GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

Year ended 31 December 2024

Saturn Holdings 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 the Saturn Holdings Limited Group (the Group), which comprises Saturn Holdings Limited ('SHL'), Tradex Insurance Company plc ('Tradex'), Soteria Insurance Limited ('SIL') and Soteria Finance Holdings Limited ('SFHL'). The results represent the consolidated results of the Group, with the subsidiary results being included from the point of acquisition.

Tradex is a UK-based General Insurer that underwrites insurance. It 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.

Soteria Insurance Limited ('SIL') is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home), but has been in run-off since 2021.

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, the Group 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.

Tradex 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.

SIL has taken the option to apply the volatility adjustment ('VA'), which is designed by the PRA to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. Neither SIL nor the Group applies the transitional measures of a matching adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

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

The document makes reference to the Annual Report and Accounts, which also provide relevant information about the Group and its subsidiaries, copies of which can be found at www.soteriainsurance.co.uk. Further information about Tradex and SIL, including full year results, can be found in the companies' Annual Reports and Accounts and SFCRs, which can be found at www.tradexinsurance.com and www.soteriainsurance.co.uk.

2. Business Performance (Summary of Section A)

2.1 Business Model & Strategy

Acquisition of subsidiaries

Saturn Holdings Limited ('SHL') was incorporated on 15 December 2021 but remained dormant until 7 July 2023, when, following approval by the PRA, it acquired Tradex Insurance Holdings Limited ('TIHL') and TIHL's subsidiary, then named Tradex Insurance Company Limited ('Tradex'). On 21 August 2023, ownership of Tradex was transferred from TIHL to SHL.

On 10 October 2023, following approval by the PRA, SHL acquired Soteria Finance Holdings Limited ('SFHL') and its subsidiaries, Soteria Insurance Limited ('SIL') and Soteria AOF Solutions Limited ('SAOFS'), which was a dormant company.

On 19 February 2024, ownership of SIL transferred from SFHL to SHL and so SIL became a directly owned subsidiary of SHL. TIHL was dissolved on 9 January 2024 and SAOFS was dissolved on 4 June 2024.

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

Strategy

Tradex

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.

Tradex's business model is focused on effective governance and oversight of MISL, the Managing General Agent (MGA), to ensure that products provided to its customers meet their changing needs, reach its 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 its customers.

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

SIL

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

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

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 outstanding bodily injury claims for Tradex and SIL. This has offset continued pressure from claims inflation running above the long-term expectation during 2024.

Investments

Investment performance has improved across the majority of the investment portfolio during 2024, though returns have been reduced as both SIL and Tradex chose to fully write down one investment, valued at £5.1m in SIL and £4.3m in Tradex, due to concerns regarding its recoverability. 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.

Alignment to statutory accounts

The Group's 2023 SFCR was submitted prior to the finalisation of the Tradex and Group statutory accounts and a number of adjustments were made in the final statutory accounts by management following submission of the Group's 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 within Tradex 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	Decrease 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	7,833	-	-	-	(7,833)	-
Property, plant &equipment held for own use	15	-	-	-	-	15
Investments	304,210	98	584	-	-	304,892
Loans and mortgages	17,016					17,016
Reinsurance recoverable	195,985	-	-	29,364	-	225,349
Insurance and intermediaries receivables	4	-	-	-	-	4
Reinsurance receivables	2,863	4,016	-	-	-	6,879
Receivables (trade, not insurance)	1,020	-	-	-	-	1,020
Cash and cash equivalents	116,995	(98)	-	-	-	116,897
Total assets	**645,941**	**4,016**	**584**	**29,364**	**(7,833)**	**672,072**
Liabilities						
Technical provisions	376,664	-	-	35,715	-	412,379
Derivative liabilities	159	-	-	-	-	159
Insurance and intermediaries payables	278	-	-	-	-	278
Reinsurance payables	42,068	4,016	-	648	-	46,732
Payables (trade, not insurance)	25,191	-	-	461	-	25,652
Subordinated liabilities	66,958	-	-	-	-	66,958
Any other liabilities, not elsewhere shown	3,233	-	-	-	-	3,233
Total liabilities	**514,551**	**4,016**	**-**	**36,824**	**-**	**555,391**
Excess of assets over liabilities	**131,390**	**-**	**584**	**(7,460)**	**(7,833)**	**116,681**

As a result of these changes, the SCR increased to £90,376k (as published: £87,966k) and Solvency coverage decreased to 191% (as published: 203%).

2.3 Performance

Lines of Business and Geographical Areas

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

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

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

Overall Performance

The table below shows the performance of the consolidated Group over the year to 31 December 2024.

	2024	**2023**
	£000	£000
Net earned premiums	176,984	27,959
Net policyholder claims and benefits	(148,007)	(45,316)
Commissions	15,271	(207)
Expenses	(33,768)	(5,599)
Underwriting result	10,480	(23,163)
Net investment income	14,740	9,283
Investment expenses and charges	(16,107)	(3,648)
Goodwill amortisation	(3,381)	2,500
Other income	-	107
Profit/(loss) on ordinary activities before tax	5,732	(14,921)

A more detailed analysis of the performance of SHL and the Group can be found in the Annual Report and Accounts which are available at www.soteriainsurance.co.uk. Full year results for the Group's trading subsidiaries, Tradex and SIL, including comparatives against the prior year, can be found in the companies' Annual Reports and Accounts which are available at www.tradexinsurance.com and www.soteriainsurance.co.uk.

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

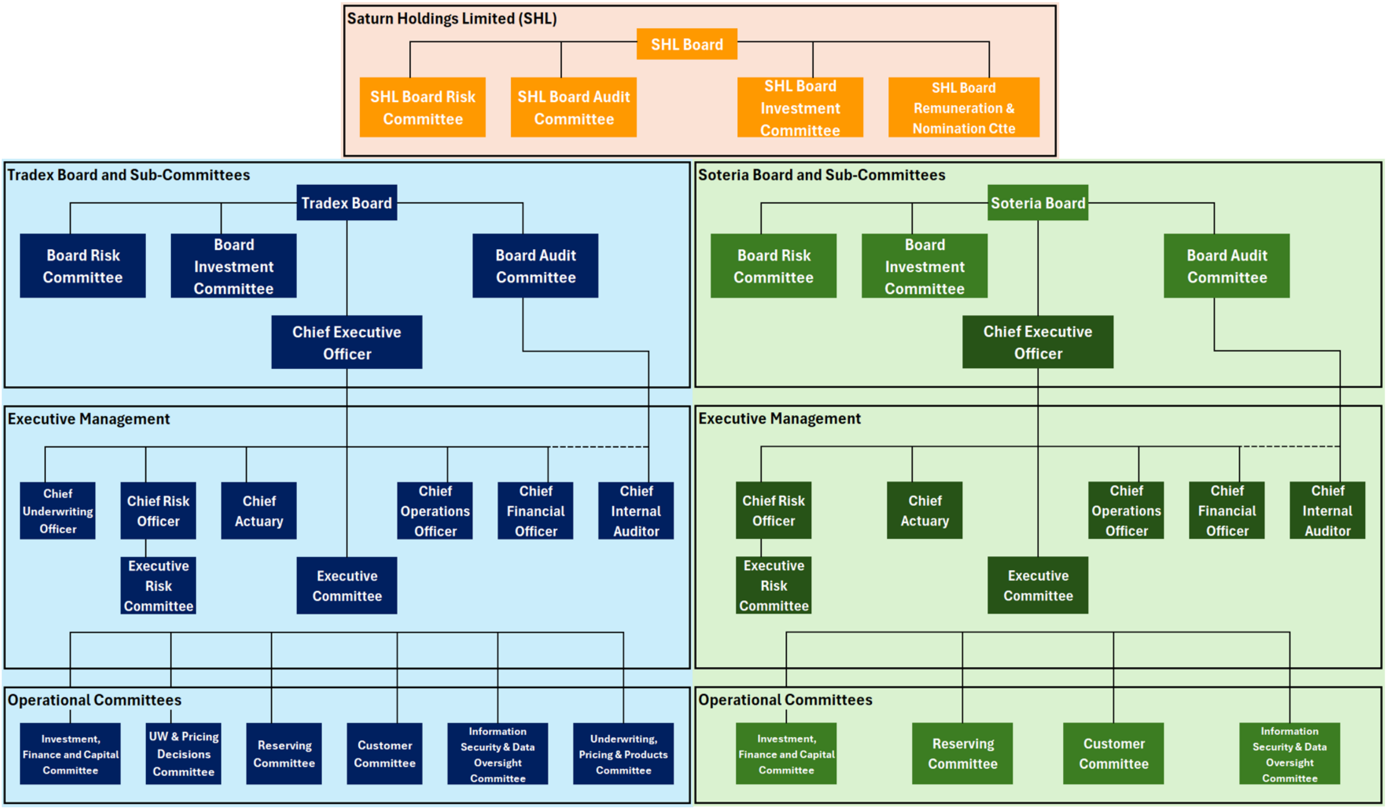
Net investment income reflects income on corporate bonds, gilts, real-estate backed lending, collective investments and equities held by the Group during the year, including realised and unrealised gains and losses. Realised gains represent total gains made on assets which were sold or matured in the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

3. System of Governance (Summary of Section B)

The holding company has its own Board and sub-committees. Reporting into this are the respective Boards and sub committees of the two entities, SIL and Tradex.

3.1 Governance Framework

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



The Risk Management Framework (RMF) is consistent across the Group, with one overarching RMF policy. Each entity Board owns and approves their own Risk Vision, Risk Appetite Statements and associated thresholds. To assist the SHL Board in carrying out its functions and to ensure that there are effective internal controls and risk management, the Tradex and SIL Boards have established sub-committees and delegated certain responsibilities to them. All Board sub-committees have Terms of Reference which document the membership, their accountabilities and describe the authority delegated to them by their Board. The Boards ensure that each committee is provided with sufficient resources to enable it to undertake its duties.

3.2 Key elements of the System of Governance

Appropriate Responsibility and Accountability

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

Business management is the 1st line of defence. It is responsible for implementing and operating processes to identify, measure, manage, monitor and report risks. The Group 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 the Saturn Group, as long as they are independent from whomever carried out the work. The Risk function owns the Risk Management Framework, oversees and challenges its implementation and operation by the 1st line of defence, and considers current and emerging risks across the business.

Internal Audit is the 3rd line of defence within the Group structure. Internal Audit independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the SHL Board Audit Committee (BAC), SIL and Tradex Board Audit Committees (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

All accountabilities within SHL's trading subsidiaries, SIL and Tradex, are allocated as part of The Senior Manager and Certification Regime (SM&CR).

SIL and Tradex each have a Management Responsibilities Map (MRM) which 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 firms' 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 firms' system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

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

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

4. Key Risks (Summary of Section C)

The Group is exposed to a number of risks which could adversely affect its financial performance and its ability to meets its objectives. These risks include:

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 risk 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.
Liquidity Risk	The current and prospective risk to earnings or solvency arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk is explicitly excluded from the Standard Formula Solvency Capital Requirement.
Strategic and Business Risk	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.

[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.

The most material risks that the Group is exposed to are insurance risk, market risk and third party risk, given that most day to day activities are outsourced to Markerstudy Insurance Services Ltd (MISL). 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 (SCR). The table below shows the value of capital held by the Group for each risk.

	31 Dec 2024	31 Dec 2023 (unaudited)	Movement	31 Dec 2023 (as reported) (unaudited)	Movement from reported
	£000	£000	£000	£000	£000
Insurance risk – non life	96,832	65,999	30,833	64,846	31,986
Insurance risk – life	1,746	2,068	(322)	2,068	(322)
Operational risk	22,350	9,976	12,374	8,959	13,391
Market risk	32,734	21,006	11,728	20,132	12,602
Counterparty risk	37,576	10,736	26,840	10,976	26,600
Diversification	(35,611)	(19,409)	(16,202)	(19,015)	(16,596)
SCR	155,627	90,376	65,251	87,966	67,661

Insurance risk is managed by thorough claims reserving and, in Tradex, by thorough pricing and underwriting management. Insurance risk is mitigated through the use of appropriate reinsurance, including excess of loss and quota share cover.

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

Operational risks are identified, measured, managed and mitigated through on-going risk management practices including risk assessments, formal control procedures and contingency planning, and mitigated through corporate insurances. As MISL, through the outsourcing arrangement, form a significant part of the operation, the operational risks associated are managed through the Binding Authority Agreement (Tradex) and the ISARA (Soteria).

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 impact of changes in the risk profile of the Group on capital management is explained in Section 6 of this Summary.

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

Assets and liabilities within the Solvency II balance sheet are valued in accordance with Solvency 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 table below shows the valuation of assets and liabilities on a Solvency II basis as at 31 December 2024. Section D includes explanations of the valuation and recognition basis under Solvency II as well as a comparison to the UK GAAP valuation basis which is used in the Annual Report and Accounts.

The valuation of the balance sheet on a statutory basis is different to the Solvency II balance sheet due to the disallowance of intangible assets, reclassification of accrued interest, the difference in the valuation of the technical insurance provisions, the difference in valuation of subordinated debt and the difference in the treatment of the quota share reinsurance arrangement.

	UK GAAP	Solvency II adjustments	**Solvency II**
	£000	£000	**£000**
Assets			
Goodwill	**(52,572)**	52,572	**-**
Deferred acquisition costs	**31,414**	(31,414)	**-**
Deferred tax assets	**9,264**	(8,359)	**905**
Property, plant and equipment	**1,165**	(1,070)	**95**
Investments	**245,777**	1,767	**247,544**
Mortgages and loans	**82,460**	1,332	**83,792**
Reinsurance recoverables	**513,874**	(235,371)	**278,503**
Insurance and intermediaries receivables	**246,346**	(236,317)	**10,029**
Reinsurance receivables	**49,633**	(27,388)	**22,245**
Receivables (trade, not insurance)	**11,768**	164	**11,932**
Cash and cash equivalents	**243,910**	10,084	**253,994**
Any other assets, not elsewhere shown	**10,062**	(10,062)	**-**
Total assets	**1,393,101**	(484,062)	**909,039**
Liabilities			
Total technical provisions/ UK GAAP insurer contract liabilities	**913,507**	(347,324)	**566,183**
Derivative liabilities	**135**	59	**194**
Insurance and intermediaries payables	**20,195**	(19,007)	**1,188**
Reinsurance payables	**152,401**	(136,942)	**15,459**
Payables (trade, not insurance)	**33,502**	8,795	**42,297**
Subordinated liabilities	**70,207**	(3,060)	**67,147**
Any other liabilities, not elsewhere shown	**60,322**	(60,322)	**-**
Total liabilities	**1,250,269**	(557,801)	**692,468**
Excess of assets over liabilities	**142,832**	73,739	**216,571**

The excess of assets over liabilities of £216,571k forms the basis of Own Funds for the Group under Solvency II, which, when added to the Tier 1 Restricted and Tier 2 subordinated loans, is the amount of available capital held to meet the Solvency Capital Requirement.

6. Capital Management (Summary of Section E)

At 31 December 2024, the key Solvency II capital measures were:

	31 December 2024	31 December 2023 (unaudited)	Movement	31 December 2023 as reported (unaudited)	Movement
	£000	£000	£000	£000	£000
Eligible Own Funds before Volatility Adjustment	281,653	169,009	112,644	174,680	106,973
Effect of Volatility Adjustment	2,065	3,733	(1,668)	3,733	(1,668)
Eligible Own Funds	283,718	172,742	110,976	178,413	105,305
SCR before Volatility Adjustment	155,843	90,877	64,966	88,467	67,376
Effect of Volatility Adjustment	(216)	(501)	285	(501)	285
SCR	155,627	90,376	65,251	87,966	67,661
Solvency Coverage Ratio before Volatility Adjustment	181%	186%	(5%)	197%	(16%)
Solvency Coverage Ratio	182%	191%	(9%)	203%	(21%)
Solvency Coverage	128,091	82,366	45,725	90,447	37,644

Solvency coverage for the Group at 31 December 2024 is £128,091k (182%) (2023: £82,366k (191%)). The Group's Eligible Own Funds at 31 December 2024 are £283,718k (2023: £172,742k).

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

As described in Section 4, the SCR at 31 December 2024 is £155,627k.

SIL applies a Volatility Adjustment in calculating solvency coverage which has improved the Group's solvency coverage by 2%. The Volatility Adjustment is designed by the PRA to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. Tradex does not apply the Volatility Adjustment. The Group does not apply the transitional measures of a matching adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

The table below shows the value of Own Funds eligible to meet the Minimum Consolidated Group SCR (MCG SCR) and the SCR at 31 December 2024, classified by tier.

	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	979	979	-	-	-	730	249	730	249
Share premium account	144,224	144,224	-	-	-	72,270	71,954	72,270	71,954
Reconciliation reserve	70,463	70,463	-	-	-	43,683	26,780	50,559	19,904
Subordinated liabilities	67,147	-	10,825	56,322	-	66,958	189	66,958	189
Deferred tax assets	905	-	-	-	905	-	905	7,831	(6,926)
Total basic own funds after deductions	**283,718**	**215,666**	**10,825**	**56,322**	**905**	**183,641**	**100,077**	**198,348**	**85,370**
Total available own funds to meet the consolidated group SCR	283,718	215,666	10,825	56,322	905	183,641	100,077	198,348	85,370
Total available own funds to meet the MCG SCR	282,813	215,666	10,825	56,322	-	183,641	99,172	190,516	92,297
Total eligible own funds to meet the consolidated group SCR	283,718	215,666	10,825	56,322	905	172,742	110,976	178,413	105,305
Total eligible own funds to meet the MCG-SCR	235,171	215,666	10,825	8,680	-	132,073	103,073	138,829	96,342
Consolidated Group SCR	155,627					90,376	65,251	87,966	67,661
Minimum Consolidated Group SCR	43,400					22,594	20,806	21,992	21,408
Ratio of eligible own funds to consolidated group SCR	182%					191%	(9%)	203%	(21%)
Ratio of eligible own funds to MCG SCR	542%					585%	(43%)	631%	(89%)

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

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

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2024, the Group has exceeded the MCG SCR with coverage of 542% (2023: 585%) of the MCG SCR. The Group has been compliant with the MCG SCR throughout the reporting period.

Non-compliance with the SCR occurs when the value of eligible Own Funds falls below the SCR. As at 31 December 2024, the Group has exceeded the SCR with coverage of 182% (2023: 191%) of the SCR. The Group has been compliant with the SCR throughout the reporting period.

Directors’ Report

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

Non-Executive Directors:

Sharon Ludlow	
Michael England	
John Hastings-Bass	(resigned 16 August 2024)
Ewen Gilmour	(appointed 27 February 2024)
Neil Southworth	(appointed 16 August 2024)
Andrew Johnston	(appointed 1 September 2024)

Executive Directors:

Mark Summerfield	(appointed 17 September 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 supplemented by the permission made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000, as modified by the Voluntary Requirements (VReq) and the volatility adjustment (VA), and therefore as applicable to the Group.

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

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

b) it is reasonable to believe that the Group 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

23 May 2025

Report of the independent external auditor to the Directors of Saturn Holdings Ltd ('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 Group 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 Group Solvency and Financial Condition Report of the Company as at 31st December 2024, ('the Narrative Disclosures subject to audit'); and
- Group templates IR.02.01.02, IR.22.01.22, IR.23.01.04, IR.25.04.22, IR.32.01.21 ('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 Group 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 Group Solvency and Financial Condition Report;
- Group templates IR.05.02.01 IR.05.03.02 and IR.05.04.02; 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 Group 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 Group Solvency and Financial Condition Report of Saturn Holdings Limited 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 permissions made by the Prudential Regulation Authority under section 55M and section 138BA of the Financial Services and Markets Act 2000 and the PRA Rules.

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', and applicable law.

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Group 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 Group 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 Group Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Group 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 31st 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', 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group 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 Group 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 Group Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Group 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 Group 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 Group 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 Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group 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 and the PRA Rules.*

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

In preparing the Group 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 Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group 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 Group 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 Group 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 Group and determined that the most significant are:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and 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 is the Group and Company are 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 Group and Company and UK regulatory bodies and gained an understanding of the Group and Company's approach to governance, demonstrated by the Board's approval of the Group and Company's governance framework and Board's review of the Group and 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 Group and 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 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 Group and Company operate 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 Group 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 also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Saturn Holdings Limited's 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
30EA94B84A764FB...

Ernst & Young

London

27 May 2025

Appendix – Information within the relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Information within the relevant elements of the Group Solvency and Financial Condition Report that is not subject to audit comprises:

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A. Business and Performance

A.1 Business

A.1.1 Legal Form, Ownership and Registered Address

Saturn Holdings Limited ('SHL') is a Company registered in England under the Companies Act 2006. The registered office is 11-12 Hanover Square, London, W1S 1JJ and the registered number is 13802733. SHL was incorporated on 15 December 2021.

SHL is a holding company with three subsidiaries, Tradex Insurance Company plc ('Tradex'), Soteria Finance Holdings Limited ('SFHL') and Soteria Insurance Limited ('SIL'). Two other subsidiaries, Tradex Insurance Holdings Limited ('TIHL') and Soteria AOF Solutions Limited ('SAOFS') were dissolved during the year.

Tradex is a UK-based General Insurer that underwrites insurance, in both personal and commercial lines (Motor and Home). SIL is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home). The SIL Board made the decision to place SIL into run-off in February 2021 and its last insurance policies expired in March 2022. Since this date SIL has continued to administer existing policies in force and settle outstanding claims. SFHL was the holding company of SIL on acquisition by SHL, though ownership of SIL transferred to SHL on 19 February 2024.

A.1.2 Simplified Group Structure, Related Undertakings and Branches

SHL was incorporated on 15 December 2021 but remained dormant until 7 July 2023, when, following approval by the PRA, it acquired TIHL and TIHL's subsidiary, Tradex. On 21 August 2023, ownership of Tradex was transferred from TIHL to SHL.

On 10 October 2023, following approval by the PRA, SHL acquired SFHL and its subsidiary, SIL, and SAOFS.

As at 31 December 2024, TIHL and SAOFS have been dissolved, with Tradex, SHFL and SIL under direct ownership of SHL.

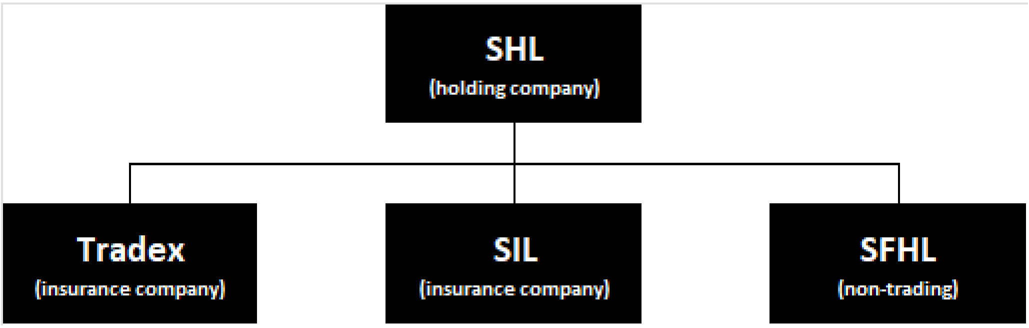
As at 31 December 2024, PSC Nominee 4 Limited was the principal investor in SHL and held legal title to shares for and on behalf of PSC IV fund entities.

Name	Legal form	Country of incorporation	% holding
PSC Nominee 4 Limited	Private Limited Company	Guernsey	78.4%
CVC Credit Partners European Direct Lending III (GBP) SCSp	Special Limited Partnership	Luxembourg	0.9%
CVC Credit Partners EU DL 2021 SCSp	Special Limited Partnership	Luxembourg	1.5%
CVC Credit Partners European Direct Lending Fund II (DL) SCSp	Special Limited Partnership	Luxembourg	0.3%
CVC Credit Partners European Direct Lending Fund II (E) SCSp	Special Limited Partnership	Luxembourg	1.5%
CVC Credit Partners European Direct Lending Fund II (EL) SCSp	Special Limited Partnership	Luxembourg	0.5%
CVC Credit Partners European Direct Lending Fund II (RN) SCSp	Special Limited Partnership	Luxembourg	0.4%
CVC Credit Partners European Direct Lending III (DL) SCSp	Special Limited Partnership	Luxembourg	1.2%
CVC Credit Partners European Direct Lending III (E) SCSp	Special Limited Partnership	Luxembourg	1.8%
CVC Credit Partners European Direct Lending III (EL) SCSp	Special Limited Partnership	Luxembourg	1.2%
Global Structured Products (Jersey) Limited	Private Limited Company	Jersey	9.3%
Pembridge Private Capital Limited	Private Limited Company	UK	3.0%

In March 2025, following transactions on 4 March 2025 and 28 March 2025, the principal investor in the Group became PSC Accelerator Nominee II Limited, which holds legal title to shares for and on behalf of PSC Fund Accelerator II fund entities.

Name	Legal form	Country of incorporation	% holding
PSC Accelerator Nominee II Limited	Private Limited Company	Guernsey	78.4%
PSC Nominee 5 Limited	Private Limited Company	Guernsey	9.3%
Global Structured Products (Jersey) Limited	Private Limited Company	Jersey	9.3%
Pembridge Private Capital Limited	Private Limited Company	UK	3.0%

SHL, together with its subsidiaries, forms an Insurance Group. The group structure at 31 December 2024 is shown below:



There are no material differences between the scope of the group used for the consolidated financial statements and the scope for the consolidated data determined in accordance with Group Supervision 11.1A to 11.1C of the PRA Rulebook.

A.1.3 Employees

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

A.1.4 Name and Contact Details of External Auditors

The Group'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

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

A.1.6 Strategy

The Group 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: The Group 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 the Group develops a clear risk strategy for market segments. During 2023 the Group 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

Impact 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

Increased inflation has led to an increase in claims costs for Tradex and SIL, as the cost of vehicle parts and building materials has increased. The observed impact of wage increases on bodily injury claims has been relatively low to date but is expected to continue to have an impact in 2024, particularly if current widespread industrial action leads to further wage increases in the public sector.

Investments

Investment performance has improved across the majority of the investment portfolio during 2024, though returns have been reduced as both SIL and Tradex fully impaired an investment, valued at £5.1m in SIL and £4.3m in Tradex, due to concerns regarding its recoverability. 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.

Events after the reporting period

On 21 March 2025, Soteria entered into a loss portfolio transfer (LPT) arrangement with a third party to cover its obligations relating to liability claims, transferring liabilities of £23.6m. The net impact on inception of the arrangement was a profit of £5.7m.

A.2 Underwriting Performance

A.2.1 Overall Performance and Segmental Analysis

The table below shows the performance of the consolidated Group over the year to 31 December 2024. 2023 figures include the results of Tradex and SIL from their respective dates of acquisition, and do not represent the full year's trading.

	2024 £000	2023 £000
Net earned premiums	176,984	27,959
Net policyholder claims and benefits	(148,007)	(45,316)
Commissions	15,271	(207)
Expenses	(33,768)	(5,599)
Underwriting result	10,480	(23,163)
Net investment income	14,740	9,283
Finance costs	(16,107)	(3,648)
Goodwill amortisation	(3,381)	2,500
Other income	-	107
Profit on ordinary activities before tax	5,732	(14,921)

A more detailed analysis of the performance of SHL and the Group can be found in the Annual Report and Accounts which are available at www.soteriainsurance.co.uk. Full year results for the Group's trading subsidiaries, Tradex and SIL, including comparatives against the prior year, can be found in the companies' Annual Reports and Accounts which are available at www.tradexinsurance.com and www.soteriainsurance.co.uk.

The Group's 2024 result of a £5,732k profit before tax was driven mainly by:

- Stronger underwriting result (net of expenses), up by £33,643k, largely as a result of Tradex's premium growth, and the benefits from exiting poor performing business in H2 2023 earning through and strong pricing discipline across all product lines.
- Motor contributed to majority the underwriting result, with £20,522k profit, predominantly driven by rating discipline and mix improvements throughout 2024 underwriting year and improvements from portfolio exits and rating actions from 2023 earning through.
- Home made a loss of £8,873k, with the result impacted by volatility from weather events and large losses as well as claims developments, particularly relating to subsidence claims.
- 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 19% (2023: 20%). 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 £5,457k 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 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.

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

A.2.2 Underwriting Performance

Analysis of the Group's underwriting performance for the year to 31 December 2024, by line of business, is presented below.

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

Motor Liability

	2024 £000	2023 £000
Net earned premiums	121,949	22,353
Net claims	(110,242)	(38,300)
Commissions	15,592	(110)
Expenses	(23,053)	(5,211)
Underwriting result	4,246	(21,268)

Motor Other

	2024 £000	2023 £000
Net earned premiums	44,786	2,232
Net claims	(24,199)	(3,289)
Commissions	4,452	31
Expenses	(8,763)	1,267
Underwriting result	16,276	241

Fire and Other Damage to Property Insurance (Home)

	2024 £000	2023 £000
Net earned premiums	8,079	3,085
Net claims	(9,808)	(2,985)
Commissions	(5,193)	(125)
Expenses	(1,951)	(1,626)
Underwriting result	(8,873)	(1,651)

Other

	2024 £000	2023 £000
Net earned premiums	2,170	289
Net claims	(3,758)	(742)
Commissions	420	(2)
Expenses	(1)	(30)
Underwriting result	(1,169)	(485)

A.3 Investment Performance

A.3.1 Investment Income and Expenses

The Group has a portfolio of investments, mainly held in corporate and government bonds and cash, though it also holds some higher risk/ higher return assets in equities, collective investments, real-estate and real-estate backed lending. Collective investments include funds of European asset-backed credit and global credit. Investments are denominated in sterling, US Dollars, Euros and Polish Zloty, with currency hedges held to mitigate foreign exchange fluctuations.

The Group's investment strategy is to hold sufficient cash, government bonds and investment grade corporate bonds, down to BBB rating, to support the Solvency II technical provisions and meet the requirements of short term claims. Other assets are held to meet the demands of longer term claims, as well as to provide additional income on surplus capital. Rebalancing these portfolios on a regular basis ensures that sufficient liquid assets are held to meet claims payments and expenses as they arise.

This investment strategy continues to be developed and implemented across the Group to meet the changing needs of the business.

Current investment holdings are as follows:

	£000
Government bonds	42,949
Corporate bonds	163,767
Collective investment undertakings	15,227
Equities	10,496
Real-estate backed lending	83,793
Investment property	15,031
Cash deposits	253,994
Derivatives	73
	585,330

Figures include accrued interest.

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

	Investment income £000	Realised gains & losses £000	Unrealised gains & losses £000	Expenses £000
Cash	4,701	(156)	-	
Government bonds	1,672	(5,301)	2,440	
Corporate bonds	8,704	(3,712)	2,337	
Equities	402	607	2,595	
Collective investment undertakings	1,331	1,305	614	
Real-estate backed lending	1,385	(107)	(4,433)	
Property	-	170	(577)	
Derivatives	-	1,182	(419)	
	18,195	**(6,012)**	**2,557**	**(3,848)**
Prior year	4,952	(62)	3,809	(902)
Movement	**13,243**	**(5,950)**	**(1,252)**	**(2,946)**

Investment performance has improved across the majority of the investment portfolio during 2024, though returns have been reduced as both SIL and Tradex chose to fully write down one investment, valued at £5.1m in SIL and £4.3m in Tradex, due to concerns regarding its recoverability. 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.

A.3.2 Investment Gains and Losses Recognised Directly in Equity

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

A.3.3 Investments in Securitisations

The Group had no investments in securitisations at December 2024.

A.4 Performance of Other Activities

The Group has one operating lease under which payments of £290k are due until the end of the lease term. The Group does not have any finance lease arrangements.

A.5 Any Other Information

The Group 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

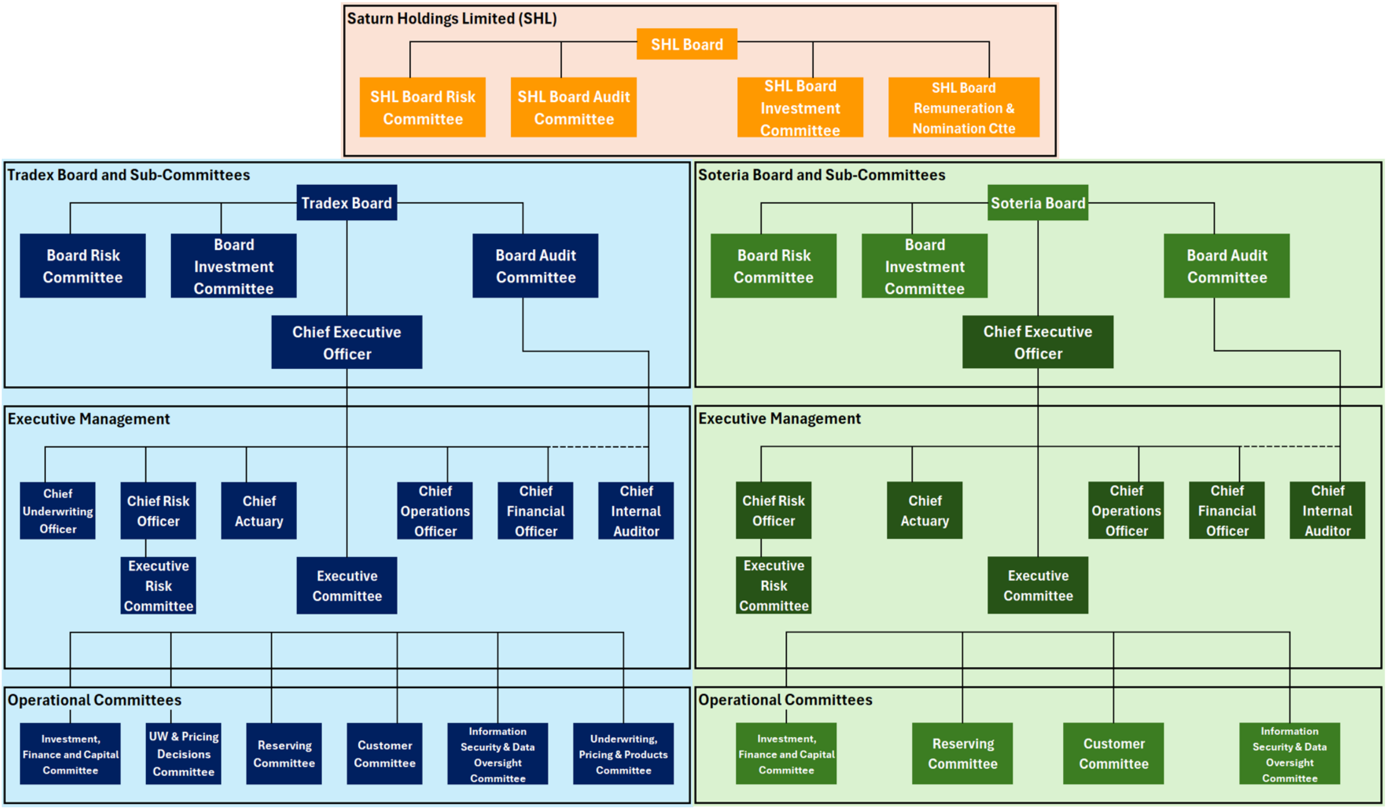
B.1.1 Governance Structure

The Group's governance structure is focused on the two subsidiaries, SIL and Tradex. Both entities have established a strong governance framework and ensured that the accountability and responsibility of individual Senior Managers and directors is clearly defined and documented. This enables the Board, Executive and associated committees to interact effectively to support delivery of the agreed strategy and the ability to manage and mitigate the risks faced by the business.

The governance framework for each trading entity includes a formal committee structure, consisting of the Board (which reports to the SHL Board) and its sub-committees (shown in the diagram below), Executive Management committees and Advisory (Operational) committees.

The governance framework is managed using a 'Three Lines of Defence Model' (see Section B.3.1.3). Material changes to the governance framework over the year are described in Section B.1.5.

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



The sections below outline the main roles of the SHL Board and its sub-committees.

Committee	Overview
SHL Board	The SHL Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote the success of the business for the benefit of its investors and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice.
SHL Board Risk Committee (BRC)	The purpose of the SHL BRC is to oversee and advise the SHL Board on current and potential risks, the overall risk framework and customer outcomes. The committee also oversees SHL's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed.
SHL Board Audit Committee (BAC)	The SHL BAC assists the SHL Board in discharging its responsibilities for the integrity of SHL'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.
SHL Board Investment Committee (BIC)	The purpose of the SHL BIC is to assist the SHL Board in discharging its responsibilities with respect to oversight of investment matters and to oversee the Group investment strategy.
SHL Board Remuneration and Nomination Committee (REMCO)	The purpose of the SHL REMCO is to ensure the overall Governance is adequate for the SHL Group and is the Nominations Committee for SHL Board membership.

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 Key Functions apply at entity level and not Group level. The firm's system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

The table below summarises the four Key Functions:

Key Function	Key Function Holder	Section Reference
Risk management function	Group Chief Risk Officer	B.3
Compliance function	Group Chief Risk Officer – SIL Tradex Head of Compliance – Tradex	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 respective Boards are located under the section references noted in the above table.

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

As regulated companies, all accountabilities within SIL and Tradex are allocated as part of the Senior Manager and Certification Regime (SM&CR). There are no additional regulatory accountabilities at Group level.

B.1.4 Remuneration

SHL Board Remunerations and Nominations Committee (Remco) determine the remuneration principles of Executives within Tradex and SIL. The holding company, SHL, does not have any Executive Directors.

Remuneration paid to Non-Executive Directors

The SHL 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. The SHL Board REMCO recommends the fees policy for all SHL Directors.

Further information relating to remuneration including compensation paid to key management and Non-Executive Directors is included in Note 34 of the Group'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

During the year there were a number of changes to the SHL Board as follows:

- John Hastings-Bass resigned as a Non-Executive Director on 16 August 2024.
- Ewen Gilmour was appointed as a Non-Executive Director on 27 February 2024.
- Neil Southworth was appointed as a Non-Executive Director on 16 August 2024.
- Andrew Johnston was appointed as a Non-Executive Director on 1 September 2024.
- Mark Summerfield was appointed as an Executive Director and Group CEO on 17 September 2024.

B.1.6 Material Transactions

SHL's ownership structure is detailed in Section A.1.1 and A.1.2 above. Information relating to transactions with related companies, including key management compensation, can be found in Note 34 to the Group'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

The Group's trading subsidiaries, SIL and Tradex, have established a fit and proper policy and processes which comply with the Senior Managers and Certification Regime (SM&CR). In the same way as the SM&CR, these operate at the entity level and are not applicable at Group level.

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 and SIL have established a fit and proper policy and processes which comply with the Senior Managers and Certification Regime (SM&CR). Both have 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. Both 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.

B.2.1 Process for Assessing Fitness and Propriety

The process for assessing fitness and propriety comprises of two stages and is carried out at entity level.

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 Entity 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 Entity 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 Entity 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 and operates across the Saturn Group.

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

B.3.1.1 Risk Vision & Appetite

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

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

B.3.1.2 Risk Management Process

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

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

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

Stage	Purpose	Requirement
Risk Identification	To identify the current and emerging risks that may impact the Group.	The process requires in-depth knowledge of the Group's strategic and operational objectives, business, markets and structure.
Risk Measurement	To quantify the risks to the Group in a consistent manner.	Risks within the Group are assessed by considering the 'likelihood' of the risk materialising and the 'impact' should it materialise. Risks within the Group are assessed using a 5 x 5 Risk Assessment Matrix.
Risk Management	To carry out an appropriate strategy to address the risk in question.	Risk mitigation by the use of well documented and robust controls will be the most appropriate approach for the majority of risks.
Risk Monitoring	To ensure that the selected risk management approach is effective, and to keep track of any changes which may impact the risk environment and the level of exposure over time.	Exposure by risk type is monitored on a regular basis. The frequency will depend upon the materiality of the risk.
Risk Reporting	To provide the SHL Board and entity Boards, 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 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:

- 1^{st} line: manage risk in day to day operations.
- 2^{nd} line: provide oversight and challenge of 1^{st} line activities; establish and oversee the risk management framework.
- 3^{rd} 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).

The Group provides 1^{st} line oversight of all outsourced activities. The 2^{nd} line also provides review and oversight

B.3.1.4 Policies and Controls

Policies

The majority of policies and controls in the Group apply directly to the entities due to the company undertaking regulated activities. Each entity has a set of risk policies in place to manage risk across the business. A review is underway to ensure on-going relevance and effectiveness against business strategy, organisational design, and external regulatory requirements.

Controls

Each risk identified in the Group risk registers 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

Both SIL and Tradex have considered the appropriateness of the Standard Formula to their business and have concluded that overall, the Standard Formula remains appropriate. This is on the basis that the Group's risks are "standard" UK based, private motor and home insurance, with investment mandates covered by the Standard Formula delegated acts, which also take market risk to match, over the medium term, the inflation risks faced by the longer tailed (mainly PPO) sub-portfolio of liabilities.

The SCR at a Group level is calculated by combining the two entities and therefore the same principles apply and SHL can conclude that the SCR is appropriate.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA is the totality of all processes used to identify, measure, manage, monitor and report the short term and long term risks the Group faces or may face and the Own Funds necessary to ensure solvency requirements are met on a continuous basis. The Saturn Group produces an ORSA for each of SIL, Tradex and SHL.

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

- Each Board has ultimate responsibility and accountability for their own company's ORSA, including providing direction for the overall approach.
- The overall responsibility for the conduct and documentation of each ORSA lies with the Group CRO and the Risk function. The 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 Group ORSA policy sets out the Group's approach to the conduct of the ORSA and its reporting. The policy outlines the framework approved by the SIL, Tradex and SHL Boards to ensure that the ORSA is an integral part of business planning, strategy and decision making; and the respective Boards have an active role in directing the ORSA process and challenging the output.

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

In addition, Saturn has a Group dividend extraction policy which sets out the process which must be followed in the event that any entity wishes to pay a dividend up to SHL.

B.3.2.2 ORSA Principles

The ORSA policy is founded on the following principles:

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

	3. The ORSA encompasses all material quantitative and qualitative risks that may impact the Group. *The ORSA will assess exposure to these risks against the risk appetite limits set by the respective Boards.* *The ORSA documents and explains the change in the risk profile, capital and solvency from the previous exercise. This assessment includes confirmation of continuous solvency over the period from the previous ORSA report.* 4. The ORSA includes stress tests, sensitivity analyses and reverse stress tests. *The tests are 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 the Group 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 Group's Strategic Plan. *An annual frequency is considered appropriate to update the full ORSA report in normal circumstances, given the Group's business model and risk profile.* 7. Ad hoc updates to the ORSA report are produced following material changes to the Group's current and/or projected risk profile, business model or solvency position. *The CRO is responsible for recommending to the Board when an ad hoc ORSA assessment and report should be carried out, which may also be carried out upon request by the Board or the PRA* 8. The risk team will produce and maintain an ORSA record document.

B.3.2.3 ORSA Process

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

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

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

Process	Key activities that form part of the ORSA process
Pricing and Underwriting	• Determining appropriate and underwriting strategy and limits • Determining and purchasing 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	• Quarterly calculation of capital requirements and solvency, both internal and regulatory • Annual review of SF Appropriateness • Determination of appropriate capital extraction and dividend application process
Ad Hoc Strategic Processes	• Reviewing risk, capital and solvency implications of mergers, acquisitions, further reinsurance purchase and other strategic activity • Production of ad hoc ORSA reports, if necessary

Production and Review Frequency

The most recent Soteria ORSA was approved by the SIL Board in Q2 2024. The most recent Tradex ORSA was approved by the Tradex Board in Q2 2024. The most recent SHL ORSA was approved by the SHL Board in Q3 2024. There were no ad-hoc ORSAs produced in 2024.

B.4 Internal Control System

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

Each SIL and 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 Group 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.

Saturn 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 Lid (MISL) and are monitored via the Executive Risk Committee.

In addition to this, Saturn 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 SIL and 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

Compliance officer responsibilities are held individually in SIL and Tradex, and the Group CRO is accountable to the SHL Board regarding SHL.

Implementing and reporting on compliance risk is supported by the MSG Risk and Compliance team which acts independently from Saturn but performs its activities objectively according to agreed requirements. MSG provide Saturn 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 ISARA and BAA agreements, with ownership by the respective Saturn compliance officer.

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

The compliance officer 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 Saturn BAC on behalf of the Board of Directors. The purpose of the Internal Audit function is to strengthen Saturn'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; andaobtain assistance from the necessary personnel of Saturn and other specialised services from within or outside Saturn to complete Internal Audit services.aAll 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 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 cto the organisation, including any identified by the external auditors, regulators, or other external parties. cThe 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 Saturn's activities, assets, and personnel (including subsidiary and outsourced activities). Internal Audit maintains an audit universe to cover all of Saturn'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 Saturn'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

Internal Audit is the third line of defence within the organisation's risk management framework. Internal Audit independently challenges the overall design and operation of the risk management framework and provides assurance on the adequacy of both the first and second lines of defence, including the quality of their work.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control, including those operated by third party providers. The existence of an Internal Audit function does not in any way relieve management of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work, it will be alert to manifestations of fraud and weaknesses in internal control which would permit fraud and/or impede its detection. Any such observations will be reported by the Group Chief Internal Auditor. However, Internal Audit procedures alone are not designed to guarantee the detection of fraud.

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 (TPs) is undertaken using appropriate actuarial techniques.
- Validation of the calculation process and outputs (comparing expected experience against emerging experience).
- Providing opinion on the availability and suitability of data for the calculation of TPs.
- Communicating the results of the TP exercise to Management and the 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 (in particular with respect to the risk modelling underlying the calculation of the capital requirements).
- Preparing an annual report to the Board stating how the requirements of the Actuarial Function have been discharged.

The Group's Chief Actuary is approved by the PRA as the Actuarial Function Holder (SMF20) for both Tradex and SIL 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 the Group's outsourcing agreements with Markerstudy Group, ownership of the approach and results remains the responsibility of the Group.

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 Tradex and SIL Quarterly Reserve Committees and Investment, Finance and Capital Committees (IFCCs) 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 Group's management team for the purposes of capital forecasting, stress and scenario testing and input into the ORSA.

B.7 Outsourcing

The Group’s approach to its outsourcing activity is documented within SIL’s Third-Party Supplier Risk Policy and Tradex’s Outsourcing Policy. Where the Group, or its subsidiaries, outsources critical or important operational functions, services and activities it remains fully responsible for discharging all of its regulatory obligations. To do this Group companies follow high level principles:

- 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 their relevant Policies in a way that is consistent with the overall risk appetite and aligns with their purpose, values and vision.
- Any outsourcing must not result in the delegation of responsibility by senior management.
- Any third-party service provider must protect any confidential information relating Group companies or their customers and comply with the relevant GDPR legislation.
- SIL’s and Tradex’s relationship with and obligations to their customers must not be altered.
- The conditions for the authorisation of the regulated entities must not be undermined.

Key activities outsourced are:

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

All key activities listed above fall within UK regulated jurisdiction. Some other key activities, such as claims supply chain management, are conducted on behalf of the Group 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 Group is exposed. This section describes these risks and how they are managed, measured and mitigated.

The most material risks that the Group is exposed to are 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.

Saturn has in place a robust Governance Structure and Risk Management Framework which includes a process for setting and reporting against risk appetite, which is consistent across each entity. Board are responsible for monitoring the effectiveness of this framework and reporting in order to ensure that all risk mitigation activity in place is operating effectively.

Unless stated, there has been no change in the measurement methods used over the year. Details of how each of these risks is covered within the Standard Formula Solvency Capital Requirement (SCR) are shown in Section E.2. The sections below cover each risk at a high level. Further information, including specific details on stress testing, is available in Tradex and SIL's individual SFCR reports.

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.

As SIL is in run-off, it therefore has no live exposure to underwriting risk.

Risk Management Objective

The Group manages insurance risk in accordance with its overall aims to achieve stable insurance earnings, a positive customer outcomes 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 , and subsidence is the longest tailed type of claim.
- For SIL, risks exist with respect to historical classes of business, in particular the liability class which is long tailed and exposed to latent claims.

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 Saturn's most material risks.

For Tradex, 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

The key mitigation tools are:

- Minimising reserve risk volatility through proactive claims handling, the claims provisioning process and robust reserving and modelling approaches
- Mitigating risk through the use of appropriate reinsurance arrangements.
- Mitigating underwriting risk through oversight of pricing and underwriting and product governance

The Group 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.

C.2 Market Risk

Description

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

Risk Management Objective

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

Risk Exposure

- Interest rate risk: The value of, or income from, investments held is subject to volatility from changes in market interest rates.
- Discount rate risk: Changes in interest rates also impact SIL and 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: SIL and Tradex are 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 form the adjustment to a low-carbon economy which could affect the assets of Tradex and SIL 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 Group solvency.
- Currency Risk: The Group writes contracts of insurance in the United Kingdom, and both insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in Euros, US Dollars and Polish zloty, as well as sterling, and consequently there is an exposure to currency risk, however this is minimised through the use of currency hedges. Basis risk is the potential risk that arises from mismatches in a hedged position.

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

Risk Measurement

Market risk is primarily measured by considering the compliance with the SIL and Tradex's respective investment mandates. A forward looking measure is also captured by considering the material risk of economic outlook and investment volatility.

Risk Mitigation

The key mitigation tools are:

- Management of risk through governance and the investment mandate
- Management of credit spread and default risks from corporate bonds through the credit risk framework
- Management of interest rate risk through investing in securities with a similar duration profile to the liabilities under the general insurance contract.

Sensitivity Analysis

The most significant aspects of market risk to which Tradex and SIL are 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 solvency.

Climate Change

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

For underwriting, Tradex is exposed to the risk of a change in weather patterns which may increase claims, in particular from the Home products. SIL has no live policies on risk meaning the underwriting exposure to climate change is limited.

Both Tradex and SIL have an exposure to climate risk in their 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. Saturn manages these risks by considering each investment opportunity and its climate risk exposure.

It is incumbent on the Group's management, Board and investment partners to ensure that the longer term investment 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. The Group achieves this by putting in place Board-approved investment mandates which sets limits on the types and amounts of assets that SIL and Tradex can invest in which ensures that market risk is managed appropriately, considering the need for SIL and Tradex to be able to meet claims as they fall due.

C.3 Credit Risk

Description

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

Risk Management Objective

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

Risk Exposure

The Group is primarily exposed to credit risk from reinsurance counterparties failing to meet financial obligations. In addition, Tradex is exposed to credit risk from non receipt of policyholder premiums, as a consequence of third parties failing to pass them on.

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

Risk Measurement

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

Risk Mitigation

Risk mitigation tools are:

- Setting limits for exposure to credit ratings and individual counterparties
- Placing limits over exposure to a single reinsurance counterparty or counterparty group, based upon their credit-worthiness

Sensitivity Analysis

One of the most significant stresses for each entity 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.

C.4 Liquidity Risk

Description

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

Risk Management Objective

The Group's objective is to maintain adequate liquidity at all times.

Risk Exposure

All entities are exposed to liquidity risk as they needs liquid assets to meet outgoings. For Tradex, this is largely offset by the incoming premiums, particularly as Tradex is in a period of growth. SHL's key outgoings relate to interest on its debt instruments, which is met by a combination of interest receipts from Tradex and dividends from SIL.

Risk Measurement

Each entity has a model to assess liquidity, which takes into account projected future cashflows that would be required under stressed scenarios.

Risk Mitigation

Risk mitigation tools are:

- Governance structure to monitor liquidity and rebalancing of investment portfolios to ensure appropriate liquidity at all times
- The investment mandate controls the exposure to concentration risk.

Sensitivity Analysis

For Tradex, a key liquidity risk arises from potential delays in settlement by reinsurers or the brokers. Cash reserves are currently 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

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

Risk Exposure

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

- Financial Reporting Risk
- Technology Risk (inc Cyber)
- Third Party Supplier Risk
- Information Risk
- Product Governance Risk (Tradex only)
- People Risk
- Financial Crime Risk
- Operational Resilience
- Premises and Physical Security Risk
- Model 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, people risk, and third party supplier risk.

Risk Mitigation

Operational risks are identified, managed and mitigated through on-going risk management practices including appetite review and RCSA process.

Saturn outsources many of its activities. Appropriate management information is in place which enables oversight of the outsourced activities via appropriate committees.

The Group has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which in 2024 included employer's liability and Directors and Officers.

For operational resilience, the group has a project in place to identify tolerances for each key business process, and to establish the appropriate governance and oversight to ensure that these can be met at all times. In addition, Saturn regularly tests its business continuity and disaster recovery plans.

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%.

The Group recognises the importance of its relationship with MISL as a material outsourcer in the Group'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. The Group's financial objective in managing these risks is to maintain capital adequacy.

The Group's Risk Vision is set by the SHL Board and supported by a capital coverage risk appetite requirement at Group level. This is measured, monitored and reported regularly to the Executive and Board Risk Committees.

C.6.2 Conduct Risk

Conduct risk is the risk that the Group's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers. Accordingly, conduct risk may arise from any aspect of the way a business is conducted. The Group's objective is to conduct its business in a way that results in good outcomes for its customers and does not cause any foreseeable harm.

Conduct risk is a key area of focus across the financial services industry, with close scrutiny from the FCA and the expectations of the Regulator in this area have increased significantly following the introduction of Consumer Duty. The Group has in place Board approved Customer Outcome metrics which are regularly monitored, outcomes outside of tolerance identify areas where further investigations or actions are required. The Saturn Customer Committee is in place to support this process and to ensure that customers, including vulnerable customers, receive fair value and do not face any foreseeable harm.

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. The SIL and Tradex Boards 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 SIL and Tradex Boards continue 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 Tradex 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 Tradex 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, such as costs associated with remedial activities or regulatory actions.

C.6.3 Regulatory Risk

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

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

Regulatory risks are regularly monitored and reported to the Group Executive, Risk Committee and Board.

C.7 Any Other Information

C.7.1 Risk Concentration

Saturn manages concentration risk in its investments via the entity investment mandates which ensure 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.

As SIL progresses through run off it will inevitably become more exposed to concentration risk. In particular, reserves will become more dominated by PPOs. This is managed by regular review of reserves, stress testing and assessing standard formula appropriateness annually.

C.7.2 Stress Tests

C.7.2.1 Stress Tests and Sensitivity Analysis

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

Stress tests are considered for the risk types and stresses for each of Tradex and SIL and combined to a group basis. These are parameterised to cover a range of probabilities.

For Tradex, the most material stresses are those around underwriting whereby the loss ratios are worse than plan.

For SIL, the most material stresses are around reserve risk and in particular PPO propensity.

Both entities are sensitive to an increase in inflation above expectations, reinsurer default, a fall in the value of investments and MSG failure.

A detailed analysis of the stress tests performed and sensitivities for each of Tradex and SIL can be found in their individual company SFCR reports at www.tradexinsurance.com and www.soteriainsurance.co.uk.

Sensitivity Testing

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

Sensitivity	Impact on SIL future P&L	Impact on Tradex future P&L
Reserves +/-10% Net Premiums +/10% Net loss ratio +/-10%	£12,500k (Material impact) N/A N/A	£25,986k (Material impact) £41,500k (Material impact) £27,085k (Material impact)
Investment Returns +/-10%	£810k (Low impact)	£1,134k (Low impact)
Expense base +/-10%	£572k (Low impact)	£2,038k (Low impact)

D. Valuation for Solvency Purpose

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

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

The Group uses Method 1 (default accounting consolidation-based method), as referred to in Group Supervision 11.1 of the PRA Rulebook:SII: Solvency II UK firms. Consolidation methodology is consistent with that used in the consolidation of the Group statutory accounts under FRS 102 as all group entities in the UK Solvency II Group are insurance undertakings which under Method 1 are required to be fully consolidated.

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

- Assets are included in Section D.1.
- Technical Provisions are included in Section D.2.
- Other Liabilities are included in Section D.3.

	UK GAAP	Solvency II adjustments	**Solvency II**
	£000	£000	**£000**
Assets			
Goodwill	**(52,572)**	52,572	**-**
Deferred acquisition costs	**31,414**	(31,414)	**-**
Deferred tax assets	**9,264**	(8,359)	**905**
Property, plant and equipment	**1,165**	(1,070)	**95**
Investments	**245,777**	1,767	**247,544**
Mortgages and loans	**82,460**	1,332	**83,792**
Reinsurance recoverables	**513,874**	(235,371)	**278,503**
Insurance and intermediaries receivables	**246,346**	(236,317)	**10,029**
Reinsurance receivables	**49,633**	(27,388)	**22,245**
Receivables (trade, not insurance)	**11,768**	164	**11,932**
Cash and cash equivalents	**243,910**	10,084	**253,994**
Any other assets, not elsewhere shown	**10,062**	(10,062)	**-**
Total assets	**1,393,101**	(484,062)	**909,039**
Liabilities			
Total technical provisions/ UK GAAP insurer contract liabilities	**913,507**	(347,324)	**566,183**
Derivative liabilities	**135**	59	**194**
Insurance and intermediaries payables	**20,195**	(19,007)	**1,188**
Reinsurance payables	**152,401**	(136,942)	**15,459**
Payables (trade, not insurance)	**33,502**	8,795	**42,297**
Subordinated liabilities	**70,207**	(3,060)	**67,147**
Any other liabilities, not elsewhere shown	**60,322**	(60,322)	**-**
Total liabilities	**1,250,269**	(557,801)	**692,468**
Excess of assets over liabilities	**142,832**	73,739	**216,571**

D.1 Assets

D.1.1 Valuation Bases and Assumptions

Goodwill

Negative goodwill was generated on the purchase of Tradex and SFHL by SHL which, under UK GAAP, is required to be held on the balance sheet as a negative asset and released to the income statement in the periods expected to be benefited. Under Solvency II goodwill is not recognised in the balance sheet.

Deferred Acquisition Costs

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

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 Group's Strategic Plan as its basis. Based on forecast profits, the Group recognises the element of the deferred tax asset that it believes will be utilised within the planning horizon. At 31 December 2024 the Group had UK GAAP losses and temporary differences of £13,973k and UK GAAP to SII temporary differences of £1,831k. These have not been recognised for deferred tax purposes as they are not forecast to be utilised within the planning horizon.

The 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*.	(340)	(340)
Tax on unrealised gains and losses *This deferred tax amount relates to a transitional arrangement from the IFRS to UK GAAP translation, requiring that previously recognised deferred tax liabilities on unrealised gains on investments are brought into tax over a 10 year period from 1 January 2022.*	3,074	3,074
Tax on losses *This deferred tax asset related to carried forward UK GAAP tax losses which may be utilised against the above unrealised gains and losses when they are brought into tax over the next 10 years.*	(11,998)	(11,998)
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 deferred tax (asset)/liability	**(905)**	**(9,264)**
Losses not recognised for tax purposes		
UK GAAP losses and temporary differences not recognised for tax purposes	(13,973)	(13,973)
UK GAAP to SII temporary differences not recognised for tax purposes *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).*	(1,831)	-
Losses not recognised for tax purposes	**(15,804)**	**(13,973)**

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

The Group holds a portfolio of investments, being holdings in debt securities (government bonds and corporate bonds), equities, real-estate, real-estate backed lending and collective investments, which include funds of European asset-backed credit and global credit. Investments are denominated in sterling, US Dollars, Euros and Polish Zloty, with currency hedges held 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 35 of the Group's Annual Report and Accounts. The valuation techniques for level 3 investments can be found in Note 3e of the Group'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, £210,300k are classified as level 2 investments and £117,800k 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 Group commits to purchase plus directly attributable transaction costs.

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

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

Equities and asset-backed lending, including loans and mortgages

Initial measurement is at fair value, being purchase price on the date on which the Group 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 the Group'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-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.

Reinsurance Recoverables

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

The reinsurance recoveries balance is the amount recoverable from reinsurers, estimated based upon the gross provisions, having due regard to collectability, and incorporates the quota share arrangement. Under FRS 102, the recoveries and amounts payable to the quota share reinsurers are not recognised as the contract contains rights of set off. A withheld funds account is used to record the balance held on behalf of the quota share reinsurers (See Section D.3.1), and at the commutation of the contract any remaining amounts within the account would be settled.

Under Solvency II, adjustments are made in line with the Tradex'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.

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

Insurance and Intermediary Receivables

This balance relates to amounts due and past-due for payment by policyholders, insurers, and others linked to insurance business, that are not included in cash inflows of Technical Provisions. All insurance and intermediary receivables are annual and therefore, as they are recoverable within one year, are deemed to be short term in nature. The valuation is based on the outstanding amount owed to the business at the end of the reporting period, less appropriate allowance for estimated irrecoverable amounts. This balance also includes performance related profit share income from Tradex's 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 receivables includes commission income, which 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. This includes commissions due from aggregators, brokers and other outsourcing partners. For Solvency II purposes, fair value is deemed to be aligned to the UK GAAP valuation, as these receivables are short term in nature.

Cash and cash equivalents

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

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

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

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 the Group 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:

	Motor	**Motor Other**	**Fire & other damage**	**General liability**	**Non-life annuities**	**Total**
	£000	£000	£000	£000	£000	£000
Claims Provision (net)	172,751	4,248	20,678	16,101	31,703	245,481
Premium Provision (net)	28,097	19,769	(17,856)	(2,609)	-	27,401
Best Estimate Liabilities (net)	200,848	24,017	2,822	13,492	31,703	272,882
Risk Margin	10,281	1,711	1,448	1,069	289	14,798
Total Technical Provision (net)	211,129	25,728	4,270	14,561	31,992	287,680
Reinsurance Recoverables	213,084	(11,850)	3,884	554	72,831	278,503
Total Technical Provision (gross)	424,213	13,878	8,154	15,115	104,823	566,183

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.

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

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

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

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

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

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

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

These include:

- In respect of existing Periodic Payment Order (PPO) cases, it is assumed that care costs will increase in line with expected earnings or price inflation as appropriate for each case and that an individual’s life expectancy is in line with expert opinions (or the general population where these are not available). In addition, allowance is made for possible future PPO cases. Such costs are then discounted at the Risk Free Rate (plus the Volatility Adjustment for SIL) 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.
- Future Mesothelioma Notification Pattern – The reserve amount within the legacy liability business, particularly in respect of Mesothelioma, is highly sensitive to the assumptions made. One of the most material assumptions is how the number of new claims notified will reduce over time. The use of decay curves based on industry data which are produced by the IFoA has become a market standard approach and is used.

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

- The development factors selected for the Best Estimate projections reflect the mean expectation of future development.
- The groupings chosen by product and claims description code/payment code/peril code are broadly homogeneous.
- The development ratios in the data, after making appropriate allowance for known trends, will be repeated in future.
- 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 Group 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 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. Results of the sensitivity analysis for each of Tradex and SIL can be found in their individual company SFCR reports at www.tradexinsurance.com and www.soteriainsurance.co.uk.

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

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

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

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

Net UK GAAP reserves are the UK GAAP Insurer Contract Liabilities as shown in the balance sheet at the beginning of Section D (£913,507k), less reinsurance recoverables (£513,874k). The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to a SII basis.

	Motor Liability	Motor Other	Non-Motor	Total
	£000	£000	£000	£000
UK GAAP Insurer Contract Liabilities	752,237	96,863	64,407	913,507
Reinsurance recoverables	(441,219)	(58,695)	(13,960)	(513,874)
UK GAAP Net TPs	**311,018**	**38,168**	**50,447**	**399,633**
Salvage and Subrogation reserves	(1,427)	-	(325)	(1,752)
Future premium receivable	(28,572)	(10,337)	(24,193)	(63,102)
Difference between unearned premiums and future claims on unearned premiums	(33,313)	(14,112)	(4,450)	(51,875)
Quota share	(9,540)	26	(813)	(10,327)
Remove GAAP discounting	58,477	-	-	58,477
ENIDs	5,398	62	922	6,382
SII Discounting	(89,947)	(153)	(7,169)	(97,269)
Additional expenses	13,860	10,973	7,882	32,715
Risk Margin	10,431	1,712	2,655	14,798
SII Net TPs	**236,385**	**26,339**	**24,956**	**287,680**

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

D.2.5 Matching Adjustment

The Group does not apply a Matching Adjustment.

D.2.6 Volatility Adjustment

A Volatility Adjustment has been used by SIL (as approved by the PRA) to discount all future cash flows in respect of the Claims Provisions. The Volatility Adjustment reduces Best Estimate TPs, net of reinsurance, by £943k, reduces the Standard Formula Solvency Capital Requirement (SCR) by £216k (2023: £501k) and leads to an increase in solvency coverage of £2,281k (2%), (2023: £4,234k (6%)). Tradex has not used the Volatility Adjustment.

The table below sets out the impact on Own Funds, Risk Margin, SCR and Minimum Consolidated Group SCR ("MCG SCR"), further information on which is included in Section E.2.2.

	31 December 2024	31 December 2023 (unaudited)	Movement
	£000	£000	£000
SCR			
Eligible Own Funds before Volatility Adjustment	281,653	169,009	112,644
Effect of Volatility Adjustment	2,065	3,733	(1,668)
Eligible Own Funds	283,718	172,742	110,976
SCR before Volatility Adjustment	155,843	90,877	64,966
Effect of Volatility Adjustment	(216)	(501)	285
SCR	155,627	90,376	65,251
SCR Solvency Coverage Ratio before Volatility Adjustment	181%	186%	(5%)
SCR Solvency Coverage Ratio	182%	191%	(9%)
SCR Solvency Coverage	128,091	82,366	45,725
MCR			
Eligible Own Funds before Volatility Adjustment	233,106	128,340	104,766
Effect of Volatility Adjustment	2,065	3,733	(1,668)
Eligible Own Funds	235,171	132,073	103,098
MCR before Volatility Adjustment	43,480	22,710	20,770
Effect of Volatility Adjustment	(80)	(116)	36
MCR	43,400	22,594	20,806
MCR Solvency Coverage Ratio before Volatility Adjustment	536%	565%	(29%)
MCR Solvency Coverage Ratio	542%	585%	(43%)
MCR Solvency Coverage	191,771	109,479	82,292

D.2.7 Transitional Interest Rate

The Group has not applied the transitional risk-free interest rate.

D.2.8 Transitional Deduction

The Group has not applied the transitional deduction to the TPs.

D.2.9 Impact of Reinsurance and Special Purpose Vehicles

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

- The Motor XoL Risk programme, which covers large individual motor losses.
- Quota share arrangements, whereby a proportion of the net premiums earned during 2008-2024 on specific lines of business is ceded. The quota share arrangements apply after other reinsurance covers.
- The Catastrophe XoL programme, which covers accumulations of losses arising from a single weather event such as a major flood or storm.

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

Contingent Liabilities

Contingent liabilities and contingent contract obligations in existence at 31 December 2024 are detailed in the Group's Annual Report and Accounts.

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

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

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

Provisions Other Than Technical Provisions

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

Insurance and Intermediaries Payable

This balance comprises:

- Commission payable on premiums not yet received and premiums collected in advance of the due date. These balances are short term in nature and therefore reflect the current market value in line with the Solvency II 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 Group has three main reinsurance arrangements: Motor and Catastrophe Excess of Loss (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.

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

Payables (Trade, not Insurance)

This balance relates to liabilities due to suppliers which are not insurance related, 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 valuation hierarchy.

Deferred Tax Liabilities

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

Subordinated liabilities

Subordinated liabilities relate to a £12,000k subordinated perpetual loan, charged at 17.5% interest per annum and a £60,000k subordinated term loan due 2030, charged at 16.875% interest per annum, which were originally issued by SFHL on 2 December 2020, then transferred from SFHL to SHL on 10 October 2023. The value has been calculated using a cashflow model (see Section D.4). The subordinated liabilities meet the requirements for classification as Tier 1 Restricted and Tier 2 instruments respectively (see Section E.1.2).

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). The value is calculated using a cashflow model which seeks to estimate the market value, adjusting for changes in SHL's own credit standing in the period between date of acquisition of the loans and the reporting date.

Other Liabilities not shown elsewhere

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 valuation hierarchy, although under Solvency these are classified as payables (trade, not insurance). This balance also includes contributions to defined contribution pension schemes.

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

There are no material changes from the previous period in the recognition and valuation bases used or estimations made in the calculation of liabilities.

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. There are currently no material contingent liabilities.

£60,000k of the subordinated liabilities are due to be repaid in 2030, with the remaining £12,000k being a perpetual loan. Debts owed to credit institutions, insurance and intermediaries payable and other liabilities are settled throughout the year with all such balances due in less than one year.

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

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

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, adjusting for changes in SHL's own credit standing in the period between date of acquisition of the loans and the reporting date.

Some of the Group's equities and collective investment undertakings, including 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 35 of the Annual Report and Accounts. Where this is the case, these are valued initially at fair value, being purchase price on the date on which the Group commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is fair value, using the effective interest rate method, which is considered the most appropriate approach for these asset types.

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

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

The discount rate can depend on the following factors:

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

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

D.5 Any Other Information

Going concern

The SFCR is prepared on a going concern basis and the Directors are satisfied that the Group has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2026. In making this assessment, the Directors have performed a detailed analysis of future capital.

The going concern assessment performed takes into account that the Group and the Company continue as a going concern. Their ability to continue as a going concern has been considered by reference to the Group's projected coverage of regulatory capital requirements and resilience to withstand foreseeable stress scenarios. They also take into account the option to cancel or defer, respectively, the interest payments on the Tier 1 and Tier 2 loan instruments in the event that SHL has insufficient solvency or liquidity. In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period. 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%. 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.

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

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

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

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

E.1.1.2 Policies and Processes

The Board sets the Group's capital risk appetite, which defines how much additional capital the Group 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 the Group can survive even the most severe unexpected losses.

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

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

In addition, the Group holds:

- Tier 1 Restricted Own Funds in the form of £12,000k of a subordinated perpetual loan, charged at 17.5% interest per annum.
- Tier 2 Own Funds in the form of £60,000k of a subordinated term loan due 2030 at par, charged at 16.875% interest per annum.

Tradex does not hold any third party instruments and its' tier 1 and tier 2 issued to SHL are eliminated on consolidation.

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

	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	979	979	-	-	-	730	249	730	249
Share premium account	144,224	144,224	-	-	-	72,270	71,954	72,270	71,954
Reconciliation reserve	70,463	70,463	-	-	-	43,683	26,780	50,559	19,904
Subordinated liabilities	67,147	-	10,825	56,322	-	66,958	189	66,958	189
Deferred tax assets	905	-	-	-	905	-	905	7,831	(6,926)
Total basic own funds after deductions	**283,718**	**215,666**	**10,825**	**56,322**	**905**	**183,641**	**100,077**	**198,348**	**85,370**
Total available own funds to meet the consolidated group SCR	283,718	215,666	10,825	56,322	905	183,641	100,077	198,348	85,370
Total available own funds to meet the MCG SCR	282,813	215,666	10,825	56,322	-	183,641	99,172	190,516	92,297
Total eligible own funds to meet the consolidated group SCR	283,718	215,666	10,825	56,322	905	172,742	110,976	178,413	105,305
Total eligible own funds to meet the MCG-SCR	235,171	215,666	10,825	8,680	-	132,073	103,073	138,829	96,342
Consolidated Group SCR	155,627					90,376	65,251	87,966	67,661
Mininum Consolidated Group SCR	43,400					22,594	20,806	21,992	21,408
Ratio of eligible own funds to group SCR	182%					191%	(9%)	203%	(21%)
Ratio of eligible own funds to MCG SCR	542%					585%	(43%)	631%	(89%)

The SHL 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.

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

100% of Tier 1 Basic Own Funds held at the end of the reporting period were available to meet the MCG SCR. In line with PRA Rulebook, all Tier 1 items are eligible to meet the MCG SCR, whilst Tier 2 basic Own Funds are eligible as long as they are less than 20% of the MCG SCR. Restricted Tier 1 items must form less than 20% of total Tier 1 items.

E.1.2.1 Tier 1

Share Capital

SHL issued £249,055 share capital during the year, representing 24,905,509 £0.01 shares. This was made up of £68,825 issued on 28 March 2024, £120,828 issued on 26 June 2024, £29,100 issued on 2 October 2024 and £30,303 issued on 23 December 2024.

Ownership of the shares is detailed in section A.1.2. The ordinary shares have attached to them full voting, dividend and capital distribution rights. The ordinary shares do not confer any rights of redemption.

All the shares constitute a single class of ordinary share.

Share Premium

SHL’s share premium increased by £71,954k during the year. £18,811k relates to the shares issued on 28 March 2024, £33,499k relates to the shares issued on 26 June 2024, £9,674k relates to the shares issued on 2 October 2024 and £9,970k relates to the shares issued on 23 December 2024.

Reconciliation Reserve

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

The reconciliation reserve is calculated as follows:

	£000
Excess of assets over liabilities	216,571
Less:	
Share capital	(979)
Share premium	(144,224)
Deferred tax assets	(905)
Reconciliation reserve	**70,463**

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

Subordinated Debt

The Group holds a £12,000k subordinated perpetual loan, charged at 17.5% interest per annum. This loan is classified as Tier 1 Restricted Own Funds, and is valued at £10,825k for SII at 31 December 2024. The loan was originally issued by SFHL, but transferred to SHL on 10 October 2023.

E.1.2.2 Tier 2

Subordinated Debt

The Group holds a £60,000k subordinated term loan due 2030 at par, charged at 16.875% interest per annum, and is valued at £56,322k for SII at 31 December 2024. The loan was originally issued by SFHL, but transferred to SHL on 10 October 2023.

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 the Group is detailed in Section D.1.1.

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)	198,348	123,559	10,872	56,086	7,831
Movement in investment valuations	584	584	-	-	-
Decrease in reserves	(7,460)	(7,460)	-	-	-
Derecognition of DTA	(7,831)	-	-	-	(7,831)
Prior year (unaudited)	183,641	116,683	10,872	56,086	-
Increase in share capital	249	249	-	-	-
Increase in share premium	71,954	71,954	-	-	
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	12,550	12,550	-	-	-
Change in valuation differences between UK GAAP and Solvency	14,230	14,230	-	-	-
Change in market value of subordinated debt	189	-	(47)	236	-
Change in valuation of deferred tax assets	905	-	-	-	905
Available own funds in current year	**283,718**	**215,666**	**10,825**	**56,322**	**905**

E.1.3 Other Information in Relation to Own Funds

E.1.3.1 Loss Absorbency Mechanisms

The Group has £10,825k Tier 1 restricted capital relating to subordinated liabilities which can be converted to equity at a specified rate in the event of a Principal Loss Absorbency Event, which is defined as any of the following:

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

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

	£000
Total equity per Annual Report and Accounts	142,832
Difference in valuation of assets and liabilities	73,739
Subordinated debt	67,147
Basic Own Funds	**283,718**

Differences in valuation of assets and liabilities between UK GAAP and Solvency II are described in Sections D.1.4 (Assets), D.2.4 (Technical Provisions) and D.3.5 (Other Liabilities). The adjustments described have the effect of increasing the value of Own Funds by the same value as the difference in net assets, being £73,740k. Tier 1 Restricted and Tier 2 subordinated debt of £67,147k are also added back to Basic Own Funds but remain a liability under UK GAAP, meaning that Basic Own Funds are £140,886k 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 requirements. The Group does not have any Basic Own Fund items that are subject to transitional arrangements.

E.1.3.4 Ancillary Own Funds

The Group 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 Consolidated Group SCR

Under the Solvency II UK regime, an insurance group is required to hold sufficient capital to cover unexpected losses. These additional funds held reduce the chance of insurers running out of funds, thus protecting policyholders. There are two capital requirements: the Solvency Capital Requirement and the Minimum Consolidated Group SCR. The Group uses Method 1 (default accounting consolidation-based method), as referred to in Group Supervision 11.1 and 11.2A of the PRA Rulebook: SII: Solvency II UK firms, to calculate group solvency.

E.2.1 Minimum Consolidated Group SCR (MCG SCR)

The MCG SCR for Saturn is the sum of the Minimum SCRs (MCRs) for SIL and Tradex. The calculation of the MCRs is described in the SFCRs for the respective entities.

E.2.2 Solvency Capital Requirement (SCR)

The Group uses the Standard Formula to calculate its SCR. The SCR should be sufficient to protect the Group from unexpected losses over the following year – losses that are not expected more often than once every 200 years – and still be able to honour its claims. There are two ways of calculating the SCR. Insurers can use their own model (Internal Model) with approval from the PRA, or 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). There is currently no requirement for a 'capital add-on' for the Group. The Group 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 risk	54,634	27,206	27,428	27,206	27,428
Reserve risk	52,011	46,004	6,007	44,758	7,253
Diversification	(13,634)	(8,718)	(4,916)	(8,628)	(5,006)
Premium & Reserve risk after diversification	93,011	64,492	28,519	63,336	29,675
Catastrophe risk	11,704	5,245	6,459	5,245	6,459
Lapse risk	6,635	-	6,635	-	6,635
Diversification	(14,518)	(3,738)	(10,780)	(3,735)	(10,783)
Non-life underwriting risk	**96,832**	**65,999**	**30,833**	**64,846**	**31,986**
Market risk	32,734	21,006	11,728	20,132	12,602
Counterparty default risk	37,576	10,736	26,840	10,976	26,600
Life underwriting risk	1,746	2,068	(322)	2,068	(322)
Operational risk	22,350	9,976	12,374	8,959	13,391
Diversification credit	(35,611)	(19,409)	(16,202)	(19,015)	(16,596)
SCR	**155,627**	**90,376**	**65,251**	**87,966**	**67,661**

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

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

At the end of the reporting period the Group's SCR is £155,627k and the MCG SCR is £43,400k. The increase in SCR is a reflection of the growth trajectory Tradex is undergoing. Details of changes in the underlying subsidiaries, Tradex and SIL, can be found in their individual company SFCR reports at www.tradexinsurance.com and www.soteriainsurance.co.uk.

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

E.2.5 Capital Add-ons

The Group does not have any capital add-ons at 31 December 2024.

E.3 Differences Between the Standard Formula and any Internal Model Used

The Group and its subsidiaries use the Standard Formula to calculate the SCR.

E.4 Non-compliance with the MCG SCR and Non-compliance with the SCR

E.4.1 Non-compliance with the MCG SCR

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2024, the Group is in compliance with the MCG SCR with coverage of 542%. The Group has been compliant with the MCG SCR throughout the reporting period.

E.4.2 Non-compliance with the SCR

Non-compliance with the SCR occurs when the value of eligible own funds falls below the SCR. As at 31 December 2024, the Group is in compliance with the SCR with coverage of 182%. The Group has been compliant with the SCR throughout the reporting period.

E.5 Any Other Information

Group own funds are derived from the Solvency II excess of assets over liabilities using the default accounting consolidation-based method (method 1). Intra-group transactions with entities that are fully consolidated are eliminated on the face of the balance sheet.

Appendix 1: Quantitative Reporting Templates (QRTs)

Saturn Holdings

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	Saturn Holdings Limited
Entity identification code and type of code	LEI/213800UWAG4QV267GF73
Country of the group supervisor	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 group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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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.22.01.22 - Impact of long term guarantees measures and transitionals

IR.23.01.04 - Own Funds

IR.25.04.22 - Solvency Capital Requirement

IR.32.01.22 - Undertakings in the scope of the group

IR.02.01.02

Balance sheet

	Assets	Solvency II value
		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)	247,543
R0080	*Property (other than for own use)*	15,031
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	10,496
R0110	*Equities - listed*	4,407
R0120	*Equities - unlisted*	6,089
R0130	*Bonds*	206,716
R0140	*Government Bonds*	42,949
R0150	*Corporate Bonds*	163,767
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	15,227
R0190	*Derivatives*	74
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	83,793
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	83,793
R0270	Reinsurance recoverables from:	278,503
R0280	*Non-life and health similar to non-life*	205,672
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	72,831
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)	11,931
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	253,994
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	909,039

	Liabilities	Solvency II value
		C0010
R0505	Technical provisions - total	566,183
R0510	*Technical provisions - non-life*	461,360
R0515	*Technical provisions - life*	104,823
R0542	Best estimate - total	551,385
R0544	*Best estimate - non-life*	446,851
R0546	*Best estimate - life*	104,534
R0552	Risk margin - total	14,798
R0554	*Risk margin - non-life*	14,510
R0556	*Risk margin - life*	289
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	194
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	1,188
R0830	Reinsurance payables	15,459
R0840	Payables (trade, not insurance)	42,297
R0850	Subordinated liabilities	67,147
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	67,147
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	692,468
R1000	**Excess of assets over liabilities**	216,571

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	617,130						617,130
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted	0						0
R0140	Reinsurers' share	384,543						384,543
R0200	Net	232,587						232,587
	Premiums earned							
R0210	Gross - Direct Business	437,066						437,066
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted	0						0
R0240	Reinsurers' share	260,082						260,082
R0300	Net	176,984						176,984
	Claims incurred							
R0310	Gross - Direct Business	345,359						345,359
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted	0						0
R0340	Reinsurers' share	201,496						201,496
R0400	Net	143,864						143,864
R0550	**Net expenses incurred**	25,100						25,100

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	4,967						4,967
R1620	Reinsurers' share	1,842						1,842
R1700	Net	3,125						3,125
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*							0
R0120	*Gross reinsurance accepted*							0
R0130	Gross	0	0	0	0	0	0	0
R0140	Reinsurers' share							0
R0150	Net	0	0	0	0	0	0	0
	Expenses incurred							
R0160	*Gross direct business*				4,967			4,967
R0170	*Gross reinsurance accepted*							0
R0180	Gross	0	0	0	4,967	0	0	4,967
R0190	Reinsurers' share				1,842			1,842
R0200	Net	0	0	0	3,125	0	0	3,125
R0300	Other expenses							
	Transfers and dividends							
R0440	Dividends paid							

IR.05.04.02

Non-life income and expenditure : reporting period

Code	Item	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts) C0010	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts) C0015	Non-life insurance and accepted proportional reinsurance obligations: Medical expense insurance C0110	Income protection insurance C0120	Workers' compensation insurance C0130	Motor vehicle liability insurance - personal lines C0140	Motor vehicle liability insurance - non-personal lines C0141	Motor vehicle other motor insurance - personal lines C0150	Motor vehicle other motor insurance - non-personal lines C0151	Marine, aviation and transport insurance C0160	Fire and other damage to property insurance - personal lines C0170	Fire and other damage to property insurance - non-personal lines C0180
	Income												
	Premiums written												
R0110	Gross written premiums		617,130	0	0	0	422,422	0	164,281	0	0	26,388	0
R0111	Gross written premiums - insurance (direct)		617,130	0	0	0	422,422	0	164,281	0	0	26,388	0
R0113	Gross written premiums - accepted reinsurance		0	0	0	0	0	0	0	0	0	0	0
R0160	Net written premiums		232,587	0	0	0	141,333	0	83,553	0	0	4,458	0
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		437,066	0	0	0	301,661	0	108,754	0	0	23,937	0
R0220	Net earned premiums		176,984	0	0	0	106,029	0	60,706	0	0	8,079	0
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		345,359	0	0	0	268,772	0	52,197	0	0	20,082	0
R0611	Gross (undiscounted) direct business		351,774	0	0	0	280,318	0	52,246	0	0	17,312	0
R0612	Gross (undiscounted) reinsurance accepted		0	0	0	0	0	0	0	0	0	0	0
R0690	Net (undiscounted) claims incurred		143,864	0	0	0	106,295	0	23,937	0	0	9,873	0
R0730	Net (discounted) claims incurred	146,988	143,864										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	25,100											
R0985	Acquisition costs, commissions, claims management costs	-689	-689	0	0	0	-5,017	0	-1,701	0	0	6,084	0
	Other expenditure												
R1140	Other expenses	0											
R1310	**Total expenditure**	177,529											

Code	Item	Non-life insurance and accepted proportional reinsurance obligations: General liability insurance: Employers Liability C0190	Public & products Liability C0200	Professional Indemnity C0210	Other general liability C0220	Credit and suretyship insurance C0230	Legal expenses insurance C0240	Assistance C0250	Miscellaneous financial loss C0260	Accepted non-proportional reinsurance: Health C0310	Casualty C0320	Marine, aviation and transport C0330	Property C0340	Annuities stemming from non-life insurance contracts C0525	Annuities stemming from non-life accepted reinsurance contracts C0545
R0110	Gross written premiums	0	0	0	4,039	0	0	0	0	0	0	0	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								
R0210	Gross earned premiums	0	0	0	2,713		0								
R0220	Net earned premiums	0	0	0	2,170		0								
R0610	Gross (undiscounted) claims incurred	2,409	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	1,898	0	0	1,860		0								
R0730	Net (discounted) claims incurred													3,125	
R0985	Acquisition costs, commissions, claims management costs	0	0	0	-54		0								

IR.22.01.22

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	566,183	0	0	3,422	0
R0020	Basic own funds	283,718	0	0	-2,065	0
R0050	Eligible own funds to meet Solvency Capital Requirement	283,718	0	0	-2,065	0
R0090	Solvency Capital Requirement	155,627	0	0	216	0

IR.23.01.04

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	979	979		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	144,224	144,224		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0				
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	70,463	70,463			
R0140	Subordinated liabilities	67,147		10,825	56,322	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	905				905
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	283,718	215,666	10,825	56,322	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				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	283,718	215,666	10,825	56,322	905
R0530	Total available own funds to meet the minimum consolidated group SCR	282,813	215,666	10,825	56,322	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	283,718	215,666	10,825	56,322	905
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	235,171	215,666	10,825	8,680	
R0590	Consolidated group SCR	155,627				
R0610	**Minimum consolidated Group SCR**	43,400				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	182.31%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	541.86%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	283,718	215,666	10,825	56,322	905
R0670	**SCR for entities included with D&A method**	0				
R0680	**Group SCR**	155,627				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	182.31%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	216,571
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0725	Deductions for particpations in financial and credit institutions	
R0730	Other basic own fund items	146,108
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	70,463

IR.25.04.22

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	11,029
R0080	Equity risk	4,896
R0090	Property risk	8,767
R0100	Spread risk	10,148
R0110	Concentration risk	15,986
R0120	Currency risk	0
R0125	Other market risk	0
R0130	Diversification within market risk	-18,093
R0140	**Total Market risk**	32,734
	Counterparty default risk	
R0150	Type 1 exposures	14,827
R0160	Type 2 exposures	25,153
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	-2,404
R0180	**Total Counterparty default risk**	37,576
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	1,746
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	0
R0260	Diversification within life underwriting risk	0
R0270	**Total Life underwriting risk**	1,746
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	0
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	93,011
R0340	Non-life catastrophe risk	11,704
R0350	Lapse risk	6,635
R0355	Other non-life underwriting risk	0
R0360	Diversification within non-life underwriting risk	-14,518
R0370	**Total Non-life underwriting risk**	96,832
R0400	**Intangible asset risk**	0
	Operational and other risks	
R0422	Operational risk	22,350
R0424	Other risks	0
R0430	**Total Operational and other risks**	22,350
R0432	**Total before all diversification**	226,253
R0434	Total before diversification between risk modules	191,238
R0436	Diversification between risk modules	-35,611
R0438	**Total after diversification**	155,627
R0440	Loss absorbing capacity of technical provisions	0
R0450	Loss absorbing capacity of deferred tax	0
R0455	Other adjustments	0
R0460	**Solvency capital requirement including undisclosed capital add-on**	155,627
R0472	Disclosed capital add-on - excluding residual model limitation	0
R0474	Disclosed capital add-on - residual model limitation	0
R0480	**Solvency capital requirement including capital add-on**	155,627
R0490	Biting interest rate scenario	decrease
R0495	Biting life lapse scenario	
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0555	Solvency capital requirement (consolidation method)	155,627
R0560	SCR for undertakings included via D and A	
R0565	SCR for sub-groups included via D and A	
R0570	**Solvency capital requirement**	155,627

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Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	LEI/213800UWAG4QV267GF73	Saturn Holdings Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual								Included in the scope		Method 1: Full consolidation
2	GB	LEI/21380092HRNZ2H8HOH96	Tradex Insurance Company Plc	Non-life insurance undertaking	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	Prudential Regulation Authority (PRA)	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	LEI/254900DQJVOGCLPQ7264	Soteria Finance Holdings Limited	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	LEI/213800239LP2JJ1CF649	Soteria Insurance Limited	Non-life insurance undertaking	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	Prudential Regulation Authority (PRA)	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation