SOLVENCY AND FINANCIAL CONDITION REPORT

Year ended 31 December 2023

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 2023.

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 Soteria Insurance Limited (SIL).

SIL is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home). During the financial year, it was a wholly owned subsidiary of Soteria Finance Holdings Limited (SFHL).

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 Report and Accounts, which also provides relevant information about SIL, 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, the Board made the decision to place the Company into run-off and subsequently made an application to the Prudential Regulatory Authority (the 'PRA') for SIL's regulatory permissions to effect new insurance contracts to be cancelled. This application was approved on 29 March 2021 and SIL's last insurance policies expired in March 2022. The principal activity of the Company since entering run-off has been the administration of existing policies in force and the settlement of outstanding claims. The focus of the Directors is to meet all obligations to customers throughout a solvent run-off, to fulfil all regulatory requirements and, to the extent the Company has surplus capital above a prudent risk appetite to meet its liabilities and regulatory requirements, it aims to distribute this capital to its parent company.

Acquisition of SFHL

On 10 October 2023, following approval by the PRA, SIL's immediate parent, Soteria Finance Holdings Limited ('SFHL'), was acquired by Saturn Holdings Limited ('SHL'). During the year, on 7 July 2023, SHL also acquired Tradex Insurance Company Limited ('Tradex'). Consolidated results for the Saturn Group of companies can be found in SHL's accounts and SFCR.

Following the year end, on 19 February 2024, ownership of SIL has transferred from SFHL to SHL and so SIL has become a directly owned subsidiary of SHL.

2.2 Other Significant Events

Impact of inflation and interest rate rises

The rate of inflation has fallen significantly during the year, with CPI reducing from 10.5% at the start of the year to 4.0% in December, however this remains above the Bank of England's target rate of 2%. As a result, the Bank of England steadily increased the base rate of interest over the first part of the year, from 3.5% at the start of the year to 5.25% by early August. As at year end the rate remains at 5.25%.

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 claims is 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 2024, 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

Investment performance has improved during 2023, driven by expectations that inflation will be lower than previously anticipated, and by markets pricing in earlier and higher rate cuts by the US, UK and European central banks.

2.3 Performance

Lines of Business and Geographical Areas

Lines of business which are material to the performance of SIL 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 SIL over the year to 31 December 2023.

	£000
Net earned premiums	(581)
Net policyholder claims and benefits	(10,248)
Fee and commission income	(1,725)
Fee and commission expenses	(7)
Acquisition and administrative expenses	(6,813)
Underwriting result	(19,374)
Net investment income	19,319
Investment expenses and charges	(2,958)
Loss on ordinary activities before tax	(3,013)

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

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

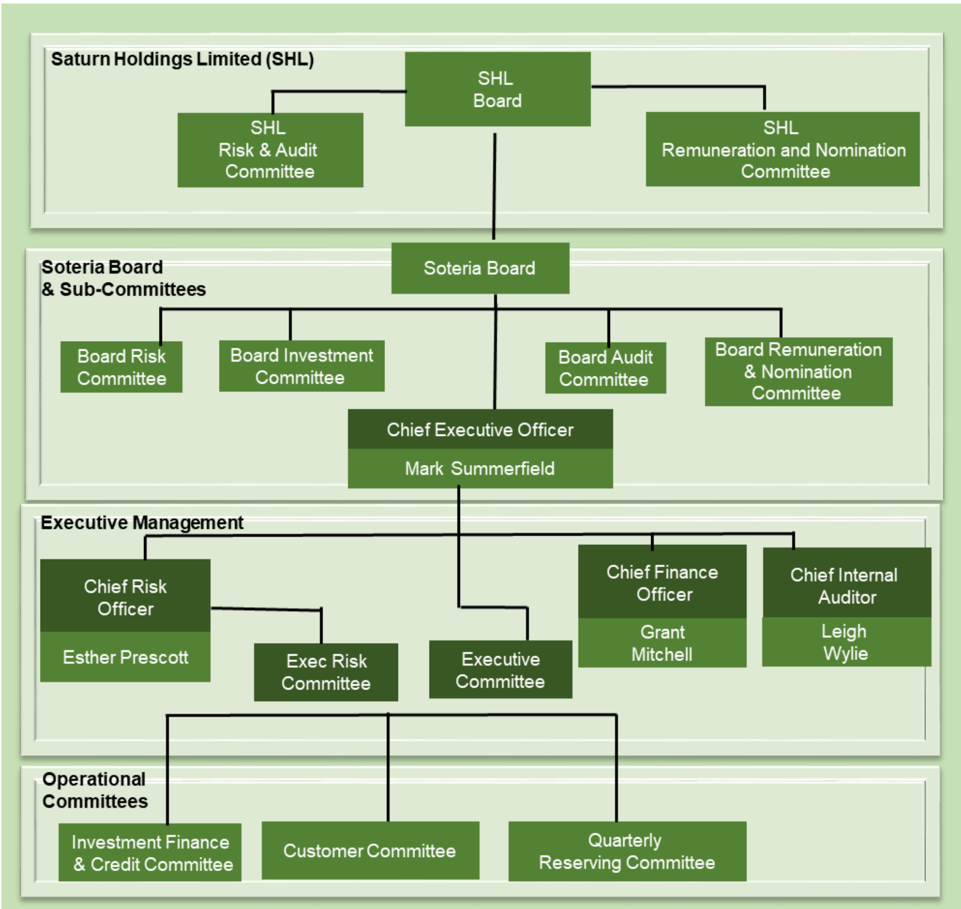
Investment income and net unrealised losses on investments reflect income on corporate bonds, gilts, real-estate backed lending and collective investments held by SIL during the year. Realised gains represent total gains made on assets which were sold or matured in the year. Investments have performed more strongly in the year than in the previous period, as stabilisation of interest rates has led to improved 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 2020 despite the decision to place SIL into run-off.

3.1 Governance Framework

SIL 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 SIL Board owns and approves the Risk Vision, the Risk Appetite Statement and the Risk Management Framework, setting the thresholds and approach to risk taking activities. To ensure that there are effective internal controls and risk management, the SIL Board has 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 the Board. The Board ensures 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

SIL 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 SIL is a 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 Company structure. Internal Audit independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the 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 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 Company 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 Company 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

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

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)

SIL's ongoing management of the run-off of claims exposed the Company 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 Company'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 Company 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, although both have moderated over the last twelve months.

Risks are captured within the Standard Formula calculation of the Solvency Capital Requirement (SCR). The table below shows the value of capital held by SIL for each risk.

[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.

	31 December 2023 £000	31 December 2022 £000	Movement £000
Insurance risk – non life	32,389	44,922	(12,533)
Insurance risk – life	2,068	1,883	185
Operational risk	5,604	7,372	(1,768)
Market risk	14,151	13,639	512
Counterparty risk	4,148	2,152	1,996
Diversification	(11,736)	(11,169)	(567)
SCR	46,624	58,799	(12,175)

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 Company 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 Company 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 Company 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 2023. 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 and the difference in the treatment of the quota share reinsurance arrangement.

	UK GAAP £000	Reclassifications £000	Restatements £000	Solvency II £000
Assets				
Investments	**214,070**	2,277	-	**216,347**
Mortgages and loans made	**16,094**	922	-	**17,016**
Reinsurance recoverables	**61,791**	(5,168)	20,076	**76,699**
Insurance and intermediaries receivables	**4,982**	(4,979)	-	**3**
Receivables (trade, not insurance)	**939**	(549)	89	**479**
Cash and cash equivalents	**94,148**	-	-	**94,148**
Any other assets, not elsewhere shown	**3,176**	(3,176)	-	**-**
Total assets	**395,200**	(10,673)	20,165	**404,692**
Liabilities				
Total technical provisions/ UK GAAP insurer contract liabilities	**253,439**	(9,927)	9,988	**253,500**
Derivative liabilities	**-**	159	-	**159**
Insurance and intermediaries payables	**632**	(354)	-	**278**
Reinsurance payables	**136**	-	19,893	**20,029**
Payables (trade, not insurance)	**42,353**	(42,335)	-	**18**
Any other liabilities, not elsewhere shown	**2,628**	41,784	-	**44,412**
Total liabilities	**299,188**	(10,673)	29,881	**318,396**
Excess of assets over liabilities	**96,012**	-	(9,716)	**86,296**

The excess of assets over liabilities of £86,296k forms the Own Funds for SIL under Solvency II and is the amount of available capital held to meet the Solvency Capital Requirement.

6. Capital Management (Summary of Section E)

At 31 December 2023, the key Solvency II capital measures were:

	31 December 2023 £000	**31 December 2022** £000	**Movement** £000
Eligible Own Funds before Volatility Adjustment	82,563	170,751	(88,188)
Effect of Volatility Adjustment	3,733	3,520	213
Eligible Own Funds	86,296	174,271	(87,975)
SCR before Volatility Adjustment	47,125	59,390	(12,265)
Effect of Volatility Adjustment	(501)	(592)	91
SCR	46,624	58,798	(12,174)
Solvency Coverage Ratio before Volatility Adjustment	175%	288%	(113%)
Solvency Coverage Ratio	185%	296%	(111%)
Solvency Coverage	39,672	115,473	(75,801)

Solvency coverage at 31 December 2023 is £39,672k (185%) (2022: £115,473k (296%)). Own Funds at 31 December 2023 are £86,296k (2022: £174,271k).

As described in Section 4, the SCR at 31 December 2023 is £46,624k.

The Company applies a Volatility Adjustment in calculating solvency coverage which has improved solvency coverage by 10%. 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 Company 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 SCR at 31 December 2023. All Own Funds in both years are tier 1 unrestricted.

	2023	**2022**	**Movement**
	£000	£000	£000
Ordinary share capital	38,000	38,000	-
Reconciliation reserve	48,296	136,271	(87,975)
Total basic own funds after deductions	86,296	174,271	(87,975)
Total available own funds to meet the SCR	86,296	174,271	(87,975)
Total available own funds to meet the MCR	86,296	174,271	(87,975)
Total eligible own funds to meet the SCR	86,296	174,271	(87,975)
Total eligible own funds to meet the MCR	86,296	174,271	(87,975)
SCR	46,624	58,798	(12,174)
MCR	12,545	16,529	(3,984)

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.

Non-compliance occurs when the value of eligible own funds falls below the MCR or the SCR. As at 31 December 2023, SIL has exceeded both the MCR and SCR with coverage of 688% (2022: 1,054%) and 185% (2022: 296%) respectively. SIL has been compliant with both the MCR and the SCR throughout the reporting period.

Directors' Report

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

Non-Executive Directors:

Ewen Gilmour

Kathryn Morgan

Oliver Peterken

Executive Directors:

Mark Summerfield

Grant Mitchell

Statement of Directors' Responsibilities

The Directors 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 confirms that, to the best of their knowledge:

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

b) it is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in future.

By order of the Board:

Mark Summerfield

Director

26 March 2024

A. Business and Performance

A.1 Business

A.1.1 Legal Form, Ownership and Registered Address

Soteria Insurance Limited (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 Company has continued to administer existing policies in force and settle outstanding claims.

A.1.2 Simplified Group Structure, Related Undertakings and Branches

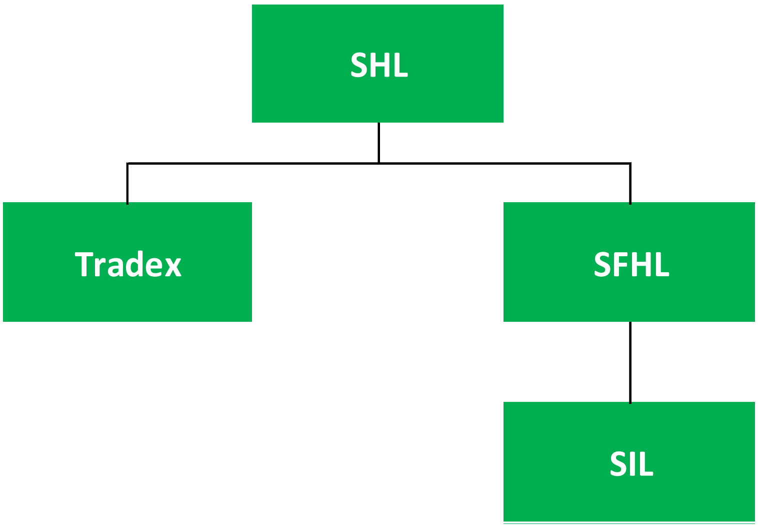
Since 2 December 2020, SIL has been a wholly owned subsidiary of Soteria Finance Holdings Limited (SFHL).

SFHL is an Insurance Holding Company whose only subsidiary undertaking is SIL.

Acquisition of SFHL

On 10 October 2023, following approval by the PRA, SIL's immediate parent, Soteria Finance Holdings Limited ('SFHL'), was acquired by Saturn Holdings Limited ('SHL'). During the year, on 7 July 2023, SHL also acquired Tradex Insurance Company Limited ('Tradex').

SHL, together with its subsidiaries, together form an Insurance Group. The group structure is shown below:



The consolidated SFCR for the Group is available at www.soteriainsurance.co.uk.

Following the year end, on 19 February 2024, ownership of SIL has transferred from SFHL to SHL and so SIL has become a directly owned subsidiary of SHL.

A.1.3 Employees

The Company 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

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 Company is supervised by the PRA.

A.1.6 Other Significant Events

Impact of inflation and interest rate rises

The rate of inflation has fallen significantly during the year, with CPI reducing from 10.5% at the start of the year to 4.0% in December, however this remains above the Bank of England's target rate of 2%. As a result, the Bank of England steadily increased the base rate of interest over the first part of the year, from 3.5% at the start of the year to 5.25% by early August. As at year end the rate remains at 5.25%.

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 claims is 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 2024, 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

Investment performance has improved during 2023, driven by expectations that inflation will be lower than previously anticipated, and by markets pricing in earlier and higher rate cuts by the US, UK and European central banks.

A.2 Underwriting Performance

A.2.1 Overall Performance and Segmental Analysis

The table below shows the performance of the Company over the year to 31 December 2023.

	£000
Net earned premiums	(581)
Net policyholder claims and benefits	(10,248)
Fee and commission income	(1,725)
Fee and commission expenses	(7)
Acquisition and administrative expenses	(6,813)
Underwriting result	(19,374)
Net investment income	19,319
Investment expenses and charges	(2,958)
Loss on ordinary activities before tax	(3,013)

A more detailed analysis of the performance of SIL, 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 Company during the year. All unrealised gains and losses are included in the income statement. Investments have performed more strongly in the year than in the previous period, as stabilisation of interest rates has led to improved market performance.

A.2.2 Underwriting Performance

Analysis of SIL's underwriting performance for the year to 31 December 2023, 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, 2023 saw continued reductions in claims incurred. The reduction in claims incurred has been offset slightly owing to strengthening of reserves during 2023. Increased inflation has led to an increase in claims costs as the cost of vehicle parts and building materials has increased. Motor injury claims reserves also make allowance for upward pressure from expected continuing high wage inflation. As a result of being in run-off, SIL's exposure to these types of claims is reduced.

Motor Insurance (Motor)

	2023 £000	2022 £000
Net earned premiums	(488)	(716)
Net policyholder claims and benefits	(6,137)	(22,848)
Acquisition, administrative and commission expenses	(6,823)	(6,654)
Fee and commission income	(1,725)	(1,755)
Underwriting result	(15,173)	(31,973)

Fire and Other Damage to Property Insurance (Home)

	2023 £000	2022 £000
Net earned premiums	(93)	(29)
Net policyholder claims and benefits	(3,513)	(2,197)
Acquisition, administrative and commission expenses	3	(1,398)
Fee and commission income	-	12
Underwriting result	(3,603)	(3,612)

Other

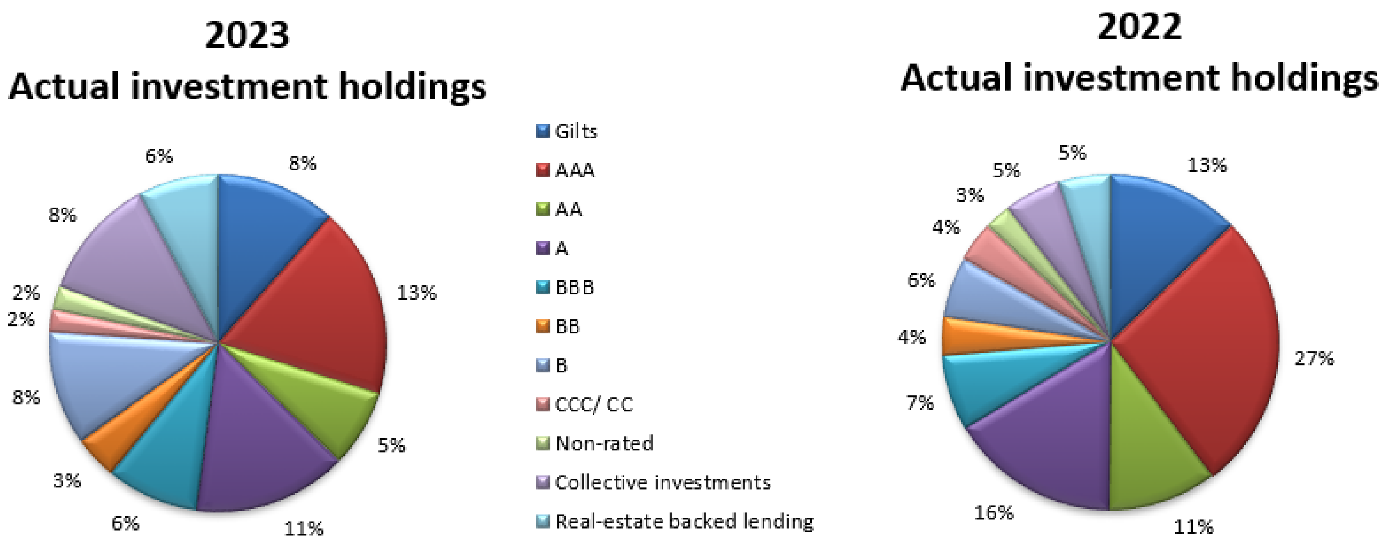
	2023 £000	2022 £000
Net earned premiums	-	-
Net policyholder claims and benefits	(598)	312
Acquisition, administrative and commission expenses	-	(77)
Fee and commission income	-	-
Underwriting result	(598)	235

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 Company 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, global credit and equities. Investments are denominated in sterling, US Dollars and Euros, with currency hedges held against foreign exchange fluctuations.



The main portfolio, which is designed to meet the requirements of the short tail claims, is held in government bonds and investment grade corporate bonds, down to BBB 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. The portfolios are rebalanced on a regular basis to ensure that the main portfolio contains sufficient investments to meet two years of forecast cashflows. Cash balances in both 2023 and 2022 are mainly held in money market funds, and are shown within cash on the balance sheet.

The table below analyses the Company's investment income and expenses.

	Investment income £000	Realised gains & losses £000	Unrealised gains & losses £000	Expenses £000
Cash	2,916	(768)	-	
Government bonds	1,174	(530)	1,349	
Corporate bonds	9,120	(721)	2,383	
Equity	-	-	156	
Collective investment undertakings	1,024	-	827	
Real-estate backed lending	32	3	7	
Derivatives	-	3,204	(855)	
	14,266	**1,188**	**3,867**	**(2,958)**
Prior year	9,094	(5,954)	(17,848)	(3,666)
Movement	5,172	7,142	21,715	708

Investment performance is substantially higher than in 2022, owing to market improvements during the year. In 2022 investment valuations were impacted by increasing interest rates on the bond markets, together with the effect of the war in Ukraine and market uncertainty arising from changes in UK Government policy through the second half of 2022. Although 2023 has seen more stability in valuations, heightened geopolitical tension throughout the year has continued to cause uncertainty in investment markets.

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 Company had no investments in securitisations at December 2023.

A.4 Performance of Other Activities

The Company has no other information to disclose about the performance of other activities.

A.5 Any Other Information

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

B. System of Governance

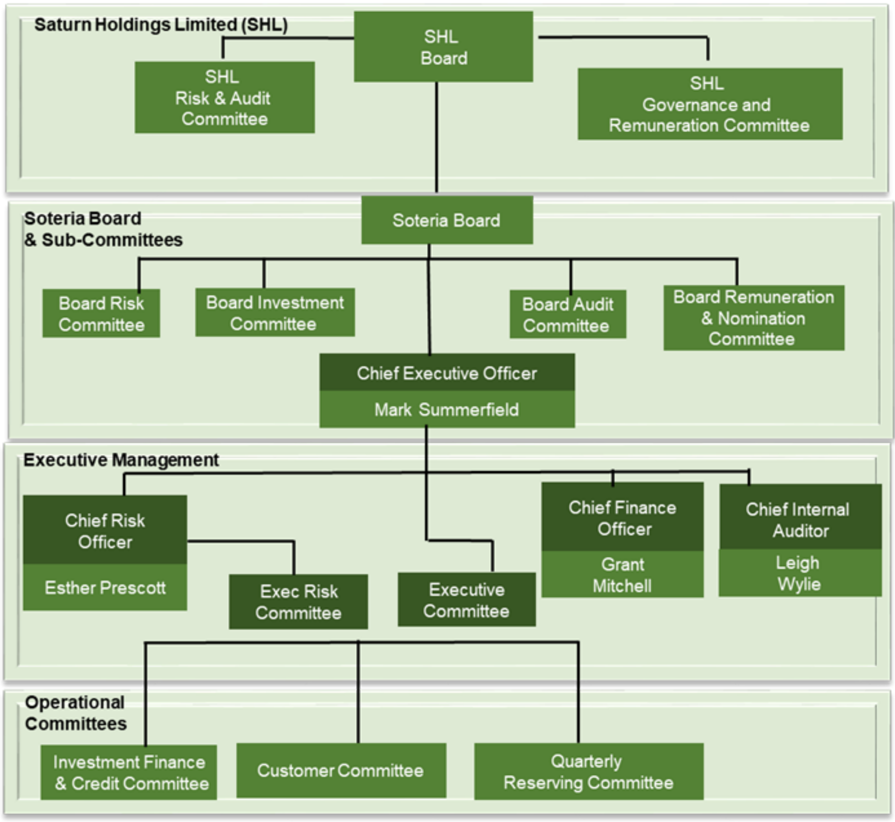
B.1 General Information on the System of Governance

B.1.1 Governance Structure

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 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 SIL Board and its sub-committees.

Committee	Overview
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 and Nomination Committee (REMCO)	The purpose of the RemCo 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 parent 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	Group Chief Risk Officer	B.3
Compliance function	Group Chief Risk Officer	B.4.2
Internal Audit	Group Chief Internal Auditor	B.5
Actuarial function	Group 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 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	Group Chief Risk Officer Compliance Oversight	Esther Prescott	• Risk Management System • Compliance • Conflicts of Interest • Financial Crime
SMF5	Group Chief Internal Auditor	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

Senior Manager Function	Description	Name	Senior Management Responsibilities Held
SMF2 SMF3 SMF24	Chief Finance Officer Executive Director Chief Operations Officer	Grant Mitchell	• Board (Executive Director) • Information • Finance • Investment Management • Claims • Complaints • Third Party Distribution • Information Technology • Business Continuity • Health & Safety • Climate Change Champion • Reinsurance
SMF20	Group Chief Actuary	Richard Kelsey	• Actuarial

B.1.4 Remuneration

The SIL Pay Policy documents the remuneration principles of Executives within SIL. The holding company, SHL, does not have any Executive Directors. The policy is governed by the SIL Remuneration Committee (REMCO) and reviewed by the SHL 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 Company 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 during 2023 resulting in non-material increments reflecting minor changes to responsibilities and market data.

The SIL Remuneration and Nomination Committee is responsible for determining the fees payable to the Board Chair. The fees were last considered by the Committee in 2023 and a non-material increment was awarded consistent with external market data and in the context of the strategic direction of the company.

Further information relating to remuneration including compensation paid to key management and Non-Executive Directors is included in Note 27 of the Company's Annual Report and Accounts.

B.1.5 Material Changes

Richard Kelsey was appointed as Group Chief Actuary (SMF20) with effect from 19 January 2024. Prior to that, this function was filled by Grant Mitchell. The following changes were made to the Committee structure in Q4 2023:

- An Executive Risk Committee (ERC) has been established to oversee all risk and control actions for SIL and to ensure that the business is being operated within agreed boundaries and control framework. This committee also oversees that the requirements of the Insurance Services and Run-Off Agreement (ISARA) with MISL are being met and therefore replaces the ISARA committee.
- A new Customer Committee was established. The purpose of the Customer Committee is to oversee Soteria's compliance with the FCA's Consumer Duty Principle to act to deliver good customer outcomes, and the supporting cross-cutting rules (to act in good faith, avoid foreseeable harm, and enable and support customers to pursue their financial objectives).

B.1.6 Material Transactions

Information relating to transactions with related companies, including key management compensation, can be found in Note 27 to the Company'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.

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 Company 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 Company 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 Company 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 Company 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 Company to manage risk effectively.

B.3.1.1 Risk Vision & Appetite

The Company's Risk Vision is owned and approved by the SIL Board, supported by a capital coverage risk appetite requirement 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 Group 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 Company.	The process requires in-depth knowledge of the Company's strategic and operational objectives, business, markets and structure.

Stage	Purpose	Requirement
Risk Measurement	To quantify the risks to the Company in a consistent manner.	Risks within the Company are assessed by considering the 'likelihood' of the risk materialising and the 'impact' should it materialise. Risks within the Company 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 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 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

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, PPO reserves and the associated Credit Risk from reinsurance on these are 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 Company faces or may face and the Own Funds necessary to ensure solvency requirements are met on a continuous basis.

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

- The SIL Board has ultimate responsibility and accountability for the ORSA 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 Company's approach to the conduct of the ORSA and its reporting. The policy outlines the framework approved by the SIL Board 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.

There is also a dividend extraction policy which sets out the process approved by the SIL Board that 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 Company'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 Company's risk-profile.* *The internal economic view of the Company'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 Company. *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 Company's Strategic Plan. *An annual frequency is considered appropriate to update the full ORSA report in normal circumstances, given the Company's business model and risk profile.* 7. Ad hoc updates to the ORSA report are produced following material changes to the Company's current and/or projected risk profile, business model or solvency position. *The CRO is responsible for recommending to the SHL 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 SIL 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. • 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 SIL Board in Q2 2023.

The Company's current and projected risk profile and solvency position is monitored continuously with reporting provided on a quarterly basis to the SIL Board. There were no ad-hoc ORSAs produced in 2023.

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 Company 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 Company'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 Executive Risk Committee.

In addition to this, 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.

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. 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 on behalf of the Board 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 Company'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 Company 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 Company's activities (including outsourced activities) are within the scope of Internal Audit. There is no aspect of the Company 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 operation and 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 Group Chief Internal Auditor is responsible for preparing the annual audit plan (in consultation with the SIL BAC and senior management), submitting the audit plan and Internal Audit budget for review and approval by the SIL BAC, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the SIL BAC and senior management. Internal Audit provides assurance over specific areas as requested by Regulators. The Group Chief Internal Auditor 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 Group Chief Internal Auditor are submitted for approval by the 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. The Group Chief Internal Auditor is authorised by the SIL BAC to have full and complete access to any of the organisation's records, properties and personnel.

The Group Chief Internal Auditor attends Executive Committee meetings and has the right to attend other management committees, with full access to all related papers and minutes. The Group Chief Internal Auditor has full access to all Board and Board Committee papers and minutes and attends SIL BAC, SIL BRC and SIL Board meetings.

The Group Chief Internal Auditor has access to the SIL BAC, 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 Company 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 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 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 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 Group Chief Internal Auditor reports to the Chair of the Board Audit Committee. In addition to core Internal Audit responsibilities, the Group Chief Internal Auditor reviews whistleblowing procedures and the annual whistleblowing report for approval by the Board Audit Committee. The Group Chief Internal Auditor 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 Group Chief Internal Auditor. Internal Audit co-source partners are required to notify the Group Chief Internal Auditor 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.

SIL has an Actuarial function. 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 Chief Actuary 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. Where the Company 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

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 Company is exposed. This section describes these risks and how they are managed, measured and mitigated.

The most material risks that the Company 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

SIL 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 Company 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 Company 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 Company 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 Company 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

SIL'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.
- Climate change risk: The risks arising from the adjustment to a low-carbon economy which could impact the firm's assets in particular the value of investments.

- 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 Company solvency.
- Currency Risk: The Company 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. Basis risk is the potential risk that arises from mismatches in a hedged position.
- Note that the Company 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 investments are considered in terms of a short term and a long term portfolio. The short term portfolio is in place to meet short term expected cash outflows within the next two years and is suitably liquid. Within the long term portfolio, the Company seeks to ensure that the average duration of assets and liabilities are suitably matched which provides some protection against movement in interest rates.

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.

An increase of 100 basis points in credit spreads would reduce the value of Company's assets at the end of the financial year by £2,200k, 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 SIL's solvency. Every £1,000k reduction in the value of these assets impacts the overall value of the Company's assets held, with a corresponding reduction in solvency offset in part by a reduction in the SCR.

Climate Change

SIL 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 risks associated with climate change.

The Company 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 Company 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 Company's outstanding claims and investment portfolio will be significantly reduced by the end of 2025, the Company 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 Company'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

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

Risk Exposure

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

The Company 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 Company 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 Company 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 Company's inability to meet its obligations when they come due without incurring unacceptable losses.

Risk Management Objective

The Company's objective is to maintain adequate liquidity at all times. This means the Company 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 and maturity date 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 2024 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

SIL'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

SIL can divide the operational risk into the following categories:

- Financial Reporting Risk
- Information Risk
- Model Risk
- Technology Risk (inc Cyber)

- Third Party Supplier Risk
- People Risk
- Premises and Physical Security
- 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 and 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 Company has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which in 2023 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) and reputation risk (which is low given that Soteria does not aim to have any market presence)

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

The Company's Risk Vision is set by the Board and supported by a capital coverage risk appetite requirement. This is measured, monitored and reported regularly to the Executive, SIL BRC and Board.

C.6.2 Conduct Risk

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

The Company'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 Company retains ownership of this risk, and ensures it receives the appropriate MI to enable the Company 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 SIL 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 Company'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.

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

SIL 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 the solvency coverage ratio if the stressed scenario were to occur. It states the estimated decrease in surplus capital, estimated adverse changes to the capital requirement and the impact on the solvency ratio as at December 2023.

	Description	Primary Risk type impacted	Key Assumptions	Return Period	Amount £k	Amount % 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 subsidence claims	Up to 20 years	<5,000	5%-10%
	B) Increase to BI claims	Reserve risk	Uplift in BI claims only	Up to 20 years	10,000-15,000	25%-30%
	C) PPO propensity	Reserve risk	PPO propensity increases	Up to 20 years	10,000-15,000	25%-30%
	D) PPO Longevity	Reserve risk	PPO life impairment reduced	1 in 20 to 1 in 100 years	10,000-15,000	20%-25%
	E) Latent Claims	Reserve risk	In respect of General Liability	1 in 20 to 1 in 100 years	10,000-15,000	25%-30%
3	RI default	Credit risk	Largest reinsurer fails	Over 1 in 200 years	5,000-10,000	10%-15%
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.

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 2024 as this is when the impact would be greatest in terms of the quantitative impact of the stress.

Liquidity Stress Testing

SIL 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 annual income statement of the various sensitivities, where a material impact is defined as anything which is above 2% of net assets

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.

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.

	UK GAAP £000	Reclassifications £000	Restatements £000	**Solvency II £000**
Assets				
Investments	**214,070**	2,277	-	**216,347**
Mortgages and loans made	**16,094**	922	-	**17,016**
Reinsurance recoverables	**61,791**	(5,168)	20,076	**76,699**
Insurance and intermediaries receivables	**4,982**	(4,979)	-	**3**
Receivables (trade, not insurance)	**939**	(549)	89	**479**
Cash and cash equivalents	**94,148**	-	-	**94,148**
Any other assets, not elsewhere shown	**3,176**	(3,176)	-	**-**
Total assets	**395,200**	(10,673)	20,165	**404,692**
Liabilities				
Total technical provisions/ UK GAAP insurer contract liabilities	**253,439**	(9,927)	9,988	**253,500**
Derivative liabilities	**-**	159	-	**159**
Insurance and intermediaries payables	**632**	(354)	-	**278**
Reinsurance payables	**136**	-	19,893	**20,029**
Payables (trade, not insurance)	**42,353**	(42,335)	-	**18**
Any other liabilities, not elsewhere shown	**2,628**	41,784	-	**44,412**
Total liabilities	**299,188**	(10,673)	29,881	**318,396**
Excess of assets over liabilities	**96,012**	-	(9,716)	**86,296**

D.1 Assets

D.1.1 Valuation Bases and Assumptions

Investments

SIL 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, global credit and equities. 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 Company 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, except for the collective investments in equities tracker funds, where subsequent valuation is at fair value with changes in fair value being recognised in gains less losses within the income statement in the period in which they arise. 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 netted off; 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 Company's Strategic Plan as its basis. Based on forecast profits, the Company recognises the element of the deferred tax asset that it believes will be utilised within the planning horizon. At 31 December 2023 the Company had UK GAAP losses of £57,807k plus additional UK GAAP to SII temporary differences of £2,429k 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	Solvency II £000	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.	(211)	(211)
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.	3,587	3,587
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.	(3,376)	(3,376)
Net deferred tax (asset)/liability	**-**	**-**
Losses not recognised for tax purposes		
UK GAAP losses not recognised for tax purposes	(57,807)	(57,807)
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).	(2,429)	-
Losses not recognised for tax purposes	**(60,236)**	**(57,807)**

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) represent the sum of Best Estimate liabilities and Risk Margin.

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 2023:

	Motor	Fire & other damage	General liability	Non-life annuities	Total
	£000	£000	£000	£000	£000
Best estimate liabilities (net)	104,030	15,773	13,878	35,058	168,739
Risk margin	5,990	982	917	172	8,061
Total technical provision (net)	110,020	16,755	14,795	35,230	176,800
Reinsurance recoverables	39,820	2,955	1	33,924	76,700
Total technical provision (gross)	149,840	19,710	14,796	69,154	253,500

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 has become a market standard approach and is 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.	3,300
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%.	8,000

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 (£253,439k), less reinsurance recoverables (£61,791k). 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	214,362	39,077	253,439
Reinsurance recoverables	(41,748)	(20,043)	(61,791)
UK GAAP Net TPs	172,614	19,034	191,648
Salvage and Subrogation reserves	(3,390)	(512)	(3,902)
Remove GAAP discounting	55,015	-	55,015
SII Discounting	(61,416)	(6,554)	(67,970)
Additional expenses	15,343	6,612	21,955
Replace GAAP management margin with risk margin	(5,108)	1,529	(3,579)
Quota Share	(15,431)	(936)	(16,367)
SII Net TPs	157,627	19,173	176,800

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 £3,733k (2022: £3,520k), reduces the Standard Formula Solvency Capital Requirement (SCR) by £501k and leads to an increase in solvency coverage of £4,233k (10%).

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 2023 £000	31 December 2022 £000	Movement £000
Eligible Own Funds before Volatility Adjustment	82,563	170,751	(88,188)
Effect of Volatility Adjustment	3,733	3,520	213
Eligible Own Funds	86,296	174,271	(87,975)
SCR before Volatility Adjustment	47,125	59,390	(12,265)
Effect of Volatility Adjustment	(501)	(592)	91
SCR	46,624	58,798	(12,174)
Solvency Coverage Ratio before Volatility Adjustment	175%	288%	(113%)
Solvency Coverage Ratio	185%	296%	(111%)
Solvency Coverage	39,672	115,473	(75,801)

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 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 2023 are detailed in Notes 23 and 24 of SIL's Annual Report and Accounts.

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 Company 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 2023 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 Company 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 (£20,597k (2022: £24,845k)), 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.

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 £18k (2022: £14k).

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. 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:

- 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

Some of the Company'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

The 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 SFCR up to 31 December 2025. 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 the Economic Capital Requirement (ECR) coverage is set to remain above 140% throughout the forecast period. 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%, even if no future dividends are paid, however, the coverage ratios would naturally recover over time as investment returns were received. In this scenario, SIL's assets continue to exceed its liabilities and it would still hold sufficient liquid investments to be able to meet all of its liabilities as they fall due.

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 available financial resources (capital) which can serve as a buffer against risks and absorb financial losses.

SIL'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 are designed to benefit policyholder protection by giving management an accurate understanding of the amount and quality of SIL's Own Funds. This helps SIL to ensure that sufficient Own Funds are held to absorb unexpected losses and maintain solvency. This is a key focus in SIL'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 can survive even the most severe unexpected losses.

SIL has maintained capital above all its regulatory requirements throughout the period. The company has also maintained sufficient capital to meet the Board's capital risk appetite that was in force.

SIL reviews solvency regularly, with reports provided to the Board periodically, and more frequent monitoring of key components. In the event that SIL falls below its 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.

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

	2023					2022	
	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	-	-	-	38,000	-
Reconciliation reserve	48,296	48,296	-	-	-	136,271	(87,975)
Total basic own funds after deductions	86,296	86,296	-	-	-	174,271	(87,975)
Total available own funds to meet the SCR	86,296	86,296	-	-	-	174,271	(87,975)
Total available own funds to meet the MCR	86,296	86,296	-	-	-	174,271	(87,975)
Total eligible own funds to meet the SCR	86,296	86,296	-	-	-	174,271	(87,975)
Total eligible own funds to meet the MCR	86,296	86,296	-	-	-	174,271	(87,975)
Solo SCR	46,624					58,798	(12,174)
Solo MCR	12,545					16,529	(3,984)

E.1.2.1 Tier 1

Share Capital

SIL originally issued 208 million ordinary shares of £1 each, however, in 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.

As at 31 December 2023, all SIL shares were held by SFHL. On 19 February 2024, ownership of SIL was transferred to SHL, SFHL's parent company.

All the shares constitute a single class of ordinary share.

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:

	£000
Excess of assets over liabilities	86,296
Less:	
Share capital	(38,000)
Reconciliation reserve	48,296

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.

E.1.2.2 Tier 2

SIL does not have any Tier 2 capital.

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 2023.

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

	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000	Tier 2 £000	Tier 3 £000
Available own funds in previous year	174,271	174,271	-	-	-
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	(87,993)	(87,993)	-	-	-
Change in valuation differences between UK GAAP and Solvency II	18	18	-	-	-
Available own funds in current year	86,296	86,296	-	-	-

SIL's available own funds have reduced by £87,975k between 31 December 2022 and 31 December 2023.

Tier 1 unrestricted own funds have reduced by £87,975k, largely owing to a dividend of £40,000k paid to SFHL on 23 March 2023 and a further dividend of £45,000k which was paid on 19 December 2023.

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.

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

	£000
Total equity per Annual Report and Accounts	96,012
Difference in valuation of assets and liabilities	(9,716)
Basic Own Funds	**86,296**

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 £9,717k.

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 Company does not have any Basic Own Fund items that are subject to transitional arrangements.

E.1.3.4 Ancillary Own Funds

The Company does not have any Ancillary Own Funds.

E.1.3.5 Items Deducted from Own Funds

No items have been deducted from Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Under the Solvency II regime, an insurance company 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 Capital Requirement.

E.2.1 Minimum SCR (MCR)

The MCR is 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 is subject to a minimum value (floor), which is equal to 25% of the SCR, and maximum value (ceiling), which is equal to 45% of the relevant SCR. The MCR has an absolute floor, set at €3,700k and converted to pounds sterling.

E.2.2 Solvency Capital Requirement (SCR)

The SCR should be sufficient to protect the company 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 2023. Section E.2.3 below explains each risk. Note that the 31 December 2023 SCR is still subject to supervisory assessment by the PRA.

SCR	**At 31 December 2023 £000**	**At 31 December 2022 £000**	**Movement £000**
Premium risk	-	-	-
Reserve risk	*32,389*	*44,922*	*(12,533)*
Diversification	-	-	-
Total Premium & Reserve risk after diversification	32,389	44,922	(12,533)
Catastrophe risk	-	-	-
Diversification	-	-	-
Non-life underwriting risk	**32,389**	**44,922**	**(12,533)**
Market risk	14,151	13,639	512
Counterparty default risk	4,148	2,152	1,996
Life underwriting risk	2,068	1,883	185
Operational risk	5,604	7,372	(1,768)
Diversification	(11,736)	(11,169)	(567)
SCR	46,624	58,799	(12,175)

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

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

At the end of the reporting period, SIL's SCR is £46,624k, a decrease of £12,175k since 31 December 2022, reflecting a decrease in non-life underwriting risk. More detailed explanations of the change in SCR over the year are described below.

At the end of the reporting period, SIL's MCR is £12,545k, a decrease of £3,984k since 31 December 2022.

E.2.3.1 Premium Risk

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

E.2.3.5 Market Risk

The Company is exposed to the following Standard Formula market risks based on the portfolio at end 2023:

- 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.
- Equity risk, which arises from the level of volatility of market prices for equities.

The Company'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 Company invests in collective investments, which include funds of European asset-backed credit, global credit, equities 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 Company, 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 SIL has 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 Company does not use any undertaking-specific parameters in the calculation of its SCR.

E.2.5 Capital Add-ons

The Company does not have any capital add-ons at either 31 December 2023 or 31 December 2022.

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 Company uses the Standard Formula to calculate the SCR.

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

E.5.1 Non-compliance with the MCR

Non-compliance with the MCR occurs when the value of eligible Own Funds falls below the MCR. As at 31 December 2023, SIL is in compliance with MCR coverage of 688% (2022: 1,054%).

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 2023, SIL is in compliance with SCR coverage of 185% (2022: 296%).

E.6 Any Other Information

No additional information is required to be disclosed.

Appendix 1: Quantitative Reporting Templates (QRTs)

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 2023
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

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations
S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.22.01.21 - Impact of long term guarantees measures and transitionals
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

	Assets	**Solvency II value**
		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)	216,345
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	156
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	156
R0130	*Bonds*	187,997
R0140	*Government Bonds*	43,276
R0150	*Corporate Bonds*	144,722
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	27,570
R0190	*Derivatives*	623
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	17,016
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	17,016
R0270	Reinsurance recoverables from:	76,699
R0280	*Non-life and health similar to non-life*	42,776
R0290	*Non-life excluding health*	42,776
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	33,923
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	33,923
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	3
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	479
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	94,148
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	404,691

	Liabilities	**Solvency II value**
		C0010
R0510	Technical provisions - non-life	184,346
R0520	*Technical provisions - non-life (excluding health)*	184,346
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	176,457
R0550	*Risk margin*	7,889
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)	69,154
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)*	69,154
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	68,982
R0680	*Risk margin*	172
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	159
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	278
R0830	Reinsurance payables	20,029
R0840	Payables (trade, not insurance)	18
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	44,412
R0900	**Total liabilities**	318,395
R1000	**Excess of assets over liabilities**	86,296

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

		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				-16	-7		-93	0									-115
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				466	0		0	0									466
R0200	Net				-481	-7		-93	0		0	0	0		0		0	-581
	Premiums earned																	
R0210	Gross - Direct Business				-16	-7		-93	0									-115
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				466	0		0	0									466
R0300	Net				-481	-7		-93	0		0	0	0		0		0	-581
	Claims incurred																	
R0310	Gross - Direct Business				1,134	203		4,401	-554									5,184
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				-828	70		888	-1,152									-1,022
R0400	Net				1,962	133		3,513	598		0	0	0		0		0	6,206
	Changes in other technical provisions																	
R0410	Gross - Direct Business				0	0		0	0									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**				10,041	1,602		544	30		0	0	0		0		0	12,216
R1200	**Other expenses**																	
R1300	**Total expenses**																	12,216

S.05.01.02

Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

		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						2,858			2,858
R1620	Reinsurers' share						1,255			1,255
R1700	Net				0		1,603		0	1,603
	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			Other life insurance			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)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		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**								68,982	0	68,982						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								33,923	0	33,923						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						0	0	35,058	0	35,058						
R0100	**Risk margin**								172	0	172						
	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			69,154	0	69,154						

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				144,887	-1,037		18,728	13,879		0	0	0		0		0	176,457
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				40,217	-397		2,955	1		0	0	0		0		0	42,776
R0250	**Net Best Estimate of Claims Provisions**				104,670	-640		15,773	13,878		0	0	0		0		0	133,681
R0260	**Total best estimate - gross**				144,887	-1,037		18,728	13,879		0	0	0		0		0	176,457
R0270	**Total best estimate - net**				104,670	-640		15,773	13,878		0	0	0		0		0	133,681
R0280	**Risk margin**				5,990	0		982	917		0	0	0		0		0	7,889
	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**				150,877	-1,037		19,710	14,796		0	0	0		0		0	184,346
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				40,217	-397		2,955	1		0	0	0		0		0	42,776
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				110,660	-640		16,755	14,794		0	0	0		0		0	141,570

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											11,953	11,953	11,953
R0160	-9	118,585	64,817	20,588	11,457	14,587	5,505	537	514	41	188		188	236,820
R0170	-8	107,605	77,618	22,894	11,952	8,494	2,294	3,606	1,340	40			40	235,843
R0180	-7	141,052	87,433	29,400	17,218	15,651	4,262	2,674	613				613	298,303
R0190	-6	154,212	82,926	22,769	15,685	14,635	6,527	7,026					7,026	303,781
R0200	-5	180,619	86,225	28,322	22,360	11,604	12,466						12,466	341,597
R0210	-4	186,532	83,961	24,431	27,598	22,914							22,914	345,435
R0220	-3	135,799	55,135	18,655	12,202								12,202	221,792
R0230	-2	55,129	18,928	6,725									6,725	80,782
R0240	-1	0	0										0	0
R0250	0	0											0	0
R0260												Total	74,128	2,076,304

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											41,900	31,588
R0160	-9	0	0	39,076	25,552	8,357	1,280	1,281	849	594	1,212		1,243
R0170	-8	0	65,332	30,236	17,920	6,313	4,332	2,463	530	414			378
R0180	-7	194,065	129,147	77,566	47,412	38,269	22,149	15,847	14,812				9,328
R0190	-6	176,067	76,673	48,856	35,388	21,602	15,329	11,112					8,909
R0200	-5	178,883	75,939	49,625	37,486	38,979	26,391						18,606
R0210	-4	182,368	95,430	79,728	64,825	36,696							32,521
R0220	-3	139,860	76,131	67,705	57,639								45,694
R0230	-2	61,247	36,362	30,685									28,189
R0240	-1	0	0										0
R0250	0	0											0
R0260												Total	176,457

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	253,499	0	0	5,686	0
R0020	Basic own funds	86,296	0	0	-3,733	0
R0050	Eligible own funds to meet Solvency Capital Requirement	86,296	0	0	-3,733	0
R0090	Solvency Capital Requirement	46,624	0	0	501	0
R0100	Eligible own funds to meet Minimum Capital Requirement	86,296	0	0	-3,733	0
R0110	Minimum Capital Requirement	12,545	0	0	206	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	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	48,296	48,296			
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**	86,296	86,296	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	86,296	86,296	0	0	0
R0510	Total available own funds to meet the MCR	86,296	86,296	0	0	
R0540	Total eligible own funds to meet the SCR	86,296	86,296	0	0	0
R0550	Total eligible own funds to meet the MCR	86,296	86,296	0	0	
R0580	**SCR**	46,624				
R0600	**MCR**	12,545				
R0620	**Ratio of Eligible own funds to SCR**	185.09%				
R0640	**Ratio of Eligible own funds to MCR**	687.88%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	86,296
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**	48,296
	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	14,151		
R0020	Counterparty default risk	4,148		
R0030	Life underwriting risk	2,068		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	32,389		
R0060	Diversification	-11,737		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	41,019		

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	5,604
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**	46,624
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	46,624
	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	11,809

		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	104,670	
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	15,773	
R0090	General liability insurance and proportional reinsurance	13,878	
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	736

		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	35,058	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	12,545
R0310	SCR	46,624
R0320	MCR cap	20,981
R0330	MCR floor	11,656
R0340	Combined MCR	12,545
R0350	Absolute floor of the MCR	3,233
R0400	**Minimum Capital Requirement**	12,545