SOLVENCY AND FINANCIAL CONDITION REPORT

Year ended 31 December 2024

Tradex Insurance Company plc

(previously named Tradex Insurance Company 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 2024.

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 Tradex Insurance Company plc ('Tradex' and the 'Company').

On 7 August 2024, Tradex reregistered as a publicly listed company, becoming Tradex Insurance Company plc (previously Tradex Insurance Company Limited). There was no change of ownership associated with the change.

Tradex is a UK-based General Insurer that underwrites insurance. The Company underwrites a diverse mix of personal and commercial line with business sourced from Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford ('CG') through delegated authority arrangements. Both MISL and CG are companies registered in England and Wales under the Companies Act 2006.

Motor lines comprise a large proportion of the portfolio mix, with substantial private motor, commercial vehicles and motor trade accounts, along with other smaller lines such as Taxi and Bike. It also underwrites smaller liability and home property accounts. Tradex is a wholly owned subsidiary of Saturn Holdings Limited.

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.

From 31 December 2024, Tradex is managed under the new Solvency II reporting regime ('SII'), as set out by the Prudential Regulation Authority (PRA). This follows the UK's decision to leave the EU and is the new reporting regime for UK insurers, in place of Solvency II. Comparatives are shown under the previous Solvency II regime and reflect the final position for 2023, following management decisions to strengthen best estimate reserves subsequent to the 2023 SFCR being published. These decisions were noted in the published 2023 Annual Report and Accounts.

The Company is subject to a Voluntary Requirement ('VReq') as prescribed by the PRA. This requires, for each underwriting year, the Company must book commissions receivable from quota share reinsurers at the minimum level for at least three years after the start of that underwriting year to prevent any commission clawback which could result in downside volatility in capital position. This is a more prudent position than UK GAAP and standard Solvency II reporting requirements which allow the full commissions to be recognised immediately.

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

The document makes reference to the Annual Reports and Accounts, which also provide relevant information about Tradex, copies of which can be found at www.tradexinsurance.com.

2. Business Performance (Summary of Section A)

2.1 Business Model & Strategy

Strategy

Tradex underwrites a diverse mix of personal and commercial lines with business sourced from MISL (Markerstudy Insurance Services Limited) and Clegg Gifford (CG) through delegated authority arrangements, with the primary product being Personal Motor.

Our business model is focused on effective governance and oversight of MISL, the Managing General Agent (MGA), to ensure that products provided to our customers meet their changing needs, reach our target customers efficiently and effectively through the distribution channels, risks are well understood and priced correctly, and the level of service and claims management deliver good outcomes for our customers.

Our ambition is to build on areas of strength and to consistently deliver a strong underwriting performance.

We seek to achieve this through:

Pricing and data driven portfolio management: Tradex is focused on consistently delivering price adequacy through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve profit targets, and continuously improve the portfolio mix.

Measured risk selection: Through data insights and segmental reporting Tradex develops a clear risk strategy for market segments. During 2023 Tradex exited from underperforming, volatile and non-scalable market segments with the underwriting improvements earned through in 2024. Portfolio mix optimisation continues, with the emphasis on underwriting risk selection and quality utilising sophistication in tools and data, driving a focused footprint.

Volatility management through adequate purchase of Reinsurance: We continue to manage P&L volatility and balance sheet through adequate purchase of reinsurance which comprises of Excess of loss, Quota share and Catastrophe protection for lines of business sourced through both MISL and Clegg Gifford. In addition, models which assess propensity of large claims have been embedded at quotation stage in Private Car (which is the largest proportion of the business mix) providing segmentation of the portfolios and enabling proactive decisions on volatile segments.

Governance on Products and Claims management: We continue to review the products and how they are distributed to meet the target customer needs, there is effective oversight of the service levels provided by the MGA's to brokers and end customers, and that legitimate claims are settled quickly and smoothly delivering good outcomes for our customers. We continue to invest in the governance and control environment, ensuring it evolves in line with business growth.

2.2 Other Significant Events

Effect of inflation and interest rate rises

The rate of inflation has fallen during the year, with CPI reducing from 4.0% at the start of the year to 2.5% in December, however this remains above the Bank of England's target rate of 2%. The Bank of England base rate of interest remained at a high of 5.25% for most of the year, before falling to 5.0% at the beginning of August, then to 4.75% in November.

Claims

Although inflation rates have continued to fall during 2024, high inflation in recent years continues to cause an increase in claims costs as the cost of vehicle parts and building materials has increased. As Tradex continues to grow, this will mean increased exposure to potential inflation rates in future periods, as claims settle.

Confirmation of tariff increases have added more certainty to small bodily injury for the medium term. However, the observed impact of wage increases on bodily injury claims has been higher than long-term expectations for 2024, and is expected to continue to have an impact in 2025.

The impact of inflation on Tradex's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with MISL.

The decision by the Lord Chancellor to increase the Ogden Discount Rate in England and Wales to +0.5%, and a similar increase in Scotland, have led to favourable development in the expected cost of Tradex's outstanding bodily injury claims.

Investments

Investment returns have increased during 2024, mainly due to the increasing size of the investment portfolio, however underlying investment performance has decreased. Inflation rates in the UK, US and Europe reduced in the year and, although they remained above target levels, and central banks started to cut base rates. Short-term yields have reduced as a result, though medium to long-term yields continue to be volatile.

Consumer Duty

The FCA's rules on Consumer Duty came into force in July 2023, and we have designed and are embedding processes to oversee the customer experience. Tradex Board requires that customer experiences and compliance with the duty is prioritised throughout the business. Customer outcome metrics are considered as a standing agenda item and Tradex Board continues to require that appropriate controls are in place and embedded so that customers receive fair value and do not face foreseeable harm, with appropriate actions identified where necessary.

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

Alignment to statutory accounts

The Tradex 2023 SFCR was submitted prior to the finalisation of the statutory accounts and a number of adjustments were made in the final statutory accounts by management following submission of the SFCR. All comparative figures contained in this document are aligned with final statutory report and accounts. The impact of these changes on Solvency are summarised below. Note that these are primarily caused by reserve strengthening in the Clegg Gifford book of business and a more cautious approach to the recognition of the deferred tax asset (DTA).

All 2023 comparative figures contained in this document are unaudited.

SII Valuation of assets and liabilities	As published in 2023	Reclassifications	Movement in investment valuations	Increase in reserves	Derecognition of DTA	As shown in comparatives in this report
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Assets						
Deferred acquisition costs	-	-	-	-	-	-
Deferred tax assets	6,998	-	-	-	(6,998)	-
Property, plant &equipment held for own use	15	-	-	-	-	15
Investments	87,865	98	584	-	-	88,547
Reinsurance recoverable	119,287	-	-	29,364	-	148,651
Reinsurance receivables	2,864	4,013	-	-	-	6,877
Receivables (trade, not insurance)	3,238	-	-	-	-	3,238
Cash and cash equivalents	22,832	-	-	-	-	22,832
Total assets	**243,099**	**4,111**	**584**	**29,364**	**(6,998)**	**270,160**
Liabilities						
Technical provisions	123,164	-	-	35,715	-	158,879
Reinsurance payables	22,039	4,013	-	651	-	26,703
Payables (trade, not insurance)	24,427	-	-	461	-	24,888
Any other liabilities, not elsewhere shown	900	98	-	-	-	998
Total liabilities	**170,530**	**4,111**	**-**	**36,827**	**-**	**211,468**
Excess of assets over liabilities	**72,569**	**-**	**584**	**(7,463)**	**(6,998)**	**58,692**

As a result of these changes, the SCR increased to £48,666k (as published: £47,011k) and Solvency coverage decreased to 120.6% (as published: 154.4%).

2.3 Performance

Lines of Business and Geographical Areas

Lines of business which are material to the performance of Tradex 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 Tradex over the year to 31 December 2024 as reported in the statutory accounts. The 2023 figures shown include the adjustments made in the statutory accounts for 2023, which were made after submission of the 2023 SFCR, as described on page 6.

Overall Performance	2024	2023
	£000	£000
Net earned premium	177,452	42,033
Net policyholder claims and benefits	(151,125)	(53,671)
Commissions	12,337	(4,928)
Expenses	(28,584)	(7,092)
Underwriting result	**10,080**	**(23,658)**
Investment income, net of charges	3,250	2,843
Other income and operating expenses	-	297
Profit on ordinary activities before tax	**13,330**	**(20,518)**

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.tradexinsurance.com.

Tradex's 2024 result of a £13,330k profit before tax was driven mainly by:

- Stronger underwriting result (net of expenses), up by £33,738k, as a result of the business premium growth (earned premium up £135,419k), and the benefits from exiting poor performing business in H2 2023 earning through and strong pricing discipline across all product lines. The claims ratio, claims divided into earned premium, reduced from 128% to 85%.

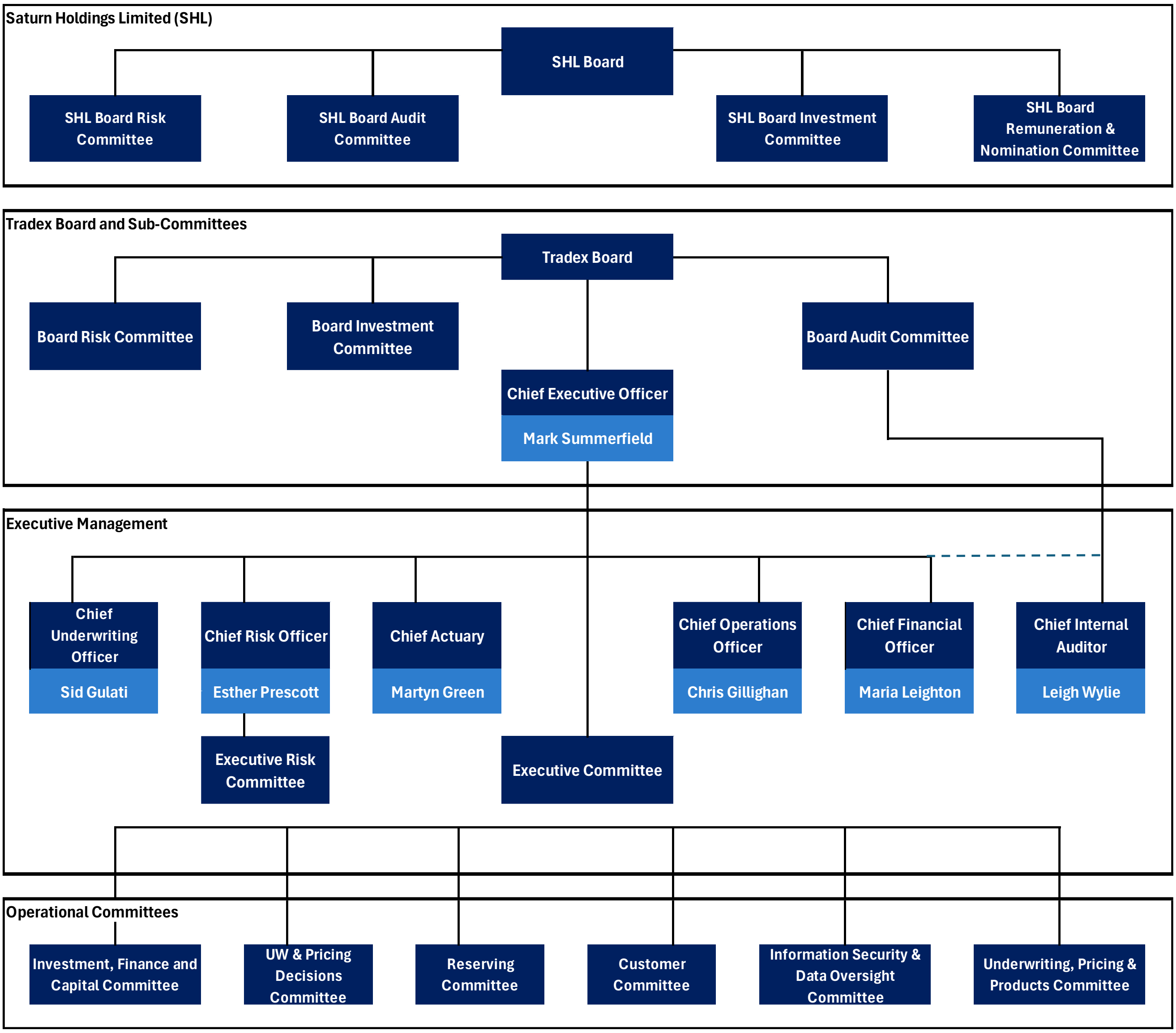
- Motor contributed to majority the underwriting result, with £14,779k profit, driven by rating discipline and mix improvements throughout 2024 underwriting year and improvements from portfolio exits and rating actions from 2023 earning through.
- Home, although improved from 2023, made a loss of £5,427k. Given the relative smaller scale the result was impacted by volatility from weather events and large losses.
- Portfolio management actions are constantly made, facilitated through the various governance committees. This continued focus on underperforming and sub-scale segments, continued actions on pricing and risk selection to maintain rating adequacy and offset inflation drive both the 2024 result and the profitable underwriting result forecast for 2025.
- Expense increase is directly related to the business growth, as a percentage of earned premium expenses remained stable at 16% (17% 2023). Investment was made in both capability and capacity across all functions as the Board ensured the business oversight and control remained appropriate to the business as it grew. Further expense growth is expected into 2025.
- Favourable £3,250k contribution from investment income as the investment portfolio grew in line with premium growth. The overall return was impacted by cautious working cashflow management, with relatively high levels of cash and cash equivalents being held throughout the year.

3. System of Governance (Summary of Section B)

The holding company has its own Board and sub-committees. The governance structure of Tradex is described below.

3.1 Governance Framework

Tradex has strengthened its governance framework during the year 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 to manage and mitigate the risks faced by the business.



The Tradex Board owns and approves 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 Tradex 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

Tradex 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. Tradex provides 1st line oversight of all outsourced activities. The 2nd line oversight activities are not necessarily carried out by the Risk team and can be carried out by anyone working in, or for Tradex, 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 Tradex 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 Tradex are allocated as part of The Senior Manager and Certification Regime (SM&CR).

The Tradex 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 UK 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.

Embedding Risk Management Framework

Tradex is implementing a Risk Management Framework that is appropriate for the growing business. Investment is being made both in all 3 lines of defence, in both skills and capacity.

The Risk Management Framework identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across the Company. As the business grows, and structures and process develop the Framework will evolve as appropriate.

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)

Tradex is exposed to a number of risks which could adversely affect its financial performance and its ability to meet its objectives. The most material risks that directly, financially impact the Company are insurance risk (both premium and reserve risk), operational risk, market risk and credit risk. Clearly these risks can also impact the customer and we also need to deliver good customer outcomes, but these are not directly measured for capital purposes.

Risk	Definition
Insurance Risk (Premium Risk)	The inherent uncertainties as to the occurrence, amount and timing of insurance liabilities for business not yet earned. Premium risk includes catastrophe risk; the risk of loss arising from natural or man-made disasters.
Insurance Risk (Reserve 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. This includes risks such as outsourcing risk, cyber risk and model risk.
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 underwriting and investment risks that arise from the adjustment to a low-carbon economy which could affect a firm[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.

These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

Risks are captured within the Standard Formula calculation of the Solvency Capital Requirement. The table below shows the value of capital held by Tradex 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, in particular insurance risk, but has been allocated to market risk for reporting purposes.

Solvency Capital Requirement	31 December 2024	31 December 2023 (unaudited)	Movement	31 December 2023 (as reported) (unaudited)	Movement from reported 2023
	£000	£000	£000	£000	£000
Non-life underwriting risk	78,869	37,716	41,153	36,776	42,093
Market risk	26,501	8,183	18,318	7,368	19,133
Counterparty risk	31,268	6,576	24,692	6,815	24,453
Operational risk	22,350	4,372	17,978	3,832	18,518
Diversification credit	(27,891)	(8,181)	(19,710)	(7,780)	(20,111)
SCR	**131,097**	**48,666**	**82,431**	**47,011**	**84,086**

Insurance risk is managed by thorough pricing and underwriting management, and claims reserving, and is mitigated through the use of appropriate reinsurance.

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. As MISL, through the outsourcing arrangement, form a significant part of the operation, the operational risks associated are managed through the Binding Authority Agreement.

Market risk reflects the portfolio of assets held by the Company which currently focuses on cash and some investments in higher-yielding assets.

Counterparty risk, including credit risk, is managed through defined limits for exposure to credit ratings and individual counterparties.

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 effect 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 UK balance sheet are valued in accordance with Solvency UK 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 following table shows the valuation of assets and liabilities on a Solvency UK basis as at 31 December 2024. Section D includes explanations of the valuation and recognition basis under Solvency UK 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 UK 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.

Valuation of assets and liabilities	UK GAAP	Solvency II adjustments	Solvency II
	£000	£000	£000
Assets			
Deferred acquisition costs	31,414	(31,414)	-
Deferred tax assets	9,264	(8,359)	905
Property, plant &equipment held for own use	1,165	(1,069)	96
Investments	100,635	290	100,925
Loans and mortgages	58,612	148	58,760
Reinsurance recoverable	456,590	(239,668)	216,922
Insurance and intermediaries receivables	244,274	(234,245)	10,029
Reinsurance receivables	49,634	(27,387)	22,247
Receivables (trade, not insurance)	7,116	-	7,116
Cash and cash equivalents	182,644	10,084	192,728
Any other assets, not elsewhere shown	7,115	(7,115)	-
Total assets	**1,148,463**	**(538,735)**	**609,728**
Liabilities			
Technical provisions	716,452	(342,179)	374,273
Derivative liabilities	135	-	135
Insurance and intermediaries payables	19,733	(18,750)	983
Reinsurance payables	151,921	(151,914)	7
Payables (trade, not insurance)	34,876	5,017	39,893
Subordinated liabilities	30,000	315	30,315
Any other liabilities, not elsewhere shown	56,354	(56,354)	-
Total liabilities	**1,009,471**	**(563,865)**	**445,606**
Excess of assets over liabilities	**138,992**	**25,130**	**164,122**

The excess of assets over liabilities of £164,122k forms the basis of Own Funds for Tradex under Solvency UK which, when added to the Tier 2 subordinated loans, is the amount of available capital held to meet the Solvency Capital Requirement.

6. Capital Management (Summary of Section E)

Solvency coverage at 31 December 2024 is £63,340k (148.3%) (2023: £10,025k (120.6%)). Own Funds at 31 December 2024 are £194,437k (2023: £58,691k).

As described in Section 4, the SCR at 31 December 2024 is £131,097k.

The Company does not apply the transitional measures of a matching adjustment, volatility adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

The following table shows the value of Own Funds eligible to meet the SCR at 31 December 2024.

	2024 total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	2023 total (unaudited)	Movement	2023 as reported (unaudited)	Movement from 2023 as reported
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	12,138	12,138	-	-	-	12,138	-	12,138	-
Share premium account	116,775	116,775	-	-	-	66,775	50,000	66,775	50,000
Reconciliation reserve	14,125	14,125	-	-	-	(20,221)	34,346	(13,342)	27,467
Perpetual restricted tier 1 notes	20,179	-	20,179	-	-	-	20,179	-	20,179
Tier 2 subordinated liabilities	30,315	-	-	30,315	-	-	30,315	-	30,315
Net deferred tax assets	905	-	-	-	905	-	905	6,998	(6,093)
Total basic own funds after deductions	**194,437**	**143,038**	**20,179**	**30,315**	**905**	**58,692**	**135,745**	**72,569**	**121,868**
Total available own funds to meet the SCR	194,437	143,038	20,179	30,315	905	58,692	135,745	72,569	121,868
Total available own funds to meet the MCR	193,532	143,038	20,179	30,315	-	58,692	134,840	65,571	127,961
Total eligible own funds to meet the SCR	194,437	143,038	20,179	30,315	905	58,692	135,745	72,569	121,868
Total eligible own funds to meet the MCR	170,091	143,038	20,179	6,874	-	58,692	111,399	65,571	104,520
Solo SCR	131,097					48,666	82,431	47,011	84,086
Solo MCR	34,377					12,167	22,210	11,753	22,624
Ratio of eligible own funds to SCR	148.3%					120.6%	27.7%	154.4%	(6.1%)
Ratio of eligible own funds to MCR	494.8%					482.4%	12.4%	557.9%	(63.1%)

Tier 1 Unrestricted Own Funds relate to share capital, share premium and the reconciliation reserve. When added to the Tier 1 Restricted Own Funds and Tier 3 Own Funds they equate to the value of the excess of assets over liabilities in the Solvency UK balance sheet. The reconciliation reserve represents the changes resulting from valuation differences between UK GAAP versus Solvency UK as well as retained earnings and other reserves.

Perpetual restricted tier 1 notes relate to £20,000k notes issued on 28 June 2024 and charged at 20.0% interest per annum. The tier 2 subordinated liabilities relate to £30,000k notes issued on 28 June 2024, maturing on 28 December 2034, charged at 12.0% interest per annum.

Non-compliance occurs when the value of eligible own funds falls below the MCR or the SCR. As at 31 December 2024, Tradex has exceeded both the MCR and SCR with coverage of 494.8% (2023: 482.4%) and 148.3% (2023: 120.6%) respectively. Tradex has been compliant with both the MCR and the SCR throughout the reporting period.

Directors' Report

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

Non-Executive Directors
Sharon Ludlow (appointed 1 January 2024)
Neil Southworth (appointed 2 January 2024)
Ewen Gilmour (appointed 1 May 2024)
Andrew Johnston (appointed 1 September 2024)
Roy Sampson (resigned 8 January 2024)
Garry Fearn (resigned 8 January 2024)
Executive Directors
Mark Summerfield
Maria Leighton (appointed 15 April 2024)
Susannah Tilbury (resigned 22 April 2024)

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, as modified by the Voluntary Requirements (VReq), and therefore as applicable to Tradex.

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 Tradex; and

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

By order of the Board:

Sharon Ludlow

Sharon Ludlow

Director

8 April 2025

Report of the independent external auditor to the Directors of Tradex Insurance Company PLC (‘the Company’) pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31st December 2024:

- The ‘Valuation for Solvency Purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Company as at 31st December 2024 (‘the Narrative Disclosures subject to audit’); and
- Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21 and IR.28.01.01 (‘the Templates subject to audit’).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘relevant elements of the Solvency and Financial Condition Report’.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The ‘Summary’, ‘Business and Performance’, ‘System of Governance’ and ‘Risk Profile’ sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.03.02, IR.05.04.02 and IR.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (‘the Responsibility Statement’).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Tradex Insurance Company Plc as at 31st December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority (‘PRA’) Rules as modified by the requirement and supplemented by the permission made by the Prudential Regulation Authority under section 55M and section 138BA of the Financial Services and Markets Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)), including ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks’* and ‘ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement’*. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the relevant elements of the Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 31 December 2026;
- reviewing the solvency and liquidity position of the Company understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing the company's latest profit forecasts submitted to the regulator, and considering the impact on the company's ability to continue operating as a going concern;
- reviewing correspondence with the regulator regarding future growth plans;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the company's ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing them for consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2026.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules which have been modified by the requirement and supplemented by the permission made by the Prudential Regulation Authority under section 55M and section 138BA of the Financial Services and Markets Act 2000.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company’s ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant elements of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the financial reporting provisions of the Prudential Regulation Authority (‘PRA’) Rules and regulations related to elements of the company law and tax legislation. Our consideration of other laws and regulations that may have a material effect on the relevant elements of the Solvency and Financial Condition Report included regulatory and supervisory requirements of the PRA and the Financial Conduct Authority (‘FCA’).

- We understood how Tradex Insurance Company plc is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we reviewed minutes of Board and other Committee meetings, reviewed correspondences between the Company and UK regulatory bodies and gained an understanding of the Company’s approach to governance, demonstrated by the Board’s approval of the Company’s governance framework and Board’s review of the Company’s risk management framework and internal control processes:

- We assessed the susceptibility of the relevant elements of the Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions impacting technical provisions, which were designed to provide reasonable assurance that the relevant elements of the Solvency and Financial Condition Report were free from fraud or error Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Making inquiries of those charged with governance and senior management to ascertain their awareness of any non-compliance with the relevant laws and regulations,

- Identifying the policies which those charged with governance have implemented to prevent, detect, and monitor non-compliance with laws and regulations by officers and employees,
- Reviewing correspondence with regulators and formal minutes of the Board and relevant sub-committees to determine whether there was any non-compliance with laws and regulations.

- For instances of actual or suspected non-compliance with laws and regulations, we performed procedures such as inquiries and review of regulatory correspondence, and where appropriate, we involved specialists from our firm to support the audit team

- The Company operates in the insurance industry which is a highly regulated environment. As such, the audit partner considered the experience and competence of the engagement team to ensure that the team had appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Other Matter – Year ended 31 December 2023 comparative balances

The year ended 31 December 2023 comparative balances in the relevant elements of the Solvency and Financial Condition Report are unaudited.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms, we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Tradex Insurance Company Plc statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Signed by:

Ernst & Young LLP

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Ernst & Young

London

9 April 2025

A. Business and Performance

A.1 Business

A.1.1 Legal Form, Ownership and Registered Address

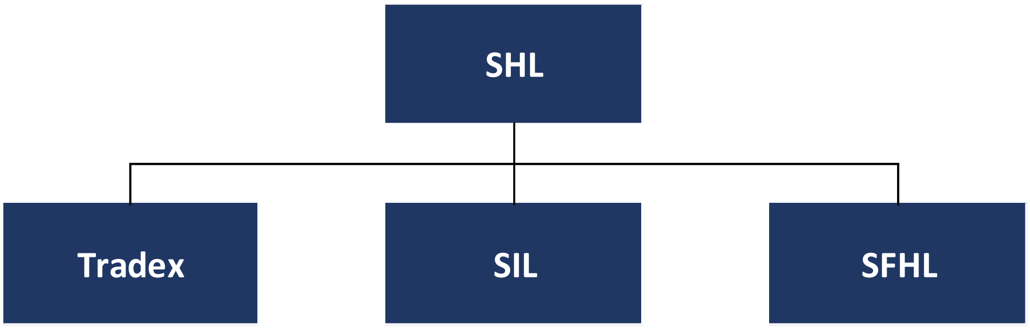
Tradex is a Public Limited Company registered in England and Wales under the Companies Act 2006 (registered number 02983873). Tradex is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FRN 202917). It is a wholly owned subsidiary of Saturn Holdings Limited ('SHL'). Its registered address is Mclaren House, 100 Kings Road, Brentwood, England, CM14 4EA.

A.1.2 Simplified Group Structure, Related Undertakings and Branches

Since 7 July 2023, Tradex has been a wholly owned subsidiary of Saturn Holdings Limited (SHL).

SHL, along with its subsidiaries (Tradex, Soteria Insurance Limited ('Soteria') and Soteria Finance Holdings Limited ('SFHL')), together form an Insurance Group.

The consolidated SFCR for the Group, which includes details of SHL's shareholders, will be available at www.soteriansurance.co.uk following its submission in May 2025.



A.1.3 Employees

The Company employs a number of colleagues to oversee the key functions of the business, with additional services provided by Markerstudy Insurance Services Limited ('MISL'). There is also an arrangement with Soteria whereby a number of colleagues employed by Soteria also work for Tradex and Soteria recharges a portion of its staff salary expenses to Tradex.

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 25 Churchill Place, London E14 5EY.

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

Tradex 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 Strategy

Tradex underwrites a diverse mix of personal and commercial lines with business sourced from MISL (Markerstudy Insurance Services Limited) and Clegg Gifford (CG) through delegated authority arrangements, with the primary product being Personal Motor.

Our business model is focused on effective governance and oversight of MISL, the Managing General Agent (MGA), to ensure that products provided to our customers meet their changing needs, reach our target customers efficiently and effectively through the distribution channels, risks are well understood and priced correctly, and the level of service and claims management deliver good outcomes for our customers.

Our ambition is to build on areas of strength and to consistently deliver a strong underwriting performance.

We seek to achieve this through:

Pricing and data driven portfolio management: Tradex is focused on consistently delivering price adequacy through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve profit targets, and continuously improve the portfolio mix.

Measured risk selection: Through data insights and segmental reporting Tradex develops a clear risk strategy for market segments. During 2023 Tradex exited from underperforming, volatile and non-scalable market segments with the underwriting improvements earned through in 2024. Portfolio mix optimisation continues, with the emphasis on underwriting risk selection and quality utilising sophistication in tools and data, driving a focused footprint.

Volatility management through adequate purchase of Reinsurance: We continue to manage P&L volatility and balance sheet through adequate purchase of reinsurance which comprises of Excess of loss, Quota share and Catastrophe protection for lines of business sourced through both MISL and Clegg Gifford. In addition, models which assess propensity of large claims have been embedded at quotation stage in Private Car (which is the largest proportion of the business mix) providing segmentation of the portfolios and enabling proactive decisions on volatile segments.

Governance on Products and Claims management: We continue to review the products and how they are distributed to meet the target customer needs, there is effective oversight of the service levels provided by the MGA's to brokers and end customers, and that legitimate claims are settled quickly and smoothly delivering good outcomes for our customers. We continue to invest in the governance and control environment, ensuring it evolves in line with business growth.

A.1.7 Other Significant Events

Effect of inflation and interest rate rises

The rate of inflation has fallen during the year, with CPI reducing from 4.0% at the start of the year to 2.5% in December, however this remains above the Bank of England's target rate of 2%. The Bank of England base rate of interest remained at a high of 5.25% for most of the year, before falling to 5.0% at the beginning of August, then to 4.75% in November.

Claims

Although inflation rates have continued to fall during 2024, high inflation in recent years continues to cause an increase in claims costs as the cost of vehicle parts and building materials has increased. As Tradex continues to grow, this will mean increased exposure to potential inflation rates in future periods, as claims settle.

Confirmation of tariff increases have added more certainty to small bodily injury for the medium term. However, the observed impact of wage increases on bodily injury claims has been higher than long-term expectations for 2024, and is expected to continue to have an impact in 2025.

The impact of inflation on Tradex's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with MISL.

The decision by the Lord Chancellor to increase the Ogden Discount Rate in England and Wales to +0.5%, and a similar increase in Scotland, have led to favourable development in the expected cost of Tradex's outstanding bodily injury claims.

Investments

Investment returns have increased during 2024, mainly due to the increasing size of the investment portfolio, however underlying investment returns have decreased. Inflation rates in the UK, US and Europe reduced in the year and, although they remained above target levels, and central banks started to cut base rates. Short-term yields have reduced as a result, though medium to long-term yields continue to be volatile.

Consumer Duty

The FCA's rules on Consumer Duty came into force in July 2023, and we have designed and are embedding processes to oversee the customer experience. Tradex Board requires that customer experiences and compliance with the duty is prioritised throughout the business. Customer outcome metrics are considered as a standing agenda item and Tradex Board continues to require that appropriate controls are in place and embedded so that customers receive fair value and do not face foreseeable harm, with appropriate actions identified where necessary.

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

Alignment to statutory accounts

The Tradex 2023 SFCR was submitted prior to the finalisation of the statutory accounts and a number of adjustments were made in the final statutory accounts by management following submission of the SFCR. All comparative figures contained in this document are aligned with final statutory report and accounts. The impact of these changes on Solvency are summarised below. Note that these are primarily caused by reserve strengthening in the Clegg Gifford book of business and a more cautious approach to the recognition of the deferred tax asset (DTA).

All 2023 comparative figures contained in this document are unaudited.

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 2024 as reported in the statutory accounts. The 2023 figures shown include the adjustments made in the statutory accounts for 2023, which were made after submission of the 2023 SFCR, as described on page 6.

Overall Performance	2024	2023
	£000	£000
Net earned premium	177,452	42,033
Net policyholder claims and benefits	(151,125)	(53,671)
Commissions	12,337	(4,928)
Expenses	(28,584)	(7,092)
Underwriting result	**10,080**	**(23,658)**
Investment income	6,510	2,843
Finance charges & other income	(3,260)	297
Profit on ordinary activities before tax	**13,330**	**(20,518)**

A more detailed analysis of the performance of Tradex, including comparatives against the prior year, can be found in the Annual Report and Accounts which are available at www.tradexinsurance.com.

Tradex's 2024 result of a £13,330k profit before tax was driven mainly by:

- Stronger underwriting result (net of expenses), up by £33,738k, as a result of the business premium growth (earned premium up £135,419k), and the benefits from exiting poor performing business in H2 2023 earning through and strong pricing discipline across all product lines. The claims ratio, claims divided into earned premium, reduced from 128% to 85%.
- Motor contributed to majority the underwriting result, with £14,779k profit, driven by rating discipline and mix improvements throughout 2024 underwriting year and improvements from portfolio exits and rating actions from 2023 earning through.
- Home, although improved from 2023, made a loss of £5,427k. Given the relative smaller scale the result was impacted by volatility from weather events and large losses.

- Portfolio management actions are constantly made, facilitated through the various governance committees. This continued focus on underperforming and sub-scale segments, continued actions on pricing and risk selection to maintain rating adequacy and offset inflation drive both the 2024 result and the profitable underwriting result forecast for 2025.
- Expense increase is directly related to the business growth, as a percentage of earned premium expenses remained stable at 16% (17% 2023). Investment was made in both capability and capacity across all functions as the Board ensured the business oversight and control remained appropriate to the business as it grew. Further expense growth is expected into 2025.
- Favourable £3,250k contribution from investment income as the investment portfolio grew in line with premium growth. The overall return was impacted by cautious working cashflow management.

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

Net investment income reflects income on corporate bonds, gilts, real-estate backed lending, collective investments and equities held by the Group during the year, including realised and unrealised gains and losses. Realised gains represent total gains made on assets which were sold or matured in the year.

A.2.2 Underwriting Performance

Analysis of Tradex's underwriting performance for the year to 31 December 2024, by line of business, is presented below. The segmental analysis is shown before corporate overheads and investment return. The 2023 figures shown include the adjustments made in the statutory accounts for 2023, which were made after submission of the 2023 SFCR, as described on page 6.

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

Motor Insurance (Liability)	2024	2023
	£000	£000
Net earned Premium	122,272	28,070
Net policyholder claims and benefits	(117,796)	(45,257)
Commissions	12,319	(2,289)
Expenses	(19,980)	(5,392)
Underwriting result	**(3,185)**	**(24,868)**

Motor Insurance (Other)	2024	2023
	£000	£000
Net earned Premium	44,726	9,739
Net policyholder claims and benefits	(23,783)	(5,973)
Commissions	4,791	(720)
Expenses	(7,770)	(1,700)
Underwriting result	**17,964**	**1,346**

Fire and Other Damage to Property Insurance (Home)	2024	2023
	£000	£000
Net earned Premium	8,284	3,631
Net policyholder claims and benefits	(7,685)	(2,591)
Commissions	(5,193)	(1,776)
Expenses	(833)	-
Underwriting result	**(5,427)**	**(736)**

Other	2024	2023
	£000	£000
Net earned Premium	2,170	593
Net policyholder claims and benefits	(1,860)	150
Commissions	420	(143)
Expenses	(1)	-
Underwriting result	**729**	**600**

This category is primarily made up of the small Liability class within the Clegg Gifford historic portfolio, sold as an add-on to Motor Trade policies.

A.3 Investment Performance

A.3.1 Investment Income and Expenses

The Company has an increasing portfolio of investments at 31 December 2024, though the investment strategy and portfolio continues to be developed. The majority of the Company's assets are held in cash and money market funds, however there have been significant investments made during the year into a range of debt securities, gilts, equities and asset-backed lending.

The key strategic objective is to meet liabilities over both the longer and shorter terms using two identifiable portfolios.

The short-term portfolio will be to support the Solvency UK technical provisions, achieve an acceptable level of investment return (bias towards income generation but also capital growth), maintaining liquidity and taking a relatively low level of risk.

The higher risk/higher return portfolio is to achieve a real rate of return above inflation. This portfolio is for the use of excess assets over the Board Capital Risk Appetite. It is recognised that this will involve taking a higher level of risk, within the agreed capital budget.

The table below analyses the Company's investment income and expenses. The 2023 figures shown include the adjustments made in the statutory accounts for 2023, which were made after submission of the 2023 SFCR, as described on page 6.

Investment income and expense analysis	Investment income	Realised gains & losses	Unrealised gains & losses	Expenses
	£000	£000	£000	£000
Cash	2,630	1	-	
Corporate bonds	650	-	(87)	
Government bonds	452	-	-	
Equity	402	478	1,752	
Collective investments	-	406	-	
Mortgages and loans	367		-	
Property	-	170	(577)	
Derivatives	-	-	(135)	
	4,501	**1,055**	**953**	**(1,421)**
Prior year	2,349	-	616	(121)
Movement	2,152	1,055	337	(1,300)

Investment returns have increased during 2024, mainly due to the increasing size of the investment portfolio, however underlying investment performance has decreased. Inflation rates in the UK, US and Europe reduced in the year and, although they remained above target levels, central banks started to cut base rates. Short-term yields have reduced as a result, though medium to long-term yields continue to be volatile.

.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 2024.

A.4 Performance of Other Activities

290k is due for lease payments until the end of the lease term. The Company does not have any finance lease arrangements.

A.5 Any Other Information

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

B. System of Governance

This section provides information regarding the system of governance.

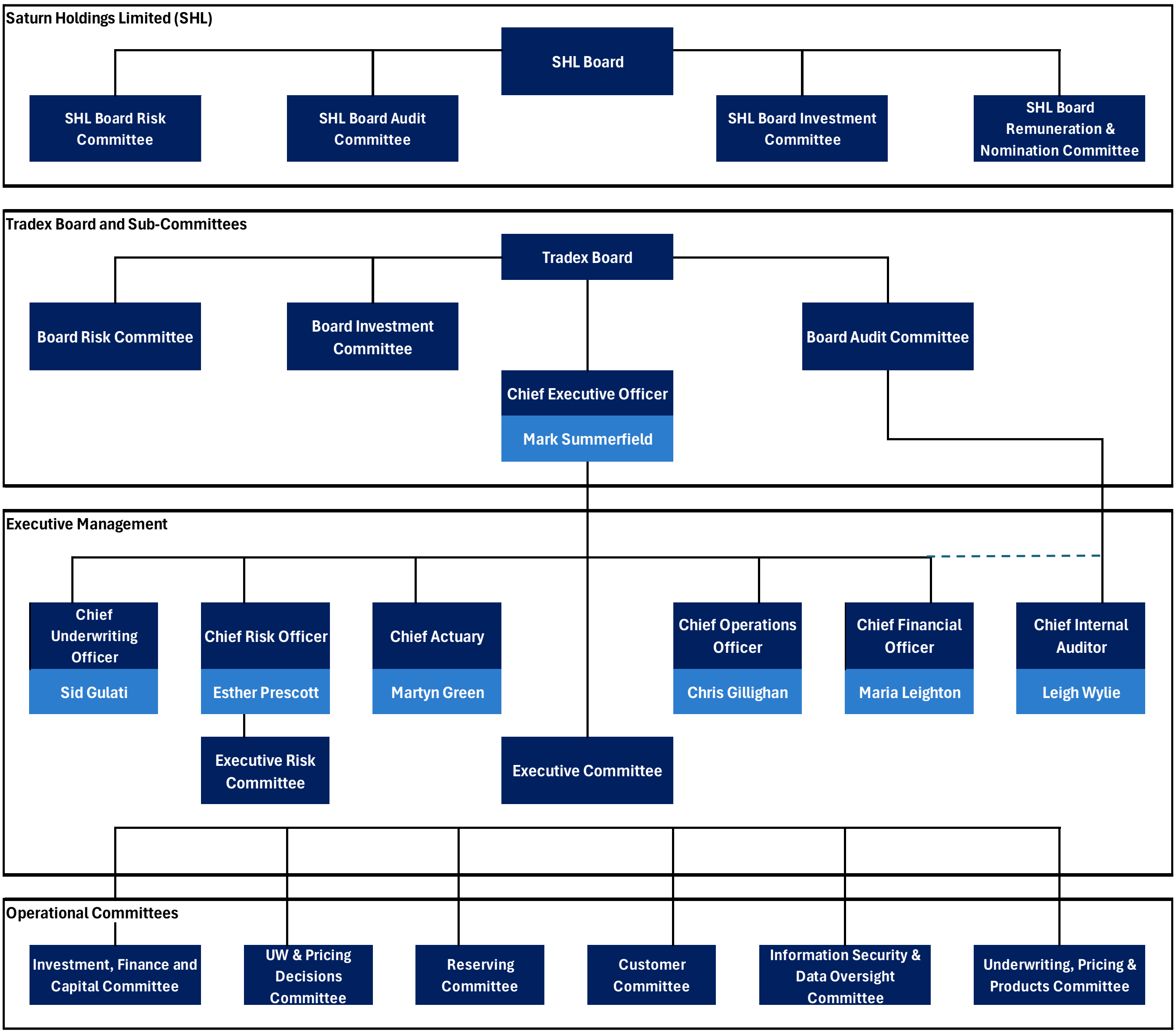
B.1 General Information on the System of Governance

B.1.1 Governance Structure

The Tradex Board is responsible for ensuring that an appropriate system of governance is in place. The Board has established a governance framework including a formal committee structure, consisting of the Tradex Board and its sub-committees (shown in the diagram below), Executive Management committees and Advisory (Operational) committees. The governance framework ensures 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 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 Tradex Board and its sub-committees.

Committee	Overview
Tradex Board	The Tradex 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 customers and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice.
Tradex Board Risk Committee (BRC)	The purpose of the BRC is to oversee and advise the Tradex Board on current and potential risks and the overall risk framework. The committee also oversees Tradex's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed. The committee also is charged with ensuring a good customer outcome.
Tradex Board Audit Committee (BAC)	The purpose of the BAC is to assist the Tradex Board in discharging its responsibilities for the integrity of Tradex'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.
Tradex Board Investment Committee (BIC)	The purpose of the BIC is to assist the Tradex 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.

B.1.2 Key Functions

Key Functions, as defined by Solvency UK 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	Tradex Head of Compliance	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 Tradex 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 Tradex 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.

Tradex 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 as at 31 December 2024 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
SMF2 SMF3	Chief Finance Officer Executive Director	Maria Leighton	• Board (Executive Director) • Financial Information • Regulatory Reporting • Climate Change Champion (investments)
SMF4	Group Chief Risk Officer	Esther Prescott	• Risk Management System • ORSA
SMF5	Group Chief Internal Auditor	Leigh Wylie	• Internal Audit
SMF9	Chair of the Governing Body	Sharon Ludlow	• Board
SM10	Chair of Risk Committee	Neil Southworth	• Board (including Consumer Duty Champion)

Senior Manager Function	Description	Name	Senior Management Responsibilities Held
SMF11	Chair of Audit Committee	Ewen Gilmour	• Board
SMF12 SMF13	Chair of Remuneration Committee Chair of the Nominations Committee	Sharon Ludlow	• Board
SMF7	Group Entity Senior Manager	Michael England	• Board
SMF16	Head of Compliance	Leon Harrison	• Compliance • Financial Crime • Complaints
SMF20	Group Chief Actuary	Grant Mitchell*	• Actuarial Reserves
SMF23	Chief Underwriting Officer	Sid Gulati	• Claims • Pricing • Underwriting • Product Governance • Climate Change Champion (underwriting) • Sales and distribution oversight • Reinsurance • Good customer outcome
SMF24 (Operations)	Group Chief Operations Officer	Chris Gilligan (application in progress)	• Information Technology • Outsourced Operational Functions including systems and technology
SMF24 (IT)	Chief Information Officer	Sarb Lota	• Information Technology

* Note that as at year end the Function Holder of SMF20 was Grant Mitchell. Since 1 February 2025 the role is held by Martyn Green with the application in progress.

B.1.4 Remuneration

SHL Board Remunerations and Nominations Committee (Remco) determine the remuneration principles of Executives within Tradex.

The principles promote 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 Tradex Executive remuneration, Remco take into account a number of principles which reflect the regulatory responsibilities of Tradex, including the following:

- To ensure that overall levels of remuneration are sufficient to attract, retain and motivate individuals of the quality necessary to manage Tradex effectively and successfully, but are not excessive in comparison to the relevant external market.
- To align the remuneration of Tradex 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, Tradex Executives are not remunerated solely on the basis of the profits of Tradex, but on a balanced scorecard including both customer and risk measures.
- To maintain a market-aligned and sustainable remuneration structure for Tradex Executives.
- Any performance conditions attached to incentive awards will be appropriate, stretching and support the strategy and purpose of Tradex.
- To 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 Tradex Executives.
- If Tradex Executives depart Tradex, Remco will aim to ensure colleagues are treated fairly whilst minimising the cost to Tradex.

Long-term incentive awards and supplementary pension and early retirement schemes

The Company does not contractually issue any long-term incentive awards. No supplementary pension or early retirement schemes are offered.

Remuneration paid to Non-Executive Directors

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

The SHL Board REMCO is responsible for determining the fees payable to the Board Chair.

Further information relating to remuneration including compensation paid to key management and Non-Executive Directors is included in Note 31 of the Company's Annual Report and Accounts.

Conflicts of Interest

SHL Remco manage the incentive plans for SHL, Tradex and Soteria. Potential conflicts of interest between Tradex, Soteria and Saturn are managed through strong governance structures, including a conflict of interest register.

B.1.5 Material Changes

Throughout the year there have been a number of changes to the SMF responsibilities:

- Michael England was appointed as Senior Entity Manager (SMF7)
- Maria Leighton was appointed as Group Chief Finance Officer (SMF2) replacing Susannah Tilbury.
- Sharon Ludlow was appointed as Chair of the Governing Body (SMF9) replacing Garry Fearn.
- Ewen Gilmour was appointed as Chair of the Audit Committee (SMF11) replacing Roy Sampson.
- Chris Gillighan was appointed as Group Chief Operations Officer (SMF24).
- Grant Mitchell was appointed as Group Chief Actuary (SMF20) replacing Richard Kelsey (note that post year end this role is now held by Martyn Green).
- Andrew Johnstone was appointed as a notified NED.

The following changes were made to the sub-Board Committee structure in 2024:

- An Information Security and Data Oversight (ISDO) Committee was established, replacing the Information Security Management Systems (ISMS) Committee. The purpose of the ISDO is to oversee the Company's information and data assets.
- A monthly Underwriting and Pricing Decisions Committee was established to ensure effective oversight of pricing, underwriting and product decisions in line with Pricing and Underwriting policy and delegation framework and to support the SMF23 in their duties in this area.

Several supporting forums were introduced to support the sub-Board Committees. There are forums for reinsurance, claims, distribution, fraud management and product governance.

B.1.6 Material Transactions

Information relating to transactions with related companies, including key management compensation, can be found in Note 31 to the Company's Annual Report and Accounts. There are no other material transactions with shareholders, persons who exercise a significant influence on the Company or with members of the Company's management other than as disclosed in that note.

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.

Tradex has established a fit and proper policy and processes which comply with the Senior Managers and Certification Regime (SM&CR). Tradex 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 also apply. Tradex 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, unless otherwise stated below, using the following information:

- Results of performance appraisals, including adherence to the conduct rules outlined by SM&CR.
- 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 as part of succession planning protocol.

- Criminal records checks (biennial).

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 Tradex Board, supported by a capital coverage risk appetite requirement, and overarches the risk appetite statements.

The Risk Vision: "Tradex's strategy is to offer underwriting capacity to Markerstudy Group (MSG), ensuring that all products sold generate a real return over the insurance cycle and offer a positive customer outcome, and to meet all regulatory requirements".

Risk Appetite is the expression of how much risk Tradex 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 Tradex Board owns and approves the Tradex 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 which are maintained by the Group Chief Risk Officer (CRO) of Tradex and reviewed annually. All of the statements and metrics have been updated this year.

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 affect the Company.	The process requires in-depth knowledge of the Company's strategic and operational objectives, business, markets and structure.
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 Tradex 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 Tradex 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).

Tradex provides 1st line oversight of all outsourced activities. The 2nd line also provides review and oversight in accordance with Tradex's risk profile.

B.3.1.4 Policies and Controls

Policies

Tradex 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. The risk and control process has been renewed over 2024 to reflect the new business model and is in the process of embedding.

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

Qualitative Review

The Company has considered the appropriateness of the Standard Formula and concluded that overall, the Standard Formula remains appropriate for Tradex. This is on the basis that Tradex's risks are "standard".

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 Tradex 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 Tradex CRO and the Risk function. The Tradex 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 Tradex Board to ensure that the ORSA is an integral part of business planning, strategy and decision making; and the Tradex 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 Tradex Board that must be followed in the event that Tradex 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 the Board.* *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 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 Tradex 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 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 Tradex Boards when an ad hoc ORSA assessment and report should be carried out, which may also be carried out upon request by the Tradex 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 Tradex 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
Pricing and Underwriting	• Determining appropriate pricing and underwriting strategy and limits • Determine and purchase appropriate reinsurance based on risk/reward considerations
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

Process	Key activities that form part of the ORSA 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 Tradex Board in Q2 2024.

The Company's current and projected risk profile and solvency position is monitored continuously with reporting provided on a quarterly basis to the Tradex Board.

B.4 Internal Control System

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

Each Tradex 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 Tradex 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.

Tradex 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 Markerstudy Insurance Services Ltd (MISL) and are monitored via the Executive Risk Committee.

In addition to this, Tradex 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 are provided by each Tradex Executive for all of their areas of accountability. This procedure of producing assessments is required on a six-monthly cycle. The risk and control process has been renewed over 2024 to reflect the new business model and is in the process of embedding.

B.4.2 Compliance Function

The Tradex Head of Compliance holds compliance officer responsibilities.

Implementing and reporting on compliance risk is supported by the MSG Risk and Compliance team which acts independently from Tradex but performs its activities objectively according to agreed requirements. MSG provide Tradex with updates on Regulatory and Legal Change as well as updates on their ongoing compliance and delivery of any identified actions, in particular around Consumer Duty compliance.

Independent audits in all areas of the business in line with FCA requirements and other guidance, together with Financial Crime oversight, have been outsourced to MSG via the BAA, with ownership by the Tradex Head of Compliance.

The Tradex Head of Compliance has wide ranging access to information that the Board or Risk Team considers necessary to enable Tradex to meet its responsibilities.

The Head of Compliance 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 Tradex BAC on behalf of the Board of Directors. The purpose of the Internal Audit function is to strengthen Tradex's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

B.5.2 Mandate

The Board Audit Committee grants the Internal Audit function the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

Internal Audit's authority is created by its direct reporting relationship to the Board Audit Committee Chair. Such authority allows for unrestricted access to the Board.

The Board authorises the Internal Audit function to:

- have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. The Group Chief Internal Auditor is also authorised to request such access by the co-source audit partner(s) in discharging their services. Internal audit has procedures in place to ensure confidentiality and safeguarding of records and information provided;
- allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives; and
- obtain assistance from the necessary personnel of Tradex and other specialised services from within or outside Tradex to complete Internal Audit services.

All colleagues are expected to assist Internal Audit in performing its duties, as requested. Internal Audits which include within their scope activities performed by third parties are conducted in accordance with contractual audit rights.

Internal Audit is invited to attend all Executive Committee meetings and any other management decision making fora as deemed appropriate by the Group Chief Internal Auditor, who has full access to all related papers and minutes. The Group Chief Internal Auditor has full access to all Board and Board Committee papers, excluding REMCO, and minutes and will be present at Board Audit and Board Risk Committee meetings. Internal Audit has the right to be informed promptly of any major potential or actual control failures relevant to the organisation, including any identified by the external auditors, regulators, or other external parties.

The Group Chief Internal Auditor will have access to the Board Audit Committee and individual members of the Board/Committees, without the presence of executive management, at any time.

Independence and Organisational Position

Internal Audit is a Senior Management Function under the Senior Managers and Certification Regime (SM&CR), with the Group Chief Internal Auditor holding the SMF5 (Senior Manager Function 5 – Head of Internal Audit) position. The Group Chief Internal Auditor will meet with key regulators (the Prudential Regulation Authority, and the Financial Conduct Authority) as requested, maintaining open and cooperative dialogue where relevant, and adhering to the conduct rules under SM&CR.

The Group Chief Internal Auditor is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The Group Chief Internal Auditor reports functionally to the Board Audit Committee Chair and administratively (for example, day-to-day matters) to the Chief Executive Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Group Chief Internal Auditor will confirm to the Board Audit Committee, at least annually, the organisational independence of the internal audit function. The Group Chief Internal Auditor will disclose to the Board Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

B.5.3 Scope

The scope of internal audit services covers the entire breadth of the organisation, including all of Tradex's activities, assets, and personnel (including subsidiary and outsourced activities). Internal Audit maintains an audit universe to cover all of Tradex's activities and risks to ensure completeness of its planning activities. The scope of internal audit activities encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of Tradex's governance, risk management, and control processes.

Internal Audit determines what 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. Internal Audit will provide assurance over specific areas as requested by Regulators.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Board, Board Committees, and/or senior management. The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. The scope and nature of any such assignments will be discussed and agreed as these arise, ensuring that Internal Audit has adequate resources to perform this work without adversely impacting the agreed audit plan. The Group Chief Internal Auditor will resource any such assignments in a way which does not impact the independence of Internal Audit in any future assurance work.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

B.5.4 Roles and responsibilities in the Risk Management Framework

The 'Three Lines of Defence' governance model operated by Tradex ensures appropriate responsibility and accountability is allocated to the identification, measurement, management, monitoring and reporting of risks.

Business management, the first 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 first line work is carried out by third parties.

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

The Third line of defence, Internal Audit, independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the Tradex BAC and senior management on the adequacy of both the First and Second lines of defence, including the quality of their work.

B.5.5 Independence and Objectivity

The Group Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Group Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the Board Audit Committee.

Internal auditors, including co-source auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Co-source internal audit partners will confirm in writing to the Group Chief Internal Auditor in advance of each assignment that, with reference to Internal Audit Standards, the internal auditors performing the review are aware of independence and objectivity requirements and that should any such impairments be identified, these will be disclosed to the Group Chief Internal Auditor.

The Group Chief Internal Auditor will document, in advance of each audit assignment, the resources to be used to complete the review and confirmation that there are no known conflicts of interest.

All internal auditors, including co-source auditors will:

- disclose impairments of independence or objectivity, in fact or appearance, to the Group Chief Internal Auditor as soon as they become aware of any such impairment;

- exhibit professional objectivity in gathering, evaluating, and communicating information;
- make balanced assessments of all available and relevant facts and circumstances; and
- take necessary precautions to avoid conflicts of interest, bias, and undue influence.

B.6 Actuarial Function

B.6.1 Overview

The Actuarial Function is responsible for:

- Ensuring calculation of Technical Provisions 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 Tradex Board.
- Expressing an opinion on the adequacy of reinsurance arrangements.
- Expressing an opinion on the overall underwriting policy.
- Contributing to the effective implementation of the risk-management system (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.

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 Tradex's outsourcing agreement with Markerstudy Group, ownership of the approach and results remains the responsibility of Tradex.

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

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

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

B.7 Outsourcing

Tradex's approach to its outsourcing activity is documented within its Outsourcing policy. Where the Company outsources critical or important operational functions, services and activities it remains fully responsible for discharging all of its regulatory obligations, including the Consumer Duty requirement. To do this Tradex sets the following high-level principles:

- Tradex 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 an Outsourcing policy which sets out a specific set of principles by which Tradex 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 Tradex management.
- Any third-party service provider must protect any confidential information relating to Tradex or its customers and comply with the relevant GDPR legislation.
- Tradex's relationship with, and obligations to, its customers must not be altered.
- The conditions for the authorisation of the regulated entities within Tradex must not be undermined.

Key activities outsourced are:

- Claims handling & loss adjusting (for Motor, Home & Personal Injury)
- Sales and servicing
- Financial operations and Forecast modelling
- Actuarial Reserving
- Some Banking activities
- Some elements of IT and HR Services
- 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 Tradex by its key outsourcing partner MISL, which is also within UK regulated jurisdiction.

B.8 Any other information

B.8.1 Adequacy of the System of Governance

As the business is growing the system of governance is being continuously developed to ensure it remains adequate based on the nature, scale and complexity of the risks inherent in the business. As we evolve the system of governance there is a period of embedding the changes before optimal effectiveness is achieved.

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 insurance risk (both premium and reserve risk), operational risk, market risk and credit risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

Tradex is continuing to establish 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 are shown in Section E.2.

C.1 Insurance Risk

Description

Insurance risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities and can relate to both unearned exposure (Premium risks) and earned exposure (Reserve risks).

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 estimating future loss ratios and establishing claims provisions, it is possible that the outcome will prove to be materially different from the original liability anticipated.

Risk Management Objective

Tradex 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 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.
- Home policies are exposed to property type claims, with subsidence being the longest tailed type of claim.

Risk Measurement

Reserve 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 Tradex's most material risks.

Pricing and Underwriting Risk is measured by considering exposure relative to plan, development of loss ratios and compliance with the underwriting and pricing guidelines.

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. Oversight of these processes is maintained by the outsourcing agreements that are in place, the most material of which is the BAA with MISL, which is monitored on a monthly basis. The Chief Actuary, through the Quarterly Reserve Committee will use the information provided by the outsourced function combined with their technical and industry knowledge to ensure robust reserving. The Company manages reserve risk through Tradex's Reserving Committee which supports Tradex's Chief Financial Officer (CFO) in their responsibility to formally review claims' reserves on a quarterly basis.
Mitigating Underwriting risk through oversight of pricing and underwriting and product governance	Tradex has an oversight committee, the pricing and underwriting committee, which has responsibility for pricing and underwriting and ensuring that actions are put in place if any adverse trends are detected. This committee also has responsibility for product governance and ensuring that the products remain appropriate for customers' needs and generate a good customer outcome.
Mitigating Underwriting 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. In addition, quota share arrangements are in place to cede parts of the portfolio.

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

Sensitivity Analysis

Key stresses in Insurance risk are those relating to the accuracy of reserving on prior underwriting years and the deterioration of loss ratios on the open years.

Deterioration of the 2024 Underwriting loss ratio by 10% affects profitability by £41,500k and affects the solvency coverage ratio by 36%.

Sensitivity of the technical provisions to the assumptions chosen is shown in D.2.3.

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

Tradex'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 affect Tradex through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and a regulatory basis.
- Credit Spread risk: Tradex 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 affect the firm's assets particularly 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 writes contracts of insurance in the United Kingdom, and both insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in US dollars and Polish zloty, as well as sterling, and consequently there is a modest 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 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	Approval of the investment mandate is the responsibility of the Tradex Board. The mandate sets strategic asset allocation and limits on investment types and durations. The Investments, Finance and Capital Committee supports the Tradex CFO in overseeing the monitoring and management of these risks and exposures against limits.

Mitigation technique	Explanation
	The mandate is determined through considering the risk/reward trade off, the term and nature of the liabilities and the effect upon capital adequacy and solvency of the overall business.
Management of credit spread and default risks	Through setting limits for exposure to credit ratings and individual counterparties and transacting only through a diversified range of authorised counterparties.
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 higher risk/higher return portfolio. The short-term portfolio aims to support the Solvency UK technical provisions, achieving an acceptable level of investment return (bias towards income generation but also capital growth), maintaining liquidity and taking a relatively low level of risk. The higher risk/higher return portfolio aims to achieve a real rate of return above inflation and match long-term liabilities. This portfolio is for the use of excess assets over the Board Capital Risk Appetite. It is recognised that this will involve taking a higher level of risk, within the agreed capital budget.

Sensitivity Analysis

The most significant aspects of market risk to which Tradex is exposed are changes in the value of investments and the effect of changes in credit spreads on corporate bonds. The resulting movements in the market values directly affect Tradex'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 £1,336k. 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 Tradex'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 own funds, offset in part by a reduction in the SCR, leading to a decrease in solvency coverage.

Climate Change

Tradex is exposed to Climate Change primarily via its underwriting and investments.

For underwriting, Tradex is exposed to the risk of a change in weather patterns which may increase claims, in particular from the Home products. The Company has an exposure to climate risk in its investment portfolio and, therefore, in market risk. There is a risk, as more investors move to sustainable investment strategies, that investments fall outside these criteria and the price falls as a result. Tradex manages these risks by considering each investment opportunity and its climate risk exposure.

Tradex has incorporated Climate Change into its Risk Management Framework and Investment Mandate and has assigned two owners who are responsible for the management and reporting of climate change from both an underwriting and a market risk respectively.

It is incumbent on the Company's management, Board and investment partners to ensure that the longer-term higher risk/higher return strategy, is managed effectively and minimises the risk of excessive exposure to climate affected sectors.

Prudent Person Principle

The Prudent Person Principle, a key element of Solvency II, requires insurance companies to invest in assets whose risks they can properly understand, monitor, and manage, while prioritising policyholder interests and ensuring the security, liquidity, and profitability of the portfolio. Tradex achieves this by putting in place a Board approved investment mandate which sets limits on the types and amounts of assets that Tradex can invest in which ensures that market risk is managed appropriately, considering the need for Tradex to be able to meet claims as they fall due. See below for specific areas of consideration:

- Risk Management Alignment: The Investment Mandate is set by the Tradex Board and ensures that the investment strategy aligns to the wider overall risk management strategy.
- Diversification: The Investment Mandate sets clear targets and tolerances to ensure the portfolio is appropriately diversified, with no single assets or risk concentration being able to jeopardise financial stability.
- Due Diligence: Appropriate due diligence is performed on all new investment managers and investments, ensuring all investments are suitable and secure.
- Liquidity Considerations: Tradex has clear liquidity policy and tolerances and manages adherence through both long term, and more detailed short term, liquidity forecasts.
- Transparency and Accountability: All investment activity is overseen and governed through the IFCC (Executive sub-committee) and the Investment Committee (Board sub-committee).

Tradex use an outsourced Chief Investment Officer (OCIO) model to ensure that Tradex management are supported by expertise in managing market risks both current and future. The OCIO, Hundle & Partners Limited, reports to the IFCC and attends the Board Investment Committee when required.

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

Tradex'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 i) reinsurance counterparties failing to meet financial obligations and ii) non receipt of policyholder premiums, as a consequence of third parties failing to pass them on.

The Company manages credit risks arising from investments 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 contract terms and having in place cashflow management processes with all counterparties. The Investment, Finance and Capital Committee supports the Tradex 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

One of the most significant stresses would be where the largest reinsurer defaults and only 50% is recovered. This directly affects the profitability removing the reinsurance mitigation and thus proportionally reducing capital resources. There would be a negligible balancing effect on solvency counterparty exposure. This scenario is considered in more detail in 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

Tradex is exposed to liquidity risk as it needs liquid assets to meet its outgoings, this is largely offset by the incoming premiums, particularly as Tradex is in a period of growth.

Risk Measurement

The model to assess liquidity takes into account projected future cashflows as the Company grows and what would be required under stressed scenarios. Liquid investments are cash.

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.

Sensitivity Analysis

A key liquidity risk arises from potential delays in settlement by reinsurers or the brokers. Cash reserves are significant and any delay of payments from the broker or quota share reinsurers still results in a positive cash flow.

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

Tradex'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.

Risk Exposure

Tradex can divide the operational risk into the following categories:

- Financial Reporting Risk
- Technology Risk (including Cyber)
- Third-Party Supplier Risk
- Information Risk
- People Risk
- Financial Crime Risk
- Operational Resilience
- Premises and Physical Security Risk
- Model Risk

- Product Governance Risk

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 technology risk, operational resilience, product governance risk, 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. Operational risks associated with the outsourced functions are monitored through the Binding Authority Agreement. Significant operational risks are reported to the Board Risk Committee (BRC) and Board.
Operational Resilience	Tradex identifies tolerances for each key business process, with appropriate governance and oversight to ensure that these can be met at all times.
Third-Party Supplier Risk	Tradex outsources much of its day-to-day policy admin and claims handling. Outsourced activity is monitored through the Binding Authority Agreement. Appropriate management information is in place which enables oversight of the outsourced activities via dedicated committees.
Product Governance Risk	Tradex has a Product Governance and Oversight Policy in place and monitors the status and outcomes of product reviews in the Product Governance Forum
IT management	Tradex outsources the IT server infrastructure. Management information and controls are in place to monitor service levels, risk and incident monitoring using the ISO 27001 Information Security framework.

Scenario Analysis

One of the most material operational risks for Tradex would be Cyber risk. Tradex has carried out a high-level scenario analysis and estimates that a significant cyber-attack could cost the Company in the region of £5,000k, and would have a likelihood of less than 5%.

Trade recognises the importance of its relationship with MISL as a material outsourcer in Tradex's business model and has completed scenario analyses on if this relationship were to fail.

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 and reputation risk. Tradex have low fixed costs due to the MGA outsourcing model employed under which fees are based on variable volume.

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, Tradex 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 customer contact has been outsourced to MISL, the Company retains ownership of this risk, and ensures it receives the appropriate management information to enable the Company to perform the required oversight.

The FCA's rules on Consumer Duty came into force in July 2023, and we have designed and are embedding processes to oversee the customer experience. Tradex Board requires that customer experiences and compliance with the duty is prioritised throughout the business. Customer outcome metrics are considered as a standing agenda item and Tradex Board continues to require that appropriate controls are in place and embedded so that customers receive fair value and do not face foreseeable harm, with appropriate actions identified where necessary.

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

C.6.3 Regulatory Risk

Regulatory risk is the risk of regulatory sanctions, regulatory censure, material financial loss or loss to reputation Tradex 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 Tradex Executive, BRC and Board (refer to section C.6.2 Conduct Risk).

C.7 Any Other Information

C.7.1 Risk Concentration

Tradex 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.

Tradex manages concentration risk in its underwriting by having underwriting guidelines in place which ensure a suitable mix of exposure geographically and by underwriting class.

C.7.2 Stress Tests

C.7.2.1 Stress Tests and Sensitivity Analysis

Tradex uses Scenario Analysis, Sensitivity Analysis and Reverse Stress-Testing methods to analyse the effect 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 Tradex Board Risk Committee, upon recommendation from the Chief Risk Officer, decide on the stresses to be modelled. In making the recommendation the existing material and strategic/emerging risks were considered.

The table below shows the scenarios considered, which risks each scenario takes into account, and the assumptions used. The stress testing calculates the effect on the solvency coverage ratio if the stressed scenario were to occur.

Key points to note on stresses:

- Market risk: Changes made to reflect the current investment portfolio for Tradex, modelling stress on a more granular level
- Reserve risk: 4 key tests remain as per previous year, with new one added for ENIDs
- Credit risk: Stress changed to failure of top reinsurer and new stress added to reflect the investment in addition of NewPoint as a creditor through the investment in EMTNs
- Operational: New test added for a non-stressed exit to new outsourced partner as key stress.
- Underwriting: No change, loss ratio volatility
- Catastrophe: No change

	Description	Primary Risk type impacted	Key Assumptions	Return Period	Amount	Amount
					£k	% of SCR
1	Investment Stress	Market risk	Fall in yield curve Default in specific areas of portfolio	1 in 20 to 1 in 100 years	5,000-10,000	5%-10%
2	A) Inflation	Reserve risk	Uplift in subsidence claims	1 in 20 years or more	<5,000	<5%
	B) Increase to BI claims	Reserve risk	Uplift in BI claims only	1 in 20 years or more	5,000-10,000	5%-10%
	C) PPO propensity	Reserve risk	PPO propensity increases	1 in 20 years or more	<5,000	<5%
	D) PPO Longevity	Reserve risk	PPO life impairment reduced	1 in 20 to 1 in 100 years	<5,000	<5%
	E) Latent Claims	Reserve risk	In respect of General Liability	1 in 20 to 1 in 100 years	<5,000	<5%
3	A) RI default	Credit risk	Largest reinsurer fails	1 in 200 years or less	10,000-15,000	10%-15%
	B) EMTN	Credit risk	EMTN falls in value	1 in 20 to 1 in 100 years	<5,000	<5%
4	A) MSG failure	Operational risk	Tradex requires a new outsource partner	1 in 20 to 1 in 100 years	15,000-20,000	10%-15%
	B) Cyber failure	Operational risk	No access to systems for 2 weeks	1 in 20 years or more	<5,000	<5%
5	A) Loss ratio deterioration	Underwriting risk	Loss ratios deteriorate by 5%	1 in 20 years or more	20,000-25,000	15%-20%
	B) Loss ratio deterioration	Underwriting risk	Loss ratios deteriorate by 10%	1 in 20 to 1 in 100 years	40,000-50,000	30%-35%
6	A) 1 Cat event takes place	Catastrophe risk	1 cat event which goes 50% into the XoL cover	1 in 20 to 1 in 100 years	10,000-15,000	5%-10%
	B) 2 Cat events take place	Catastrophe risk	2 cat events which each go 50% into the XoL cover	1 in 100 to 1 in 200 years	20,000-25,000	15%-20%
	C) 2 Cat events take place. Followed by a further storm	Catastrophe risk	2 cat events which each go 50% into the XoL cover, followed by 1 further storm which goes to the top end of the cover available. Reinstate cover.	1 in 200 years or less	20,000-25,000	20%-30%
Reverse Stress		Combination of the above possibly including catastrophic failure of Markerstudy Group				

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 MSG failure stress is based on the cost of transferring to an alternative provider in the event that MSG were no longer able to fulfil their requirements.

Timing of the Stresses

All of the stress tests are assumed to occur in H1 2025 as this is when the impact would be greatest in terms of the quantitative impact of the stress.

Sensitivity Testing

The table below shows the expected materiality to the income statement of the various sensitivities, where an impact is "material" if it is 2% of the net assets.

Return Period	Impact on future P&L
Reserves +/-10%	Material impact
Loss Ratio +/-10%	Material impact
Net Premiums +/-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 UK 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.

Valuation of assets and liabilities	UK GAAP	Solvency II adjustments	Solvency II
	£000	£000	£000
Assets			
Deferred acquisition costs	31,414	(31,414)	-
Deferred tax assets	9,264	(8,359)	905
Property, plant &equipment held for own use	1,165	(1,069)	96
Investments	100,635	290	100,925
Loans and mortgages	58,612	148	58,760
Reinsurance recoverable	456,590	(239,668)	216,922
Insurance and intermediaries receivables	244,274	(234,245)	10,029
Reinsurance receivables	49,634	(27,387)	22,247
Receivables (trade, not insurance)	7,116	-	7,116
Cash and cash equivalents	182,644	10,084	192,728
Any other assets, not elsewhere shown	7,115	(7,115)	-
Total assets	**1,148,463**	**(538,735)**	**609,728**
Liabilities			
Technical provisions	716,452	(342,179)	374,273
Derivative liabilities	135	-	135
Insurance and intermediaries payables	19,733	(18,750)	983
Reinsurance payables	151,921	(151,914)	7
Payables (trade, not insurance)	34,876	5,017	39,893
Subordinated liabilities	30,000	315	30,315
Any other liabilities, not elsewhere shown	56,354	(56,354)	-
Total liabilities	**1,009,471**	**(563,865)**	**445,606**
Excess of assets over liabilities	**138,992**	**25,130**	**164,122**

D.1 Assets

D.1.1 Valuation Bases and Assumptions

Deferred Acquisition Costs

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

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 UK balance sheet (recognised and valued in accordance with the Valuation and Technical Provisions parts of the PRA Rulebook for Solvency II UK 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 2024 the Company had an unrecognised deferred tax asset of £357k on a UK GAAP basis, relating to timing differences of £1,429k between depreciation and capital allowances on fixed assets. These have not been recognised on the basis that they will unwind outside of the forecast period.

Deferred tax asset on the Solvency II UK balance sheet is comprised as shown in the table below:

Item	Solvency II	UK GAAP
	£000	£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.	(166)	(166)
Tax on losses This deferred tax asset related to carried forward UK GAAP tax losses which may be utilised against future profits.	(9,098)	(9,098)
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).	8,359	-
Net recognised deferred tax (asset)/liability	**(905)**	**(9,264)**
Losses not recognised for tax purposes		
UK GAAP temporary differences not recognised for tax purposes	(357)	(357)
Net unrecognised deferred tax (asset)/liability	**(357)**	**(357)**

The net deferred tax asset of £905k on a Solvency II basis is classified as Tier 3 Own Funds. The table in section E.1.2 shows the amount recognised as Eligible Own Funds to meet the SCR and MCR requirements.

Recognition criteria is based on projected future profits and judgements regarding utilisation of the tax assets to offset future tax liabilities.

Property, plant and equipment (PPE)

Property, plant and equipment is measured under FRS 102 at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised over the estimated useful economic life of each class of PPE. For Solvency purposes, PPE is valued at fair value. Software assets have been valued at nil for Solvency purposes, as it is considered that these do not have a readily identifiable market value. For computer equipment, cost less depreciation is considered to be a reasonable approximation of fair value, given the depreciation policy of 3 years. Judgement is used in the estimation of useful economic life and in the use of approximations to the fair value of PPE.

Investments, including loans and mortgages

Tradex holds a portfolio of investments, being holdings in debt securities (government bonds and corporate bonds), equities and asset-backed lending. Investments are denominated in sterling, US dollars and Polish zloty, with currency hedges purchased during 2024 to mitigate foreign exchange fluctuations. Currency hedges are included within derivative assets or derivative liabilities, as appropriate and are valued 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 32 to Tradex's Annual Report and Accounts. The valuation techniques for level 3 investments can be found in Note 3c of Tradex's Annual Report and Accounts and are also given in section D.4 of this report.

Of the investment held at fair value at year end, £82,500k are classified as level 2 investments and £76,700k are classified as level 3. Level 3 investments primarily consist of unlisted equities and asset-backed lending.

Government bonds

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.

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.

Equities and asset-backed lending, including loans and mortgages

Initial measurement is at fair value, being purchase price on the date on which Tradex commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. 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.

For these investments, the fair value is established using quotations from independent third parties, such as brokers or pricing services, or by using alternative valuation techniques. Priority is given to publicly available prices from independent sources, when available, but overall, the source of pricing and/or valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Alternative valuation techniques include the use of recent arm's length transactions, reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Managers may use the following valuation techniques to calculate the fair value of credit assets, which form the majority of Tradex's unquoted investments:

- 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, 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.

Reinsurance Recoverable

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 is the amounts recoverable from reinsurers, estimated based upon the gross provisions, having due regard to collectability.

Under Solvency II, adjustments are made in line with the Company's Voluntary requirement ('VReq'), which means amounts due under profit share arrangements can only be recognised two years or more after the end of the relevant underwriting period, once the underwriting result is more certain. In addition, reclassifications of certain balances to technical provisions are required under Solvency regulations.

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.

This balance also includes performance related profit share income from co-insurance partners. Under UK GAAP, this income is recognised in line with the booked loss ratio relevant to the co-insurer business at the reporting date. Under Solvency II, in line with the VReq, income is only being recognised two years or more after the end of the relevant underwriting period, once the underwriting result is more certain.

Reinsurance Receivables

Reinsurance commission income typically varies dependent on the loss ratio of business ceded. Under UK GAAP, commission is recognised in line with the observed loss ratio. Under Solvency II, in line with the Company's VReq, only the minimum commission is initially recognised, with additional income due in line with emerging loss ratios recognised two years after the end of the underwriting year.

Receivables (trade, not insurance)

This category includes any non-insurance amounts that are receivable from business partners, including intergroup balances. Intergroup loans bear interest at market rates and for Solvency II UK 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 UK and UK GAAP, however, cash and cash equivalents in the Solvency II balance sheet includes amounts held in trust by third parties which are recognised as debtors under UK GAAP.

Any other assets, not elsewhere shown

This category includes, on a statutory basis, accrued interest on investments as well as other prepayments and accrued income. On a Solvency basis, accrued interest is reclassified to form part of the investment balances, and other prepayments and accrued income are considered to have a nil value.

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 other than those relating to level 3 investments, as described in section D.1.1.

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

A quantitative view of material differences between the valuation of assets on a Financial Reporting basis and valuation on a Solvency II UK 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 UK 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 UK, 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 UK (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 UK. 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.

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 Tradex has entered into a legal obligation with the customer (Premium Provisions).

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 2024:

TPs	Motor Liability	Motor Other	Fire & Other damage	General Liability	Non-life annuities	Total
	£000	£000	£000	£000	£000	£000
Best estimate liabilities (net)	135,864	24,096	(12,313)	(413)	985	148,219
Risk margin	6,593	1,712	527	162	138	9,132
Total technical provision (net)	**142,457**	**25,808**	**(11,786)**	**(251)**	**1,123**	**157,351**
Reinsurance recoverables	184,953	(11,739)	1,539	28	42,141	216,922
Total technical provision (gross)	**327,410**	**14,069**	**(10,247)**	**(223)**	**43,264**	**374,273**

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 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.

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 claims' run-off approach.

ENID – There is a possibility that claims could arise in future from causes which are not yet known about. Tradex consider possible events when calculating an allowance.

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. Such costs are then discounted at the Risk Free Rate in line with known PPO claims.
- 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.

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.
- No significant events occurred after the cut-off point of data.

D.2.1.2 Premium Provisions

Premium provisions relate to claims events occurring after the financial year end date in relation to the remaining in-force coverage period of policies. The projections comprise all future claims payments and claims management expenses arising from those events. These projections are based on rating and other models used for current business to determine the likely level of ultimate claims to be incurred. For UK GAAP an unearned premium provision is made for this business.

Premium provisions are reduced by the amount of expected future premium cash inflows, including premiums not yet due on incepted business.

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 Company makes use of the 'modified duration' approach detailed in this guideline.

The Risk Margin is set to the cost of holding regulatory capital (at a prescribed cost of capital of 4% p.a.) 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 UK 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
		£000
Loss ratio	2024 loss ratio 2.5% points higher than assumed	13,886
Inflation	Increase in Motor Liability Claims Provisions by 5% due to higher inflation	5,384

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 UK Basis

The SIIUK 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 SIIUK 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 SIIUK.

The following explains the movements between TPs held for UK GAAP reporting purposes and those for Solvency II UK 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 Gross Insurer Contract Liabilities, as shown in the balance sheet at the beginning of Section D £716,452k, less reinsurance recoverables £456,590k. The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to SIIUK basis net technical provisions.

Waterfall of technical provisions	Motor Liability	Motor Other	Non-Motor	Total
	£000	£000	£000	£000
UK GAAP Insurer Contract Liabilities	591,588	96,864	28,000	716,452
Reinsurance recoverables	(384,782)	(58,695)	(13,113)	(456,590)
UK GAAP Net TPs	**206,806**	**38,169**	**14,887**	**259,862**
Future premium receivable	(28,572)	(10,337)	(24,193)	(63,102)
SII discounting	(28,033)	(157)	(20)	(28,210)
ENIDs	2,537	62	143	2,742
Difference between unearned premiums and future claims on unearned premiums	(33,313)	(14,112)	(4,450)	(51,875)
Additional expenses	16,439	10,471	1,892	28,802
Risk Margin	6,593	1,712	827	9,132
Solvency II UK Net TPs	**142,457**	**25,808**	**(10,914)**	**157,351**

The Solvency II UK Net TPs are as shown in Section D.2.1.

D.2.5 Matching Adjustment

Tradex does not apply a Matching Adjustment.

D.2.6 Volatility Adjustment

Tradex does not apply a Volatility Adjustment.

D.2.7 Transitional Interest Rate

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

D.2.8 Transitional Deduction

Tradex has not applied the transitional deduction to the TPs.

D.2.9 Impact of Reinsurance and Special Purpose Vehicles

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

- The Motor Excess of Loss (XoL) Risk programme covers large individual motor losses.
- There are quota share arrangements whereby a proportion of the net premium earned during 2008-2024 is ceded. The quota share arrangements apply after other reinsurance covers.
- The Catastrophe XoL Risk programme covers large individual Home losses.

Tradex does not use Special Purpose Vehicles.

D.2.10 Material Changes in Assumptions from Previous Reporting Period

As at 31 December 2024, Technical Provisions in respect of large motor claims are calculated using the new Ogden Discount Rate of +0.5% rather than the previous rates of –0.25% in England and Wales and –0.75% in Scotland. There are no other material changes in assumptions from the calculation of Technical Provisions as at 31 December 2023.

D.3 Other Liabilities

D.3.1 Valuation Bases and Assumptions

Details of Tradex'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

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".

There are no contingent liabilities or contract obligations in existence at 31 December 2024.

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 UK valuation hierarchy.
- Amounts recoverable under co-insurance arrangements. Where the company is acting as the lead insurer in co-insurance arrangements, the future claims which the company will settle on behalf of the co-insurer and then recover are recognised within this section under UK GAAP. Under Solvency II, the liabilities are offset against any corresponding debtors or cash held within intermediary trust bank accounts for the purpose of settling the future claims, which are shown as cash.

- Performance related profit shares due to intermediaries. These are recognised in line with the relevant booked loss ratio at the reporting date for UK GAAP. Under Solvency II the treatment of the payments due are accounted for under two methods:
    - For amounts due which have a connected profit share income recorded within intermediary receivables under UK GAAP which has not been recognised under Solvency II, and for which the value of both the incoming and outgoing payments are directly correlated, the payment will not be recognised in the SII balance sheet following the same treatment as the income. Both the income and the payment will be reconsidered for recognition in the future following the same timeframe once the results of the underwriting performance becomes more certain.
    - For amounts due which are related to the performance of a broader set of products and are therefore not easily correlated to any income, these amounts are retained as liabilities within the Solvency II balance sheet but are reallocated to offset against debts from the same counterparty where available.

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 XoL programmes and quota share arrangements. Under UK GAAP the reinsurance payables and receivables under XoL are recognised on the balance sheet gross while the quota share is presented net where these are on a funds withheld basis.

The Technical Provisions in the Solvency II UK balance sheet include all amounts payable and receivable under the XoL programme. 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, including taxes and levies and, on a Solvency basis, accruals. These balances are short term in nature and therefore reflect the current market value in line with the Solvency II UK valuation hierarchy.

Deferred Tax Liabilities

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

Subordinated Liabilities

Subordinated liabilities are valued at their fair value under Solvency II, consistent with market-based principles. Fair value reflects the amount at which these liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction. As market data is not readily available, we use discounted cash flow (DCF). No adjustments are made for changes in Tradex's own credit standing in the period between the date of issuing the loans and the reporting date.

Any other liabilities, not elsewhere shown

This is a category for all liabilities not captured elsewhere. The UK GAAP balance is predominantly the reinsurers' share of deferred acquisition costs, which are taken into account in technical provisions. Other UK GAAP expense accruals are short term in nature and therefore reflect a market price valuation in line with the Solvency II UK valuation hierarchy, although under Solvency these are classified as payables (trade, not insurance).

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 UK Basis

A quantitative view of material differences between the valuation of other liabilities on a Financial Reporting basis and valuation on a Solvency II UK basis is shown in the balance sheet at the beginning of Section D.

D.4 Alternative Methods for Valuation

Subordinated liabilities are valued using a market approach consistent with PRA regulations. The value is calculated using a cashflow model which seeks to estimate the market value at the reporting date. No adjustments are made for changes in Tradex's own credit standing in the period between the date of issuing the loans and the reporting date.

Some of the Company's equities and asset-backed lending cannot be valued at prices derived from inputs that are observable for the asset. These investments are disclosed as level 3 investments in Note 32 to Tradex'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 Tradex 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.

D.5 Any Other Information

Going concern

The SFCR is prepared on a going concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the SFCR up to 31 December 2026. 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. Tradex's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts), which 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, large loss events and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, Tradex 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 Tradex would likely be able to meet the its required payments solely from existing cash holdings and forecast premium income.

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 SCR coverage ratio is projected to fall below 100%, however, the coverage ratios would naturally recover over time as premium income and investment returns were received. In this scenario, Tradex'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 Tradex's available financial resources (capital) which can serve as a buffer against risks and absorb financial losses.

Tradex'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.
- For the foreseeable future, capital is expected to be retained to support future growth.

The policies and processes employed by Tradex are designed to benefit policyholder protection by giving management an accurate understanding of the amount and quality of Tradex's Own Funds. This helps Tradex to ensure that sufficient Own Funds are held to absorb unexpected losses and maintain solvency. This is a key focus in Tradex's business planning. The planning horizon considers results through to the end of 2029.

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 Tradex can survive even the most severe unexpected losses.

Tradex 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.

Tradex reviews solvency regularly, with reports provided to the Board periodically, and more frequent monitoring of key components. In the event that Tradex 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 UK 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.

	2024 total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	2023 total (unaudited)	Movement	2023 as reported (unaudited)	Movement from 2023 as reported
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	12,138	12,138	-	-	-	12,138	-	12,138	-
Share premium account	116,775	116,775	-	-	-	66,775	50,000	66,775	50,000
Reconciliation reserve	14,125	14,125	-	-	-	(20,221)	34,346	(13,342)	27,467
Perpetual restricted tier 1 notes	20,179	-	20,179	-	-	-	20,179	-	20,179
Tier 2 subordinated liabilities	30,315	-	-	30,315	-	-	30,315	-	30,315
Net deferred tax assets	905	-	-	-	905	-	905	6,998	(6,093)
Total basic own funds after deductions	**194,437**	**143,038**	**20,179**	**30,315**	**905**	**58,692**	**135,745**	**72,569**	**121,868**
Total available own funds to meet the SCR	194,437	143,038	20,179	30,315	905	58,692	135,745	72,569	121,868
Total available own funds to meet the MCR	193,532	143,038	20,179	30,315	-	58,692	134,840	65,571	127,961
Total eligible own funds to meet the SCR	194,437	143,038	20,179	30,315	905	58,692	135,745	72,569	121,868
Total eligible own funds to meet the MCR	170,091	143,038	20,179	6,874	-	58,692	111,399	65,571	104,520
Solo SCR	131,097					48,666	82,431	47,011	84,086
Solo MCR	34,377					12,167	22,210	11,753	22,624
Ratio of eligible own funds to SCR	148.3%					120.6%	27.7%	154.4%	(6.1%)
Ratio of eligible own funds to MCR	494.8%					482.4%	12.4%	557.9%	(63.1%)

The Tradex 2023 SFCR was submitted prior to the finalisation of the statutory accounts and a number of adjustments were made in the final statutory accounts by management following submission of the SFCR. All comparative figures contained in this document are aligned with final statutory report and accounts ('2023 Total (unaudited)'. The balances as reported in the 2023 submitted SFCR are presented under the '2023 as reported (unaudited)' column.

Tier 1 Unrestricted Own Funds relate to share capital, share premium and the reconciliation reserve. When added to the Tier 1 Restricted Own Funds and Tier 3 Own Funds they equate to the value of the excess of assets over liabilities in the Solvency UK balance sheet. The reconciliation reserve represents the changes resulting from valuation differences between UK GAAP versus Solvency UK as well as retained earnings and other reserves.

Perpetual restricted tier 1 notes relate to £20,000k notes issued on 28 June 2024 and charged at 20.0% interest per annum. The tier 2 subordinated liabilities relate to £30,000k notes issued on 28 June 2024, maturing on 28 December 2034, charged at 12.0% interest per annum.

Non-compliance occurs when the value of eligible own funds falls below the MCR or the SCR. As at 31 December 2024, Tradex has exceeded both the MCR and SCR with coverage of 494.8% (2023: 482.4%) and 148.3% (2023: 120.6%) respectively. Tradex has been compliant with both the MCR and the SCR throughout the reporting period.

No restrictions are applied against available own funds to meet the SCR requirements, however , the Tier 2 subordinated liabilities are restricted to 20% of their value and Tier 3 assets are restricted to nil when calculating available own funds to meet the MCR requirements

E.1.2.1 Tier 1

Share Capital

All the shares constitute a single class of ordinary share and are owned by Saturn Holdings Limited.

On 28 March 2024, Saturn Holdings Limited subscribed for 15 new shares issued by Tradex for £37,500,000. This equates to an increase in share capital of £15 and an increase in share premium of £37,499,985 at the subscription date.

On 26 June 2024, Saturn Holdings Limited subscribed for 1 new share issued by Tradex for £2,500,000. This equates to an increase in share capital of £1 and an increase in share premium of £2,499,999 at the subscription date.

On 23 December 2024, Saturn Holdings Limited subscribed for 4 new shares issued by Tradex for £10,000,000. This equates to an increase in share capital of £4 and an increase in share premium of £9,999,996 at the subscription date.

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 UK.

The reconciliation reserve is calculated as follows:

Calculation of reconciliation reserve	2024
	£000
Excess of assets over liabilities	164,122
Less:	
Share capital	(12,138)
Share premium	(116,775)
Perpetual restricted tier 1 notes	(20,179)
Deferred tax assets	(905)
Reconciliation reserve	**14,125**

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 UK 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.

Other Tier 1 Capital

The Group holds £20,000k perpetual restricted tier 1 notes, charged at 20.0% interest per annum, which are classified as Tier 1 Restricted Own Funds. The notes were issued by Tradex in June 2024.

E.1.2.2 Tier 2

Subordinated Debt

The Group holds £30,000k subordinated tier 2 notes, charged at 12.0% interest per annum, which were issued by Tradex in June 2024.

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 Tradex is detailed in Section D.1.

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

Changes in Own Funds by Tier Over the Reporting Period	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	£000	£000	£000	£000	£000
Prior year, as reported (unaudited)	72,569	65,571	-	-	6,998
Movement in investment valuations	584	584	-	-	-
Increase in reserves	(7,463)	(7,463)	-	-	-
Derecognition of DTA	(6,998)	-	-	-	(6,998)
Prior year (unaudited)	58,692	58,692	-	-	-
Increase in share premium	50,000	50,000	-	-	-
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	18,915	18,915	-	-	-
Change in valuation differences between UK GAAP and Solvency	15,431	15,431	-	-	-
Issue of perpetual restricted tier 1 notes	20,179	-	20,179	-	-
Issue of tier 2 subordinated debt	30,315	-	-	30,315	-
Change in valuation of deferred tax assets	905	-	-	-	905
Current year	**194,437**	**143,038**	**20,179**	**30,315**	**905**

E.1.3 Other Information in Relation to Own Funds

E.1.3.1 Loss Absorbency Mechanisms

Tradex has £20,000k Tier 1 restricted capital relating to perpetual notes which would be written off on occurrence of a trigger event, which is defined as one of the following:

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

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

Equity valuation	2024
	£000
Total Equity per Annual Report and Accounts	138,992
Difference in valuation of assets and liabilities for Solvency II UK	25,130
Tier 2 subordinated debt	30,315
Basic Own Funds under Solvency II UK	**194,437**

Differences in valuation of assets and liabilities between UK GAAP and Solvency II UK are described in Sections D.1.4 (Assets) and D.2.4 (Technical Provisions). The adjustments described have the effect of increasing the value of Own Funds by the same value as the difference in net assets, being £25,130k. Tier 2 subordinated debt of £30,315k is also added back to Basic Own Funds but remains a liability under UK GAAP, meaning that Basic Own Funds are £55,445k higher than Equity under UK GAAP.

E.1.3.3 Transitional Arrangements

Transitional arrangements, lasting a maximum of ten years from 1 January 2016, have been introduced to the Solvency II UK regime to provide a smooth transition between Solvency I and Solvency II UK 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 UK 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 UK 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 UK 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 £3,500k.

E.2.2 Solvency Capital Requirement (SCR)

Tradex uses the Standard Formula to calculate its 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). Tradex uses the Standard Formula approach to calculate the SCR.

The table below shows the SCR as at 31 December 2024. Section E.2.3 below explains each risk. Note that the 31 December 2024 SCR is still subject to supervisory assessment by the PRA.

Solvency Capital Requirement	31 December 2024	31 December 2023 (unaudited)	Movement	31 December 2023 (as reported) (unaudited)	Movement from reported 2023
	£000	£000	£000	£000	£000
Premium and reserve risk	74,842	36,061	38,781	35,113	39,729
Catastrophe risk	11,704	5,245	6,459	5,245	6,459
Lapse risk	6,635	-	6,635	-	6,635
Diversification	(14,312)	(3,590)	(10,722)	(3,582)	(10,730)
Diversified non-life underwriting risk	**78,869**	**37,716**	**41,153**	**36,776**	**42,093**
Market risk	26,501	8,183	18,318	7,368	19,133
Counterparty risk	31,268	6,576	24,692	6,815	24,453
Operational risk	22,350	4,372	17,978	3,832	18,518
Diversification credit	(27,891)	(8,181)	(19,710)	(7,780)	(20,111)
SCR	**131,097**	**48,666**	**82,431**	**47,011**	**84,086**

The table shows that Tradex's key financial risks are insurance-related, being mainly due to premium and 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, Tradex's SCR is £131,097k (2023: £48,666k), an increase of £82,431k since 31 December 2023, reflecting the growth trajectory Tradex is undergoing. More detailed explanations of the change in SCR over the year are described below.

At the end of the reporting period, Tradex's MCR is £34,377k (2023: £12,167k), an increase of £22,210k since 31 December 2023.

E.2.3.1 Non-life underwriting risk

The increase in non-life underwriting risk reflects the growth of the business throughout 2024 as well as the projected growth through 2025. This is somewhat offset by a resultant increase in diversification between the individual risk charges.

Premium Risk

Premium risk relates to policies that will be earned over the coming 12 months.

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.

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.

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.

E.2.3.2 Market Risk

The Company is exposed to the following Standard Formula market risks based on the portfolio at end 2024:

- 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.
- Property risk, which arises from the volatility of market prices for properties.

The Company is currently investing in high-quality fixed interest bonds issued by corporations ("corporate bonds") and the UK government ("gilts"). The Company also holds investments in equities and asset-backed lending, including real estate asset backed lending. Investments are denominated in sterling, US dollars and Polish zloty, with exposure to currency risk, however this is minimised through the use of currency hedges.

The increase in market risk since 2023 reflects a combination of the increase in valuation of the overall investment portfolio, together with the change in the mix of investments held in that portfolio as the investment strategy continues to be developed and implemented.

E.2.3.3 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 insurance intermediaries, reinsurers, banks with which cash is deposited and trade receivables.

As balances with these counterparties have increased since 2023 as a result of the growth of the business, this is reflected in an increase in the counterparty default risk charge.

E.2.3.4 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 technical provisions 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 and so, as Tradex has grown significantly since 2023, this is reflected in an increased operational risk charge in 2024.

E.2.3.5 Loss-absorbing Capacity of Deferred Tax

As Tradex 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 UK 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 simplifications or 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 2024 or 31 December 2023.

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. There has been no period of non-compliance with the MCR during 2024.

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. There has been no period of non-compliance with the SCR during 2024.

E.6 Any Other Information

No additional information is required to be disclosed.

Appendix 1: Quantitative Reporting Templates (QRTs)

Tradex Insurance Company Plc

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	Tradex Insurance Company Plc
Entity identification code and type of code	LEI/21380092HRNZ2H8HOH96
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
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	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

IR.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations

IR.05.03.02 - Life income and expenditure

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.12.01.02 - Life technical provisions

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	905
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	95
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	100,925
R0080	*Property (other than for own use)*	15,031
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	7,342
R0110	*Equities - listed*	4,407
R0120	*Equities - unlisted*	2,935
R0130	*Bonds*	78,552
R0140	*Government Bonds*	18,252
R0150	*Corporate Bonds*	60,300
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	58,761
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	58,761
R0270	Reinsurance recoverables from:	216,922
R0280	*Non-life and health similar to non-life*	174,781
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	42,141
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,029
R0370	Reinsurance receivables	22,247
R0380	Receivables (trade, not insurance)	7,116
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	192,728
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	609,727

	Liabilities	Solvency II value
		C0010
R0505	Technical provisions - total	374,272
R0510	*Technical provisions - non-life*	331,007
R0515	*Technical provisions - life*	43,264
R0542	Best estimate - total	365,139
R0544	*Best estimate - non-life*	322,014
R0546	*Best estimate - life*	43,126
R0552	Risk margin - total	9,132
R0554	*Risk margin - non-life*	8,994
R0556	*Risk margin - life*	139
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	135
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	984
R0830	Reinsurance payables	8
R0840	Payables (trade, not insurance)	39,894
R0850	Subordinated liabilities	30,315
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	30,315
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	445,607
R1000	**Excess of assets over liabilities**	164,121

IR.05.02.01

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	617,135						617,135
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	384,080						384,080
R0200	Net	233,055						233,055
	Premiums earned							
R0210	Gross - Direct Business	437,071						437,071
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	259,619						259,619
R0300	Net	177,452						177,452
	Claims incurred							
R0310	Gross - Direct Business	351,774						351,774
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	201,837						201,837
R0400	Net	149,937						149,937
R0550	**Net expenses incurred**	17,919						17,919

IR.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0						0
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0						0
	Claims incurred							
R1610	Gross	2,085						2,085
R1620	Reinsurers' share	897						897
R1700	Net	1,188						1,188
R1900	**Net expenses incurred**							0

IR.05.03.02

Life income and expenditure

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0010	*Gross direct business*							0
R0020	*Gross reinsurance accepted*							0
R0030	Gross	0	0	0	0	0	0	0
R0040	*Reinsurers' share*							0
R0050	Net	0	0	0	0	0	0	0
	Claims incurred							
R0110	*Gross direct business*				2,085			2,085
R0120	*Gross reinsurance accepted*							0
R0130	Gross	0	0	0	2,085	0	0	2,085
R0140	Reinsurers' share				897			897
R0150	Net	0	0	0	1,188	0	0	1,188
	Expenses incurred							
R0160	*Gross direct business*							0
R0170	*Gross reinsurance accepted*							0
R0180	Gross	0	0	0	0	0	0	0
R0190	Reinsurers' share							0
R0200	Net	0	0	0	0	0	0	0
R0300	Other expenses							
	Transfers and dividends							
R0440	Dividends paid							

IR.05.04.02

Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
				Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
	Income												
	Premiums written												
R0110	Gross written premiums		617,135				422,282	0	164,221	0		26,594	0
R0111	Gross written premiums - insurance (direct)		617,135				422,282	0	164,221	0		26,594	0
R0113	Gross written premiums - accepted reinsurance		0				0	0	0	0		0	0
R0160	Net written premiums		233,055				141,656	0	83,493	0		4,663	0
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		437,071				301,521	0	108,694	0		24,143	0
R0220	Net earned premiums		177,452				106,352	0	60,646	0		8,285	0
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		351,774				280,318	0	52,246	0		17,312	0
R0611	Gross (undiscounted) direct business		351,774				280,318	0	52,246	0		17,312	0
R0612	Gross (undiscounted) reinsurance accepted		0				0	0	0	0		0	0
R0690	Net (undiscounted) claims incurred		149,937				116,341	0	23,986	0		7,750	0
R0730	Net (discounted) claims incurred	151,125	149,937										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	17,919											
R0985	Acquisition costs, commissions, claims management costs	-1,730	-1,730				-5,587	0	-2,173	0		6,083	0
	Other expenditure												
R1140	Other expenses	0											
R1310	**Total expenditure**	163,254											

IR.05.04.02

Non-life income and expenditure : reporting period

		Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
		Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
		C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
	Income														
	Premiums written														
R0110	Gross written premiums	0	0	0	4,039		0								
R0111	Gross written premiums - insurance (direct)	0	0	0	4,039		0								
R0113	Gross written premiums - accepted reinsurance	0	0	0	0		0								
R0160	Net written premiums	0	0	0	3,243		0								
	Premiums earned and provision for unearned														
R0210	Gross earned premiums	0	0	0	2,713		0								
R0220	Net earned premiums	0	0	0	2,170		0								
	Expenditure														
	Claims incurred														
R0610	Gross (undiscounted) claims incurred	0	0	0	1,899		0								
R0611	Gross (undiscounted) direct business	0	0	0	1,899		0								
R0612	Gross (undiscounted) reinsurance accepted	0	0	0	0		0								
R0690	Net (undiscounted) claims incurred	0	0	0	1,860		0								
R0730	Net (discounted) claims incurred													1,188	0
	Analysis of expenses incurred														
R0910	Technical expenses incurred net of reinsurance ceded														
R0985	Acquisition costs, commissions, claims management costs	0	0	0	-54		0							0	0
	Other expenditure														
R1140	Other expenses														
R1310	**Total expenditure**														

IR.12.01.02
Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Best estimate							
R0025	Gross Best Estimate (direct business)				43,126			43,126
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	**Gross Best Estimate**	0	0	0	43,126	0	0	43,126
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				42,141			42,141
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	0	0	985	0	0	985
R0100	**Risk margin**				139			139
	Amount of the transitional on Technical Provisions							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	**Transitional Measure on Technical Provisions**	0	0	0	0	0	0	0
R0200	**Technical provisions - total**	0	0	0	43,264	0	0	43,264

IR.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
	Best estimate																	
	Premium provisions																	
R0060	Gross				22,198	6,255		-21,502	-2,660		0							4,291
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-5,899	-13,514		-3,646	-51									-23,110
R0150	**Net Best Estimate of Premium Provisions**				28,097	19,769		-17,856	-2,609		0							27,401
	Claims provisions																	
R0160	Gross				298,618	6,102		10,728	2,275		0							317,723
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				190,852	1,775		5,185	79									197,891
R0250	**Net Best Estimate of Claims Provisions**				107,766	4,327		5,543	2,196		0							119,831
R0260	**Total best estimate - gross**				320,816	12,357		-10,775	-385									322,014
R0270	**Total best estimate - net**				135,863	24,096		-12,313	-413		0							147,233
R0280	**Risk margin**				6,593	1,712		527	162									8,994
R0320	**Technical provisions - total**				327,409	14,069		-10,247	-223		0							331,007
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				184,953	-11,739		1,539	28		0							174,781
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				142,456	25,808		-11,786	-251		0							156,226

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											224	224	224
R0160	-9	8,296	27,972	11,823	6,134	5,375	6,757	3,199	1,934	437	43		43	71,970
R0170	-8	8,699	27,744	12,480	7,029	4,695	12,284	3,899	5,823	140			140	82,794
R0180	-7	6,693	20,443	11,315	4,748	4,726	5,462	4,933	1,502				1,502	59,823
R0190	-6	5,298	13,168	5,517	3,266	2,619	1,836	3,071					3,071	34,775
R0200	-5	3,779	10,745	4,542	2,079	3,084	1,072						1,072	25,300
R0210	-4	3,386	13,559	6,827	2,799	2,954							2,954	29,526
R0220	-3	3,628	13,968	5,609	3,292								3,292	26,497
R0230	-2	5,112	17,202	8,001									8,001	30,315
R0240	-1	10,428	59,108										59,108	69,536
R0250	0	82,362											82,362	82,362
R0260												Total	161,770	513,123

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											24,221	15,546
R0160	-9	17,676	20,347	16,320	14,365	9,899	3,732	2,571	935	773	419		368
R0170	-8	16,307	28,693	20,339	27,161	24,738	19,133	17,360	35,786	29,492			-4,081
R0180	-7	20,665	32,230	23,024	17,301	13,648	22,734	6,704	13,984				5,449
R0190	-6	15,040	18,212	14,441	15,783	11,819	12,244	8,430					7,632
R0200	-5	13,782	17,642	13,016	10,843	16,586	11,088						4,719
R0210	-4	13,002	21,592	15,021	12,805	12,166							11,040
R0220	-3	16,901	23,647	19,724	31,247								28,297
R0230	-2	19,379	32,733	37,005									29,305
R0240	-1	54,622	104,359										92,562
R0250	0	133,712											126,886
R0260												Total	317,723

IR.19.01.21.22
Gross premium

		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	106,038	0
R0170	N-8	105,246	0
R0180	N-7	88,420	0
R0190	N-6	59,320	0
R0200	N-5	57,328	0
R0210	N-4	71,754	0
R0220	N-3	69,057	0
R0230	N-2	78,131	0
R0240	N-1	119,657	0
R0250	N	113,764	306,114

IR.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)	12,138	12,138		0	
R0030	Share premium account related to ordinary share capital	116,775	116,775		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	20,179		20,179	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	14,125	14,125			
R0140	Subordinated liabilities	30,315		0	30,315	0
R0160	An amount equal to the value of net deferred tax assets	905				905
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				
R0290	**Total basic own funds after deductions**	194,436	143,038	20,179	30,315	905
	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	0				
R0350	Letters of credit and guarantees other	0				
R0360	Supplementary members calls	0				
R0370	Supplementary members calls - other	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	194,436	143,038	20,179	30,315	905
R0510	Total available own funds to meet the MCR	193,531	143,038	20,179	30,315	
R0540	Total eligible own funds to meet the SCR	194,436	143,038	20,179	30,315	905
R0550	Total eligible own funds to meet the MCR	170,091	143,038	20,179	6,875	
R0580	**SCR**	131,097				
R0600	**MCR**	34,377				
R0620	**Ratio of Eligible own funds to SCR**	148.31%				
R0640	**Ratio of Eligible own funds to MCR**	494.79%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	164,121
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	149,996
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	14,125

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	8,068
R0080	Equity risk	3,822
R0090	Property risk	8,767
R0100	Spread risk	4,007
R0110	Concentration risk	16,953
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	-15,117
R0140	**Total Market risk**	26,501
	Counterparty default risk	
R0150	Type 1 exposures	12,660
R0160	Type 2 exposures	20,631
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-2,023
R0180	**Total Counterparty default risk**	31,268
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0
R0240	Lapse risk	0
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	0
R0270	**Total Life underwriting risk**	0
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	74,842
R0340	Non-life catastrophe risk	11,704
R0350	Lapse risk	6,635
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-14,312
R0370	**Non-life underwriting risk**	78,869
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	22,350
R0424	Other risks	
R0430	**Total Operational and other risks**	22,350
R0432	**Total before all diversification**	190,440
R0434	Total before diversification between risk modules	158,989
R0436	Diversification between risk modules	-27,892
R0438	**Total after diversification**	131,097
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	131,097
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	131,097
R0490	Biting interest rate scenario	decrease
R0495	Biting life lapse scenario	

IR.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	34,356

		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	135,863	163,901
R0060	Other motor insurance and proportional reinsurance	24,096	63,739
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	4,809
R0090	General liability insurance and proportional reinsurance	0	3,455
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	21

		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	985	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	34,377
R0310	SCR	131,097
R0320	MCR cap	58,994
R0330	MCR floor	32,774
R0340	Combined MCR	34,377
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	34,377