurance provisions, the difference in valuation of subordinated debt and the difference in the treatment of the quota share reinsurance arrangement.

	SIL UK GAAP (A) £000	Consolidated UK GAAP (B) £000	Reclassifications (C) £000	Restatements (D) £000	Solo Solvency II (A)+(C)+(D) £000	Group Solvency II (B)+(C)+(D) £000
Assets						
Investments	**309,634**	**309,634**	2,833	-	**312,467**	**312,467**
Mortgages and loans made	**15,161**	**15,161**	1,030	-	**16,191**	**16,191**
Reinsurance recoverables	**75,321**	**75,321**	(6,508)	18,739	**87,552**	**87,552**
Insurance and intermediaries receivables	**8,740**	**8,740**	(8,528)	-	**212**	**212**
Receivables (trade, not insurance)	**3,878**	**5,494**	(323)	(456)	**3,099**	**4,715**
Cash and cash equivalents	**98,258**	**98,294**	-	-	**98,258**	**98,294**
Any other assets, not elsewhere shown	**4,027**	**4,027**	(4,020)	-	**7**	**7**
Total assets	**515,019**	**516,671**	(15,516)	18,283	**517,786**	**519,438**
Liabilities						
Total technical provisions/ UK GAAP insurer contract liabilities	**326,145**	**326,145**	(14,161)	3,284	**315,268**	**315,268**
Derivative liabilities	**-**	**-**	272	-	**272**	**272**
Insurance and intermediaries payables	**1,367**	**1,367**	(1,143)	-	**224**	**224**
Reinsurance payables	**112**	**112**	-	24,733	**24,845**	**24,845**
Payables (trade, not insurance)	**289**	**289**	(286)	-	**3**	**3**
Subordinated liabilities	**-**	**70,101**	-	(2,726)[1]	**-**	**67,375**
Any other liabilities, not elsewhere shown	**3,101**	**24,722**	(198)	-	**2,903**	**24,524**
Total liabilities	**331,014**	**422,736**	(15,516)	25,291[1]	**343,515**	**432,511**
Excess of assets over liabilities	**184,005**	**93,935**	-	(7,008)[1]	**174,271**	**86,927**

[1] The adjustment of £2,726k on subordinated liabilities applies only to Group

The excess of assets over liabilities of £86,927k forms the basis of Own Funds for the Group under Solvency II, which, when added to the Tier 1 Restricted and Tier 2 subordinated loans and ancillary own funds, is the amount of available capital held to meet the Solvency Capital Requirement.

6. Capital Management (Summary of Section E)

At 31 December 2022, the key Solvency II capital measures were:

	31 December 2022		**31 December 2021**		**Movement**	
	Solo £000	Group £000	Solo £000	Group £000	Solo £000	Group £000
Eligible Own Funds before Volatility Adjustment	170,751	123,876	198,074	149,191	(27,323)	(25,315)
Effect of Volatility Adjustment	3,520	3,520	2,940	2,940	580	580
Eligible Own Funds	174,271	127,396	201,014	152,131	(26,743)	(24,735)
SCR before Volatility Adjustment	59,390	59,391	86,505	86,506	(27,115)	(27,115)
Effect of Volatility Adjustment	(592)	(592)	(283)	(283)	(309)	(309)
SCR	58,798	58,799	86,222	86,223	(27,424)	(27,424)
Solvency Coverage Ratio before Volatility Adjustment	288%	209%	229%	172%	59%	36%
Solvency Coverage Ratio	296%	217%	233%	176%	63%	40%
Solvency Coverage	115,473	68,597	114,792	65,908	681	2,689

Solvency coverage for the Group at 31 December 2022 is £68,597K (217%) (2021: £65,908k (176%)). The Group's Own Funds at 31 December 2022 are £127,396k (2021: £152,131k).

The Group has a £12,000k subordinated perpetual loan charged at 17.5% interest per annum and a £60,000k subordinated term loan due 2030 at par, charged at 16.875% interest per annum, which serve as tier 1 restricted and tier 2 capital respectively.

During 2021, the Group also had an agreement with Soteria AOF Solutions Limited (SAOFS) to provide access on request to funding of £25,000k which was approved by the PRA to be treated as Tier 2 Ancillary Own Funds. This Ancillary Own Funds capital is no longer required and the PRA approved the cessation of this facility with effect from 10 February 2022.

As the amount of Tier 2 debt eligible to meet the SCR is restricted the value included within Eligible Own Funds in the table above is reduced by £26,906k.

As described in Section 4, the SCR at 31 December 2022 is £58,799k.

The Group applies a Volatility Adjustment in calculating solvency coverage which has improved solvency coverage by 8%. The Volatility Adjustment is designed by the PRA to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. The Group does not apply the transitional measures of a matching adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

The table below shows the value of Own Funds eligible to meet the Minimum Consolidated Group SCR (MCG SCR) and the SCR at 31 December 2022, classified by tier. The MCG SCR is equal to the Minimum Capital Requirement (MCR) of the Group's insurance subsidiary, SIL.

Group	2022					2021	
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total	Movement
	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	100	100	-	-	-	100	-
Share premium account	36,900	36,900	-	-	-	36,900	-
Reconciliation reserve	49,927	49,927	-	-	-	60,577	(10,650)
Subordinated liabilities	67,375	-	11,070	56,305	-	68,990	(1,615)
Total basic own funds after deductions	154,302	86,927	11,070	56,305	0	166,567	(12,265)
Ancillary own funds	-	-	-	-	-	25,000	(25,000)
Total available own funds to meet the consolidated group SCR	154,302	86,927	11,070	56,305	-	191,567	(37,265)
Total available own funds to meet the MCG SCR	154,302	86,927	11,070	56,305	-	166,567	(12,265)
Total eligible own funds to meet the consolidated group SCR	127,396	86,927	11,070	29,399	-	152,131	(24,735)
Total eligible own funds to meet the MCG SCR	101,303	86,927	11,070	3,306	-	113,822	(12,519)
Consolidated group SCR	58,799					86,223	(27,424)
Consolidated group MCG SCR	16,529					24,295	(7,766)

Solo

	2022 Total £000	2022 Tier 1 unrestricted £000	2022 Tier 1 restricted £000	2022 Tier 2 £000	2022 Tier 3 £000	2021 Total £000	Movement £000
Ordinary share capital	38,000	38,000	-	-	-	208,000	(170,000)
Reconciliation reserve	136,271	136,271	-	-	-	(31,986)	168,257
Total basic own funds after deductions	174,271	174,271	-	-	-	176,014	(1,743)
Ancillary own funds	-	-	-	-	-	25,000	(25,000)
Total available own funds to meet the SCR	174,271	174,271	-	-	-	201,014	(26,743)
Total available own funds to meet the MCR	174,271	174,271	-	-	-	176,014	(1,743)
Total eligible own funds to meet the SCR	174,271	174,271	-	-	-	201,014	(26,743)
Total eligible own funds to meet the MCR	174,271	174,271	-	-	-	176,014	(1,743)
Solo SCR	58,798					86,222	(27,424)
Solo MCR	16,529					24,295	(7,766)

Tier 1 Unrestricted Own Funds relate to share capital, share premium and the reconciliation reserve and equate to the value of the excess of assets over liabilities in the Solvency II balance sheet. The reconciliation reserve represents the changes resulting from valuation differences between UK GAAP versus Solvency II as well as retained earnings and other reserves.

Tier 1 Restricted Own Funds and Tier 2 Own Funds relate to subordinated debt and ancillary own funds as described above.

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2022, the Group has exceeded the MCG SCR with coverage of 613% (2021: 468%) of the MCG SCR. SFHL has been compliant with the MCG SCR throughout the reporting period.

Non-compliance with the SCR occurs when the value of eligible Own Funds falls below the SCR. As at 31 December 2022, the Group has exceeded the SCR with coverage of 217% (2021: 176%) of the SCR. SFHL has been compliant with the SCR throughout the reporting period.

Non-compliance on a solo basis occurs when the value of eligible own funds falls below the MCR or the SCR. As at 31 December 2022, SIL has exceeded both the MCR and SCR with coverage of 1,054% (2021: 724%) and 296% (2021: 233%) respectively. SIL has been compliant with both the MCR and the SCR throughout the reporting period.

Directors' Report

The Directors of SFHL and SIL during the financial year are listed below and all appointments were for the full period unless otherwise stated.

SFHL

Non-Executive Directors:

Keith Barber

John Pantekidis

Sharon Ludlow

John Hastings-Bass

Kathryn Morgan

Barnabas Hurst-Bannister

Alex Howell

SIL

Non-Executive Directors:

Ewen Gilmour

Kathryn Morgan

Oliver Peterken

Executive Directors:

Mark Summerfield

Grant Mitchell

Statement of Directors' Responsibilities

The Directors of SFHL and SIL as applicable are responsible for preparing the Solvency and Financial Condition Report in all material respects in accordance with the Prudential Regulation Authority Rules and the Solvency II Regulations.

Each of the Directors of SFHL and SIL confirms that, to the best of their knowledge:

a) throughout the financial period in question, the Group and SIL have complied in all material respects with the requirements of the Prudential Regulation Authority Rules and the Solvency II Regulations as applicable to the Group and SIL; and

b) it is reasonable to believe that the Group and SIL have continued so to comply subsequently and will continue to comply in future.

By order of the Board:

John Hastings-Bass

Director

31 March 2023

A. Business and Performance

A.1 Business

A.1.1 Legal Form, Ownership and Registered Address

Soteria Finance Holdings Limited (SFHL) is a Company registered in England under the Companies Act 2006. The registered office is 40 Berkeley Square, London, W1J 5AL and the registered number is 12629263. SFHL was incorporated on 28 May 2020.

SFHL is a holding company and has one subsidiary, Soteria Insurance Limited (SIL). SIL underwrote insurance risk predominantly within the personal lines segment of the Motor and Home insurance markets within the UK. The SIL Board made the decision to place SIL into run-off in February 2021 and its last insurance policies expired in March 2022. Since this date the Group has continued to administer existing policies in force and settle outstanding claims.

A.1.2 Simplified Group Structure, Related Undertakings and Branches

SFHL acquired SIL on 2 December 2020. SFHL owns 100% of the Ordinary Shares in SIL. The share capital of SFHL is owned by:

Name	Legal form	Country of incorporation	Proportion of ownership interest and voting rights
GSO Capital Opportunities Fund III (Luxembourg) Sarl	Private Limited Company	Luxembourg	43.2%
TF Special Opportunities – Frisco Ltd	Private Limited Company	Gibraltar	47.3%
Markerstudy (Affinity) Holdings Limited	Private Limited Company	England and Wales	9.5%

SFHL is an Insurance Holding Company whose only subsidiary undertaking is SIL. Together they form an Insurance Group. The group structure is shown below:

Proposed Acquisition

The shareholders of SFHL have entered into discussions with Pollen Street Capital (PSC) regarding the potential acquisition of SFHL by funds managed by PSC. A Section 178 notification for a proposed change in control has been submitted to the Prudential Regulatory Authority and was acknowledged by the PRA as a complete application on 22 March 2023. Any acquisition remains subject to regulatory approval and final agreement between the parties.

A.1.3 Employees

The Group employs a small number of colleagues to oversee the key functions of the business, with additional services provided by Markerstudy Insurance Services Limited (MISL).

A.1.4 Name and Contact Details of External Auditors

The Company's auditors are Ernst & Young LLP (registered no. OC300001), whose registered office is 1 More London Place, London SE1 2AF.

A.1.5 Name and Contact Details of Supervisory Authority and Regulator

SFHL's trading subsidiary, SIL, is authorised and regulated by the Prudential Regulatory Authority (PRA) in the United Kingdom, whose offices are at 20 Moorgate, London, EC2R 6DA and regulated by the Financial Conduct Authority (FCA), whose head office is at 12 Endeavour Square, London, E20 1JN. The Group is supervised by the PRA.

A.1.6 Other Significant Events

Impact of inflation and interest rate rises

Driven by the war in Ukraine as well as rising fuel prices and other global factors, inflation has risen sharply during 2022, with CPI at 10.5% by the end of the year. As a result, the Bank of England have increased the base rate from 0.25% at the start of the year to 3.5% by the end of December. Subsequently this has increased to 4.25% by the end of March 2023.

Claims

Increased inflation has led to an increase in claims costs as the cost of vehicle parts and building materials has increased. As a result of being in run-off, SIL's exposure to these types of claim is now much reduced. The observed impact of wage increases on bodily injury claims has been relatively low to date, but is expected to continue to have an impact in 2023, particularly if current widespread industrial action leads to further wage increases in the public sector. The impact of inflation on SIL's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with Markerstudy Insurance Services Limited (MISL).

Investments

Rising interest rates have had an adverse effect on the market values of fixed rate and index-linked bonds held by SIL and have been the primary cause of the £17.8m unrealised losses made during the year.

A.2 Underwriting Performance

A.2.1 Overall Performance and Segmental Analysis

The table below shows the performance of the Group over the year to 31 December 2022.

	Solo £000	Group £000
Net earned premiums	(745)	(745)
Net policyholder claims and benefits	(24,733)	(24,733)
Fee and commission income	(1,743)	(1,743)
Fee and commission expenses	117	117
Acquisition and administrative expenses	(8,246)	(8,662)
Underwriting result	(35,350)	(35,766)
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Differences between Solo and Group figures are as follows:

- £56k of acquisition costs included in Solo, which relate to the unwind of deferred acquisition costs. These were expensed at the point of sale for Group.
- £10,125k of finance costs, primarily relating to interest charges on the £60m subordinated loan issued in December 2020, and £473k of administrative expenses incurred by SFHL.

A more detailed analysis of the performance of SIL and the Group, including comparatives against the prior year, can be found in the Annual Report and Accounts which are available at www.soteriainsurance.co.uk.

The underwriting result is described in more detail in Section A.2.2.

Investment income and net unrealised losses on investments reflect income on corporate and government bonds, collective investments and real-estate backed lending held by the Group during the year. All unrealised gains and losses are now included in the income statement. Investments have performed less strongly in the year than in the previous period, following increases in interest rates.

Finance costs predominantly relate to interest on subordinated debt issued by SFHL.

A.2.2 Underwriting Performance

Analysis of SIL's and the Group's underwriting performance for the year to 31 December 2022, by line of business, is presented below.

No geographic segmental reporting analysis is presented as all business is conducted in the UK, Isle of Man and the Channel Islands.

Changes in the underwriting performance are due to SIL entering run-off in 2021, with the final policies having expired in March 2022. As a result of the shrinking book of business, 2022 saw significant reductions in both premium earnings and claims incurred. The reduction in claims incurred has been offset slightly due to strengthening of reserves during 2022. The bulk of this strengthening has been in relation to a relatively small number of Motor large bodily injury claims. Increased inflation has led to an increase in claims costs as the cost of vehicle parts and building materials has increased. As a result of being in run-off, SIL's exposure to these types of claim is now much reduced.

Motor Insurance (Motor)

	2022 Solo £000	2022 Group £000	2021 Solo £000	2021 Group £000
Net earned premiums	(716)	(716)	122,774	122,774
Net policyholder claims and benefits	(22,848)	(22,848)	(132,671)	(132,671)
Acquisition, administrative and commission expenses	(6,654)	(7,073)	(44,574)	(32,200)
Fee and commission income	(1,755)	(1,755)	3,958	3,958
Underwriting result	(31,973)	(32,392)	(50,513)	(38,139)

Fire and Other Damage to Property Insurance (Home)

	2022 Solo £000	2022 Group £000	2021 Solo £000	2021 Group £000
Net earned premiums	(29)	(29)	42,565	42,565
Net policyholder claims and benefits	(2,197)	(2,197)	(19,834)	(19,834)
Acquisition, administrative and commission expenses	(1,398)	(1,396)	(6,116)	(4,148)
Fee and commission income	12	12	805	805
Underwriting result	(3,612)	(3,610)	17,420	19,388

Other

	2022 Solo £000	2022 Group £000	2021 Solo £000	2021 Group £000
Net earned premiums	-	-	-	-
Net policyholder claims and benefits	312	312	(30)	(30)
Acquisition, administrative and commission expenses	(77)	(77)	-	-
Fee and commission income	-	-	-	-
Underwriting result	235	235	(30)	(30)

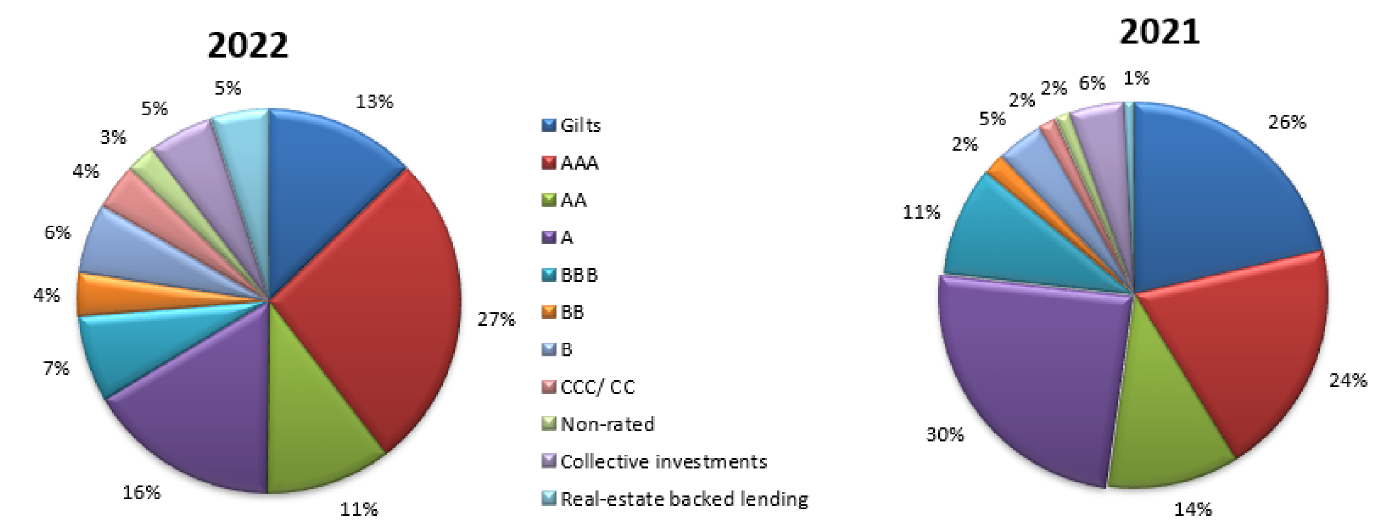
This category includes the aggregate of all other lines of business which are not material to disclose separately.

A.3 Investment Performance

A.3.1 Investment Income and Expenses

The Group has a portfolio of investments in corporate and government bonds, cash, collective investments and real-estate backed lending. Collective investments include funds of European asset-backed credit and global credit. Investments are denominated in sterling, US Dollars and Euros, with currency hedges held against foreign exchange fluctuations.

All Group investments are held within SIL.



Further progress has been made during the year in implementing the change in investment strategy which was started in 2021. As a result, more assets are now being held in higher risk assets than in the prior year, when increased levels of investments were being held in cash, as temporary holdings. The main portfolio, which is designed to meet the requirements of the short tail claims, is invested in government bonds and corporate bonds, down to BB rating. Other assets, which are to meet the demands of the longer term PPO portfolio, as well as provide additional income on surplus capital, are invested in corporate bonds rated BB and below, as well as collective investments and real-estate backed lending. Cash balances in both 2021 and 2022 are mainly held in money market funds, and are shown within cash on the balance sheet.

The table below analyses the Group's investment income and expenses. The amounts below are solely attributable to the Group's trading subsidiary, SIL.

	Investment income £000	Realised gains & losses £000	Unrealised gains & losses £000	Expenses £000
Cash	1,101	664	-	
Government bonds	1,705	(150)	(10,812)	
Corporate bonds	5,899	(1,888)	(7,136)	
Collective investment undertakings	380	-	(1,040)	
Real-estate backed lending	9	134	-	
Foreign exchange hedges	-	(4,714)	1,140	
	9,094	**(5,954)**	**(17,848)**	**(3,666)**
Prior year	5,063	2,127	(3,205)	(1,765)
Movement	4,031	(8,081)	(14,643)	(1,901)

Rising interest rates have had an adverse effect on the market values of fixed rate and index-linked bonds held by SIL and have been the primary cause of the £17,848k unrealised losses made during the year. Realised and unrealised gains/losses on investments relate entirely to investments held in SIL, however the figures differ to those disclosed by SIL due to the realisation during the year of gains on corporate bonds held prior to the purchase of SIL by SFHL. SIL's realised loss for the year is £4,867k, and the unrealised loss is £18,935k.

Realised losses on listed debt securities in 2022 mainly relate to the sale of an investment in Gaz Capital SA, which operates as a subsidiary of Gazprom Public Joint Stock Company, a Russian Entity. This was sold on 9 March 2022, following the Russian invasion of Ukraine, realising a loss of £1,850k.

A.3.2 Investment Gains and Losses Recognised Directly in Equity

As permitted under UK Generally Accepted Accounting Practice (UK GAAP), all investment gains and losses are recognised in the income statement and not directly in equity.

A.3.3 Investments in Securitisations

The Group had no investments in securitisations at December 2022.

A.4 Performance of Other Activities

The Group incurred interest costs of £10,125k (2021: £9,958k) on its subordinated debt.

A.5 Any Other Information

The Group has no other information to disclose about its business and performance.

B. System of Governance

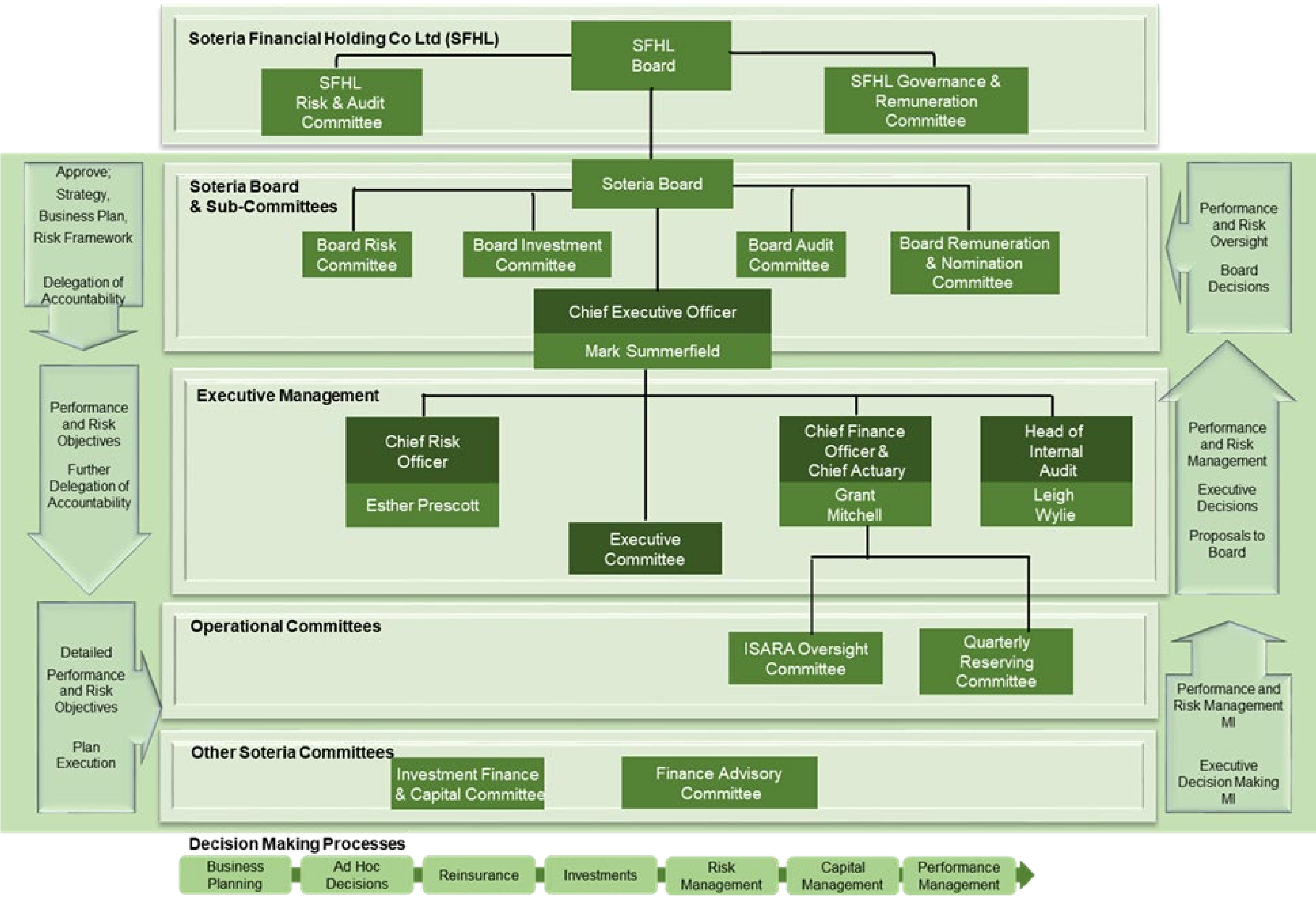
B.1 General Information on the System of Governance

B.1.1 Governance Structure

The Group's governance structure is focused on the trading subsidiary, SIL. Throughout the year, the main focus of SIL has been in completing the ongoing management of BAU run-off activity. SIL has established a strong governance framework and ensured that the accountability and responsibility of individual Senior Managers and directors is clearly defined and documented. This enables the Board, Executive and associated committees to interact effectively to support delivery of the agreed strategy and the ability to manage and mitigate the risks faced by the business.

The governance framework includes a formal committee structure, consisting of the SIL Board (which reports to the SFHL Board) and its sub-committees (shown in the diagram below), Executive Management committees and Advisory committees. The governance framework is managed using a 'Three Lines of Defence Model' (see Section B.3.1.3). Material changes to the governance framework over the year are described in Section B.1.5.

The diagram below illustrates how the Board and its sub-committees operate within the governance structure.



The sections below outline the main roles of the SFHL Board, the SIL Board and their sub-committees. For the responsibilities of each of these, please refer to Note 29 of the Group's Annual Report and Accounts.

Committee	Overview
SFHL Board	The SFHL Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote the success of the business for the benefit of its investors and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice.
SFHL Risk and Audit Committee	The purpose of the Risk and Audit Committee is to oversee and advise the SFHL Board on current and potential risks and the overall risk framework. The committee also oversees SFHL's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed. It also assists the SFHL Board in discharging its responsibilities for the integrity of SFHL's financial statements, to review the effectiveness of internal controls and risk management systems and to monitor the effectiveness and objectivity of internal and external auditors.
SFHL Governance and Remuneration Committee	The purpose is to ensure the overall Governance is adequate for the SFHL Group and is the Nominations Committee for SFHL Board membership.
SIL Board	The SIL Board is responsible for organising and directing the affairs of the company in a manner that is most likely to promote the success of the business for the benefit of its shareholders and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice.
SIL Board Risk Committee (BRC)	The purpose of the BRC is to oversee and advise the SIL Board on current and potential risks and the overall risk framework. The committee also oversees SIL's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed.
SIL Board Audit Committee (BAC)	The purpose of the BAC is to assist the SIL Board in discharging its responsibilities for the integrity of SIL's financial statements, to review the effectiveness of internal controls and risk management systems and to monitor the effectiveness and objectivity of internal and external auditors.
SIL Board Investment Committee (BIC)	The purpose of the Committee is to assist the SIL Board in discharging its responsibilities in relation to the Prudent Person Principle by overseeing the Company's out-sourced investment activities and to ensure investments are made in line with the approved strategy and mandate.
SIL Board Remuneration Committee (REMCO)	The purpose of the Remuneration Committee is to oversee and advise the Board on nomination matters. In addition, the committee also determine the Remuneration Policy for SIL in respect of its Executive and set/approve remuneration in conjunction with the SFHL Governance and Remuneration Committee.

B.1.2 Key Functions

Key Functions, as defined by Solvency II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The firm's system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

The table below summarises the four Key Functions:

Key Function	Key Function Holder	Section Reference
Risk management function	Chief Risk Officer	B.3
Compliance function	Chief Risk Officer	B.4.2
Internal Audit	Head of Internal Audit	B.5
Actuarial function	Chief Actuary	B.6

Details on how each Key Function has the necessary authority, independence and resources needed to carry out tasks and report to the SIL Board are located under the section references noted in the above table.

B.1.3 Delegation of Responsibilities, Reporting Lines and Delegation of Functions

As a regulated company all accountabilities within the Group's trading subsidiary, SIL, are allocated as part of the Senior Manager and Certification Regime (SM&CR).

Senior Manager Functions are roles the regulators deem 'critical' within a firm. They are occupied by individuals who have significant influence over the firm's business strategy, culture and compliance with regulatory requirements. Individuals who are appointed to perform a Senior Manager function must be approved by the FCA and/or PRA.

Soteria is required to demonstrate how overall governance in the firm is managed and responsibilities are shared. This is done through Management Responsibilities Maps and supporting material, which shows how the individual responsibilities come together to ensure good governance at an entity level and demonstrates that there are no gaps in the allocation of responsibilities amongst its management.

In addition, the delegation of Financial Authorities is referenced within the Delegated Authorities Operating Manual, which sets out the specific delegated authorities by role and includes a wider, more granular set of financial authorities.

The list of Function Holders and the senior management responsibilities they hold is as follows:

Senior Manager Function	Description	Name	Senior Management Responsibilities Held
SMF1 SMF3	Chief Executive Officer Executive Director	Mark Summerfield	• Board (Executive Director) • Insurance Mediation • Human Resource • Learning and Development
SMF4 SMF16	Chief Risk Officer Compliance Oversight	Esther Prescott	• Risk Management System • Compliance • Conflicts of Interest • Financial Crime
SMF5	Head of Internal Audit	Leigh Wylie	• Internal Audit
SMF9	Chairman	Ewen Gilmour	• Board
SM10	Chair of Risk Committee	Oliver Peterken	• Board (inc consumer duty champion)
SMF11	Chair of Audit Committee	Kathryn Morgan	• Board
SMF12 SMF13	Chair of Remuneration Committee Chair of the Nominations Committee	Ewen Gilmour	• Board
SMF2 SMF3 SMF20 SMF24	Chief Finance Officer Executive Director Chief Actuarial Function Chief Operations Officer	Grant Mitchell	• Board (Executive Director) • Actuarial • Information • Reinsurance • Finance • Investment Management • Claims • Complaints • Third Party Distribution • Information Technology • Business Continuity • Health & Safety • Climate Change Champion
SMF7	Group Entity Senior Manager	John Pantekidis Sharon Ludlow Keith Barber Barnabas Hurst-Bannister John Hastings-Bass	• Board (SFHL)

B.1.4 Remuneration

The SIL Pay Policy documents the remuneration principles of Executives within the trading subsidiary, SIL. The holding company, SFHL, does not have any Executive Directors. The policy is governed by the SIL Remuneration Committee (REMCO) and reviewed by the SFHL Governance and Remuneration Committee.

The SIL Pay Policy promotes a competitive but not excessive employment offer which achieves an appropriate balance between fixed and variable pay and which promotes sound and sustainable decision-making through effective risk management.

In determining SIL Executive remuneration, the Policy takes into account a number of principles which reflect the regulatory responsibilities of SIL, including the following:

- The Policy has been designed to ensure that overall levels of remuneration are sufficient to attract, retain and motivate individuals of the quality necessary to manage SIL effectively and successfully, but are not excessive in comparison to the relevant external market.
- The Policy aims to align the remuneration of SIL Executives with balanced business judgement, in order to ensure that customers are placed first, and sustainable decisions and actions are taken in their best interests. Therefore, SIL Executives are not remunerated solely on the basis of the profits of SIL, but on a balanced scorecard including both customer and risk measures.
- REMCO will seek to maintain a market-aligned and sustainable remuneration structure for SIL Executives.
- Any performance conditions attached to incentive awards will be appropriate, stretching and support the strategy and purpose of SIL.
- REMCO should ensure that performance conditions do not encourage excessive risk taking and protect the delivery of fair customer outcomes.
- Variable remuneration will be subject to appropriate claw-back and, where appropriate, malus arrangements.
- Remuneration for new hires should be sufficient to attract Executives of the required calibre using the same policies that apply to current SIL Executives.
- If SIL Executives depart SIL, REMCO will aim to ensure colleagues are treated fairly whilst minimising the cost to SIL.

Long term incentive awards and supplementary pension and early retirement schemes

The Group does not directly issue any long term incentive awards. No supplementary pension or early retirement schemes are offered.

Remuneration paid to Non-Executive Directors

The SIL Board delegated responsibility for determining the Non-Executive Directors' (NED) fees to the Chair and the Chief Executive Officer (CEO). Fees were last reviewed on appointment of the NEDs.

The SIL Remuneration Committee is responsible for determining the fees payable to the Board Chair. The fees were last considered by the Committee prior to acquisition by SFHL, in 2018 following a review of External Market Data and in the context of the strategic landscape. The SFHL Governance and Remuneration Committee recommends the fees policy for all SFHL Directors.

Further information relating to remuneration including compensation paid to key management and Non-Executive Directors is included in Note 29 of the Group's Annual Report and Accounts.

B.1.5 Material Changes

Following the retirement of Neil Southworth as Chief Risk Officer, Esther Prescott was appointed in this role. Grant Mitchell became Chief Operations Officer, in addition to his existing responsibilities.

There has been no change to the Committee structure throughout the year.

B.1.6 Material Transactions

SFHL's ownership structure is detailed in Section A.1.1 and A.1.2 above. Information relating to transactions with related companies, including key management compensation, can be found in Note 29 to the Group's Annual Report and Accounts.

B.2 'Fit and Proper' Requirements

Persons who effectively run the business or who are responsible for other Key Functions within the business must be 'fit and proper' at all times. This means that these persons must have adequate professional qualifications, knowledge and experience to enable the sound and prudent management of the firm and that they are of good repute and integrity.

The Group's trading subsidiary, SIL, has established a fit and proper policy and processes which comply with the Senior Managers and Certification Regime (SM&CR). SIL has identified Certified Employees (the next tier of management below Senior Managers where the role has a risk of significant harm to the firm or any of its customers) to which the requirements will also apply. SIL will ensure that Senior Managers and Certified Employees are at all times fit and proper persons.

The fit and proper assessment of Senior Managers and Certified Employees is performed proportionately, with relatively more attention being given to the assessment of Senior Managers.

Under fit and proper requirements the Group must be satisfied that the person:

- Has the personal characteristics (including being of good repute and integrity).
- Possesses the level of competence, knowledge and experience.
- Has the qualifications.
- Has undergone or is undergoing all training.

Note: A list of the Persons in the undertaking that are responsible for the four mandatory Key Functions is shown in Section B.1.2 and a list of delegated responsibilities is in Section B.1.3.

B.2.1 Process for Assessing Fitness and Propriety

The process for assessing fitness and propriety comprises of two stages:

1. Pre-appointment

To assess an individual's fitness and propriety to perform a role the following steps are undertaken:

- Executive search consultancy utilised to identify the best candidates for the role.
- Request a formal application along with a full and comprehensive CV.
- Request and review evidence of relevant qualifications, where appropriate.
- Interviews conducted by individuals with appropriate expertise and seniority within the firm.
- Obtain regulatory references from previous employers. These must include the minimum information as prescribed by our regulators. Personal references may also be obtained.

- Criminal records checks.
- Credit checks to establish an individual's financial soundness.
- Other due diligence from other publicly available sources, for example Financial Services Register, Companies House (to establish any conflicts of interest) and media searches.

The Group will only recruit individuals to a position of significant influence who have the appropriate skills, knowledge and experience. Where any minor development needs are identified these will be addressed as part of a development plan and the individual will be provided with appropriate support.

The Group will also ensure that any appointments to the Board contain an appropriate mix of skills and experience, and the right mix of both financial industry capability and critical perspective from high-level experience in other major businesses.

2. On-going (post appointment)

The Group monitors an individual's fitness and propriety on an on-going basis via regular performance appraisals. In addition, an assessment is conducted and documented on an annual basis using the following information:

- Results of performance appraisals, including adherence to the conduct rules outlined by SM&CR.
- Criminal records checks.
- Credit checks to establish an individual's financial soundness.
- Progress against development plans, where appropriate.
- Self-certification by the individual as to their fitness and propriety.
- Other relevant supporting documentation, for example an assessment of their risk performance over the year, Internal Audit Summary, role profiles & Continuous Professional Development logs.
- An up-to-date version of their handover pack – Senior Managers only.

B.3 Risk Management System Including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Risk Management System

The Risk Management Framework (RMF) identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across the business.

Effective Risk Management is essential for the achievement of business success and is everyone's responsibility. Customers, members, regulators and other stakeholders expect the Group to manage risk effectively.

B.3.1.1 Risk Vision & Appetite

The Group's Risk Vision is owned and approved by the SFHL Board and supported by a capital coverage risk appetite requirement. As the material risks arising occur within SIL, the more detailed risk limits are delegated to SIL.

SIL's Risk Vision is set by the SIL Board and overarches the risk appetite statements.

Risk Appetite is the expression of how much risk SIL would be prepared to accept in pursuit of its vision. One or more metrics underpin each of the risk appetite statements, along with 'red', 'amber' and 'green' thresholds for monitoring and reporting exposure against each metric. The SIL Board owns and approves the

Soteria Level Risk Appetite and delegates the setting of more detailed risk limits through the formal assignment of Risk Framework Owner (RFO) accountabilities.

The detailed statements and their supporting metrics are contained within Risk Vision and Appetite documents for both SFHL and SIL which are maintained by the Chief Risk Officer (CRO) of SIL and reviewed annually.

B.3.1.2 Risk Management Process

The risk management process outlines the key requirements including roles and responsibilities for the way in which risk management is conducted across the business. The risk management process consists of five stages:

1. Identification.
2. Measurement.
3. Management.
4. Monitoring.
5. Reporting.

The purpose and requirements for each stage of the risk management process are outlined in the section below.

Stage	Purpose	Requirement
Risk Identification	To identify the current and emerging risks that may impact the Group.	The process requires in-depth knowledge of the Group's strategic and operational objectives, business, markets and structure.
Risk Measurement	To quantify the risks to the Group in a consistent manner.	Risks within the Group are assessed by considering the 'likelihood' of the risk materialising and the 'impact' should it materialise. Risks within the Group are assessed using a 5 x 5 Risk Assessment Matrix.
Risk Management	To carry out an appropriate strategy to address the risk in question.	Risk mitigation by the use of well documented and robust controls will be the most appropriate approach for the majority of risks.
Risk Monitoring	To ensure that the selected risk management approach is effective, and to keep track of any changes which may impact the risk environment and the level of exposure over time.	Exposure by risk type is monitored on a regular basis. The frequency will depend upon the materiality of the risk.
Risk Reporting	To provide the SFHL Board and SIL Board, Executive and senior management with an accurate, timely and clear account of the current risk exposure and to highlight any risks to achievement of business objectives.	This is achieved by taking the most material outputs from the above processes and presenting them to the Board. Ultimately the SIL CRO is responsible for ensuring that this aim is met.

B.3.1.3 Three Lines of Defence

The RMF has been built around the 'Three Lines of Defence' model as follows:

- 1st line: manage risk in day to day operations.
- 2nd line: provide oversight and challenge of first line activities; establish and oversee the risk management framework.
- 3rd line (Internal Audit): provide assurance that the RMF is being executed as intended and functioning correctly (see Section B.5 for further details of the Audit function).

As the Group has only one trading subsidiary, SIL, and SIL is largely an outsourced model, much of 1st line work is carried out by third parties. 2nd line activities do not aim to repeat the independent checks and controls of the work produced by Markerstudy Group (MSG) on behalf of SIL. The 2nd line will separately review based on a 1st line residual risk prioritisation to provide proportionate assurance of the Risk profile and control status.

B.3.1.4 Policies and Controls

Policies

The majority of policies and controls in the Group apply directly to SIL due to the company undertaking regulated activities. SIL has a set of risk policies in place to manage risk across the business. Each risk policy is owned by a designated RFO. These policies outline the principles that the RFO expects the business to follow.

The individual policies are reviewed and updated by the RFO annually, as a minimum, to ensure on-going relevance and effectiveness against business strategy and organisational design, or any changes in external regulatory requirements.

Controls

Each risk identified in the risk register has one or more controls appended to it. Each of the controls is owned and approved by the relevant RFO, however they may choose to delegate the management and testing of the controls to a subject matter expert within their area. The RFO must attest that all controls are operating effectively every 6 months, and call out areas of control weakness.

B.3.1.5 Risk Management Integration – Alignment of Risk Profile to Solvency Needs

Qualitative Review

Soteria have considered the appropriateness of the Standard Formula in run off and conclude that overall, the Standard Formula remains appropriate for Soteria in run off. This is on the basis that Soteria's risks are very "standard" UK based, private motor and home insurance, with an investment mandate covered by the Standard Formula delegated acts, which also takes market risk to match, over the medium term, the inflation risks faced by the longer tailed (mainly PPO) sub-portfolio of liabilities.

It is recognised that in run off the relative proportions of risks within Soteria will change, with PPO reserves and the associated Credit Risk from reinsurance on these becoming a higher proportion of the book than an average company that remains open to new business. However, this does not in itself make Soteria non-standard as there are many run-off entities in existence. The fundamental nature of these risks does not change in run off. Therefore, the change in proportions does not mean that the Standard Formula is not appropriate.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA is the totality of all processes used to identify, measure, manage, monitor and report the short term and long term risks the Group faces or may face and the Own Funds necessary to ensure solvency requirements are met on a continuous basis. The PRA has granted a modification of the rules such that SFHL will produce a single Group ORSA for SFHL and SIL.

The Group has a governance structure to ensure the necessary technical expertise to provide input to and challenge the ORSA:

- The SFHL Board has ultimate responsibility and accountability for the Group ORSA, after approval by the SIL Board, including providing direction for the overall approach.
- The overall responsibility for the conduct and documentation of the ORSA lies with the SIL CRO and the Risk function. The SIL CRO will provide oversight across the overall RMF for all known risks and related processes and controls.
- Business areas are responsible for providing requested documentation in support of the underlying ORSA process and production of reports.

B.3.2.1 ORSA Policy

The ORSA policy sets out the Group's approach to the conduct of the ORSA and its reporting. The policy outlines the framework approved by the SIL and SFHL Boards to ensure that the ORSA is an integral part of business planning, strategy and decision making; and the SIL Board has an active role in directing the ORSA process and challenging the output.

All employees are required to comply with the requirements of the ORSA Policy and to report any breaches in accordance with the guidance contained within the RMF Policy.

In 2022 Soteria introduced a dividend extraction policy which sets out the process which must be followed in the event that Soteria wishes to pay a dividend up to its parent.

B.3.2.2 ORSA Principles

The ORSA policy is founded on the following principles:

Process	1. The ORSA is forward-looking and closely related to business planning. *Risk and solvency is considered and projected over (at least) the Group's medium-term planning horizon. The ORSA considers emerging risks, the impact of the business plan on its risk profile, and the extent to which the strategic plan aligns with risk appetite.* 2. The ORSA considers the link between the risk profile, approved risk appetite limits and overall solvency needs. *The ORSA considers capital and solvency on all relevant regulatory and internal bases, including reconciliations and explanation for differences.* *The ORSA includes an analysis of the Standard Formula against the Group's risk-profile.* *The internal economic view of the Group's risks is calculated based upon the Standard Formula, which is adjusted appropriately.* *The ORSA considers the quantity and quality of Own Funds over the business planning period and the composition of Own Funds across tiers.*

	3. The ORSA encompasses all material quantitative and qualitative risks that may impact the Group. *The ORSA will assess exposure to these risks against the risk appetite limits set by SFHL and SIL Boards.* *The ORSA documents and explains the change in the risk profile, capital and solvency from the previous exercise. This assessment includes confirmation of continuous solvency over the period from the previous ORSA report.* 4. The ORSA includes stress tests, sensitivity analyses and reverse stress tests. *The tests are to be performed at least annually, normally as part of the Strategic Planning process, and additionally on an ad hoc basis if appropriate. These include economic scenarios, individual stress events and sensitivities to key assumptions. Reverse stress tests are events or a combination of events that would lead to business failure. The analysis includes the impact upon solvency, which provides management with information on the potential vulnerabilities faced by SIL so that they can identify appropriate management actions.*
Report and Documentation	5. The full ORSA report documents the ORSA process, conclusions and implications, providing links to further evidence. 6. A full ORSA report is to be produced annually alongside, or shortly after, the Group's Strategic Plan. *An annual frequency is considered appropriate to update the full ORSA report in normal circumstances, given the Group's business model and risk profile.* 7. Ad hoc updates to the ORSA report are produced following material changes to the Group's current and/or projected risk profile, business model or solvency position. *The CRO is responsible for recommending to the SFHL and SIL Boards when an ad hoc ORSA assessment and report should be carried out, which may also be carried out upon request by the SIL Board or the PRA* 8. The risk team will produce and maintain an ORSA record document.

B.3.2.3 ORSA Process

The ORSA process is the on-going process by which the Group manages and assesses its risk and solvency (both regulatory and internal) within its decision-making processes.

The table below highlights the key ORSA activities that take place and the decision-making process that they feed into:

Process	Key activities that form part of the ORSA process
Business Planning	• Setting and quantifying stresses and scenarios at least annually • Ongoing Financial Projections including capital and solvency. • Annual Production of full ORSA report. • Quarterly review of credit risk and reserves
Investment	• Ongoing Liquidity risk management including stress testing and projections.

Process	Key activities that form part of the ORSA process
	• Investment strategy review and management
Risk Management	• Ongoing maintenance of risk register and RCSA process. • Annual review of Risk Management Framework • Risk reporting including quarterly CRO reports to Board. • Annual review of risk vision and appetite
Capital Management	• Monthly calculation of capital requirements and solvency, both internal and regulatory • Annual review of SF Appropriateness • Determination of appropriate capital extraction and dividend application process
Ad Hoc Strategic Processes	• Reviewing risk, capital and solvency implications of mergers, acquisitions, further reinsurance purchase and other strategic activity. • Production of ad hoc ORSA reports, if necessary.

Production and Review Frequency

The most recent ORSA was approved by the SFHL and SIL Boards in Q2 2022.

The Group's current and projected risk profile and solvency position is monitored continuously with reporting provided on a quarterly basis to the SFHL and SIL Boards. There were no ad-hoc ORSAs produced in 2022.

B.4 Internal Control System

Section 4.29 of the UK Corporate Governance Code has a requirement that companies carry out a review of their risk management and internal control systems.

Whilst the requirements apply to listed companies, the Group views this as good practice, and an important part of demonstrating the embedding of the RMF and control as an on-going discipline.

The controls operating in a business area include all measures and practices used to reduce exposures for all types of risk that could prevent an organisation from achieving its objectives. A strong and effective control framework is fundamental to effective management of risk, allowing management to reduce risks to acceptable levels.

Each control must be assessed in terms of its design and performance. Such assessment is required to determine how effective the control is in reducing either the impact or likelihood of each risk, and to enable the determination of the residual risk, after taking into account the operation of all controls.

As part of the Group's RMF the following internal processes are performed by members of SIL's Executive Team:

- They understand the risks and controls in their area of accountability.
- They have assessed the risk and controls where they are a RFO and completed attestations to this effect.
- They have implemented and embedded the requirements of the Risk Policies and associated Control Standards within their business area/function.

- They have undertaken a Risk and Control Self-Assessment process, including assessments of control effectiveness with suitable evidence having been retained to support test results (see Section B.4.1).
- Material risks have been reported through appropriate governance, and are being mitigated or have been formally recorded as risk exceptions.
- All material risk events within their area of accountability have been reported and are being managed through to achieve closure, understand the root cause and improve controls.
- There are no further risk management or internal control matters that require disclosure.

B.4.1 Risk and Control Self-Assessment (RCSA)

Each SIL Executive is required to undertake an RCSA, which identifies the risks to the achievement of their key objectives and the controls against these risks, together with an assessment of the effectiveness of the controls (Design and Performance) with appropriate testing of control performance.

The RCSAs cover all material controls.

The SIL CRO ensures that RCSAs are reviewed and challenged by the 2nd Line Risk function to ensure these provide reasonable assurance over the material accuracy of the Executive and RFO assurances.

SIL also operates:

- a risk exception process to ensure that there is a consistent procedure to provide transparency, challenge and oversight of risks where no further mitigation action is being taken.
- a risk events process to capture and assess the impact of all risk events considering all risk categories. Given the nature of the outsourcing agreement, risk events are also captured by MSG (AISL and MISL) and are monitored via the ISARA oversight committee.

In addition to this, on behalf of the Group, SIL maintains regular dialogue with both the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) to ensure that they are updated on any material control issues.

Risk and control assessments must be provided by each SIL Executive for all of their areas of accountability. This procedure of producing assessments is required on a six monthly cycle.

B.4.2 Compliance Function

The SIL CRO holds compliance officer responsibilities and is supported in this by a certified individual. The SIL CRO is accountable to the SIL Board for SIL and SFHL Board regarding SFHL.

Implementing and reporting on compliance risk is supported by the MSG Risk and Compliance team which acts independently from Soteria but performs its activities objectively according to agreed requirements. MSG provide Soteria with updates on Regulatory and Legal Change as well as updates on their ongoing compliance and delivery of any identified actions. The MSG Risk and Compliance team reports to Soteria through the ISARA Oversight Committee and therefore has direct access to persons with sufficient authority to be in a position to intervene if Soteria’s regulatory status or risk appetite are at stake.

Independent audits in all areas of the business against FCA requirements and other guidance, together with Financial Crime oversight, have been outsourced to MSG via the ISARA, with ownership by the SIL CRO.

The Soteria Risk team has wide ranging access to information that the Board or Risk Team considers necessary to enable the team to meet its responsibilities.

The Risk team is required to report findings to the Boards and relevant executives in such a way that allows them to understand their possible exposures to Regulatory & Conduct Risks.

B.5 Internal Audit Function

B.5.1 Purpose

The role of Internal Audit is established by the SIL BAC and SFHL BRAC on behalf of the Boards of Directors. Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve the organisation's operations and to protect its assets, reputation and sustainability. Internal Audit applies a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and to help the business achieve its stated goals and objectives.

B.5.2 Scope

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

In setting its scope, Internal Audit takes into account business strategy, forming an independent view as to whether the key risks to the Group have been identified and assessing how effectively these risks are being managed. Internal Audit assesses whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assesses whether they are adequately controlled; and challenges management to improve the effectiveness of governance, risk management and internal controls. All of the Group's activities (including outsourced activities) are within the scope of Internal Audit. There is no aspect of the Group from which Internal Audit is restricted as it delivers its mandate.

Internal Audit determines which areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit plan is developed to reflect Internal Audit's view of the risk profile of the organisation and its control environment. The audit programme includes obtaining an understanding of the processes and systems under review, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit will only seek to rely on the work of other assurance providers following a review to evaluate the effectiveness of their work.

The Head of Internal Audit is responsible for preparing the annual audit plan (in consultation with the SFHL BRAC, SIL BAC and senior management), submitting the audit plan and Internal Audit budget for review and approval by the SFHL BRAC and SIL BAC, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the SFHL BRAC, SIL BAC and senior management. Internal Audit provides assurance over specific areas as requested by Regulators. The Head of Internal Audit reviews the audit plan regularly in light of Internal Audit's on-going assessment of risk. Any material changes to the audit plan proposed by the Head of Internal Audit are submitted for approval by the SFHL BRAC / SIL BAC, including any impact on resource requirements.

B.5.3 Rights and Authority

The Internal Audit function derives its authority from the Board through the SIL BAC and SFHL BRAC. The Head of Internal Audit is authorised by the SIL BAC and SFHL BRAC to have full and complete access to any of the organisation's records, properties and personnel.

The Head of Internal Audit attends Executive Committee meetings and has the right to attend other management committees, with full access to all related papers and minutes. The Head of Internal Audit has full access to all Board and Board Committee papers and minutes and attends SIL BAC, SIL BRC, SIL Board and SFHL BRAC meetings.

The Head of Internal Audit has access to the SIL BAC and SFHL BRAC, without the presence of Executive Management, at any time.

B.5.4 Roles and responsibilities in the Risk Management Framework

The 'three lines of defence' governance model operated by SIL ensures appropriate responsibility and accountability is allocated to the identification, measurement, management, monitoring and reporting of risks.

Business management, the 1st line of defence, is responsible for implementing and operating processes to identify, measure, manage, monitor and report risks. As the Group is largely an outsourced model, much of 1st line work is carried out by third parties.

2nd line oversight activities are not necessarily carried out by the Risk team and can be carried out by anyone working in or for Soteria, as long as they are independent from whoever carried out the work. The Risk function owns the Risk Management Framework, oversees and challenges its implementation and operation by the 1st line of defence, and considers current and emerging risks across SIL.

The 3rd line of defence, Internal Audit, independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the SFHL BRAC, SIL BAC and senior management on the adequacy of both the 1st and 2nd lines of defence, including the quality of their work.

B.5.5 Independence and Objectivity

The Head of Internal Audit reports to the Chair of the Board Audit Committee. In addition to core Internal Audit responsibilities, the Head of Internal Audit reviews whistleblowing procedures and the annual whistleblowing report for approval by the Board Audit Committee. The Head of Internal Audit does not hold any other management responsibility and does not develop nor install systems or procedures, prepare records or engage in any other activity which Internal Audit would normally audit.

The Internal Audit function operates a co-source model; audit work is performed by third party firms as requested by the Head of Internal Audit. Internal Audit co-source partners are required to notify the Head of Internal Audit if any potential conflicts of interest are identified. Internal Audit governs itself by adherence to the mandatory elements of the Institute of Internal Auditors' Professional Practices Framework (including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing) and the Institute of Internal Auditors' Code for Effective Internal Audit in Financial Services.

B.5.6 Material Findings and Recommendations

No material findings have been raised by Internal Audit in the period.

B.6 Actuarial Function

B.6.1 Overview

The Actuarial Function is one of the four key defined functions under Pillar II of the Solvency II regulations as defined in the Level 1 framework directive text Article 48.

As such the Actuarial Function is responsible for:

- Ensuring calculation of Technical Provisions (TPs) is undertaken using appropriate actuarial techniques.

- Validation of the calculation process and outputs (comparing expected experience against emerging experience).
- Providing opinion on the availability and suitability of data for the calculation of TPs.
- Communicating the results of the TP exercise to Management and the SIL Board.
- Expressing an opinion on the adequacy of reinsurance arrangements.
- Contributing to the effective implementation of the risk-management system (in particular with respect to the risk modelling underlying the calculation of the capital requirements).
- Preparing an annual report to the Board stating how the requirements of the Actuarial Function have been discharged.

Since Soteria ceased underwriting, an opinion on the overall underwriting policy is a redundant requirement.

SFHL has an Actuarial function within its subsidiary, SIL. The Chief Actuary of SIL also fulfils the SIL Chief Financial Officer (CFO) role. To avoid any conflicts, as the Chief Actuary also fulfils the CFO role, certain responsibilities have been further delegated to a senior member of the Actuarial team, the Actuarial Function Actuary within SIL, to ensure independence.

The Chief Actuary is approved by the PRA as the Actuarial Function Holder (SMF20) under the Senior Managers' and Certification Regime. He holds a Practising Certificate issued by the Institute and Faculty of Actuaries as a Chief Actuary (Non-Life without Lloyd's).

Whilst Actuarial services including Technical Provisions calculations are included in SIL's outsourcing agreement with Markerstudy Group, ownership of the approach and results remains the responsibility of Soteria.

Independence is essential for the effectiveness of the Actuarial Function. The Chief Actuary has authority and independence through unfettered access to the Board and to any Functions, and the Actuarial Function has the freedom to remain objective in performing its work.

Quarterly Reserve reviews and Technical Provisions are presented to the Quarterly Reserve Committee and Investment, Finance and Capital Committee (IFCC) respectively. Senior management have the opportunity to challenge the results and the Actuarial Function Holder is responsible for recommending results to the committees.

The Actuarial Function works closely with other members of the small Soteria management team, for the purposes of capital forecasting, stress and scenario testing and input into the ORSA.

B.7 Outsourcing

SIL's approach to its outsourcing activity is documented within its Third Party Supplier Risk Policy, which is also adopted by SFHL. Where the Group outsources critical or important operational functions, services and activities it remains fully responsible for discharging all of its regulatory obligations. To do this SIL sets the following high level principles:

- SIL management will exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing of an activity to a third party supplier. This is governed through a Supplier Management Framework which sets out a specific set of principles by which SIL manages Third Party Service Provider Risk in a way that is consistent with its overall risk appetite and aligns with its purpose, values and vision.
- Any outsourcing must not result in the delegation of responsibility by senior SIL management.

- Any third party service provider must protect any confidential information relating to SIL or its customers and comply with the relevant GDPR legislation.
- SIL's relationship with and obligations to its customers must not be altered.
- The conditions for the authorisation of the regulated entities within SIL must not be undermined.

Key activities outsourced are:

- Claims handling & loss adjusting (for example; Motor, Home & Personal Injury).
- IT, Finance and HR Services.
- Banking activities.
- Investment Management.
- Internal Audit reviews.

All key activities listed above fall within UK regulated jurisdiction. Some other key activities, such as claims supply chain management, are conducted on behalf of SIL by its key outsourcing partner MISL.

B.8 Any other information

B.8.1 Adequacy of the System of Governance

The system of governance is adequate based on the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile

Within the Group the vast majority of risks arise within SIL.

Risks are classified into Level 1 and Level 2 categories. The Level 1 risks are the highest category of inherent financial and non-financial risks to which the Group is exposed. This section describes these risks and how they are managed, measured and mitigated.

The most material risks that the Group is exposed to are reserve risk and market risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

Soteria has in place a robust Governance Structure and Risk Management Framework which includes a process for setting and reporting against risk appetite. The effectiveness of this framework and reporting is monitored by the Board. This process ensures that all risk mitigation activity in place is operating effectively.

Unless stated, there has been no change in the measurement methods used over the year. Details of how each of these risks is covered within the Standard Formula Solvency Capital Requirement (SCR) are shown in Section E.2.

C.1 Insurance Risk

Description

Insurance (reserving) risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities.

As described in Section A.1.1, SIL is in run-off, and there is therefore no live exposure to underwriting risk.

The nature of insurance contracts is that the obligations of the insurer are uncertain as to the timing or quantum of liabilities arising from contracts. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Risk Management Objective

The Group manages insurance risk in accordance with its overall aims to achieve stable insurance earnings, a fair customer experience and to meet all regulatory requirements.

Risk Exposure

- Key risks under Motor policies for a run off book relate to uncertainty with respect to the ultimate cost of claims for bodily injury to third parties, which are exposed to judicial, legislative and inflationary changes. As run off progresses, motor property damage is becoming less material.
- Home policies are also less exposed to property type claims as run off progresses, and subsidence is the longest tailed type of claim.
- Risks exist with respect to historical classes of business, in particular the liability class which is long tailed and exposed to latent claims.
- Reserve risk can also arise from a change in either management margin (UK GAAP) or Risk Margin (SII), although ultimately these margins will run down to nil.

Risk Measurement

Insurance risk is primarily measured by considering the movement in gross and net reserves over the last quarter/year relative to agreed thresholds. Unexpected movement in reserves is one of Soteria's most material risks.

Risk Mitigation

Mitigation technique	Explanation
Minimising reserve risk volatility through proactive claims handling, the claims provisioning process and robust reserving and modelling approaches.	The Group outsources its underwriting, claims handling and reserving processes to Markerstudy Insurance Services Limited (MISL). Oversight of these processes is maintained by the outsourcing agreement in place, the ISARA, which is monitored on a monthly basis. The Group manages reserve risk through SIL's Reserving Committee which supports SIL's Chief Financial Officer (CFO) in their responsibility to formally review claims reserves on a quarterly basis.
Mitigating risk through the use of appropriate reinsurance arrangements.	Reinsurance has been used to manage insurance risk. The Group has excess of loss cover in place to cover large motor and catastrophe claims. For the years 2017-2020 a quota share arrangement of both Motor and Home business was in place.

The Group does not use Special Purpose Vehicles (SPVs) as a means of mitigating risk.

Sensitivity Analysis

A number of stress tests around reserve risks are captured within Section C.7.2.

C.2 Market Risk

Description

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers such as interest rates and market prices of assets and liabilities.

Risk Management Objective

The Group's objective is to deliver an appropriate balance of investment return and underlying risk, taking into account the profile of the liabilities.

Risk Exposure

- Interest rate risk: The value of, or income from, investments held is subject to volatility from changes in market interest rates.
- Discount rate risk: Changes in interest rates also impact Soteria through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and regulatory basis.
- Credit Spread risk: Soteria is exposed to additional spreads related to the specific credit-worthiness of the issuer ("credit spreads").
- Bond default risk: The risk of loss due to default or delay in payments upon bank deposits, bonds or other money market instruments other than those issued by the UK government.
- Other market risks include risks such as equity or property risks whereby the value of investment funds is subject to volatility with the resulting movements in the market values directly affecting Group solvency.
- Currency Risk: The Group wrote contracts of insurance in the United Kingdom, and both insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in Euros

and US Dollars as well as sterling and consequently there is an exposure to currency risk, however this is minimised through the use of currency hedges.

- Note that the Group is not exposed to any market risks in respect of pension schemes.

Risk Measurement

Market risk is primarily measured by considering the compliance with the investment mandate. A forward looking measure is also captured by considering the material risk of economic outlook and investment volatility.

Risk Mitigation

Mitigation technique	Explanation
Management of risk through governance and the investment mandate.	The investment mandate is approved by the SIL Board and sets strategic asset allocation and limits of investment types and durations. The Investments, Finance and Capital Committee supports the SIL CFO in overseeing the monitoring and management of these risks and exposures against limits. The mandate is determined through considering the risk/reward trade off, the term and nature of the liabilities and the impact upon capital adequacy and solvency of the overall business.
Management of credit spread and default risks from corporate bonds.	Through setting limits for exposure to credit ratings and individual counterparties and transacting only through a diversified range of authorised counterparties. Ensuring that any cash deposits (in excess of counterparty limits) are collateralised on a daily basis.
Management of interest rate risk through investing in securities with a similar duration profile to the liabilities under the general insurance contracts.	The Group seeks to match the average duration of assets and liabilities in this portfolio by estimating their mean duration. The mean duration of financial assets is measured against the Investment mandate and remained within these boundaries during the period. The SIL investment mandate allows investment in a mixture of assets including index linked bonds, equity, global high yielding bonds and property to match, by amount and duration, periodic payment orders (PPOs) and provisions relating to historic liability claims from the electric industry. In order to do this, an expert opinion on life expectancy is used along with an expectation of long term average earnings inflation.

Sensitivity Analysis

The most significant aspects of market risk to which SIL is exposed are changes in value of investments and the effect of changes in credit spreads on corporate bonds. The resulting movements in the market values directly affect SIL's solvency. The SFHL Group risk is the same, as SFHL only holds cash in addition to its holdings in SIL.

An increase of 100 basis points in credit spreads would reduce the value of the Group's assets at the end of the financial year by £2,500k. This would reduce the Group's solvency by £2,000k net of tax, although it is likely that the overall net impact on solvency would be lower than this as the fall would be partially offset by a reduction in the value of liabilities arising from the use of the Volatility Adjustment to value claims provisions. The impact of a decrease of 100 basis points in credit spreads would have similar but opposite effects. Changes in the market value of investment undertakings also affects the Group's solvency. Every £1,000k reduction in value of these assets impacts the overall value of the Group's assets held, net of tax, by £810k, with a corresponding reduction in solvency offset in part by a reduction in the SCR.

Climate Change

The Group has incorporated Climate Change into its Risk Management Framework and Investment Mandate and has assigned an owner who is responsible for the management and reporting of climate change.

The Group has no live policies on risk meaning the exposure to climate change in the short term is limited. There will remain some longer tail claims, predominantly bodily injury, which are not expected to settle for a number of years. Climate change is not expected to have a material impact on the cost of these claims.

The Group does have an exposure to climate risk in its investment portfolio and, therefore, in market risk. The risks include a fall in the value of corporate bonds in carbon intensive companies due to stranded assets or legislation to deal with climate change. Furthermore, as more investors move to sustainable investment strategies there is the risk that investments that fall outside these criteria fall in price as a result. Soteria manages these risks by limiting its direct exposure to fossil fuels.

Many of the global climate reforms are targeting tangible change from the mid-point of this decade through to 2050. As the Group's outstanding claims and investment portfolio will be significantly reduced by the end of 2025, the Group considers that there is limited impact, particularly in the short to medium term, from climate change on its current business model and liabilities.

It is incumbent on the Group's management, Board and investment partners to ensure that the longer term investment strategy, albeit notably limited in size, is managed effectively and minimises the risk of excessive exposure to climate affected sectors.

Prudent Person Principle

In accordance with Solvency II, the PRA rules require that all Insurance undertakings should invest their assets in line with the Prudent Person Principle.

C.3 Credit Risk

Description

Credit risk is the risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations.

Risk Management Objective

The Group's objective is to achieve stable insurance earnings. This objective can best be met by minimising potential losses arising from credit risk. The Group does not aim to earn a return from credit risk, hence its credit risk appetite is very low.

Risk Exposure

The Group is primarily exposed to credit risk from reinsurance counterparties failing to meet financial obligations.

The Group manages credit risks associated with cash and corporate bonds as part of market risk (see Section C.2).

Risk Measurement

Credit risk is primarily measured by considering the compliance with the credit limits.

Risk Mitigation

Mitigation technique	Explanation
The Group manages credit risk through setting limits for exposure to credit ratings and individual counterparties.	Operationally, credit risk is managed by setting robust contract terms and having in place cashflow management processes with all counterparties. The Investment, Finance and Capital Committee supports the SIL CFO in overseeing the monitoring and management of credit risk and exposures against limits.
The Group places limits over exposure to a single reinsurance counterparty or counterparty group, based upon their credit-worthiness.	Where reinsurance is used to manage insurance risk, there is a risk that the reinsurer fails to meet its obligations in the event of a claim. These limits apply when reinsurance is initially placed, and are then regularly monitored by the Investment, Finance and Capital Committee. Where concern exists over the credit quality of a reinsurer, a review will be undertaken to determine the most appropriate management action.

Sensitivity Analysis

A stress tests of credit risk, whereby the largest reinsurer defaults and only 50% is recovered is captured within Section C.7.2.

C.4 Liquidity Risk

Description

Liquidity risk is the current and prospective risk to earnings or solvency arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses.

Risk Management Objective

The Group's objective is to maintain adequate liquidity at all times. This means the Group needs resources which are adequate to meet all policyholder and other funding obligations as they fall due, and achieves this primarily through the use of cash and highly liquid UK government and corporate bonds.

Risk Exposure

Soteria is exposed to liquidity risk as it needs liquid assets to meet its outgoings.

Risk Measurement

The model to assess liquidity takes into account projected future cashflows that would be required under stressed scenarios. Liquidity is assessed against minimum requirements for stressed investments and liquid investments. The values of stressed investments are the market values of the investments less haircuts which are based on the credit rating of the investment. Liquid investments are cash and gilts.

Risk Mitigation

Mitigation technique	Explanation
Governance structure to monitor liquidity.	The level of cash and other assets held are monitored regularly and managed through Investments, Finance and Capital Committee, with oversight by the BRC and Board. This includes monthly monitoring of liquid investments and stressed investments against risk appetite limits including forecasts for 2022 and beyond.
The investment mandate controls the exposure to concentration risk.	By setting limits on individual counterparties and credit ratings.

Expected Profits Included in Future Premiums

Solvency II regulations require the calculation of “Expected profits included in future premiums” (EPIFP). EPIFP are profits which result from the inclusion in Technical Provisions of premiums on existing (in force) business that will be received in the future, but that have not yet been received. They can be considered as the future premium receivable less the anticipated gross claims and expenses, related to this future premium only, and are calculated at Solvency II segment level for those classes producing a profit. The value of EPIFP is £nil.

Sensitivity Analysis

Stress Test and Scenario testing is captured within Section C.7.2.

C.5 Operational Risk

Description

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

Risk Management Objective

The Group’s objective is to maintain business confidence and to provide resilient business processes. Operational risk is managed through the implementation of a robust control environment which minimises the potential for loss as a result of the failure of processes, people, technology and due to external events.

The successful completion of the migration of data to MSG marked the start of a longer-term reduction in Operational Risk. The falling exposure and embedding of new practices and governance has ensured that SIL’s operation risk profile has continued to fall.

Risk Exposure

The Group can divide the operational risk into the following categories:

- Financial Reporting Risk
- Technology Risk (inc Cyber)
- Third Party Supplier Risk
- People Risk

- Financial Crime Risk
- Operational Resilience

Risk Measurement

Each operational risk sub-category has its own risk appetite metrics and thresholds, approved by the Risk Framework Owner (RFO). Of the above, the most material risks are people risk, third party supplier risk.

Risk Mitigation

Mitigation technique	Explanation
Operational risks are identified, managed and mitigated through on-going risk management practices including appetite review and RCSA process.	Operational risks and key controls are regularly reviewed by the Executive Team. Significant operational risks are reported to the Board Risk Committee (BRC) and Board.
Transfer of Risk	The Group has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which in 2022 included employer's liability and Directors and Officers.

Sensitivity Analysis

A stress tests of operational risk, whereby Soteria has to source an alternative third party provider is captured within Section C.7.2.

C.6 Other Material Risks

C.6.1 Strategic & Business Risk

Strategic & Business risk is the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital. This category also includes expense risk (which is low as expenses are largely fixed), any risks that arise from being in a group (which is low given SFHL only has one subsidiary) and reputation risk (which is low given that Soteria does not aim to have any market presence)

The Group's financial objective in managing these risks is to maintain capital adequacy.

The Group's Risk Vision is set by the SFHL Board and supported by a capital coverage risk appetite requirement. As the material risks arising occur within SIL the Group's Risk vision and appetite is then set and managed within the SIL Risk Vision and Appetite, underpinning this risk management objective. This is measured, monitored and reported regularly to the Executive, SIL BRC, SFHL RAC and Boards.

C.6.2 Conduct Risk

Conduct risk is the risk that the Group's processes, behaviours, offerings or interactions will result in unfair outcomes for customers, in particular vulnerable customers.

The Group's objective is to offer a fair customer outcome and to meet all regulatory requirements.

Conduct risk may arise from any aspect of the way a business is conducted, the sole test being whether the outcome is an unfair one for customers. Conduct risk is a key area of focus across the financial services industry, with close scrutiny from the FCA. Although all claims handling has been outsourced to MISL, the Group retains ownership of this risk, and ensures it receives the appropriate MI to enable the Group to perform the required oversight.

C.6.3 Regulatory Risk

Regulatory risk is the risk of regulatory sanctions, regulatory censure, material financial loss or loss to reputation the Group may suffer as a result of its failure to comply with regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities.

The Group's objective is to be compliant with all relevant regulatory requirements.

Regulatory risks are regularly monitored and reported to the SIL Executive, BRC and Board and the SFHL RAC.

C.7 Any Other Information

C.7.1 Risk Concentration

As Soteria progresses through run off it will inevitably become more exposed to concentration risk. In particular, reserves will become more dominated by PPOs. This is managed by regular review of reserves, stress testing and assessing standard formula appropriateness annually. Soteria manages concentration risk in its investments via the investment mandate which ensures an appropriate level of diversification and liability matching. In addition, reinsurance credit exposures are monitored to ensure they remain within defined limits.

C.7.2 Stress Tests

C.7.2.1 Stress Tests and Sensitivity Analysis

The Group uses Scenario Analysis, Sensitivity Analysis and Reverse Stress-Testing to analyse the impact of scenarios and changes in assumptions on Solvency, as well as understanding the events that would have to occur to cause Solvency Coverage to fall below the Company's risk appetite.

The table below shows the scenarios considered, which risks each scenario takes into account, the assumptions used and the impact on capital if the stressed scenario were to occur. It states the estimated decrease in surplus capital and the impact on the solvency ratio as at December 2023.

	Description	Primary Risk type impacted	Key Assumptions	Return Period	Amount	Amount
					£k	% of SCR
1	Investment Stress	Market risk	Fall in yield curve Default in specific areas of portfolio	1 in 20 to 1 in 100 years	5,000-10,000	10%-15%
2	A) Inflation	Reserve risk	Uplift in all claims	Up to 20 years	10,000-15,000	15%-20%
	B) Increase to BI claims	Reserve risk	Uplift in BI claims only	Up to 20 years	5,000-10,000	10%-15%
	C) PPO propensity	Reserve risk	PPO propensity increases	Up to 20 years	15,000-20,000	25%-30%
	D) PPO Longevity	Reserve risk	PPO life impairment reduced	1 in 20 to 1 in 100 years	5,000-10,000	15%-20%
	E) Latent Claims	Reserve risk	In respect of General Liability	1 in 20 to 1 in 100 years	5,000-10,000	15%-20%
3	RI default	Credit risk	Largest reinsurer fails	Over 1 in 200 years	5,000-10,000	15%-20%
4	MSG failure	Operational risk	Soteria requires a new outsource partner	1 in 20 to 1 in 100 years	<5,000	5%-10%

The investment stress is calculated by assessing the impact on own funds of a change in the yield curve and then overlaying a scenario whereby certain assets default. This is calculated by taking into account the underlying risk profile of the asset portfolio. The reserve stresses are calculated by the reserving team as part of their year end exercise. The RI default considers Soteria's largest exposure to a reinsurer and assumes that 50% is not recovered. Finally, the MSG failure stress is based on some work carried out on behalf of Soteria to calculate the cost of transferring to an alternative provider in the event that MSG were no longer able to fulfil their requirements.

Note that the impacts on the SCR will be second order and are not deemed material for this high level exercise. The table demonstrates that SIL is able to withstand any of the above stresses and remain within risk appetite. Note that an interest rate increase is beneficial for SIL as the liabilities have a much longer duration than the assets.

Timing of the Stresses

All of the stress tests are assumed to occur in H1 2023 as this is when the impact would be greatest in terms of the quantitative impact of the stress.

Liquidity Stress Testing

The Group uses a cashflow projection model for monitoring liquidity against internally set minimum liquidity requirements. The minimum liquidity requirements consider the projected cash outflows together with a large one-off payment, such as a regulatory fine or the settlement of a large bodily injury claim.

The two minimum liquidity requirements applied are:

- Liquid investments – considers liquidity to cover stresses over the next 1-2 months
- Stressed investments – considers liquidity to cover stresses over the next 3-6 months

Liquid investments consist of cash, money market funds and UK gilts, which can be readily converted to cash. Stressed investments represent the value of investments in a forced sale scenario, which applies a haircut depending on the type of asset and maturity.

Stress tests indicate that both liquid and stressed investments remain above the minimum requirements throughout the planning period.

Sensitivity Testing

The table below shows the expected materiality to the income statement of the various sensitivities.

Sensitivity	Impact on future P&L
Reserves +/-10%	Material Impact
Investment Returns +/-10%	Low impact
Expense base +/-10%	Low impact

D. Valuation for Solvency Purpose

The table below shows the balance sheet at the end of the reporting period calculated under both a Solvency II and a statutory basis. A description of the differences between the two valuation methods is included in Section D.1.4 (Assets), D.2.4 (Technical Provisions) and D.3.5 (Other Liabilities) below.

Valuation methods used by the Group for assets and liabilities under Solvency II are consistent with those of its insurance subsidiary, SIL.

A description of the bases, methods and main assumptions used for valuation of each material class of:

- Asset is included in Section D.1.
- Technical Provision is included in Section D.2.
- Other Liability is included in Section D.3.

	SIL UK GAAP (A) £000	**Consolidated UK GAAP (B) £000**	Reclassifications (C) £000	Restatements (D) £000	**Solo Solvency II (A)+(C)+(D) £000**	**Group Solvency II (B)+(C)+(D) £000**
Assets						
Investments	**309,634**	**309,634**	2,833	-	**312,467**	**312,467**
Mortgages and loans made	**15,161**	**15,161**	1,030	-	**16,191**	**16,191**
Reinsurance recoverables	**75,321**	**75,321**	(6,508)	18,739	**87,552**	**87,552**
Insurance and intermediaries receivables	**8,740**	**8,740**	(8,528)	-	**212**	**212**
Receivables (trade, not insurance)	**3,878**	**5,494**	(323)	(456)	**3,099**	**4,715**
Cash and cash equivalents	**98,258**	**98,294**	-	-	**98,258**	**98,294**
Any other assets, not elsewhere shown	**4,027**	**4,027**	(4,020)	-	**7**	**7**
Total assets	**515,019**	**516,671**	(15,516)	18,283	**517,786**	**519,438**
Liabilities						
Total technical provisions/ UK GAAP insurer contract liabilities	**326,145**	**326,145**	(14,161)	3,284	**315,268**	**315,268**
Derivative liabilities	**-**	**-**	272	-	**272**	**272**
Insurance and intermediaries payables	**1,367**	**1,367**	(1,143)	-	**224**	**224**
Reinsurance payables	**112**	**112**	-	24,733	**24,845**	**24,845**
Payables (trade, not insurance)	**289**	**289**	(286)	-	**3**	**3**
Subordinated liabilities	**-**	**70,101**	-	(2,726)[1]	**-**	**67,375**
Any other liabilities, not elsewhere shown	**3,101**	**24,722**	(198)	-	**2,903**	**24,524**
Total liabilities	**331,014**	**422,736**	(15,516)	25,291[1]	**343,515**	**432,511**
Excess of assets over liabilities	**184,005**	**93,935**	-	(7,008)[1]	**174,271**	**86,927**

[1] The adjustment of £2,726k on subordinated liabilities applies only to Group

D.1 Assets

D.1.1 Valuation Bases and Assumptions

Deferred Acquisition Costs

Deferred acquisition costs are costs relating to the acquisition of insurance contracts in force at the balance sheet date, which are carried forward from one reporting period to subsequent reporting periods because they relate to the unexpired periods of risks. Under UK GAAP they are initially valued at cost and amortised over the period to which they relate. Under Solvency II the cashflows relating to acquisition costs are taken into account within Technical Provisions.

Investments

The Group holds a portfolio of investments, being holdings in debt securities (government bonds and corporate bonds), real-estate backed lending and collective investments, which include funds of European asset-backed credit and global credit. Investments are denominated in sterling, US Dollars and Euros, with currency hedges held to mitigate foreign exchange fluctuations.

Debt securities

Initial measurement is at fair value, being purchase price upon the date on which the Group commits to purchase plus directly attributable transaction costs.

Subsequent valuation is at fair value. Fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) as found in Note 28 to SIL's Annual Report and Accounts. Where there is evidence of impairment, the extent of any impairment loss is recognised. No impairment loss has been recognised during the year.

In the Solvency II balance sheet the value of the investment includes accrued interest, which is classified within receivables under UK GAAP.

Real-estate backed lending and collective investment undertakings

Initial measurement is at fair value, being purchase price on the date on which SIL commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value, using the effective interest rate method. Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognised and valued in accordance with UK GAAP (FRS 102), except that deferred tax assets and liabilities in respect of temporary differences are valued based upon the difference between the values ascribed to assets and liabilities on the Solvency II balance sheet (recognised and valued in accordance with the Valuation and Technical Provisions parts of the PRA Rulebook for Solvency II firms) and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

In accordance with FRS 102 principles, the amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that:

- there are appropriate deferred tax liabilities against which the asset can be net against; or
- it is considered probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The assessment as to whether future taxable profits are available uses future profits from the Group's Strategic Plan as its basis. Based on forecast profits, the Group recognises the element of the deferred tax asset that it believes will be utilised within the planning horizon. At 31 December 2022 the Group had UK GAAP losses of £51,571k plus additional UK GAAP to SII temporary differences of £7,008k which were not recognised for deferred tax purposes as they are not forecast to be utilised within the planning horizon.

The net £nil deferred tax asset on the Solvency II balance sheet is comprised as shown in the table below:

Item	**Solo Solvency II** £000	**SIL UK GAAP** £000	**Group Solvency II** £000	**Consolidated UK GAAP** £000
Recognised deferred tax (assets)/ liabilities				
Capital allowances and other UK GAAP temporary differences This deferred tax asset principally comprises expected future tax depreciation in excess of accounting depreciation in relation to fixed assets.	(174)	(174)	(174)	(174)
Tax on unrealised gains and losses This deferred tax amount relates to a transitional arrangement from the IFRS to UK GAAP translation, requiring that previously recognised deferred tax liabilities on unrealised gains on investments are brought into tax over a 10 year period from 1 January 2022.	4,073	4,073	4,073	4,073
Tax on losses This deferred tax asset related to carried forward UK GAAP tax losses which may be utilised against the above unrealised gains and losses when they are brought into tax over the next 10 years.	(3,899)	(3,899)	(3,899)	(3,899)
Net deferred tax (asset)/liability	-	-	-	-
Losses not recognised for tax purposes				
UK GAAP losses not recognised for tax purposes	(51,098)	(51,098)	(52,003)	(52,003)
UK GAAP to SII temporary differences This relates to differences between the value of assets and liabilities on the Solvency II balance sheet and their value on the UK GAAP balance sheet (see section D.1.4 for further details).	(9,734)	-	(7,008)	-
Losses not recognised for tax purposes	**(60,832)**	**(51,098)**	**(59,011)**	**(52,003)**

Reinsurance Recoverables

This balance represents contracts with reinsurers that give rise to a significant transfer of insurance risk. The value of such items is calculated alongside the value of Technical Provisions (see Section D.2). Amounts recoverable under such contracts are recognised in the same period as the related claim. Premiums, claims and receivables are presented on a gross basis in the balance sheet.

The reinsurance recoveries balance incorporates the quota share arrangement. Under FRS 102 the recoveries, and amounts payable to the reinsurer, are not recognised as the contract contains rights of set off. A withheld funds account is used to record the balance held on behalf of the reinsurer (See Section D.3.1), and at the commutation of the contract any remaining amounts within the account would be settled.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. If objective evidence of impairment exists, reinsurance assets are reduced to the level at which they are considered to be recoverable.

Insurance and Intermediary Receivables

This balance relates to amounts due and past-due for payment by policyholders, insurers, and others linked to insurance business, that are not included in cash inflows of Technical Provisions. All insurance and intermediary receivables are annual and therefore, as they are recoverable within one year, are deemed to be short term in nature. The valuation is based on the outstanding amount owed to the business at the end of the reporting period, less appropriate allowance for estimated irrecoverable amounts.

Receivables (Trade, not Insurance)

This category includes any non-insurance amounts that are receivable from business partners. This includes commissions due from aggregators, brokers and other outsourcing partners. For Solvency II purposes fair value is deemed to be aligned to the UK GAAP valuation, as these receivables are short term in nature.

Cash and Cash Equivalents

This category includes cash held in bank accounts to meet short-term cash commitments, and cash held within the investment accounts. There are no valuation differences for cash between Solvency II and UK GAAP.

D.1.2 Changes Made to the Recognition and Valuation Bases Used or Estimations During the Reporting Period

There are no changes to the recognition and valuation bases used or estimations from the previous period to report.

D.1.3 Assumptions and Judgements About the Future and Other Major Sources of Estimation Uncertainty

There are no significant assumptions and judgements or areas of uncertainty in the valuation of assets.

D.1.4 Analysis of Differences Between the Valuation of Assets on a Financial Statements Basis (UK GAAP) and Valuation on a Solvency II Basis

A quantitative view of material differences between the valuation of assets on a Financial Reporting basis and valuation on a Solvency II basis is shown in the balance sheet at the beginning of Section D. Differences between these bases relating to assets are described below:

- The value of investments under Solvency II includes the value of interest earned but not received (accrued interest). Under UK GAAP the valuation of accrued interest is the same but this is categorised under 'receivables (trade, not insurance)'.
- Deferred tax is recognised under both UK GAAP and Solvency II, however the value of the balance is different owing to the differences in values of the assets and liabilities to which the deferred tax balance relates. Deferred tax is calculated on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II (or UK GAAP for Financial Reporting purposes) and the values ascribed to assets and liabilities as recognised and valued for tax purposes (see Section D.1.1).
- Insurance and intermediaries receivables recognised on an accruals basis under UK GAAP, are not recognisable as assets under Solvency II. The balance is replaced, within Technical Provisions, by future premiums receivable calculated on a cash flow basis, relating to amounts not yet due at the balance sheet date.
- Reinsurance recoverables incorporate the quota share reinsurance arrangement. Within the reinsurance agreement, monies due to or from the reinsurer under the 'Right of Offset' are reported within a withheld funds balance with any remaining balances settled at commutation of the contract. Under UK GAAP, the quota share withheld funds balance held on behalf of the reinsurer is recognised on an accruals basis and reported net of the associated reinsurance liability. Under Solvency II, the withheld funds are deemed a non-insurance cashflow and therefore recognised as a Reinsurance Payable (see Section D.3.1).

D.2 Technical Provisions

D.2.1 Value of Technical Provisions

Technical Provisions (TPs), represented by the sum of Best Estimate liabilities and Risk Margin, are held within SFHL's subsidiary SIL. SFHL does not contain any additional TPs on top of those within SIL, and therefore the figures mentioned below are the same for solo and group level.

The value of Best Estimate liabilities equates to the estimated net outwards cash flows in respect of business earned to date (Claim Provisions) and business to be earned in future but for which SIL has entered into a legal obligation with the customer (Premium Provisions). Since SIL's last policy exposure expired in March 2022, Premium Provisions have been nil.

The Risk Margin is an additional provision prescribed by the regulator which insurance companies are required to hold in addition to the Best Estimate liabilities.

The table below shows a summary of the level of TPs by line of business at the end of 2022

	Motor	Fire & other damage	General liability	Non-life annuities	Total
	£000	£000	£000	£000	£000
Best estimate liabilities (net)	150,231	15,929	14,450	32,550	213,160
Risk margin	11,679	1,341	1,293	243	14,556
Total technical provision (net)	161,910	17,270	15,743	32,793	227,716
Reinsurance recoverables	51,133	4,049	241	32,128	87,551
Total technical provision (gross)	213,043	21,319	15,984	64,921	315,267

A description of the bases, methods and main assumptions used to calculate the Technical Provisions is included below.

D.2.1.1 Claims Provisions

Claims Provisions relate to events that occurred on or before the reporting date and comprise all material future in and out going cash flows.

Claims Provisions are calculated by line of business and key claim type, by suitably qualified personnel, using a combination of recognised actuarial and statistical techniques in order to calculate the total cost of claims, which then form the main part of the provision.

These techniques include:

- Projecting historic numbers of claims, claims payments, recoveries and incurred data – Chain Ladder technique
- Average cost per claim methods are used for additional insight in certain areas
- Bornhuetter-Ferguson/Cape Cod techniques based on cost per policy, cost per claim and loss ratio
- Large value Motor claims are projected on an individual basis in order to calculate expected reinsurance recoveries

Extensive analysis of detailed claims data, including individual case estimates, is undertaken to derive patterns in claims costs. The most common method used to derive patterns is called the Chain Ladder method.

A judgement overlay based on individual claims analysis has been placed on large claims with historic savings not currently being observed.

Once an estimate of the future claims cost has been calculated, the timing of future cash payments is estimated. This is based on past claims payment experience. These future payments are then discounted using a discount rate prescribed by the PRA and adjusted to take into account the following items which are described in more detail below:

- Reinsurance claims
- Expenses
- Events not in data (ENID). For example, Latent claims.

Reinsurance – A provision is included to allow for the expected amount of reinsurance premium payable and is dependent upon the volumes of business written during the year of cover. The estimated premium will be in respect of exposure to claim events occurring on or before the balance sheet date. This provision is offset by the expected claims costs to be paid by the reinsurer.

Expenses – A provision is held for the expected expenses associated with settling the existing claims. These are made up of claims handling expenses and an allocation of other management and administration costs relating to the settlement of the outstanding claims costs using figures from the business plan on a run-off approach.

ENID – There is a possibility that claims could arise in future from causes which are not yet known about. Scenarios have been created of possible events leading to ENID latent claims. Past examples are Asbestosis or Industrial deafness claims, where claims were made several years after the events.

High level assumptions underlying the Claims Provisions are agreed and signed off by senior management.

These include:

- In respect of existing Periodic Payment Order (PPO) cases, it is assumed that care costs will increase in line with expected earnings or price inflation as appropriate for each case and that an individual's life expectancy is in line with expert opinions (or the general population where these are not available). In addition, allowance is made for possible future PPO cases by assessing which claims are likely to result in PPO settlement and what would be the associated costs. Such costs are then discounted at the Risk Free Rate in line with known PPO claims. The assumed probability of settling on a PPO basis makes allowance for the level of the Ogden discount rate.
- Inflation – in respect of calculating Gross Reserves, judgement is required as to whether future inflation of claims costs is in line with that implicit in the base data. Any difference is allowed for explicitly in the calculation of the undiscounted reserves. Likewise, explicit inflation is allowed for in deriving the reinsurance recoveries for Motor claims by indexing both the claims cost and reinsurance retention until settlement.
- Expenses – The level of expenses to be incurred in respect of the business included within the Claims Provisions needs to be allowed for until all such liabilities have been settled.
- Future Mesothelioma Notification Pattern - The reserve amount within the legacy liability business, particularly in respect of Mesothelioma, is highly sensitive to the assumptions made. One of the most material assumptions is how the number of new claims notified will reduce over time. The use of decay curves based on industry data which are produced by the IFoA have become a market standard approach and are used.

The Key Assumptions in the projection analysis carried out are as follows:

- The development factors selected for the Best Estimate projections reflect the mean expectation of future development.
- The groupings chosen by product and claims description code/payment code/peril code are broadly homogeneous.

- The development ratios in the data, after making appropriate allowance for known trends, will be repeated in future. A manual judgement has been overlaid because there have been delays in obtaining medical evidence, particularly for the large injury claims.
- No significant events occurred after the cut-off point of data.

D.2.1.2 Premium Provisions

Premium provisions are nil following the expiry of all live policies.

D.2.1.3 Risk Margin

Risk Margin is the additional amount of provision prescribed by the regulator which insurers are required to hold over and above the value of the Best Estimate liabilities. The Risk Margin is described in more detail in Section D.2.2.

D.2.2 Simplifications

A simplified approach has been taken to the calculation of the Risk Margin.

The Risk Margin is set to the cost of holding regulatory capital while liabilities run off with the purpose of making the overall TPs equal to the amount that another company would require to take over and meet the insurance liabilities.

It is apportioned to Solvency II class of business according to the standalone initial SCR.

The calculation depends heavily on the mix of business. Higher risk business segments require a larger SCR, and this directly increases the Risk Margin, but there is prescribed diversification credit between classes of business. In addition, longer-tailed classes of business need to be supported by capital for longer and tend to add more to the Risk Margin. Consequently, the calculation is sensitive to the assumed run-off pattern for each segment of the business. The calculation includes an allowance for discounting, and so is sensitive to the risk-free rate.

D.2.3 Uncertainty

The uncertainty existing within TPs is primarily due to the random nature of how claims develop and is impacted by both external and internal factors. For example, inflation may be higher or lower than expected or claims may be settled more quickly or slowly than anticipated.

Assessment of the uncertainty of key assumptions through sensitivity testing of plausible alternative views gives management a clearer understanding of the key risks and provides an indication of the level of confidence in the reported reserves. Sensitivity analysis is performed to understand the effect of key inputs which include the most material assumptions.

The results of the sensitivity analysis on the value of the TPs are shown below:

Uncertainty	**Alternative view**	**Impact on net TPs £000**
ASHE Index	Increase in the ASHE Index of 0.5% for both (a) known PPOs and (b) the impact on potential future PPO settlements.	3,800
Future claim notifications from past liability business	Mesothelioma future years run off start from a figure of 2 notifications more than the chosen assumption.	3,500
Ogden discount rate	Decrease in Ogden rate to -1.5%.	10,600

D.2.4 Analysis of Differences Between the Valuation of Technical Provisions on a Financial Reporting Basis (UK GAAP) and Valuation on a Solvency II Basis

The SII claims provisions are closely aligned to the UK GAAP best estimate reserves, with the main exception being the change in discounting basis.

All provisions are discounted under SII whereas under UK GAAP, most of the claims reserves are not discounted. PPO claims are discounted at a fixed rate assessed annually based on the investment return expected from assets backing these liabilities under UK GAAP, compared to the prescribed rates under SII.

The following explains the movements between TPs held for UK GAAP reporting purposes and those for Solvency II purposes, as at the end of the reporting period. Where appropriate, values are shown for Motor (including the Motor liability, PPOs and Other motor insurance lines of business) and Non-Motor (mainly the Fire and other damage to property insurance and General Liability lines of business).

Net UK GAAP reserves are the UK GAAP Insurer Contract Liabilities as shown in the balance sheet at the beginning of Section D (£326,145k), less reinsurance recoverables (£75,321k). The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to a SII basis.

	Motor	**Non-Motor**	**Total**
	£000	£000	£000
UK GAAP Insurer Contract Liabilities	282,167	43,978	326,145
Reinsurance recoverables	(44,919)	(30,402)	(75,321)
UK GAAP Net TPs	237,248	13,576	250,824
Salvage and Subrogation reserves	(6,442)	(845)	(7,287)
Remove GAAP discounting	52,806	-	52,806
SII Discounting	(67,687)	(6,903)	(74,590)
Additional expenses	22,115	6,570	28,685
Replace GAAP management margin with risk margin	(2,857)	2,215	(642)
Quota Share	(20,823)	(1,257)	(22,080)
SII Net TPs	214,360	13,356	227,716

The SII Net TPs are as shown in Section D.2.1.

D.2.5 Matching Adjustment

SIL does not apply a Matching Adjustment.

D.2.6 Volatility Adjustment

A Volatility Adjustment has been used (as approved by the PRA) to discount all future cash flows in respect of the Claims Provisions. The Volatility Adjustment reduces Best Estimate TPs, net of reinsurance, by £3,520k (2021: £2,940k), reduces the Standard Formula Solvency Capital Requirement (SCR) by £592k and leads to an increase in solvency coverage of £4,112k (8%).

The table below sets out the impact on Own Funds, Risk Margin and SCR, further information on which is included in Section E.2.2.

	31 December 2022		31 December 2021		Movement	
	Solo £000	Group £000	Solo £000	Group £000	Solo £000	Group £000
Eligible Own Funds before Volatility Adjustment	170,751	123,876	198,074	149,191	(27,323)	(25,315)
Effect of Volatility Adjustment	3,520	3,520	2,940	2,940	580	580
Eligible Own Funds	174,271	127,396	201,014	152,131	(26,743)	(24,735)
SCR before Volatility Adjustment	59,390	59,391	86,505	86,506	(27,115)	(27,115)
Effect of Volatility Adjustment	(592)	(592)	(283)	(283)	(309)	(309)
SCR	58,798	58,799	86,222	86,223	(27,424)	(27,424)
Solvency Coverage Ratio before Volatility Adjustment	288%	209%	229%	172%	59%	36%
Solvency Coverage Ratio	296%	217%	233%	176%	63%	40%
Solvency Coverage	115,473	68,597	114,792	65,908	681	2,689

The impact on the Minimum Consolidated Group SCR is a reduction of £199k.

D.2.7 Transitional Interest Rate

SIL has not applied the transitional risk-free interest rate.

D.2.8 Transitional Deduction

SIL has not applied the transitional deduction to the TPs.

D.2.9 Impact of Reinsurance and Special Purpose Vehicles

SIL has a number of different reinsurance arrangements in place. The main ones are:

- The Motor XoL Risk programme covers large individual motor losses.
- There is a quota share arrangement whereby a proportion of the net premium earned during 2017, 2018, 2019 and 2020 on the combined motor and home business is ceded. The quota share arrangement applies after other reinsurance covers.

SIL does not use Special Purpose Vehicles.

D.2.10 Material Changes in Assumptions from Previous Reporting Period

There are no material changes in assumptions from the calculation of Technical Provisions as at 31 December 2022.

D.3 Other Liabilities

D.3.1 Valuation Bases and Assumptions

Details of SIL's and the Group's liabilities, other than Technical Provisions (see Section D.2), including the valuation bases and main assumptions used (where applicable) are shown below by material class of liability.

Contingent Liabilities

Contingent liabilities and contingent contract obligations in existence at 31 December 2022 are detailed in Notes 23 and 24, and Notes 25 and 26 of SIL's and the Group's Annual Report and Accounts respectively.

The expected value of each contingent liability and contingent contract obligation reflects all expectations of possible cash flows and not the single most likely or the expected maximum or minimum cash flow. However, the more likely it is that any particular outcome will occur, the greater the effect that the outcome has on the expected value (probability weighted cash flow method).

The Group reviews all contingent liabilities and contract obligations using the following definition of materiality; "contingent liabilities shall be material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities."

The contingent liabilities and contract obligations in existence at 31 December 2022 are immaterial, as calculated using the probability weighted cash flow method.

Provisions Other Than Technical Provisions

This category relates to liabilities of uncertain timing or amount. Provisions are recognised when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Valuation is at fair value based on the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Insurance and Intermediaries Payable

This balance comprises commission payable on premiums not yet received and premiums collected in advance of the due date. These balances are short term in nature and therefore reflect the current market value in line with the Solvency II valuation hierarchy.

Reinsurance Payables

As explained in Section D.1.1 above, contracts with reinsurers that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. The Group has three main reinsurance arrangements: Motor and Catastrophe Excess of Loss (XoL) programmes and, for accident years from 2017 to 2020, a quota share. Under UK GAAP the reinsurance payables and receivables under XoL are recognised on the balance sheet gross while the quota share is presented net.

The Technical Provisions in the Solvency II balance sheet include all amounts payable and receivable under the XoL programme, however the quota share funds withheld balance is not included as a component of those provisions. It is recognised as a separate liability (£24,845k (2021: £44,791k)), outside of the Technical Provisions, as it is not expected to be paid to the reinsurer. The amounts are recorded at their contractual value.

Payables (Trade, not Insurance)

This balance relates to liabilities due to suppliers which are not insurance related. These balances are short term in nature and therefore reflect the current market value in line with the Solvency II valuation hierarchy.

Deferred Tax Liabilities

Details regarding deferred tax liabilities are set out in Section D.1.1.

Subordinated liabilities

Subordinated liabilities relate to a £12,000k subordinated perpetual loan, charged at 17.5% interest per annum and a £60,000k subordinated term loan due 2030, both issued on 2 December 2020. The value has been calculated using a cashflow model (see Section D.4). The subordinated liabilities meet the requirements for classification as Tier 1 Restricted and Tier 2 instruments respectively (see Section E.1.2).

Other Liabilities not shown elsewhere

This is a category for all liabilities not captured elsewhere. The balance is predominantly UK GAAP expense accruals, which are short term in nature and therefore reflect a market price valuation in line with the Solvency II valuation hierarchy. This balance also includes contributions to defined contribution pension schemes totalling £14k (2021: £12k).

D.3.2 Changes Made to the Recognition and Valuation Bases Used or Estimations During the Reporting Period

There are no changes to the recognition and valuation bases used or estimations from the previous period to report.

D.3.3 Assumptions and Judgements About the Future and Other Major Sources of Estimation Uncertainty

There are no significant assumptions and judgements or areas of uncertainty in the valuation of other liabilities.

D.3.4 Expected Timing of any Outflows of Economic Benefits

The expected timing of cash outflows relating to contingent liabilities is unknown, owing to their nature. However, there are currently no material contingent liabilities. £60,000k of the subordinated liabilities are due to be repaid in 2030, with the remaining £12,000k being a perpetual loan. Debts owed to credit institutions, insurance and intermediaries payable and other liabilities are settled throughout the year with all such balances due in less than one year.

D.3.5 Analysis of Differences Between the Valuation of Other Liabilities on a Financial Reporting Basis (UK GAAP) and Valuation on a Solvency II Basis

A quantitative view of material differences between the valuation of other liabilities on a Financial Reporting basis and valuation on a Solvency II basis is shown in the balance sheet at the beginning of Section D. Differences between these bases relating to other liabilities are described below:

- Subordinated liabilities – recognised initially at fair value under UK GAAP, which equates to issue proceeds net of transaction costs incurred. Borrowings are then subsequently stated at amortised cost. In line with Solvency II guidance, a ‘bottom up’ approach has been adopted to value the subordinated liability (see Section D.4).
- Reinsurance payables – the withheld funds balance arising from the ‘Right of Offset’ within the quota share reinsurance arrangement is recognised on an accruals basis and reported within Reinsurance Recoverables under UK GAAP. On a Solvency II basis, the withheld funds are deemed to be a non-insurance cashflow and are reported within Reinsurance Payables on the balance sheet.

D.4 Alternative Methods for Valuation

Subordinated liabilities are valued using a market approach consistent with Article 10(7) of the Solvency II Delegated Regulation. The value is calculated using a cashflow model which seeks to estimate the market value, adjusting for changes in SFHL's own credit standing in the period between date of issue and the reporting date.

Some of the Group's collective investment undertakings and the real-estate backed lending cannot be valued at prices derived from inputs that are observable for the asset, as disclosed in Note 28 to SIL's Annual Report and Accounts. Where this is the case, these are valued initially at fair value, being purchase price on the date on which SIL commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is fair value, using the effective interest rate method, which is considered the most appropriate approach for these asset types.

Managers may use the following valuation techniques to calculate the fair value of credit assets:

- Contractual cashflows from the credit asset are projected forwards to their expected payment date;
- The probability of default, loss given default and exposure at default are used to project expected credit losses; and
- The cash flows, net of expected credit losses, are discounted back to their present value using the appropriate market discount rate at the reporting date.

The discount rate can depend on the following factors:

- Risk free interest rates and other similar benchmark interest rates;
- Prevailing credit spreads for the given type of asset;
- Currency; and
- Duration

The selection of discount rate needs to be considered carefully because some of the above items are easily observable (e.g. the risk free rate) and others are unobservable (e.g. prevailing credit spreads). In some case the observable and unobservable factors are inversely correlated so as one increases the other reduces. Managers may generally calculate the implied discount rate at initial recognition and make adjustment to this for known changes at the reporting date. A Valuation Committee at each of the sub-fund managers holding the investments is responsible for approving the appropriate discount rate to use in the fair value calculations and will take into consideration the above requirements along with any changes in reference rates that are deemed material. The valuations are subject to regular independent review.

D.5 Any Other Information

Going concern – solo

The solo SIL SFCR is prepared on a going concern basis and the Directors are satisfied that SIL has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2024. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the Company continues as a going concern as, during the run-off period, the Company operates its business of administration and settlement of outstanding claims. Projections take into account the recognition of all future expenses within technical provisions at the point SIL went into run-off. SIL's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory and economic capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show a low point in the Economic Capital Requirement (ECR) coverage of 150% in June 2023, when the dividends are paid. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts) and stressed investments (the value of investments in a stressed scenario after applying a haircut, which considers the type of asset and maturity). Both projected liquid investments and stressed investments are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, SIL has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that SIL would likely be able to meet the majority of payments solely from existing cash holdings and investment maturities, with only modest reliance on additional income from the sale of highly liquid gilts or highly rated corporate bonds.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the ECR and SCR coverage ratio is projected to fall below 100% if dividends are paid as planned but would remain in amber or green status if future dividends were cancelled. In this scenario, SIL would still be expected to be able to meet all of its liabilities as they fall due through the sale of corporate bonds.

Going concern – Group

The Group SFCR is prepared on a going concern basis and the Directors are satisfied that the Group has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2024. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that SIL continues as a going concern as, during the run-off period, the Group operates its business of administration and settlement of outstanding claims. Projections take into account the recognition of all future expenses within technical provisions at the point SIL went into run-off. They also take into account the option to cancel or defer, respectively, the interest payments on the Tier 1 and Tier 2 loan instruments in the event that SFHL has insufficient solvency or liquidity. The Group's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show a low point in the SCR coverage of around 228% in June 2023. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts) and stressed investments (the value of investments in a stressed scenario after applying a haircut, which considers the type of asset and maturity). Both projected liquid investments and stressed investments are expected to be in excess of the Board’s risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, an adverse claims experience and a fall in the market value of assets. In all cases, solvency coverage remains above 140%. In each scenario, the Group has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that SIL would likely be able to meet the majority of payments solely from existing cash holdings and investment maturities, with only modest reliance on additional income from the sale of highly liquid gilts or highly rated corporate bonds.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, solvency coverage remains at over 140%. In this scenario, the Group would still be expected to be able to meet all of its liabilities as they fall due through the sale of corporate bonds. If required, SIL will allow SFHL to defer reimbursement of expenses incurred on its behalf until SFHL has the cash to reimburse SIL and interest payments on the Tier 1 and Tier 2 loan instruments could be cancelled or deferred, respectively.

E. Capital Management

E.1 Own Funds

E.1.1 Objectives, Policies and Processes for Managing Own Funds

E.1.1.1 Background and Objectives

Own Funds correspond to SIL's and the Group's available financial resources (capital) which can serve as a buffer against risks and absorb financial losses.

SIL's and the Group's strategy in respect of capital management is to maintain financial strength by ensuring that the following objectives are met:

- There is sufficient capital to meet all regulatory requirements – i.e. the value of Own Funds is greater than the Solvency Capital Requirement (see Section E.2) and will continue to be so throughout the business planning period.
- There is additional capital ("solvency coverage") to meet internal Board agreed thresholds which are above regulatory requirements. This ensures that policyholders are protected and also that the Board's risk appetite is met.
- Subject to the above objectives being met, capital is distributed to its investors.

The policies and processes employed by SIL and the Group are designed to benefit policyholder protection by giving management an accurate understanding of the amount and quality of SIL's and the Group's Own Funds. This helps SIL and the Group to ensure that sufficient Own Funds are held to absorb unexpected losses and maintain solvency. This is a key focus in SIL's and the Group's business planning.

E.1.1.2 Policies and Processes

The Board sets capital risk appetite, which defines how much additional capital the Company should hold over and above its regulatory capital requirement. This coverage in excess of 100% provides an additional cushion well beyond the regulatory capital requirement, providing additional security for policyholders by ensuring that SIL and the Group can survive even the most severe unexpected losses.

SIL and the Group have maintained capital above all their regulatory requirements throughout the period. They have also maintained sufficient capital to meet the Boards' capital risk appetite that was in force.

SIL and the Group review solvency regularly, with reports provided to the Board periodically, and more frequent monitoring of key components. In the event that SIL or the Group fall below their risk appetite, it would be possible to reduce capital requirements by executing actions that reduce risk albeit often resulting in reduced returns.

E.1.2 Analysis of Own Funds by Tier

Under Solvency II regulations the excess of assets (other than deferred tax assets) over liabilities is classified as Tier 1 capital. Deferred tax assets, to the extent they are recognised, are classified as Tier 3 capital.

In addition, the Group holds:

- Tier 1 Restricted Own Funds in the form of £12,000k of a subordinated perpetual loan, charged at 17.5% interest per annum, from GSO Capital Opportunities Fund III (Luxembourg) S.à r.l. (£11,000k) and TF Special Opportunities – Frisco Limited (£1,000k).
- Tier 2 Own Funds in the form of £60,000k of a subordinated term loan due 2030 at par, charged at 16.875% interest per annum, from GSO Capital Opportunities Fund III (Luxembourg) S.à r.l. (£56,000k) and TF Special Opportunities – Frisco Limited (£4,000k).

The Group previously held Ancillary Own Funds in the form of cash held in escrow of £25,000k which could be drawn upon by SIL as required. The agreement with Soteria AOF Solutions Limited (SAOFS), a company related to SFHL through having the same shareholders, was approved by the PRA to be treated as Tier 2 Ancillary Own Funds. SIL did not draw upon this funding and the PRA approved the cessation of this facility with effect from 10 February 2022.

The table below shows Own Funds by tier and amount of eligible Own Funds versus the SCR and MCG SCR at the end of the reporting period.

Group	2022					2021	
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total	Movement
	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	100	100	-	-	-	100	-
Share premium account	36,900	36,900	-	-	-	36,900	-
Reconciliation reserve	49,927	49,927	-	-	-	60,577	(10,650)
Subordinated liabilities	67,375	-	11,070	56,305	-	68,990	(1,615)
Total basic own funds after deductions	154,302	86,927	11,070	56,305	0	166,567	(12,265)
Ancillary own funds	-	-	-	-	-	25,000	(25,000)
Total available own funds to meet the consolidated group SCR	154,302	86,927	11,070	56,305	-	191,567	(37,265)
Total available own funds to meet the MCG SCR	154,302	86,927	11,070	56,305	-	166,567	(12,265)
Total eligible own funds to meet the consolidated group SCR	127,396	86,927	11,070	29,399	-	152,131	(24,735)
Total eligible own funds to meet the MCG SCR	101,303	86,927	11,070	3,306	-	113,822	(12,519)
Consolidated group SCR	58,799					86,223	(27,424)
Consolidated group MCG SCR	16,529					24,295	(7,766)

100% of Tier 1 Basic Own Funds held at the end of the reporting period were available to meet the SCR. In line with Solvency II regulations, all Tier 1 unrestricted items are eligible to meet the SCR, whilst the value of Tier 2 and Tier 3 items is not permitted to exceed 50% of the value of own funds eligible to meet the SCR. Restricted Tier 1 items must form less than 20% of total Tier 1 items.

100% of Tier 1 Basic Own Funds held at the end of the reporting period were available to meet the MCG SCR, whilst the Ancillary Own Funds are not available to meet the MCG SCR. In line with Solvency II regulations, all Tier 1 items are eligible to meet the MCG SCR, whilst Tier 2 basic Own Funds are eligible as long as they are less than 20% of the MCG SCR. Restricted Tier 1 items must form less than 20% of total Tier 1 items.

Solo	2022					2021	
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total	Movement
	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	38,000	38,000	-	-	-	208,000	(170,000)
Reconciliation reserve	136,271	136,271	-	-	-	(31,986)	168,257
Total basic own funds after deductions	174,271	174,271	-	-	-	176,014	(1,743)
Ancillary own funds	-	-	-	-	-	25,000	(25,000)
Total available own funds to meet the SCR	174,271	174,271	-	-	-	201,014	(26,743)
Total available own funds to meet the MCR	174,271	174,271	-	-	-	176,014	(1,743)
Total eligible own funds to meet the SCR	174,271	174,271	-	-	-	201,014	(26,743)
Total eligible own funds to meet the MCR	174,271	174,271	-	-	-	176,014	(1,743)
Solo SCR	58,798					86,222	(27,424)
Solo MCR	16,529					24,295	(7,766)

E.1.2.1 Tier 1

Share Capital

SFHL has issued 10 million ordinary shares of £0.01 each giving share capital of £100k. SIL originally issued 208 million ordinary shares of £1 each, however, on September 2022, 170 million shares were cancelled and extinguished by special resolution. This reduced the number of shares to 38 million. The ordinary shares have attached to them full voting, dividend and capital distribution rights. The ordinary shares do not confer any rights of redemption. All SIL shares are held by SFHL.

All the shares constitute a single class of ordinary share.

Share Premium

SFHL has share premium of £36,900k, relating to 9,999,999 ordinary shares of £0.01 each which were issued for £37,000,000.

Reconciliation Reserve

The reconciliation reserve is derived by taking the excess of assets over liabilities from the balance sheet and reducing it by the value of ordinary share capital, share premium, UK GAAP retained earnings and other reserves, and deferred tax assets. As such it represents the changes resulting from valuation differences between UK GAAP versus Solvency II.

The reconciliation reserve is calculated as follows:

	Solo	Group
	£000	£000
Excess of assets over liabilities	174,271	154,302
Less:		
Share capital	(38,000)	(100)
Share premium	-	(36,900)
Subordinated liabilities	-	(67,375)
Reconciliation reserve	136,271	49,927

The value of the reconciliation reserve is directly related to the value of the excess of assets over liabilities and is therefore subject to potential volatility of those assets and liabilities. Regular Solvency II balance sheet forecasting is undertaken to monitor the expected future value of assets and liabilities. Where risks are identified, management actions are undertaken to mitigate any impact on solvency coverage.

Subordinated Debt

On 2nd December 2020, the Group issued £12,000k of a subordinated perpetual loan, charged at 17.5% interest per annum, to GSO Capital Opportunities Fund III (Luxembourg) S.à r.l. (£11,000k) and TF Special Opportunities – Frisco Limited (£1,000k). This loan is classified as Tier 1 Restricted Own Funds.

E.1.2.2 Tier 2

Ancillary Own Funds

Previously, SIL and the Group had an agreement with Soteria AOF Solutions Limited (SAOFS) to provide access on request to funding of £25,000k, which was approved by the PRA to be treated as Tier 2 Ancillary Own Funds. This Ancillary Own Funds capital is no longer required and the PRA approved the cessation of this facility with effect from February 2022.

Subordinated Debt

On 2nd December 2020, the Group issued £60,000k of a subordinated term loan due 2030 at par, charged at 16.875% interest per annum, to GSO Capital Opportunities Fund III (Luxembourg) S.à r.l. (£56,000k) and TF Special Opportunities – Frisco Limited (£4,000k).

E.1.2.3 Tier 3

Deferred Tax

A deferred tax asset is recognised when future taxable profits are deemed available within the planning horizon to utilise the asset. The deferred tax asset recognised by SIL as detailed in Section D.1.1 is offset by the deferred tax liability and therefore a net nil deferred tax asset is reported at 31 December 2022.

E.1.2.4 Changes in Own Funds by Tier Over the Reporting Period

Group	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000	Tier 2 £000	Tier 3 £000
Available own funds in previous year	191,567	97,577	11,443	82,547	-
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	(62,985)	(62,985)	-	-	-
Change in valuation differences between UK GAAP and Solvency II	52,335	52,335	-	-	-
Removal of AOF	(25,000)	-	-	(25,000)	-
Change in market value of subordinated debt	(1,615)	-	(373)	(1,242)	-
Available own funds in current year	154,302	86,927	11,070	56,305	-

Solo	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000	Tier 2 £000	Tier 3 £000
Available own funds in previous year	201,014	176,014	-	25,000	-
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	(52,433)	(52,433)	-	-	-
Change in valuation differences between UK GAAP and Solvency II	50,690	50,690	-	-	-
Removal of AOF	(25,000)	-	-	(25,000)	-
Available own funds in current year	174,271	174,271	-	-	-

Group available own funds have reduced by £37,265k between 31 December 2021 and 31 December 2022.

Tier 1 unrestricted own funds have reduced by £10,650k, largely owing to losses incurred for the year of £62,985k (described in Section A.2), which has been offset by the sum of valuation differences between UK GAAP and Solvency II.

E.1.3 Other Information in Relation to Own Funds

E.1.3.1 Loss Absorbency Mechanisms

SIL does not have any Own Funds relating to paid-in subordinated mutual member accounts, paid-in preference shares and the related share premium account or paid-in subordinated liabilities included in Tier 1 capital, and therefore disclosure of loss absorbency mechanisms to comply with Article 71 (1)(e) of the Solvency II Delegated Regulation is not relevant.

The Group has £11.1m Tier 1 restricted capital relating to subordinated liabilities which can be converted to equity at a specified rate in the event of a Principal Loss Absorbency Event, which is defined as any of the following:

- The Group SCR coverage falls to 75% or below; or
- The SCR is breached for three months; or
- The Group MCG SCR falls to 100% or below.

E.1.3.2 Total Equity Under UK GAAP versus Basic Own Funds Under Solvency II

	Solo	Group
	£000	£000
Total equity per Annual Report and Accounts	184,005	93,935
Difference in valuation of assets and liabilities	(9,734)	(7,008)
Subordinated debt	-	67,375
Basic Own Funds	**174,271**	**154,302**

Differences in valuation of assets and liabilities between UK GAAP and Solvency II are described in Sections D.1.4 (Assets), D.2.4 (Technical Provisions) and D.3.5 (Other Liabilities). The adjustments described have the effect of reducing the value of Own Funds by the same value as the reduction in net assets, being £7,008k for Group and £9,734k for solo. Overall, for Group, Basic Own Funds are £60,367k higher than Equity under UK GAAP owing to Tier 1 Restricted and Tier 2 subordinated debt of £67,375k which is added back to Basic Own Funds but remains a liability under UK GAAP.

E.1.3.3 Transitional Arrangements

Transitional arrangements, lasting a maximum of ten years from 1 January 2016, have been introduced to the Solvency II regime to provide a smooth transition between Solvency I and Solvency II requirements. The Group does not have any Basic Own Fund items that are subject to transitional arrangements.

E.1.3.4 Ancillary Own Funds

Previously, the Group had an agreement with Soteria AOF Solutions Limited (SAOFS) to provide access on request to funding of £25,000k, which was approved by the PRA to be treated as Tier 2 Ancillary Own Funds. The available funds were held in an escrow account which SIL could draw down on at its discretion. In the event that these ancillary funds were utilised, shares would be issued in SIL which would be classified as Tier 1 Basic Own Funds. There was no availability restriction at group level in relation to the AOF as the value of the AOF is lower than SIL's share of the group SCR. This Ancillary Own Funds capital is no longer required and the PRA approved the cessation of this facility with effect from 10 February 2022.

E.1.3.5 Items Deducted from Own Funds

No items have been deducted from Own Funds.

E.2 Solvency Capital Requirement and Minimum Consolidated Group SCR

Under the Solvency II regime, an insurance group is required to hold sufficient capital to cover unexpected losses. These additional funds held reduce the chance of insurers running out of funds, thus protecting policyholders. There are two capital requirements: the Solvency Capital Requirement and the Minimum Consolidated Group SCR. The Group uses Method 1, as referred to in Articles 230 and 233 of Directive 2009/138/EC, to calculate group solvency.

E.2.1 Minimum SCR (MCR) and Minimum Consolidated Group SCR (MCG SCR)

The MCR (for solo purposes) and MCG SCR (for Group purposes) are calculated using a prescribed formula using the value of Best Estimate Technical Provisions split by Solvency II line of business and the value of net written premium, including bound but not incepted business, over a rolling 12-month period up to the reporting date, also split by Solvency II line of business. The MCR and MCG SCR are then subject to a minimum value (floor), which is equal to 25% of the relevant SCR (either solo or Group), and maximum value (ceiling), which is equal to 45% of the relevant SCR. The MCR and MCG SCR also have an absolute floor, set at €3,700k and converted to pounds sterling. The calculation results in the MCG SCR being equal to the solo MCR.

E.2.2 Solvency Capital Requirement (SCR)

The SCR should be sufficient to protect the group from unexpected losses over the following year – losses that are not expected more often than once every 200 years – and still be able to honour its claims. There are two ways of calculating the SCR. Insurers can use their own model (Internal Model) with approval from the PRA. Otherwise, they can use a standard approach (Standard Formula) defined by the regulations. However, even when using the Standard Formula, the standard approach must be appropriate for the Insurer. When the regulator believes the standard approach does not adequately capture the risk of the particular business, the regulator can approve a 'capital add-on' to be included within the Standard Formula SCR (SCR).

The table below shows the SCR as at 31 December 2022. Section E.2.3 below explains each risk. Note that the 31 December 2022 SCR is still subject to supervisory assessment by the PRA.

With the exception of £1k of counterparty default risk relating to the cash assets held by SFHL (2021: £1k), all risk charges relate to SIL.

SCR	At 31 December 2022 £000	At 31 December 2021 £000	Movement £000
Premium risk	*-*	*171*	*(171)*
Reserve risk	*44,922*	*64,967*	*(20,045)*
Diversification	*0*	*(86)*	*86*
Total Premium & Reserve risk after diversification	44,922	65,052	(20,130)
Catastrophe risk	-	13,415	(13,415)
Diversification	-	(8,839)	8,839
Non-life underwriting risk	**44,922**	**69,628**	**(24,706)**
Market risk	13,639	12,799	840
Counterparty default risk	2,152	3,043	(891)
Life underwriting risk	1,883	3,271	(1,388)
Operational risk	7,372	10,496	(3,124)
Diversification	(11,169)	(13,014)	1,845
SCR	58,799	86,223	(27,424)

The table shows that the Group's key financial risks are insurance-related, being mainly due to reserve risk.

E.2.3 Material Change to the MCG SCR and to the SCR over the Reporting Period

At the end of the reporting period the Group's SCR is £58,799k (2021: £86,223k), a decrease of £27,424k since 31 December 2021, reflecting a significant decrease in non-life underwriting risk. The Group SCR, with the exception of £1k of counterparty risk which relates to the SFHL cash balance, is entirely driven by SIL. More detailed explanations of the change in SCR over the year are described below.

At the end of the reporting period, the Group's MCG SCR and the solo MCR is £16,529k (2021: £24,295k), a decrease of £7,766k since 31 December 2021.

E.2.3.1 Premium Risk

As the Group no longer has any active policies, it is no longer subject to premium risk, which relates to policies that would be earned over the coming 12 months.

E.2.3.2 Reserve Risk

Reserve risk arises from losses from the past. Insurers hold reserves to cover these losses (claims provisions), but the amount that claims will eventually settle for, and how many more claims are still to be reported, are uncertain. The risk is that claims payments exceed the current level of reserves, so the claims provisions (net of reinsurance) are used as a key input for the reserve risk.

E.2.3.3 Catastrophe Risk

Catastrophe risk arises from extreme events such as major windstorms and large fires. It is divided into natural and man-made catastrophe risks:

- Natural catastrophe events such as windstorms which result in home damage and floods which cause both home and motor damage.
- Man-made catastrophe events arise from motor liability and fire risks.

As the Group no longer has any active policies, it is no longer subject to catastrophe risk.

E.2.3.4 Lapse Risk

Lapse risk is the risk that the Group makes less profit because of customers cancelling existing policies or not taking out policies that the Company has committed to write. As the Group no longer has any active policies, it is no longer subject to lapse risk.

E.2.3.5 Market Risk

The Group is exposed to the following Standard Formula market risks based on the portfolio at end 2022:

- Interest rate risk, which is the risk that the value of an asset or liability will change owing to a change in interest rates. Interest rate risk is calculated by determining the impact on the balance sheet of either increasing or decreasing interest rates. The higher of the two impacts is the interest rate risk.
- Spread risk, which is the risk that a widening of credit-spreads reduces the value of assets.
- Concentration risk, which is the risk of exposure to individual investment counterparties.

The Group's investment portfolio is mostly focused on higher rated corporate bonds, gilts and cash. However it does invest in some higher-yielding assets to back long-tailed liabilities (primarily those arising from Periodical Payment Orders (PPOs)). In particular, the Group invests in collective investments, which include funds of European asset-backed credit, global credit and real-estate backed lending. Investments are denominated in sterling, US Dollars and Euros, with currency hedges held against foreign exchange fluctuations.

E.2.3.6 Counterparty Default Risk

Counterparty default risk relates to the losses arising when reinsurers and other debtors (counterparties) fail to pay what they owe (default). These counterparties include reinsurers, banks with which cash is deposited and trade receivables.

E.2.3.7 Life Underwriting Risk

Life risk is the risk associated with life insurance obligations. In the case of the Group, this relates to annuities stemming from the non-life insurance obligations, i.e. PPOs. The most material risk is longevity risk where payments may be paid for a longer period than previously expected. Longevity risk has remained broadly level over the period.

E.2.3.8 Operational Risk

Operational risk is the risk of loss arising from inadequate and failed internal processes, or from people and systems, or from external events. This is basically the risk of operating a company. Operational risk is based on gross TPs and gross earned premiums in the last 24 months. These are used to measure the size of the business because the greater the size of the business, the more operational risk it is exposed to.

E.2.3.9 Loss-absorbing Capacity of Deferred Tax

As the Group and SIL have no deferred tax liabilities, there is no adjustment made for the loss-absorbing capacity of deferred tax.

E.2.4 Simplifications and Undertaking-specific Parameters

Solvency II regulations allow some specified simplifications to be used as part of the standard approach, where this is proportionate. Proportionality takes into account the potential impact of the risk should it occur and the complexity of the full calculation to decide whether the full calculation would be an undue burden.

The Group does not use any undertaking-specific parameters in the calculation of its SCR.

E.2.5 Capital Add-ons

The Group does not have any capital add-ons at either 31 December 2022 or 31 December 2021.

E.3 Use of the Duration-based Equity Risk Sub-module in the Calculation of the SCR

The PRA does not permit the use of this module.

E.4 Differences Between the Standard Formula and any Internal Model Used

The Group uses the Standard Formula to calculate the SCR.

E.5 Non-compliance with the MCG SCR and Non-compliance with the SCR

E.5.1 Non-compliance with the MCG SCR

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2022, the Group is in compliance with the MCG SCR with coverage of 613% (2021: 468%) of the MCG SCR. The Group has been compliant with the MCG SCR throughout the reporting period. SIL is in compliance with MCR coverage of 1,054% (2021: 724%).

E.5.2 Non-compliance with the SCR

Non-compliance with the SCR occurs when the value of eligible own funds falls below the SCR. As at 31 December 2022, the Group is in compliance with the SCR with coverage of 217% (2021: 176%) of the SCR. The Group has been compliant with the SCR throughout the reporting period. SIL is in compliance with SCR coverage of 296% (2021: 233%).

E.6 Any Other Information

No additional information is required to be disclosed.

Appendix 1: Quantitative Reporting Templates (QRTs) – Solo

General information

Undertaking name	Soteria Insurance Limited
Undertaking identification code	213800239LP2JJ1CF649
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	312,466
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	293,208
R0140	*Government Bonds*	74,061
R0150	*Corporate Bonds*	219,147
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	17,840
R0190	*Derivatives*	1,419
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	16,191
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	16,191
R0270	Reinsurance recoverables from:	87,552
R0280	*Non-life and health similar to non-life*	55,424
R0290	*Non-life excluding health*	55,424
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	32,128
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	32,128
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	212
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	3,100
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	98,258
R0420	Any other assets, not elsewhere shown	7
R0500	**Total assets**	517,786

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	250,346
R0520	*Technical provisions - non-life (excluding health)*	250,346
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	236,034
R0550	*Risk margin*	14,313
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	64,921
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	64,921
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	64,678
R0680	*Risk margin*	243
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	272
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	224
R0830	Reinsurance payables	24,845
R0840	Payables (trade, not insurance)	3
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	2,903
R0900	**Total liabilities**	343,515
R1000	**Excess of assets over liabilities**	174,271

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				-574	-246		-678	0									-1,497
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				309	132		-144										297
R0200	Net				-882	-378		-533	0		0	0	0		0		0	-1,794
	Premiums earned																	
R0210	Gross - Direct Business				-192	-82		-116	0									-390
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				309	132		-87	0									354
R0300	Net				-501	-215		-29	0		0	0	0		0		0	-745
	Claims incurred																	
R0310	Gross - Direct Business				6,687	9,202		2,026	-873									17,042
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				5,291	7,360		-171	-562									11,919
R0400	Net				1,396	1,842		2,197	-312		0	0	0		0		0	5,123
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0		0	0		0	0	0		0		0	0
R0550	**Expenses incurred**				14,387	2,962		2,077	114		0	0	0		0		0	19,540
R1200	**Other expenses**																	
R1300	**Total expenses**																	19,540

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									0
R1420	Reinsurers' share									0
R1500	Net				0		0		0	0
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net				0		0		0	0
	Claims incurred									
R1610	Gross						14,009			14,009
R1620	Reinsurers' share						2,144			2,144
R1700	Net				0		11,865		0	11,865
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net				0		0		0	0
R1900	**Expenses incurred**				0		0		0	0
R2500	**Other expenses**									
R2600	**Total expenses**									0

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**									0	0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									0	0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								64,678	0	64,678						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								32,128	0	32,128						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						0	0	32,550	0	32,550						
R0100	**Risk margin**								243	0	243						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**					0			64,921	0	64,921						

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0		0	0		0	0	0		0		0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				0	0		0	0		0	0	0		0		0	0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**				0	0		0	0		0	0	0		0		0	0
	Claims provisions																	
R0160	Gross				203,116	-1,752		19,978	14,691		0	0	0		0		0	236,034
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				51,823	-690		4,050	241		0	0	0		0		0	55,424
R0250	**Net Best Estimate of Claims Provisions**				151,293	-1,062		15,928	14,451		0	0	0		0		0	180,609
R0260	**Total best estimate - gross**				203,116	-1,752		19,978	14,691		0	0	0		0		0	236,034
R0270	**Total best estimate - net**				151,293	-1,062		15,928	14,451		0	0	0		0		0	180,609
R0280	**Risk margin**				11,679	0		1,341	1,293		0	0	0		0		0	14,313
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				214,795	-1,752		21,319	15,984		0	0	0		0		0	250,346
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				51,823	-690		4,050	241		0	0	0		0		0	55,424
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				162,972	-1,062		17,269	15,744		0	0	0		0		0	194,922

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											2,295	2,295	2,295
R0160	2013	135,724	92,531	29,057	19,181	14,599	8,119	5,028	2,990	157	-41		-41	307,347
R0170	2014	118,585	64,817	20,588	11,457	14,587	5,505	537	514	41			41	236,632
R0180	2015	107,605	77,618	22,894	11,952	8,494	2,294	3,606	1,340				1,340	235,803
R0190	2016	141,052	87,433	29,400	17,218	15,651	4,262	2,674					2,674	297,689
R0200	2017	154,212	82,926	22,769	15,685	14,635	6,527						6,527	296,755
R0210	2018	180,619	86,225	28,322	22,360	11,604							11,604	329,131
R0220	2019	186,532	83,961	24,431	27,598								27,598	322,521
R0230	2020	135,799	55,135	18,655									18,655	209,589
R0240	2021	55,129	18,928										18,928	74,057
R0250	2022	0											0	0
R0260												Total	89,620	2,311,818

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											50,859	38,694
R0160	2013	0	0	0	34,301	28,671	6,971	3,201	577	133	460		493
R0170	2014	0	0	39,076	25,552	8,357	1,280	1,281	849	594			559
R0180	2015	0	65,332	30,236	17,920	6,313	4,332	2,463	530				475
R0190	2016	194,065	129,147	77,566	47,412	38,269	22,149	15,847					9,659
R0200	2017	176,067	76,673	48,856	35,388	21,602	15,329						13,669
R0210	2018	178,883	75,939	49,625	37,486	38,979							27,942
R0220	2019	182,368	95,430	79,728	64,825								57,261
R0230	2020	139,860	76,131	67,705									54,023
R0240	2021	61,247	36,362										33,258
R0250	2022	0											0
R0260												Total	236,034

S.22.01.21

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	315,268	0	0	5,609	0
R0020	**Basic own funds**	174,271	0	0	-3,520	0
R0050	**Eligible own funds to meet Solvency Capital Requirement**	174,271	0	0	-3,520	0
R0090	**Solvency Capital Requirement**	58,798	0	0	592	0
R0100	**Eligible own funds to meet Minimum Capital Requirement**	174,271	0	0	-3,520	0
R0110	**Minimum Capital Requirement**	16,529	0	0	199	0

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	38,000	38,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	136,271	136,271			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	174,271	174,271	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	174,271	174,271	0	0	0
R0510	Total available own funds to meet the MCR	174,271	174,271	0	0	
R0540	Total eligible own funds to meet the SCR	174,271	174,271	0	0	0
R0550	Total eligible own funds to meet the MCR	174,271	174,271	0	0	
R0580	**SCR**	58,798				
R0600	**MCR**	16,529				
R0620	**Ratio of Eligible own funds to SCR**	296.39%				
R0640	**Ratio of Eligible own funds to MCR**	1054.33%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	174,271
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	38,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	136,271
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	13,639		
R0020	Counterparty default risk	2,151		
R0030	Life underwriting risk	1,883		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	44,922		
R0060	Diversification	-11,168		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	51,426		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	7,372
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	58,798
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	58,798
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	15,846

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	151,293	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	15,928	
R0090	General liability insurance and proportional reinsurance	14,451	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	684

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	32,550	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	16,529
R0310	SCR	58,798
R0320	MCR cap	26,459
R0330	MCR floor	14,700
R0340	Combined MCR	16,529
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	16,529

Appendix 2: Quantitative Reporting Templates (QRTs) - Group

General information

Participating undertaking name	Soteria Finance Holdings Limited
Group identification code	254900DQJVOGCLPQ7264
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	312,466
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	293,208
R0140	*Government Bonds*	74,061
R0150	*Corporate Bonds*	219,147
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	17,840
R0190	*Derivatives*	1,419
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	16,191
R0240	*Loans on policies*	
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	16,191
R0270	Reinsurance recoverables from:	87,552
R0280	*Non-life and health similar to non-life*	55,424
R0290	*Non-life excluding health*	55,424
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	32,128
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	32,128
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	212
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	4,715
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	98,294
R0420	Any other assets, not elsewhere shown	7
R0500	**Total assets**	519,438

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	250,346
R0520	*Technical provisions - non-life (excluding health)*	250,346
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	236,034
R0550	*Risk margin*	14,313
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	64,921
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	64,921
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	64,678
R0680	*Risk margin*	243
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	272
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	224
R0830	Reinsurance payables	24,845
R0840	Payables (trade, not insurance)	3
R0850	Subordinated liabilities	67,375
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	67,375
R0880	Any other liabilities, not elsewhere shown	24,523
R0900	**Total liabilities**	432,511
R1000	**Excess of assets over liabilities**	86,927

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				-574	-246		-678	0									-1,497
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				309	132		-144										297
R0200	Net				-882	-378		-533	0		0							-1,794
	Premiums earned																	
R0210	Gross - Direct Business				-192	-82		-116										-390
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				309	132		-87										354
R0300	Net				-501	-215		-29	0		0							-745
	Claims incurred																	
R0310	Gross - Direct Business				6,687	9,202		2,026	-873									17,042
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				5,291	7,360		-171	-562									11,919
R0400	Net				1,396	1,842		2,197	-312		0							5,123
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0		0	0		0							0
R0550	**Expenses incurred**				17,458	2,448		-35	0		0							19,871
R1200	**Other expenses**																	
R1300	**Total expenses**																	19,871

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									0
R1420	Reinsurers' share									0
R1500	Net				0		0		0	0
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net				0		0		0	0
	Claims incurred									
R1610	Gross						14,009			14,009
R1620	Reinsurers' share						2,144			2,144
R1700	Net				0		11,865		0	11,865
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net				0		0		0	0
R1900	**Expenses incurred**				0		0		0	0
R2500	**Other expenses**									
R2600	**Total expenses**									0

S.22.01.22

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	315,268	0	0	5,609	0
R0020	**Basic own funds**	154,302	0	0	-3,520	0
R0050	**Eligible own funds to meet Solvency Capital Requirement**	127,396	0	0	-3,520	0
R0090	**Solvency Capital Requirement**	58,799	0	0	592	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	100	100		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	36,900	36,900		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	49,927	49,927			
R0140	Subordinated liabilities	67,375		11,070	56,305	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	154,302	86,927	11,070	56,305	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	154,302	86,927	11,070	56,305	0
R0530	Total available own funds to meet the minimum consolidated group SCR	154,302	86,927	11,070	56,305	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	127,396	86,927	11,070	29,399	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	101,303	86,927	11,070	3,306	
R0610	**Minimum consolidated Group SCR**	16,529				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	612.88%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	127,396	86,927	11,070	29,399	0
R0680	**Group SCR**	58,799				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	216.66%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	86,927
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	37,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	49,927
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	13,639		
R0020	Counterparty default risk	2,152		
R0030	Life underwriting risk	1,883		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	44,922		
R0060	Diversification	-11,169		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	51,427		

USP Key

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

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

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

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	7,372
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	58,799
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	58,799
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	16,529
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	58,799

S.32.01.22

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	254900DQJVOGCLPQ7264	LEI	Soteria Finance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual								Included in the scope		Method 1: Full consolidation
2	GB	213800239LP2JJ1CF649	LEI	Soteria Insurance Limited	Non life insurance undertaking	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	Prudential Regulation Authority (PRA)	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation