

**Saturn Holdings plc**

(Previously named Saturn Holdings Limited)

Group Solvency and financial condition report 2025

# Contents

<b>Executive Summary</b> .....	<b>3</b>
<b>Directors' Report</b> .....	<b>11</b>
<b>Statement of Directors' Responsibilities</b> .....	<b>11</b>
<b>Report of the independent external auditor to the Directors of Saturn Holdings PLC ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms</b> .....	<b>12</b>
<b>A. Business and Performance</b> .....	<b>15</b>
A.1 Business .....	15
A.2 Underwriting Performance .....	18
A.3 Investment Performance .....	19
A.4 Performance of Other Activities .....	20
A.5 Any Other Information .....	20
<b>B. System of Governance</b> .....	<b>21</b>
B.1 General Information on the System of Governance .....	21
B.2 'Fit and Proper' Requirements .....	23
B.3 Risk Management System Including the Own Risk and Solvency Assessment (ORSA) .....	24
B.4 Internal Control System .....	27
B.5 Internal Audit Function .....	28
B.6 Actuarial Function .....	30
B.7 Outsourcing .....	30
B.8 Any other information .....	31
<b>C. Risk Profile</b> .....	<b>32</b>
C.1 Insurance Risk .....	32
C.2 Market Risk .....	33
C.3 Credit Risk .....	34
C.4 Liquidity Risk .....	34
C.5 Operational Risk .....	35
C.6 Other Material Risks .....	36
C.7 Any Other Information .....	36
<b>D. Valuation for Solvency Purpose</b> .....	<b>38</b>
D.1 Assets .....	38
D.2 Technical Provisions .....	41
D.3 Other Liabilities .....	44
D.4 Alternative Methods for Valuation .....	46
D.5 Any Other Information .....	47
<b>E. Capital Management</b> .....	<b>48</b>
E.1 Own Funds .....	48
E.2 Solvency Capital Requirement and Minimum Consolidated Group SCR .....	52
E.3 Differences Between the Standard Formula and any Internal Model Used .....	53
E.4 Non-compliance with the MCG SCR and Non-compliance with the SCR .....	53
E.5 Any Other Information .....	53
<b>Cautionary statement</b> .....	<b>54</b>
<b>Appendix 1: Quantitative Reporting Templates (QRTs)</b> .....	<b>55</b>

# Executive Summary

## 1. Introduction and Purpose

The Directors are pleased to present the Solvency & Financial Condition Report ('SFCR') for the year ended 31 December 2025.

Saturn Holdings plc ('Saturn') is a holding company, whose principal activity is as a holding company of Tradex Insurance Company plc ('Tradex'), Soteria Insurance Limited ('Soteria') and, until it was dissolved on 16 December 2025, Soteria Finance Holdings Limited ('SFHL') (collectively 'the Group'). This report contains qualitative and quantitative information on aspects of the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management, together with standardised Quantitative Reporting Templates, for the Group.

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 the solvency position of the Group.

The Group is regulated and managed under the Solvency II prudential regime, as implemented through UK legislation and the Prudential Regulation Authority's ('PRA') Rulebook and policy materials. This has been referred to as 'Solvency II' or 'SII' throughout this document.

Tradex is subject to a Voluntary Requirement ('VReq') as prescribed by the PRA. The principal impact of this on solvency is the requirement that, 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 recognition of commission income that is subsequently clawed back which would then result in downside volatility in capital position. This is a more prudent position than UK GAAP and standard Solvency II requirements which allows earlier recognition when the amount of commission can be measured reliably and it is probable that they will be due.

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](http://www.soteriainsurance.co.uk). Further information about Tradex and Soteria, including full year results, can be found in the companies' Annual Reports and Accounts and SFCRs, which can be found at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk).

The SFCR should be read in conjunction with the Cautionary Statement, included at the end of this document.

## **2. Business Performance (Summary of Section A)**

### **2.1 Business Model & Strategy**

#### **Business model**

The Group's principal activity is as a UK-based general insurer that underwrites a diverse mix of consumer and business lines insurance, predominantly in the motor and home categories. Its policies are distributed by brokers, the largest of which is Markerstudy Insurance Services Limited ('MISL'), a leading UK broker of motor and home insurance, which combines a wide market reach with industry leading data, analytics and technology platforms. Motor lines comprise a large proportion of the portfolio mix, with substantial consumer car, motor trade and taxi accounts, along with other, mainly motorcycle and commercial van, lines of business.

The Group's business model is centred on disciplined underwriting, strong governance of delegated authority partners, and the effective use of data and analytics to deliver sustainable profitability and good customer outcomes. Oversight of partners is a core component of the operating model, to ensure that products meet customer needs, are distributed appropriately, and that the level of service and claims management deliver good outcomes for our customers.

#### **Strategy**

The Group's strategic objective is to become a top-five insurer, by gross written premiums, in its chosen UK markets, predominantly motor and home. These are markets with substantial scale, providing scope for the Group to grow and benefit from premium renewals.

Following significant premium growth in 2024, driven by the new distribution agreement with Markerstudy, and expansion into motorcycle and commercial van markets, the strategy centred on consolidating this strong base. Tradex continued to expand distribution while maintaining underwriting discipline, delivering good outcomes for customers, building capability, and building the infrastructure to improve the operating ratio and end to end value.

On 20 December 2025, Saturn signed an agreement to acquire MISL, subject to regulatory approval. MISL is a Managing General Agent which also provides insurance services and has acted as an outsourced service provider to Tradex since acquisition by Saturn in July 2023 and to Soteria since December 2020. The acquisition of MISL by Saturn will bring the currently outsourced operations under the control of Saturn and support the delivery of the business strategy of the Saturn Group.

To achieve future growth, Tradex is focused on building on its competitive strengths, effective integration of value adding acquisitions (including of MISL), consideration of footprint expansion in motor and home in a tested and controlled manner, consideration of other complementary product lines, delivering good outcomes for customers, expanding distribution reach, and consistently delivering strong underwriting performance.

### **2.2 Other Significant Events**

#### **Consumer Duty**

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements which identified areas for remediation. An external regulatory review was also undertaken and recommendations made. Tradex has established a programme of work to deliver against all the review recommendations and throughout 2025, management continued to strengthen its approach to Consumer Duty, ensuring that customer interests remain central to decision-making and day-to-day operations. Tradex enhanced product governance, customer insight, and outcomes-testing frameworks, with regular reporting to the Board and the Consumer Duty Champion to provide independent challenge and oversight. Tradex also reinforced oversight of outsourced partners to ensure consistent delivery of good customer outcomes across the value chain. The appointment of a Chief Customer Officer to Saturn's Executive team will lead the ongoing focus in this area and full remediation activity is expected to complete in H1 2026. 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.

#### **Loss portfolio transfer ('LPT')**

During the year, Soteria entered into an LPT arrangement to cover its obligations relating to liability claims, transferring liabilities of £23.6m on a UK GAAP basis. The net impact on inception of the arrangement was a profit of £5.7m. The LPT arrangement is managed on a funds withheld basis.

## Events after the balance sheet date

Since the end of 2025, geopolitical instability has increased, particularly in the Middle East and, whilst the Group only operates in the UK, this can have an impact on supply chains and investment markets. The Group's management is closely monitoring the situation for any indirect exposure or other impact. At the current date there are no significant changes to the Group's principal risks and uncertainties or its solvency coverage.

On 20 December 2025, Saturn signed an agreement to acquire MISL. Subject to conditions precedent, the acquisition is expected to complete within 3 months of the date of signing this SFCR. MISL is a Managing General Agent which also provides insurance services and has acted as an outsourced service provider to Tradex since its acquisition by Saturn in July 2023 and to Soteria since December 2020. The acquisition of MISL by Saturn will bring the currently outsourced operations under the control of Saturn and support the delivery of the business strategy of the Saturn Group.

## 2.3 Overall performance

The table below shows the performance of the Group over the year to 31 December 2025, as reported in the statutory accounts, together with trading profit and combined ratio, which are alternative performance measures utilised by management. Trading profit shows the level of profit before interest on subordinated notes, exceptional costs, and tax. The combined ratio reflects underwriting profitability and is calculated as total claims and expenses, excluding exceptional costs, divided by net earned premiums.

Overall Performance	2025	2024
	£000	£000
Net earned premiums	247,730	176,984
Net policyholder claims and benefits	(221,069)	(148,007)
Commissions	24,073	15,271
Expenses	(53,615)	(33,768)
<b>Underwriting result</b>	<b>(2,881)</b>	<b>10,480</b>
Net investment return	27,838	14,740
Finance charges and investment expenses	(20,127)	(16,107)
Goodwill amortisation	-	(3,381)
Other income	87	-
<b>Profit on ordinary activities before tax</b>	<b>4,917</b>	<b>5,732</b>
<b>Trading profit</b>	<b>32,140</b>	<b>21,631</b>
<b>Combined Ratio</b>	<b>96.9%</b>	<b>92.9%</b>

The Group's 2025 result of a £4,917k profit before tax was driven mainly by the following factors:

- A decrease in the underwriting result (net of expenses) by £13,361k, driven by the softening of the market in the second half of 2025, whilst continuing to maintain a focus on writing profitable business, together with an increase in exceptional costs relating to various projects undertaken by the Group, from £3,640k in 2024 to £11,251k in 2025.
- A £13,098k increase in investment income, partially offset by a £4,020k increase in finance charges and investment expenses, largely reflecting the expansion in size of the investment portfolio following the growth in earned premiums.
- A £3,381k reduction in goodwill amortisation charge, as the positive goodwill arising on the acquisition of Tradex was fully amortised during the prior year.

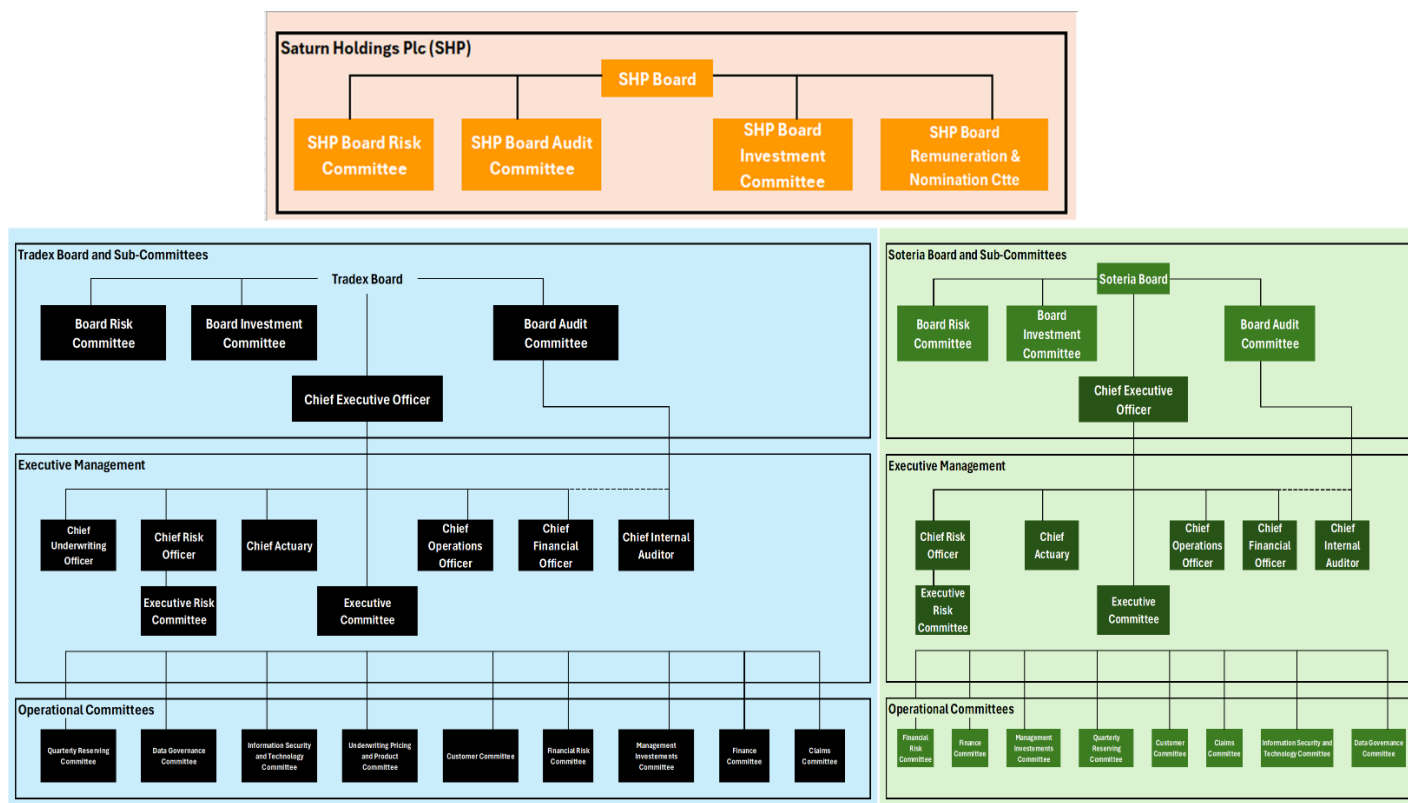
A more detailed analysis of the performance of the Group can be found in Section A of this report and the Group's Annual Report and Accounts, available at [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk). Full year results for the Group's trading subsidiaries, Tradex and Soteria, can be found in the entity SFCRs and Annual Reports and Accounts which are available at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk), respectively.

### 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, Soteria 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 Appetite Statements and associated thresholds. To assist the Saturn Board in carrying out its functions and to ensure that there are effective internal controls and risk management, the Tradex and Soteria 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 1<sup>st</sup> line of defence. It is responsible for implementing and operating processes to identify, measure, manage, monitor and report risks. The Group provides 1<sup>st</sup> line oversight of all outsourced activities. 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 1<sup>st</sup> line of defence, and considers current and emerging risks across the business.

Internal Audit is the 3<sup>rd</sup> 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 Saturn Board Audit Committee ('BAC'), Soteria and Tradex Board Audit Committees (BAC) and senior management on the adequacy of both the 1<sup>st</sup> and 2<sup>nd</sup> lines of defence, including the quality of their work.

## Fitness & Propriety of Key Function Holders

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

Soteria 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 II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The 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 meet 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 <sup>1</sup> .
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.
Conflicts of Interest Risk	Conflicts of interest risk is the risk that financial or other personal interests, relationships or obligations influence, or may be perceived to influence, a person's ability to act in the best interests of Group, its customers, or other stakeholders.
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 <sup>2</sup> .
Counterparty Risk, (incl. 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.
Conduct and Regulatory Risk	The risk that the Group's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers, or lead to regulatory sanctions, financial loss, and reputational damage due to a failure to comply with applicable laws, industry standards, and internal codes of conduct.

<sup>1</sup> Risk is relative to technical provisions on a SII basis or best estimate reserves on an UK GAAP basis.

<sup>2</sup> 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).

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.

Solvency Capital Requirement	31 December 2025	31 December 2024	Movement
	£000	£000	£000
Premium & Reserve risk	107,086	93,011	14,075
Catastrophe risk	13,829	11,704	2,125
Lapse risk	4,952	6,635	(1,683)
Diversification	(14,405)	(14,518)	113
<b>Diversified non-life underwriting risk</b>	<b>111,462</b>	<b>96,832</b>	<b>14,630</b>
Market risk	37,794	32,734	5,060
Counterparty default risk	39,198	37,576	1,622
Life underwriting risk	1,927	1,746	181
Operational risk	23,778	22,350	1,428
Diversification credit	(39,773)	(35,611)	(4,162)
<b>SCR</b>	<b>174,386</b>	<b>155,627</b>	<b>18,759</b>

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.

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).

Market risk reflects the portfolio of assets held by the Group which comprises cash and investments, including higher-yielding assets.

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

The value calculated for each individual risk is the estimated loss that would be incurred in an adverse scenario for that specific risk. As not all of these negative outcomes would be expected to occur within a short time frame, the Standard Formula SCR calculation allows for a diversification benefit which is an estimate of the total reduction in the overall level of risk. The 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)

The valuation for solvency purposes is based on an economic value approach under Solvency II. 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 Solvency II valuation approach, together with the prescribed balance sheet presentation, differ from that used in the preparation of the Group's UK GAAP statutory financial statements. The table on the following page presents a summary balance sheet as at 31 December 2025 on both bases, with a bridge between them to show the key movements. Section D includes full explanations of the valuation and recognition basis under Solvency II, along with a description of how this differs to the approach used in the statutory accounts.

Valuation of assets and liabilities	UK GAAP	Reclassification	Valuation adjustments	Solvency II
	£000	£000	£000	£000
<b>Assets</b>				
Goodwill	(52,572)	-	52,572	-
Deferred acquisition costs	24,179	-	(24,179)	-
Deferred tax assets	8,408	-	(4,874)	3,534
Property, plant and equipment	665	-	(611)	54
Investments	411,723	(23,913)	(1)	387,809
Other loans and mortgages	53,779	28,143	-	81,922
Reinsurance recoverables	563,923	(192,474)	(86,391)	285,058
Insurance and intermediaries receivables	256,738	(251,282)	(4,606)	850
Reinsurance receivables	98,365	(13,227)	(42,146)	42,992
Receivables (trade, not insurance)	65,661	(4,078)	(8,381)	53,202
Cash and cash equivalents	254,679	4,624	-	259,303
Any other assets, not elsewhere shown	-	-	-	-
<b>Total assets</b>	<b>1,685,548</b>	<b>(452,207)</b>	<b>(118,617)</b>	<b>1,114,724</b>
<b>Liabilities</b>				
Technical provisions	1,033,417	(239,345)	(131,691)	662,381
Derivative liabilities	-	5	-	5
Insurance and intermediaries payables	13,229	(6,599)	(4,495)	2,135
Reinsurance payables	207,370	(206,149)	(1,097)	124
Payables (trade, not insurance)	40,261	(119)	-	40,142
Subordinated liabilities	219,708	-	3,721	223,429
Any other liabilities, not elsewhere shown	42,901	-	(42,901)	-
<b>Total liabilities</b>	<b>1,556,886</b>	<b>(452,207)</b>	<b>(176,463)</b>	<b>928,216</b>
<b>Excess of assets over liabilities</b>	<b>128,662</b>	<b>-</b>	<b>57,846</b>	<b>186,508</b>

The excess of assets over liabilities of £186,508k forms the basis of Own Funds for the Group under Solvency II. Section E of this report provides detail of the relationship between the excess of assets over liabilities and the regulatory capital eligible to cover the SCR.

## 6. Capital Management (Summary of Section E)

Regulatory capital, referred to as Own Funds, is monitored and managed by the Group in accordance with Solvency II requirements.

The table below shows the value of Own Funds eligible to meet the SCR and MCG SCR as at 31 December 2025, classified by tier.

	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	2025 total	2024 total	Movement
	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	979	-	-	-	979	979	-
Share premium account	100,224	-	-	-	100,224	144,224	(44,000)
Reconciliation reserve	81,771	-	-	-	81,771	70,463	11,308
Subordinated liabilities	-	43,796	179,633	-	223,429	67,147	156,282
Deferred tax assets	-	-	-	3,534	3,534	905	2,629
<b>Total basic own funds after deductions</b>	<b>182,974</b>	<b>43,796</b>	<b>179,633</b>	<b>3,534</b>	<b>409,937</b>	<b>283,718</b>	<b>126,219</b>
Deduction: ineligible Own Funds due to tiering restrictions	-	-	(92,440)	(3,534)	(95,974)	-	(95,974)
<b>Total Eligible Own Funds to meet the consolidated group SCR</b>	<b>182,974</b>	<b>43,796</b>	<b>87,193</b>	<b>-</b>	<b>313,963</b>	<b>283,718</b>	<b>30,245</b>
<b>Total Eligible Own Funds to meet the MCG SCR</b>	<b>182,974</b>	<b>43,796</b>	<b>10,695</b>	<b>-</b>	<b>237,465</b>	<b>235,171</b>	<b>2,294</b>
Group SCR					174,386	155,627	18,759
Minimum Consolidated Group (MCG SCR)					53,477	43,400	10,077
<b>Surplus over Group SCR</b>					<b>139,577</b>	<b>128,091</b>	<b>11,486</b>
<b>Surplus over MCG SCR</b>					<b>183,988</b>	<b>191,771</b>	<b>(7,783)</b>
<b>SCR coverage ratio</b>					<b>180.0%</b>	<b>182.3%</b>	<b>(2.3%)</b>
<b>MCG SCR coverage ratio</b>					<b>444.1%</b>	<b>541.9%</b>	<b>(97.8%)</b>

Under Solvency II, Own Funds are classified into tiers to reflect their quality, being their ability to absorb losses. Tier 1 is the highest quality and Tier 3 is the lowest. Tier 1 is further divided into restricted and unrestricted Own Funds.

Saturn has issued subordinated debt instruments that qualify as capital under the Solvency II regime. The terms of the £44.9m perpetual loan notes meet the stricter loss-absorption requirements for classification as Tier 1 restricted Own Funds. The £180m subordinated term loan meets the less restrictive criteria for classification as Tier 2 Own Funds. Deferred tax assets are classified as Tier 3 Own Funds. All other Own Fund items are classified as Tier 1 unrestricted Own Funds.

Tier 1 unrestricted capital can be applied without restriction. The amounts of Tier 1 restricted, Tier 2 and Tier 3 capital that are eligible to cover the SCR are each subject to prescribed limits. Basic Own Funds represents the total of items that qualify as Solvency II capital before the application of any tiering limits. Following the issuance of additional subordinated debt by Saturn during the year (see E.1.2.2 for details), the combined Tier 2 and Tier 3 capital exceed the maximum limit of 50% of the SCR. Consequently, all Tier 3 and a portion of the Tier 2 capital is deducted from Basic Own Funds to reach the amount of Own Funds eligible to meet the SCR.

Eligible Own Funds increased by £30,245k during 2025, principally driven by the impact of the debt issuances (net of tiering restrictions) described above, partially offset by £16,164k dividends paid and exceptional costs in respect of one-off project costs of £11,251k. Growth in the business has driven an increase in SCR of £18,759k, with higher volumes of business generating higher capital requirements in respect of premium and reserve risk, and to a lesser extent higher market risk as the size of the investment portfolio has grown. In combination, the increase in both Own Funds and SCR has led to a 2.3% reduction in the SCR coverage ratio.

The Group has held Own Funds in excess of the SCR and MCG SCR throughout the reporting period, and expects to maintain capital coverage in excess of risk appetite throughout the period covered by the business plan.

## Directors' Report

The Directors of Saturn 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
Neil Southworth
Andrew Johnston
Stuart Vann (appointed 29 January 2026)
Ewen Gilmour (resigned 31 December 2025)
Executive Directors:
Mark Summerfield

## 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, as modified by the requirement and supplemented by the permission made by the Prudential Regulation Authority, and therefore as applicable to the Group.

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

- a) throughout the financial year to 31 December 2025, the Group has complied in all material respects with the requirements of the Prudential Regulation Authority Rules 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.

By order of the Board:



Mark Summerfield

Director

21 May 2026

# Report of the independent external auditor to the Directors of Saturn Holdings PLC ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

### Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2025:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 31 December 2025, ('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.32.01.22 ('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 and IR.05.04.02; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Group 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 plc as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules as modified by the requirement and supplemented by the permission made by the Prudential Regulation Authority under section 55M and section 138BA of the Financial Services and Markets Act 2000.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 (*Revised Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*) and ISA (UK) 805 (*Revised Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*), 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 2027;
- reviewing the solvency and liquidity position of the Group, understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing the latest profit forecasts submitted to the regulator, and considering the impact on the Group'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 Group'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 Group's ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing them for consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2027.

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.

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 the financial reporting provisions of 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 the Group is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we reviewed minutes of Board and other Committee meetings, reviewed correspondences between the Group and UK regulatory bodies and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and Board's review of the Group'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 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:

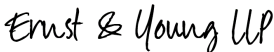
- Making inquiries of those charged with governance and senior management to ascertain their awareness of any non-compliance with the relevant laws and regulations,
  - Identifying the policies which those charged with governance have implemented to prevent, detect, and monitor non-compliance with laws 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 operates in the insurance industry which is a highly regulated environment. As such, the audit partner considered the experience and competence of the engagement team to ensure that the team had appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's Report on the Group Solvency and Financial Condition Report.

## Report on Other Legal and Regulatory Requirements

### Other information

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 the Group'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:  
  
30EA94B84A764FB...

Ernst & Young LLP

London

21 May 2026

## A. Business and Performance

### A.1 Business

#### A.1.1 Legal Form, Ownership and Registered Address

Saturn Holdings plc ('Saturn'), previously Saturn Holdings Limited, is a company registered in England and Wales under the Companies Act 2006. The registered office is McLaren House, 100 Kings Road, Brentwood, England, CM14 4EA and the registered number is 13802733. Saturn changed its legal status in November 2025 from a limited company to a public limited company.

Saturn is a holding company with two subsidiaries, Tradex Insurance Company plc ('Tradex') and Soteria Insurance Limited ('Soteria'). A further subsidiary, Soteria Finance Holdings Limited ('SFHL'), was dissolved on 16 December 2025.

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

#### A.1.2 Group Structure

Saturn 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, Tradex. On 21 August 2023, ownership of Tradex was transferred from TIHL to Saturn.

On 10 October 2023, following approval by the PRA, Saturn acquired SFHL and its subsidiary, Soteria.

On 19 February 2024, ownership of Soteria transferred from SFHL to Saturn and so Soteria became a directly owned subsidiary of Saturn. TIHL was dissolved on 9 January 2024.

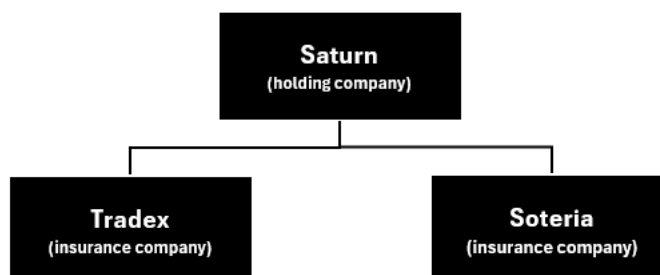
On 7 August 2024, Tradex Insurance Company Limited re-registered as a publicly listed company, becoming Tradex Insurance Company plc. There was no change of ownership associated with the change.

On 16 December 2025, SFHL was dissolved.

The shareholding of Saturn as at 31 December 2025 is reflected below.

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%

Saturn, together with its subsidiaries, forms an Insurance Group. The group structure as at 31 December 2025 is shown below:



There are no 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 Soteria, 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 Business Model and Strategy

### Business Model

The Group's principal activity is as a UK-based general insurer that underwrites a diverse mix of consumer and business lines insurance, predominantly in the motor and home categories. Its policies are distributed by brokers, the largest of which is Markerstudy Insurance Services Limited ('MISL'), a leading UK broker of motor and home insurance, which combines a wide market reach with industry leading data, analytics and technology platforms. Motor lines comprise a large proportion of the portfolio mix, with substantial consumer car, motor trade and taxi accounts, along with other, mainly motorcycle and commercial van, lines of business.

The Group's business model is centred on disciplined underwriting, strong governance of delegated authority partners, and the effective use of data and analytics to deliver sustainable profitability and good customer outcomes. Oversight of partners is a core component of the operating model, to ensure that products meet customer needs, are distributed appropriately, and that the level of service and claims management deliver good outcomes for our customers.

The underwriting approach is supported by:

- 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 each market segment.
- Volatility management through adequate purchase of Reinsurance: The Group continues to manage P&L volatility and balance sheet exposure through appropriate purchase of reinsurance which comprises of excess of loss, quota share and catastrophe protection. In addition, models which assess propensity of large claims have been embedded at quotation stage in Private Car (which is the largest portfolio segment), enabling improved segmentation and proactive management of volatile exposures.
- Governance on Products and Claims management: The Group continues 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, to ensure that legitimate claims are settled quickly and smoothly to deliver good outcomes. We continue to invest in the governance and control environment, ensuring it evolves in line with business growth.

With regards to the business in Soteria, the focus is to meet all obligations to customers throughout a solvent run-off, to fulfil all regulatory requirements and to manage the level of capital held in that company against a prudent risk appetite to meet its liabilities and external solvency requirements.

### Strategy

The Group's strategic objective is to become a top five insurer, by gross written premiums, in its chosen UK markets, predominantly motor and home. These are markets with substantial scale, providing scope for the Group to grow and benefit from premium renewals.

Following significant premium growth in 2024, driven by the new distribution agreement with Markerstudy, and expansion into motorcycle and commercial van markets, the strategy centred on consolidating this strong base. Tradex continued to expand distribution while maintaining underwriting discipline, delivering good outcomes for customers, building capability, and building the infrastructure to improve the operating ratio and end to end value.

Strong growth continued into the six months ended 30 June 2025 and intentionally slowed through H2, as the Group maintained discipline in a softening motor market, while leveraging its distribution partnership and expanding market reach. H2 was focused on building capability and investing time and resource into other initiatives to improve 2026 gross written premium, such as footprint expansion, in a tested and controlled manner.

On 20 December 2025, Saturn signed an agreement to acquire MISL. Subject to conditions precedent, the acquisition is expected to complete within 3 months of the date of signing this SFCR. MISL is a Managing General Agent which also provides insurance services and has acted as an outsourced service provider to Tradex since its acquisition by Saturn in July 2023 and to Soteria since December 2020. The acquisition of MISL by Saturn will bring the currently outsourced operations under the control of Saturn and support the delivery of the business strategy of the Saturn Group.

To achieve future growth, Tradex is focused on building on its competitive strengths, effective integration of value adding acquisitions (including of MISL), consideration of footprint expansion in motor and home in a tested and controlled manner, consideration of other complementary product lines, delivering good outcomes for customers, expanding distribution reach, and consistently delivering strong underwriting performance.

## **A.1.7 Other Significant Events**

### **Consumer Duty**

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements which identified areas for remediation. An external regulatory review was also undertaken and recommendations made. Tradex has established a programme of work to deliver against all the review recommendations and throughout 2025, management continued to strengthen its approach to Consumer Duty, ensuring that customer interests remain central to decision-making and day-to-day operations. Tradex enhanced product governance, customer insight, and outcomes-testing frameworks, with regular reporting to the Board and the Consumer Duty Champion to provide independent challenge and oversight. Tradex also reinforced oversight of outsourced partners to ensure consistent delivery of good customer outcomes across the value chain. The appointment of a Chief Customer Officer to Saturn's Executive team will lead the ongoing focus in this area and full remediation activity is expected to complete in H1 2026. 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.

### **Loss portfolio transfer ('LPT')**

During the year, Soteria entered into an LPT arrangement to cover its obligations relating to general liability claims, transferring liabilities of £23.6m on a UK GAAP basis. The net impact on inception of the arrangement was a profit of £5.7m. The LPT arrangement is managed on a funds withheld basis.

### **Events after the balance sheet date**

Since the end of 2025, geopolitical instability has increased, particularly in the Middle East and, whilst the Group only operates in the UK, this can have an impact on supply chains and investment markets. The Group's management is closely monitoring the situation for any indirect exposure or other impact. At the current date there are no significant changes to the Group's principal risks and uncertainties or its solvency coverage.

On 20 December 2025, Saturn signed an agreement to acquire MISL. Subject to conditions precedent, the acquisition is expected to complete within 3 months of the date of signing this SFCR. MISL is a Managing General Agent which also provides insurance services and has acted as an outsourced service provider to Tradex since its acquisition by Saturn in July 2023 and to Soteria since December 2020. The acquisition of MISL by Saturn will bring the currently outsourced operations under the control of Saturn and support the delivery of the business strategy of the Saturn Group.

## 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 2025 as reported in the statutory accounts together with trading profit and combined ratio, which are alternative performance measures utilised by management. Trading profit shows the level of profit before finance costs relating debt interest within investment expenses, exceptional costs, and tax. The combined ratio reflects underwriting profitability and is calculated as total claims and expenses, excluding exceptional costs, divided by net earned premiums.

Overall Performance	2025	2024
	£000	£000
Net earned premiums	247,730	176,984
Net policyholder claims and benefits	(221,069)	(148,007)
Commissions	24,073	15,271
Expenses	(53,615)	(33,768)
<b>Underwriting result</b>	<b>(2,881)</b>	<b>10,480</b>
Net investment return	27,838	14,740
Finance charges and investment expenses	(20,127)	(16,107)
Goodwill amortisation	-	(3,381)
Other income	87	-
<b>Profit on ordinary activities before tax</b>	<b>4,917</b>	<b>5,732</b>
<b>Trading profit</b>	<b>32,140</b>	<b>21,631</b>
<b>Combined Ratio</b>	<b>96.9%</b>	<b>92.9%</b>

The Group's 2025 result of a £4,917k profit before tax was driven mainly by the following factors:

- A decrease in the underwriting result (net of expenses) by £13,361k, driven by the softening of the market in the second half of 2025, whilst continuing to maintain a focus on writing profitable business., together with an increase in exceptional costs relating to various projects undertaken by the Group, from £3,640k in 2024 to £11,251k in 2025.
- A £13,098k increase in investment income, partially offset by a £4,020k increase in finance charges and investment expenses, largely reflecting the expansion in size of the investment portfolio following the growth in earned premiums.
- A £3,381k reduction in goodwill amortisation charge, as the positive goodwill arising on the acquisition of Tradex was full amortised during the prior year.

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.

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

Further analysis of the performance of Saturn and the Group can be found in the 2025 Annual Report and Accounts which are available at [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk). Full year results for the Group's trading subsidiaries, Tradex and Soteria, including comparatives against the prior year, can be found in the companies' Annual Reports and Accounts and Solvency and Financial Condition Reports which are available at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk).

## A.2.2 Underwriting Performance

Analysis of the Group's underwriting performance for the year to 31 December 2025, by line of business, is presented below. The segmental analysis is shown before corporate overheads and net investment returns.

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

Underwriting Performance	2025	2024
<b>Motor Insurance Liability</b>	<b>£000</b>	<b>£000</b>
Net earned premiums	181,171	121,949
Net claims	(182,227)	(110,242)
Commissions	21,374	15,592
Expenses	(37,895)	(23,053)
<b>Underwriting result</b>	<b>(17,577)</b>	<b>4,246</b>
<b>Motor Insurance Other</b>		
Net earned premiums	66,212	44,786
Net claims	(53,986)	(24,199)
Commissions	8,140	4,452
Expenses	(12,984)	(8,763)
<b>Underwriting result</b>	<b>7,382</b>	<b>16,276</b>
<b>Fire and Other Damage to Property Insurance (Home)</b>		
Net earned premiums	14,969	8,079
Net claims	(7,833)	(9,808)
Commissions	(5,125)	(5,193)
Expenses	(2,719)	(1,951)
<b>Underwriting result</b>	<b>(708)</b>	<b>(8,873)</b>
<b>General liability and other</b>		
Net earned premiums	(14,622)	2,170
Net claims	22,977	(3,758)
Commissions	(316)	420
Expenses	(17)	(1)
<b>Underwriting result</b>	<b>8,022</b>	<b>(1,169)</b>

- The Motor business contributed the majority of the underwriting result for the year, with a combined £10,195k loss across Motor Liability and Motor Other categories. Whilst earned premiums increased, reflecting the growth of the business over 2024 and 2025, overall profitability declined as market conditions softened and business was written at higher loss ratios. Targeted rating action and strengthened underwriting controls implemented for trade business and rationalisation of the broker base to support retail direct business helped to partially offset the adverse impact of the broader market conditions.
- Home, although improved from 2024, made a loss of £708k. The prior year result was impacted by volatility from weather events and large losses. The improved result in 2025 also reflects operational changes undertaken with Markerstudy which enhanced pricing responsiveness and strengthened claims insight.
- General liability and other is the Group's smallest segment, with the 2025 underwriting result benefiting from a one-off gain arising on the LPT transaction in Soteria.

## A.3 Investment Performance

### A.3.1 Investment Income and Expenses

The Group's investment portfolio has grown throughout the year end 31 December 2025, reflecting the underlying expansion of the business. The investment strategy remains under active development as the Group builds out its investment capabilities. The Group's assets are held in a diversified range of investments, comprising cash and money market funds, debt securities, equities and asset-backed lending.

The key strategic objective of the Group's investment activities is to ensure that liabilities can be met over both the short and long term. To support this, the investment strategy is structured around two identifiable portfolios:

- A portfolio of high-quality fixed income and cash investments focused on supporting technical provisions and capital requirements and maintaining liquidity with a relatively lower level of risk, including mitigating duration and FX risk; and
- A portfolio of surplus assets with allocations to higher risk, higher return assets intended to deliver a real return on the capital surplus and provide improved diversification.

The focus of the strategic asset allocation is on appropriate cash flow matching and hedging, with a balanced approach to achieving steady income and capital growth.

Current investment holdings are as follows:

Investment holdings (inclusive of accrued interest)	£000
Government bonds	60,853
Corporate bonds	244,406
Collective investment undertakings	56,676
Equities	9,924
Real-estate backed lending	81,922
Investment property	15,350
Cash deposits	259,303
Derivatives	479
Deposits other than cash equivalents	120
<b>Total</b>	<b>729,033</b>

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

Investment income and expense analysis	Investment income	Realised gains & losses	Unrealised gains & losses	Total investment expenses
	£000	£000	£000	£000
Cash	7,154	(980)	240	
Government bonds	1,900	24	(823)	
Corporate bonds	9,839	53	1,383	
Equities	371	94	(374)	
Collective investment undertakings	1,106	238	496	
Real-estate backed lending	4,441	1	1,180	
Property	-	596	670	
Derivatives	(43)	279	638	
Other	-	(655)	-	
<b>Total</b>	<b>24,768</b>	<b>(350)</b>	<b>3,410</b>	<b>(4,155)</b>
Prior year	18,195	(6,012)	2,557	(3,848)
Movement	6,573	5,662	853	(307)

Net investment returns have increased overall during 2025, primarily reflecting the continued growth of the investment portfolio, which generated higher investment income. This effect was dampened by the higher weighting to cash during 2025 relative to the prior year, reflecting management's decision to de-risk the investment portfolio ahead of the transition in Q4 2025 of outsourced chief investment officer services to Aon Investments Limited ('Aon'), in order to reduce volatility until the transition had come into effect. This involved maintaining higher cash holdings, along with additional hedging with respect to asset and liability mismatches, with a rebalancing having commenced in line with an agreed strategic asset allocation following the appointment of Aon.

### 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 as at December 2025.

## A.4 Performance of Other Activities

The Group has one operating lease under which payments of £202k (2024: £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

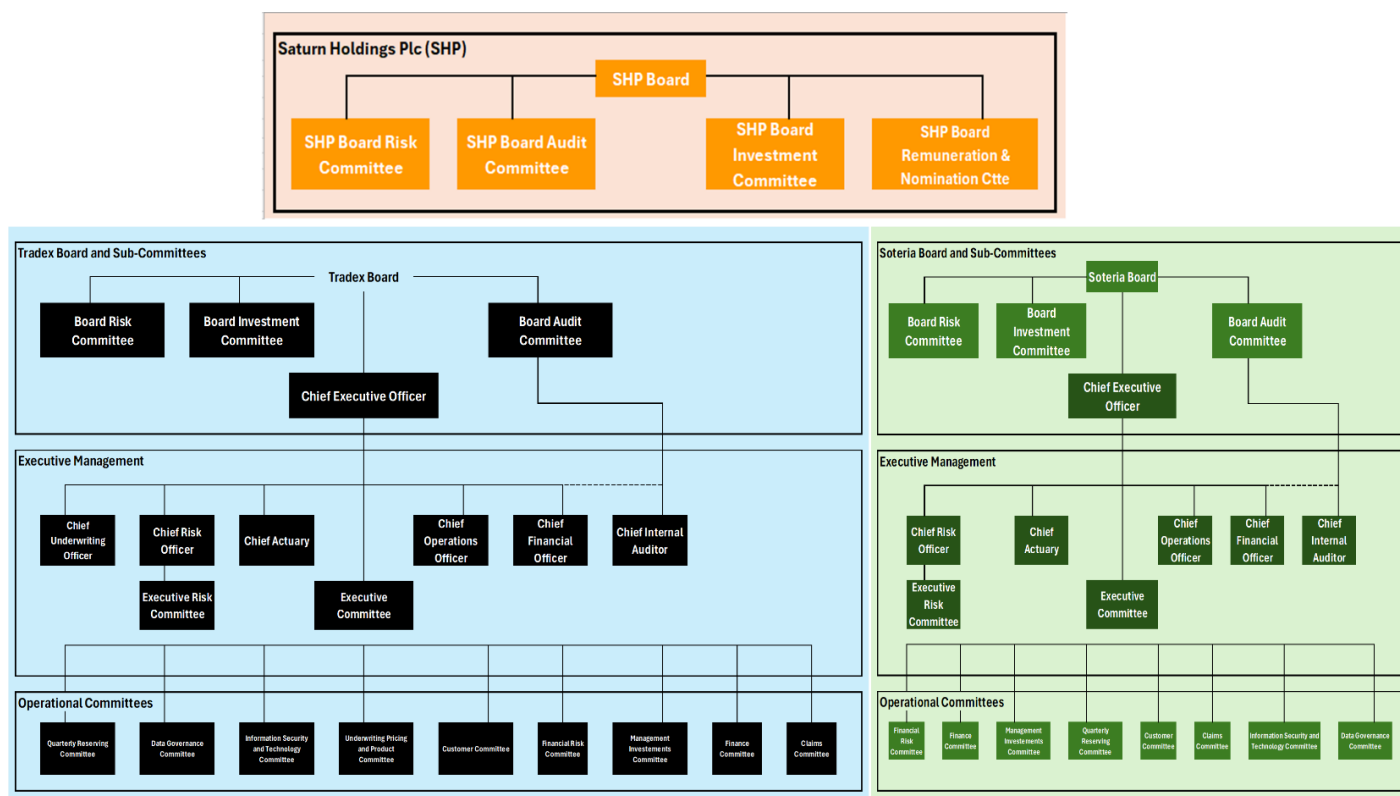
The Group's governance structure is focused on the two subsidiaries, Soteria and Tradex. Both entities have established a strong governance framework and ensured that the accountability and responsibility of individual Senior Managers and directors is clearly defined and documented. This enables the 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 Group Board retains overall responsibility for the Group's governance and oversight. Day-to-day management of the Group is delegated to the Chief Executive Officer (CEO), who is accountable to, and reports regularly to, the Group Board on performance, strategy execution, and material risk and control matters.

The governance framework for each trading entity includes a formal committee structure, consisting of the Board (which reports to the Saturn 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 Saturn Board and its sub-committees.

Committee	Overview
Saturn Board	The Saturn 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, shareholders and customers and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice. The Board ensures adherence to Consumer Duty that customer interests and outcomes are considered and embedded within the approval of strategy, risk appetite and key business decisions.
Saturn Board Risk Committee (BRC)	The purpose of the Saturn BRC is to oversee and advise the Saturn Board on current and potential risks, the overall risk framework. The committee also oversees Saturn's risk management

Committee	Overview
	arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed. The committee is also charged with ensuring good customer outcomes.
Saturn Board Audit Committee (BAC)	The Saturn BAC assists the Saturn Board in discharging its responsibilities for the integrity of Saturn'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.
Saturn Board Investment Committee (BIC)	The purpose of the Saturn BIC is to provide direction on the investment strategy for the Group and its risk appetite for investments, and to oversee and advise the Board on the performance of investments and compliance with the approved strategy and Soteria and Tradex's respective investment mandates.
Saturn Board Remuneration and Nomination Committee (REMCO)	The purpose of the Saturn REMCO is to ensure the overall Governance is adequate for the Saturn Group and is the Nominations Committee for Saturn Board membership.

## B.1.2 Key Functions

Key Functions, as defined by Solvency II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The 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	Director of Compliance	B.4.2
Internal Audit	Group Chief Internal Auditor	B.5
Actuarial function	Group Chief Actuary	B.6

Details on how each Key Function has the necessary authority, independence and resources needed to carry out tasks and report to the 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 Soteria and Tradex are allocated as part of the Senior Manager and Certification Regime (SM&CR). Details of Senior Management Function holders are available on the FCA Financial Services Register.

## B.1.4 Remuneration

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

### Remuneration paid to Non-Executive Directors

The Saturn 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 Saturn Board REMCO is responsible for determining the fees payable to the Board Chair. The Saturn Board REMCO recommends the fees policy for all Saturn 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

Saturn Remco manage the incentive plans for Saturn, 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**

S R Vann was appointed to the Saturn Board on 29 January 2026. E H Gilmour resigned on 31 December 2025.

## **B.1.6 Material Transactions**

Saturn'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 33 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**

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

The Group's trading subsidiaries, Tradex and Soteria, have established an SM&CR policy which includes processes for assessing fitness and propriety 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,

to enable that person to perform their function effectively and in accordance with any relevant regulatory requirements.

### **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:

- 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, core competencies 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.

## 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 Strategy & Appetite

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

The detailed statements and their supporting metrics are contained within Risk Vision and Appetite documents for both Tradex and Soteria 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 affect 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.

Stage	Purpose	Requirement
Risk Reporting	To provide the Saturn 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 Group 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<sup>st</sup> line: identify and manage risk in day-to-day operations.
- 2<sup>nd</sup> line: provide oversight, challenge and assurance of 1<sup>st</sup> line activities; establish and oversee the risk management framework.
- 3<sup>rd</sup> 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<sup>st</sup> line oversight of all outsourced activities. The 2<sup>nd</sup> line also provides review and oversight in accordance with the Group’s risk profile.

### 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. Each risk policy is owned by a designated SMF. These policies outline the principles that the SMF expects the business to follow.

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

#### Controls

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

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

#### Qualitative Review

Both Soteria 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 Saturn 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 Soteria, Tradex and Saturn.

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 Soteria, Tradex and Saturn 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 Saturn.

### B.3.2.2 ORSA Principles

The ORSA policy is founded on the following principles:

<p>Process</p>	<ol style="list-style-type: none"> <li>1. The ORSA is forward-looking and closely related to business planning. <i>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.</i></li> <li>2. The ORSA considers the link between the risk profile, approved risk appetite limits and overall solvency needs. <i>The ORSA considers capital and solvency on all relevant regulatory and internal bases, including reconciliations and explanations 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.</i></li> <li>3. The ORSA encompasses all material quantitative and qualitative risks that may impact the Group. <i>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.</i></li> <li>4. The ORSA includes stress tests, sensitivity analyses and reverse stress tests. <i>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.</i></li> </ol>
<p>Report and Documentation</p>	<ol style="list-style-type: none"> <li>5. A full ORSA report is produced annually alongside, or shortly after, the Group’s Strategic Plan. <i>An annual frequency is considered appropriate to update the full ORSA report in normal circumstances, given the Group’s business model and risk profile.</i></li> <li>6. The full ORSA report documents the ORSA process, conclusions and implications, providing links to further evidence.</li> <li>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. <i>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.</i></li> <li>8. The risk team will produce and maintain an ORSA record document.</li> </ol>

### 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	<ul style="list-style-type: none"> <li>• Setting and quantifying stresses and scenarios at least annually</li> <li>• Ongoing Financial Projections including capital and solvency</li> <li>• Annual Production of full ORSA report</li> <li>• Quarterly review of credit risk and reserves</li> </ul>
Pricing and Underwriting	<ul style="list-style-type: none"> <li>• Determining appropriate and underwriting strategy and limits</li> <li>• Determining and purchasing appropriate reinsurance based on risk/reward considerations</li> </ul>
Investment	<ul style="list-style-type: none"> <li>• Ongoing Liquidity risk management including stress testing and projections</li> <li>• Investment strategy review and management</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Ongoing maintenance of risk register and RCSA process</li> <li>• Annual review of Risk Management Framework</li> <li>• Risk reporting including quarterly CRO reports to Board</li> <li>• Annual review of risk vision and appetite</li> </ul>
Capital Management	<ul style="list-style-type: none"> <li>• Quarterly calculation of capital requirements and solvency, both internal and regulatory</li> <li>• Annual review of SF Appropriateness</li> <li>• Determination of appropriate capital extraction and dividend application process</li> </ul>
Ad Hoc Strategic Processes	<ul style="list-style-type: none"> <li>• Reviewing risk, capital and solvency implications of mergers, acquisitions, further reinsurance purchase and other strategic activity</li> <li>• Production of ad hoc ORSA reports, if necessary</li> </ul>

#### Production and review frequency

The most recent Soteria ORSA was approved by the Soteria Board in Q2 2025. The most recent Tradex ORSA was approved by the Tradex Board in Q2 2025. The most recent Saturn ORSA was approved by the Saturn Board in Q2 2025.

## B.4 Internal Control System

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

Each Soteria 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 2<sup>nd</sup> 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 Limited (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 Soteria and Tradex Executive for all of their areas of accountability. This procedure of producing assessments is required on a six-monthly cycle.

## **B.4.2 Compliance Function**

The Director of Compliance holds compliance officer responsibilities.

The Compliance Function ensures the Saturn Group complies with all relevant laws, regulations and expectations of the PRA and FCA. The team acts as the primary contact for regulators, coordinating responses to supervisory activity, requests and notifications.

The Compliance Function conducts regular horizon scanning to identify regulatory developments and support timely implementation of required changes. It provides regulatory advice to business areas on control design, projects and operational queries, helping ensure obligations are understood and met.

Working with HR, the function oversees key Senior Managers & Certification Regime activities, including upkeep of the Management Responsibilities Map, Senior Manager applications and assessments of Certified individuals.

The team performs second line assurance over certain first line processes and monitors the effectiveness of relevant policies and procedures. Compliance also oversees regulatory training to promote a strong culture of good conduct.

Regular reporting is provided to Senior Management, Boards and Committees to ensure visibility of regulatory obligations, risks and ongoing compliance activity. Through its oversight and advisory role, the function supports the Group's integrity, resilience and commitment to customer protection.

## **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**

#### **Authority**

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

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

The Board authorises the Internal Audit function to:

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

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

Internal Audit is invited to attend all Executive Committee meetings and any other management decision making fora as deemed appropriate by the Group Chief Internal Auditor, who has full access to all related papers and minutes. The Group Chief Internal Auditor has access to all Board, Audit Committee, Risk Committee and Investment 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 to the organisation, including any identified by the external auditors, regulators, or other external parties. The Group Chief Internal Auditor will have access to the Board Audit Committee and individual members of the Board/Committees, without the presence of executive management, at any time.

#### **Independence and Organisational Position**

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

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

The Group Chief Internal Auditor will confirm to the Board Audit Committee, at least annually, the organisational independence of the internal audit function. The Group Chief Internal Auditor will disclose to the Board Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil 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 (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 Soteria 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 Soteria Quarterly Reserve Committees and Financial Risk Committees 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 the Saturn 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:

- Saturn management will exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing of an activity to a third-party supplier. This is governed through a Supplier Management Framework which sets out a specific set of principles by which Saturn manages Third Party Service Provider Risk in a way that is consistent with its overall risk appetite and aligns with its purpose, values and vision.
- Any outsourcing must not result in the delegation of responsibility by senior management.
- Any third-party service provider must protect any confidential information relating Group companies or their customers and comply with the relevant GDPR legislation.
- Soteria'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).
- Sales and servicing.
- Financial operations and Forecast modelling.
- Actuarial Reserving.
- 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 the UK regulated jurisdiction. The anticipated acquisition of MISL by the Group will bring those services in-house, reducing third party risk and increasing the Group's direct control over the management of those activities.

## **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.

### **B.8.2 Other Material Information**

There is no further information to disclose regarding the system of governance.

## 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, liquidity risk and credit risk.

The Risk Management Framework includes a process for setting and reporting against risk appetite, which is consistent across each entity. The Board is 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 Soteria'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 Soteria 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 fair customer experience and to meet all regulatory requirements.

#### Risk Exposure

- Key risks under Motor policies relate to uncertainty with respect to the ultimate cost of claims for bodily injury to third parties, which are exposed to judicial, legislative and inflationary changes.
- Home policies are exposed to property type claims, and subsidence is the longest tailed type of claim.
- For Soteria, risks exist with respect to historical classes of business, in particular the liability class which is long tailed and exposed to latent claims. During the year, Soteria entered an LPT arrangement to cover its obligations relating to liability claims. Further information is included in Note 24 of Soteria's Annual Report and Accounts.

#### 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 a material risk.

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 Soteria 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: Soteria 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 from the adjustment to a low-carbon economy which could affect the assets of Tradex and Soteria 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 Soteria's 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 Soteria 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. Soteria has no live policies on risk meaning the underwriting exposure to climate change is limited.

Both Tradex and Soteria 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 Soteria and Tradex can invest in which ensures that market risk is managed appropriately, considering the need for Soteria 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 counterparty's failure to meet their legal and contractual obligations.

### **Risk Management Objective**

The Group does not aim to earn a return from credit risk. Potential losses arising from credit risk are minimised by the use of high quality reinsurers and highly rated investments.

### **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**

Group insurance entities are exposed to liquidity risk as they require liquid assets to meet their outgoings. This risk is partially mitigated by incoming premiums flows. Saturn's primary outgoings relate to interest payments on its debt instruments, which are funded through a combination of interest income and dividend receipts from within the Group.

### **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**

A key liquidity risk arises from potential delays in settlement by reinsurers or distribution partners. Cash reserves are currently significant and any delay of payments from the distribution partner 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 minimise operational risk 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 (including 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 Board Risk Committee. 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 2025 included employer's liability and Directors and Officers.

For operational resilience, the group identifies tolerances for each key business process, with 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**

A key operational risk for the Group is Cyber risk. The Group 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, gross of tax, 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 Strategy is set by the Saturn 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, in particular vulnerable customers.

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

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

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements which identified areas for remediation. An external regulatory review was also undertaken and recommendations made. Tradex has established a programme of work to deliver against all the reviews recommendations and throughout 2025, management continued to strengthen its approach to Consumer Duty, ensuring that customer interests remain central to decision-making and day-to-day operations. The Company enhanced product governance, customer insight, and outcomes-testing frameworks, with regular reporting to the Board and the Consumer Duty Champion to provide independent challenge and oversight. The Company also reinforced oversight of outsourced partners to ensure consistent delivery of good customer outcomes across the value chain. The appointment of a Chief Customer Officer to Saturn's Executive team will lead the ongoing focus in this area and full remediation activity will complete that work in H1 2026. 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 Soteria progresses through run off it will inevitably become more exposed to concentration risk. In particular, reserves will become more dominated by PPOs. This is managed by regular review of reserves, stress testing and assessing standard formula appropriateness annually.

## 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 effect of scenarios and changes in assumptions on Solvency, as well as understanding the events that would have to occur to cause Solvency Coverage to fall below the Group's risk appetite.

Stress tests are considered for the risk types and stresses for each of Tradex and Soteria 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 Soteria, 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 Soteria can be found in their individual company SFCR reports within Section C.7.2 at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk).

### Sensitivity Testing

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

Sensitivity	Impact on Soteria future P&L	Impact on Tradex future P&L
Reserves +/-10%	£9,995k (Material impact)	£36,945k (Material impact)
Net Premiums +/-10%	N/A	£27,711k (Material impact)
Net loss ratio +/-10%	N/A	£26,984k (Material impact)
Investment Returns +/-10%	£1,020k (Low impact)	£1,783k (Low impact)
Expense base +/-10%	£488k (Low impact)	£3,776k (Material impact)

## D. Valuation for Solvency Purpose

This section of the report focuses on the valuation of assets, technical provisions and other liabilities on the Solvency II balance sheet. For each material class of asset and liability under Solvency II, it describes the bases, methods and main assumptions used in the valuation, and where relevant, how this differs to the approach taken in the preparation of the Group's statutory financial statements prepared under UK GAAP.

It should be noted that differences between the UK GAAP and Solvency II balance sheets arise from both valuation and presentational factors. The balance sheet format and classification requirements prescribed under Solvency II differ from the UK GAAP equivalents, resulting in presentational reclassifications between the line items. However, the primary focus of this section is on valuation methodologies rather than these presentational reclassifications.

The Group uses Method 1 (the default accounting consolidation-based method), as set out in Group Supervision 11 of the PRA Rulebook, to calculate group solvency. The entities within the scope of the Group for Solvency II purposes are consistent with those used under FRS 102 for the preparation of the consolidated statutory accounts.

The table below shows the balance sheet at the end of the reporting period under both a Solvency II and a statutory accounts basis. The general valuation principle under Solvency II is that assets and liabilities are valued on an economic basis, being the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. Further detail of the bases, methods and main assumptions used is set out in Section D.1 (Assets), Section D.2 (Technical Provisions) and D.3 (Other Liabilities).

Valuation of assets and liabilities	UK GAAP	Reclassification	Valuation adjustments	Solvency II
	£000	£000	£000	£000
<b>Assets</b>				
Goodwill	(52,572)	-	52,572	-
Deferred acquisition costs	24,179	-	(24,179)	-
Deferred tax assets	8,408	-	(4,874)	3,534
Property, plant and equipment	665	-	(611)	54
Investments	411,723	(23,913)	(1)	387,809
Other loans and mortgages	53,779	28,143	-	81,922
Reinsurance recoverables	563,923	(192,474)	(86,391)	285,058
Insurance and intermediaries receivables	256,738	(251,282)	(4,606)	850
Reinsurance receivables	98,365	(13,227)	(42,146)	42,992
Receivables (trade, not insurance)	65,661	(4,078)	(8,381)	53,202
Cash and cash equivalents	254,679	4,624	-	259,303
Any other assets, not elsewhere shown	-	-	-	-
<b>Total assets</b>	<b>1,685,548</b>	<b>(452,207)</b>	<b>(118,617)</b>	<b>1,114,724</b>
<b>Liabilities</b>				
Technical provisions	1,033,417	(239,345)	(131,691)	662,381
Derivative liabilities	-	5	-	5
Insurance and intermediaries payables	13,229	(6,599)	(4,495)	2,135
Reinsurance payables	207,370	(206,149)	(1,097)	124
Payables (trade, not insurance)	40,261	(119)	-	40,142
Subordinated liabilities	219,708	-	3,721	223,429
Any other liabilities, not elsewhere shown	42,901	-	(42,901)	-
<b>Total liabilities</b>	<b>1,556,886</b>	<b>(452,207)</b>	<b>(176,463)</b>	<b>928,216</b>
<b>Excess of assets over liabilities</b>	<b>128,662</b>	<b>-</b>	<b>57,846</b>	<b>186,508</b>

### D.1 Assets

#### D.1.1 Valuation Bases and Assumptions

##### Goodwill

Under UK GAAP, negative goodwill has been recognised where the fair value of identifiable net assets acquired in a business combination has exceeded the fair value of the consideration paid and directly attributable costs. It is held on the statutory balance sheet as a negative balance and released to income on a systematic basis over the periods to which it relates. Under Solvency II, goodwill is valued at £nil as it is not a separately identifiable asset or liability. This adjustment increases net assets on a Solvency II basis relative to UK GAAP.

## Deferred Acquisition Costs

On a statutory accounts basis, the directly attributable costs of acquiring insurance contracts are deferred and recognised as an asset on the balance sheet. This asset is amortised over the life of the policy in line with the earning of the associated premium.

Under Solvency II, deferred acquisition costs have no value. This reflects the economic valuation basis, where only future cash flows are recognised, and there is no concept of deferring costs that have already been incurred. All future cashflows directly attributable to insurance contracts, including acquisition costs, are taken into account within Technical Provisions. This results in a valuation adjustment that reduces assets on the Solvency II balance sheet relative to the statutory basis.

## Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognised and valued in accordance with the principles set out in FRS 102 under both UK GAAP and Solvency II. Deferred tax arises in respect of temporary differences between the carrying value of assets and liabilities and their tax base.

Under Solvency II, deferred tax assets and liabilities are measured based on the temporary differences between the Solvency II carrying values of assets and liabilities (recognised and valued in accordance with the Valuation and Technical Provisions parts of the PRA Rulebook for Solvency II firms) and the tax base, rather than the UK GAAP carrying values used in the statutory accounts.

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 approved business 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.

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
<b>Recognised deferred tax (assets)/ liabilities</b>		
Capital allowances and other UK GAAP temporary differences	(224)	(224)
Tax on losses	(10,742)	(10,742)
FRS 102 transitional adjustments	2,558	2,558
UK GAAP to SII temporary differences	4,874	-
<b>Net deferred tax (asset)/liability</b>	<b>(3,534)</b>	<b>(8,408)</b>
<b>Losses not recognised for tax purposes</b>		
UK GAAP losses	(11,999)	(11,999)
UK GAAP temporary differences	(298)	(298)
UK GAAP to SII temporary differences	(807)	-
<b>Losses not recognised for tax purposes</b>	<b>(13,104)</b>	<b>(12,297)</b>

The net deferred tax asset is comprised of carried forward UK GAAP tax losses which may be utilised against future profits, temporary differences arising on the transition of SIL to UK GAAP, and the effect of expected future tax depreciation in excess of accounting depreciation in relation to fixed assets. The UK GAAP to SII temporary differences relate to differences between the value of assets and liabilities on the Solvency II balance sheet and their value on the UK GAAP balance sheet. The net deferred tax asset of £3,534k 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.

At 31 December 2025, the Group had not recognised the following deferred tax assets on the basis that it is not probable that sufficient future taxable profits will be available to support recovery: (i) £11,999k in respect of carried forward losses in Soteria; (ii) £807k in respect of UK GAAP to Solvency II temporary differences in Soteria; and (iii) £298k in respect of UK GAAP temporary differences in Tradex, where the timing of reversal extends beyond the period covered by the Group's approved business plan and forecast taxable profits beyond that period cannot be reliably estimated.

## Property, plant and equipment (PPE)

Property, plant and equipment is measured under FRS 102 at cost less accumulated depreciation and impairment. Depreciation is recognised over the estimated useful economic life of each class of PPE. For Solvency purposes, PPE is valued at fair value where there is an active market. However, software assets have been valued at £nil for Solvency purposes, as it is considered that there is no active market for these assets. The remaining PPE is not material and relates to computer equipment, for which costs less depreciation is considered to be a reasonable approximation of fair value.

## **Investments, including loans and mortgages**

The Group holds a portfolio of investments, being holdings in debt securities (government bonds and corporate bonds), equities, collective investments and other loans and mortgages. Investments are denominated in sterling, US dollars and Euros. The Group has also entered into hedging arrangements to mitigate the FX risk associated with its investment portfolio, including some underlying exposures. The currency hedges are included within derivative assets or derivative liabilities, as appropriate, and are valued at fair value.

There are no valuation differences between UK GAAP and Solvency II for these assets, as they are measured at fair value on both bases. There are two presentational adjustments that drive the bridge between the two balance sheets. First, under Solvency II, accrued interest is included within the carrying value of the relevant investment, whereas under UK GAAP it is recognised separately as a receivable. Second, for regulatory reporting purposes certain securities are presented in accordance with their underlying risk profile and their treatment under the Standard Formula SCR, which results in an equal and opposite adjustment from Investments into the Other Loans and Mortgages lines of the Solvency II balance sheet.

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). Full details of the fair valuation methodology applied to the Group's investments are set out in Note 3e to the Group's 2025 Annual Report and Accounts. For further analysis of investments by category and a description of the valuation technique applied to each refer to Note 35 to the Group's 2025 Annual Report and Accounts. Where alternative valuation methods are applied, detail is also given in section D.4 of this report.

## **Reinsurance Recoverables**

The value of reinsurance recoverables reflects the expected claims and benefits arising under reinsurance contracts, with an appropriate allowance to reflect counterparty risk. To the extent that the Solvency II valuation of the related gross technical provisions differs from the valuation in the statutory accounts, the value of the related reinsurance contract will also be impacted. As reinsurance recoverables form part of Solvency II Technical Provisions, details of the valuation approach and differences to the statutory accounts basis are set out in Section D.2.

Under Solvency II, adjustments are made in line with 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.

## **Insurance and Intermediary Receivables**

Under Solvency II this balance relates to amounts due for payment by policyholders, intermediaries and other third parties linked to insurance business. 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.

Under UK GAAP, insurance and intermediary receivables include future cash flows that are not yet due for payment. However, under Solvency II, balances that are not yet due are included in the expected cash flows within Technical Provisions rather than as receivables. This represents a significant presentational difference between the two bases.

All insurance and intermediary receivables are annual and therefore, as they are recoverable within one year, are deemed to be short term. As such, the carrying value approximates fair value and there are no material valuation differences between UK GAAP and Solvency II for the amounts recognised as receivables.

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

## **Reinsurance Receivables**

Reinsurance commission income typically varies dependent on the loss ratio of business ceded. Under UK GAAP, commission is recognised in line with the observed loss ratio. Under Solvency II, in line with the VReq, only the minimum commission is initially recognised as a receivable, with additional income due in line with emerging loss ratios recognised two years after the end of the underwriting year. This results in a lower valuation of the receivable under Solvency II.

## **Receivables (Trade, not Insurance)**

This category comprises any non-insurance amounts that are receivable from third parties including commissions due from aggregators, brokers and other outsourcing partners. It also includes a £30,000k advanced payment for the anticipated acquisition of MISL, which is contractually refundable should the transaction fail to complete and therefore represents a right to receive cash. For Solvency II purposes, fair value is deemed to be aligned to the UK GAAP valuation, as these receivables are short term in nature.

Also included under this heading are prepayments, which are recognised under UK GAAP to reflect payments made in respect of goods or services to be received in future periods. Under Solvency II, prepayments are assigned a £nil value because they are considered to represent contractual rights that could not be sold to a third party and therefore have no value on an arm's length transaction basis. This results in a valuation difference that reduces assets on the Solvency II balance sheet relative to the statutory accounts.

## 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.

## 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.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 2025:

Technical Provisions	Motor	Motor Other	Fire & other damage	General liability	Non-life annuities	Total
	£000	£000	£000	£000	£000	£000
Best Estimate Liabilities (net)	265,674	17,721	28,494	15,604	32,814	360,307
Risk Margin	13,081	1,738	1,650	153	394	17,016
<b>Total Technical Provisions (net)</b>	<b>278,755</b>	<b>19,459</b>	<b>30,144</b>	<b>15,757</b>	<b>33,208</b>	<b>377,323</b>
Reinsurance Recoverables	239,294	(30,163)	755	6,213	68,959	285,058
<b>Total Technical Provisions (gross)</b>	<b>518,049</b>	<b>(10,704)</b>	<b>30,899</b>	<b>21,970</b>	<b>102,167</b>	<b>662,381</b>

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

The Best Estimate Liabilities comprise the Claims Provisions and the Premium Provisions.

#### 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 claims' 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 Soteria) 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, but these are now fully reinsured, so there is no impact on the net reserves.

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 Soteria can be found in their individual company SFCR reports at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://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 Solvency II 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 Solvency II.

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

Net UK GAAP reserves are the UK GAAP Gross Insurer Contract Liabilities, as shown in the balance sheet at the beginning of Section D £1,033,417k, less reinsurance recoverables £563,923k. The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to Solvency II basis net technical provisions.

Waterfall of technical provisions	Motor Liability	Motor Other	Non-Motor	Non-Life Annuities	Total
	£000	£000	£000	£000	£000
UK GAAP Insurer Contract Liabilities	895,076	68,942	69,399	-	1,033,417
Reinsurance recoverables	(477,678)	(44,026)	(42,219)	-	(563,923)
<b>UK GAAP Net TPs</b>	<b>417,398</b>	<b>24,916</b>	<b>27,180</b>	-	<b>469,494</b>
Claims outstanding and insurance receivables reclass	(895)	-	(442)	-	(1,337)
Cancel LPT funds withheld	-	-	17,521	-	17,521
Future premium receivable	(21,965)	(5,984)	7,389	-	(20,560)
Salvage and subrogation reclass	(42,995)	-	-	-	(42,995)
Difference between unearned premiums and future claims on unearned premiums	(3,214)	(1,095)	(4,251)	-	(8,560)
Include Quota Share claims	(14,324)	2	(1,176)	-	(15,498)
Remove claims settlement reserve	(747)	-	-	-	(747)
Inflation on potential PPOs	16,184	-	-	-	16,184
Inflation on settled PPOs	43,997	-	-	-	43,997
PPOs moved to Life	(77,444)	-	-	77,444	-
ENIDs	5,582	343	404	1,055	7,384
Expenses	19,119	572	4,361	-	24,052
Quota Share premium	11,645	(7)	672	-	12,310
SII discounting	(63,332)	(833)	(7,024)	(45,547)	(116,736)
Opening GAAP QS PS reversed under SII	4,140	-	-	-	4,140
Allowance for RI default	1,091	-	651	-	1,742
Remove management margin and replace with risk margin	(14,504)	1,428	688	285	(12,103)
Other	(981)	117	(72)	(29)	(965)
<b>Solvency II Net TPs</b>	<b>278,755</b>	<b>19,459</b>	<b>45,901</b>	<b>33,208</b>	<b>377,323</b>

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 Soteria (as approved by the PRA) to discount all future cash flows in respect of the Claims Provisions. The Volatility Adjustment reduces the Standard Formula Solvency Capital Requirement (SCR) by £135k (2024: £216k) and leads to an increase in solvency coverage of £2,121k (1.3%), (2024: £2,281k (1.6%)). Tradex has not used the Volatility Adjustment.

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

	31 December 2025	31 December 2024	Movement
	£000	£000	£000
<b>SCR</b>			
Eligible Own Funds before Volatility Adjustment	311,977	281,653	30,324
Effect of Volatility Adjustment	1,986	2,065	(79)
Eligible Own Funds	313,963	283,718	30,245
SCR before Volatility Adjustment	174,521	155,843	18,678
Effect of Volatility Adjustment	(135)	(216)	81
SCR	174,386	155,627	18,759
SCR Solvency Coverage Ratio before Volatility Adjustment	178.8%	180.7%	(2.0%)
SCR Solvency Coverage Ratio	180.0%	182.3%	(2.3%)
<b>SCR Solvency Coverage</b>	<b>139,577</b>	<b>128,091</b>	<b>11,486</b>

## 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 Excess of Loss (XoL) Risk programme which covers large individual motor losses.
- There are quota share arrangements whereby a proportion of the net premium earned during 2004-2025 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

Reserving assumptions and methodologies are reviewed regularly. A number of refinements have been made across the year, but none of these changes have been material from the calculation of Technical Provisions as at 31 December 2025.

## D.3 Other Liabilities

### D.3.1 Valuation Bases and Assumptions

This section provides detail of material classes of the Group's liabilities, other than Technical Provisions (see Section D.2), including the valuation bases and key assumptions applied for Solvency II purposes. The values of these liabilities under both Solvency II and UK GAAP can be found in the balance sheet presented at the beginning of Section D.

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

The Technical Provisions in the Solvency II balance sheet include all amounts payable and receivable under the reinsurance arrangements. The amounts are recorded at their contractual value.

## Payables (Trade, not Insurance)

This balance relates to liabilities due to suppliers which are not directly insurance related, including taxes and levies and, on a Solvency basis, accruals. These balances are short term in nature and therefore the UK GAAP carrying value is considered to reflect the current market value in line with the Solvency II valuation basis.

## Subordinated liabilities

Subordinated liabilities are valued at their fair value under Solvency II determined using a discounted cash flow approach with a discount rate that reflects current market conditions. No adjustments are made for changes in Saturn's own credit standing since the liabilities were issued.

Under UK GAAP, the subordinated liabilities are measured at amortised cost. This is a historical cost-based measure, applying the effective interest rate established when the liability was first issued, to calculate interest expense over the life of the loan. This gives rise to a valuation difference when compared to the Solvency II fair value approach.

## Contingent Liabilities

At 31 December 2025, the Group had no material contingent liabilities to report on the Solvency II balance sheet.

Under Solvency II, contingent liabilities are required to be recognised and measured at their expected present value, calculated using a probability-weighted cash flow approach. In contrast, under UK GAAP, a contingent liability is disclosed in the notes to the accounts but not recognised on the balance sheet, unless an outflow of resources becomes probable.

## Other Liabilities not shown elsewhere

This is a category for all liabilities not captured elsewhere on the balance sheet. For the Group, the UK GAAP balance represents the reinsurers' share of deferred acquisition costs, which reflects commissions and other benefits received in respect of ceded business that is deferred as a liability and released over the period of the underlying reinsurance coverage. This liability is valued at £nil under Solvency II as the concept of income deferral does not align with the economic valuation basis. All future cash flows on reinsurance contracts are taken into account within Solvency II technical provisions.

## 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. However, there are currently no material contingent liabilities.

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**

Under Solvency II, assets and liabilities are required to be valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. The regulatory framework establishes a valuation hierarchy, reflecting the degree of reliance on market inputs and permitting the use of alternative methods for valuation where necessary.

The preferred approach is to use quoted prices from active markets. However, where such prices are not available or not considered representative, a valuation approach must be taken that aligns with Solvency II's underlying market-consistent valuation basis.

Subordinated liabilities are valued using a market approach in accordance with PRA regulations. The value is calculated using a discounted cashflow model which seeks to estimate the market value at the reporting date. As required under the Valuation part of the PRA Rulebook, no adjustments are made for changes in the Group's own credit standing in the period between the date of issuing the loans and the reporting date.

Some of the Group's equities and asset-backed lending cannot be valued at prices derived from inputs that are observable for the asset. These investments are disclosed as level 3 investments in Note 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 cases, the observable and unobservable factors are inversely correlated so as one increases the other reduces. Managers may generally calculate the implied discount rate at initial recognition and make adjustment to this for known changes at the reporting date.

## D.5 Any Other Information

### Going concern

The SFCR is prepared on a going concern basis and the Directors are satisfied that the Group and the Company have the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2027. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the Group and Company continue as a going concern. Their ability to continue as a going concern has been considered by reference to their liquidity, the Group's projected coverage of regulatory capital requirements and their resilience to withstand foreseeable stress scenarios. It also takes 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 the Group or Company has insufficient solvency.

In the Group forecast, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts) for the Group and the Company, which are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience, large loss events and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, the Group has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that the Group would likely be able to meet its required payments solely from existing cash holdings and forecast premium income.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the SCR coverage ratio is projected to fall below 100%, however, the coverage ratios would naturally recover over time as premium income and investment returns were received.

## **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 represents the Group's available financial resources ('capital') under the Solvency II regime which can serve as a buffer against risks and absorb financial losses.

The Group's strategy in respect of capital management is to ensure that the following objectives are met:

- There is sufficient capital to meet all regulatory requirements.
- There is sufficient additional capital above the regulatory requirements to make any breach of the regulatory requirement unlikely, ensuring that policyholders are protected.

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 2030.

##### **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 beyond the regulatory capital requirement, providing additional security for policyholders by ensuring that the Group can continue to meet its obligations under a severe adverse scenario.

The Group has maintained capital above all its 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 falls below its Risk Appetite, it would be possible to reduce capital requirements by executing actions that reduce risk albeit often resulting in reduced returns.

## E.1.2 Analysis of Own Funds by Tier

The table below shows Own Funds by tier and the amount of eligible Own Funds versus the SCR and Minimum Consolidated Group SCR ('MCG SCR') at the end of the reporting period.

	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	2025 total	2024 total	Movement
	£000	£000	£000	£000	£000	£000	£000
Ordinary share capital	979	-	-	-	979	979	-
Share premium	100,224	-	-	-	100,224	144,224	(44,000)
Reconciliation reserve	81,771	-	-	-	81,771	70,463	11,308
Subordinated liabilities	-	43,796	179,633	-	223,429	67,147	156,282
Deferred tax assets	-	-	-	3,534	3,534	905	2,629
<b>Total Basic Own Funds</b>	<b>182,974</b>	<b>43,796</b>	<b>179,633</b>	<b>3,534</b>	<b>409,937</b>	<b>283,718</b>	<b>126,219</b>
Deduction: ineligible Own Funds due to tiering restrictions	-	-	(92,440)	(3,534)	(95,974)	-	(95,974)
<b>Total Eligible Own Funds to meet the consolidated group SCR</b>	<b>182,974</b>	<b>43,796</b>	<b>87,193</b>	<b>-</b>	<b>313,963</b>	<b>283,718</b>	<b>30,245</b>
<b>Total Eligible Own Funds to meet the MCG SCR</b>	<b>182,974</b>	<b>43,796</b>	<b>10,695</b>	<b>-</b>	<b>237,465</b>	<b>235,171</b>	<b>2,294</b>
Group SCR					174,386	155,627	18,759
MCG SCR					53,477	43,400	10,077
<b>Surplus over Group SCR</b>					<b>139,577</b>	<b>128,091</b>	<b>11,486</b>
<b>Surplus over MCG SCR</b>					<b>183,988</b>	<b>191,771</b>	<b>(7,783)</b>
<b>SCR coverage ratio</b>					<b>180.0%</b>	<b>182.3%</b>	<b>(2.3%)</b>
<b>MCG SCR coverage ratio</b>					<b>444.1%</b>	<b>541.9%</b>	<b>(97.8%)</b>

Under Solvency II, Own Funds are classified into tiers to reflect their quality, being their ability to absorb losses. Tier 1 is the highest quality and Tier 3 is the lowest. Tier 1 is further divided into restricted and unrestricted Own Funds.

The excess of assets (other than deferred tax assets) over liabilities is classified as unrestricted Tier 1 capital. This comprises share capital, share premium and the reconciliation reserve. Deferred tax assets are classified as Tier 3 Own Funds. Together, the Tier 1 unrestricted and Tier 3 Own Funds equate to the full value of the excess of assets over liabilities on 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.

Saturn has issued subordinated debt instruments that qualify as capital under the Solvency II regime. The terms of the £44.9m perpetual loan notes meet the stricter loss-absorption requirements for classification as Tier 1 restricted Own Funds. The £180m subordinated term loan meets the less restrictive criteria for classification as Tier 2 Own Funds.

Further detail on the components of each tier of Own Funds is set out in sections E.1.2.1 to E.1.2.3, below.

Tier 1 unrestricted capital can be applied without restriction. The amounts of Tier 1 restricted, Tier 2 and Tier 3 capital that are eligible to cover the SCR are each subject to prescribed limits. Basic Own Funds represents the total of items that qualify as Solvency II capital before the application of any tiering limits. Following the issuance of additional subordinated debt by Saturn during the year (see E.1.2.2 for details), the combined Tier 2 and Tier 3 capital exceed the maximum limit of 50% of the SCR. Consequently, all Tier 3 and a portion of the Tier 2 capital is deducted from Basic Own Funds to reach the amount of Own Funds eligible to meet the SCR.

For the MCG SCR, Tier 2 basic Own Funds are eligible only up to a maximum of 20% of that requirement and no Tier 3 capital is eligible.

Non-compliance occurs when the value of Eligible Own Funds falls below either the MCG MCR or the SCR. As at 31 December 2025, the Group has exceeded both the MCG MCR and SCR with coverage of 444.1% (2024: 541.9%) and 180.0% (2024: 182.3%) respectively. The Group has been compliant with both capital requirements throughout the reporting period.

### E.1.2.1 Tier 1

#### Share Capital and Share Premium

The Group's Own Funds includes the value of the issued share capital and share premium totalling £101,203k (2024: £145,203k). All the shares constitute a single class of ordinary share.

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.

During the year, Saturn undertook a reduction in share premium of £44,000k. For statutory reporting purposes, this converted share premium into retained earnings. As retained earnings are not a distinct item of Own Funds under Solvency II, the amounts that constitute retained earnings are instead reflected in the reconciliation reserve. The reduction in share premium is therefore offset by a corresponding increase in the reconciliation reserve with no net impact on total Own Funds.

#### 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 and deferred tax assets. As such, it includes the accumulated profits of the Group on a Solvency II basis.

The reconciliation reserve is calculated as follows:

Calculation of reconciliation reserve	2025
	<b>£000</b>
Excess of assets over liabilities	186,508
Less:	
Share capital	(979)
Share premium	(100,224)
Deferred tax assets	(3,534)
<b>Reconciliation reserve</b>	<b>81,771</b>

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.

#### Restricted Tier 1 Subordinated Debt

As at 31 December 2024, Saturn had in issue a £12,000k subordinated perpetual loan with interest of 17.5% per annum. On 26 November 2025, the terms and conditions of the loan notes were amended and an additional £32,889k principal was issued, bringing the total par value of the subordinated perpetual loan to £44,889k. As part of the change to terms and conditions, the interest rate was revised from 17.5% to 17.042% per annum. The loan notes meet the criteria under Solvency II to be classified as Tier 1 Restricted Own Funds and are carried on the Solvency II balance sheet at £43,796k as at 31 December 2025.

### E.1.2.2 Tier 2

#### Tier 2 Subordinated Debt

As at 31 December 2024, Saturn had in issue a £60,000k subordinated term loan due 2030, charged at 16.875% interest per annum.

On 26 November 2025, the £60,000k subordinated term loan was redeemed, and a new subordinated term loan of £180,000k charged at 9.0% interest was issued as public debt, with a maturity date of 29 February 2036.

The carrying value of the £180,000k subordinated term loan on the Solvency II balance sheet as at 31 December 2025 is £179,633k.

### 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 Eligible Own Funds by Tier Over the Reporting Period	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	£000	£000	£000	£000	£000
<b>As at 31 December 2024</b>	<b>283,718</b>	<b>215,666</b>	<b>10,825</b>	<b>56,322</b>	<b>905</b>
Change in reconciliation reserve net of conversion of share premium	(32,692)	(32,692)	-	-	-
Issuance of subordinated loans	212,889	-	32,889	180,000	-
Redemption of subordinated loans	(56,322)	-	-	(56,322)	-
Change in valuation of subordinated loans	(285)	-	82	(367)	-
Change in valuation of deferred tax assets	2,629	-	-	-	2,629
Tiering limit restrictions	(95,974)	-	-	(92,440)	(3,534)
<b>As at 31 December 2025</b>	<b>313,963</b>	<b>182,974</b>	<b>43,796</b>	<b>87,193</b>	<b>-</b>

#### E.1.3 Other Information in Relation to Own Funds

##### E.1.3.1 Loss Absorbency Mechanisms

The £44,889k perpetual subordinated loan, which is classified as Tier 1 restricted capital, are subordinated liabilities which are automatically converted to ordinary shares of Saturn at a specified rate on the occurrence of any of the following trigger events:

- The Group SCR coverage ratio falls to 75% or below; or
- There is a breach of the Group SCR and that breach is not remedied within a period of three months; or
- The MCG SCR coverage ratio falls to 100% or below.

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

Equity valuation	2025
	£000
Total equity per Annual Report and Accounts	128,662
Difference in valuation of assets and liabilities	57,846
Subordinated debt	223,429
<b>Basic Own Funds</b>	<b>409,937</b>

Differences in valuation of assets and liabilities between UK GAAP and Solvency II are described in Sections D.1.1 (Assets), D.2.4 (Technical Provisions) and D.3.5 (Other Liabilities). Tier 1 Restricted and Tier 2 subordinated debt of £223,429k are also added back as a component of Basic Own Funds but remain a liability under UK GAAP.

##### E.1.3.3 Transitional Arrangements

Transitional arrangements, lasting a maximum of ten years from 1 January 2016, have been introduced to the Solvency II 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 regime, a Group is required to hold sufficient capital to meet the Solvency Capital Requirement, calculated on a consolidated basis. The Group SCR represents the level of capital required in order to ensure that the Group can absorb losses associated with a severe stress event and continue to meet its obligations to policyholders over the following 12 months. It is a risk-based measure reflecting the specific risk profile of the Group. Unlike at the entity level, there is no standalone Minimum Capital Requirement ('MCR') at Group level. Instead, the Group SCR is subject to a floor, referred to as the Minimum Consolidated Group SCR ('MCG SCR').

The Group uses Method 1 (the default accounting consolidation-based method), as set out in Group Supervision 11 of the PRA Rulebook, to calculate group solvency.

### E.2.1 Minimum Consolidated Group SCR

In accordance with PRA Rules, the MCG SCR is defined as the sum of the individual MCRs of each insurance subsidiary within the Group, with no consolidation adjustments applied. It represents the minimum level below which the Group's SCR cannot fall, regardless of diversification benefits recognised within the consolidated SCR calculation. At the individual entity level, the MCR is calculated using a prescribed formula that applies set factors to net technical provisions (excluding risk margin) and the previous 12 months' net written premiums. It is then subject to a cap of 45% and a floor of 25% of the SCR, together with an absolute floor of £3,500k.

### E.2.2 Solvency Capital Requirement ('SCR')

There are two methods under Solvency II for calculating the SCR. The SCR may be calculated using either the Standard Formula as prescribed by the PRA Rules or an internal model developed by the insurer, and approved by the PRA, that appropriately reflects the risk profile of the Group. The Standard Formula is designed to be applicable to a wide range of insurers. However, where the regulator believes that the calculated SCR does not adequately capture the risk of the particular business, it has the power to impose a 'capital add-on' to be included within the Standard Formula SCR. The Group uses the Standard Formula approach to calculate the SCR. As required by the PRA Rules, assessment is performed by the Group as part of the Own Risk and Solvency Assessment, to confirm that the Standard Formula remains appropriate for its risk profile.

The table below shows a breakdown of the components of the SCR as at 31 December 2025. Note that the 31 December 2025 SCR is subject to supervisory assessment.

Solvency Capital Requirement	31 December 2025	31 December 2024	Movement
	£000	£000	£000
Premium & Reserve risk	107,086	93,011	14,075
Catastrophe risk	13,829	11,704	2,125
Lapse risk	4,952	6,635	(1,683)
Diversification	(14,405)	(14,518)	113
<b>Diversified non-life underwriting risk</b>	<b>111,462</b>	<b>96,832</b>	<b>14,630</b>
Market risk	37,794	32,734	5,060
Counterparty default risk	39,198	37,576	1,622
Life underwriting risk	1,927	1,746	181
Operational risk	23,778	22,350	1,428
Diversification credit	(39,773)	(35,611)	(4,162)
<b>SCR</b>	<b>174,386</b>	<b>155,627</b>	<b>18,759</b>

The table shows that the Group's key financial risks are insurance-related, being mainly due to premium and reserve risk. As the Group has no deferred tax liabilities, there is no adjustment made for the loss-absorbing capacity of deferred tax.

### E.2.3 Material Change in the SCR over the Reporting Period

At the end of the reporting period the Group's SCR is £174,386k (2024: £155,627k). The increase in SCR is a reflection of the growth trajectory of Tradex.

Details of changes in the underlying subsidiaries, Tradex and Soteria, can be found in their individual company SFCR (Section E.2.3) at [www.tradexinsurance.com](http://www.tradexinsurance.com) and [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk).

## **E.2.4 Simplifications and Undertaking-specific Parameters**

Solvency II regulations permit the use of specified simplifications within the standard formula, where this is considered proportionate to the nature, scale and complexity of the risks to which the entity is exposed.

The Group uses one simplification in the calculation of the SCR. In calculating counterparty default risk, the simplification set out in 7.35 of the Solvency Capital Requirement – Standard formula part of the PRA Rulebook in respect of reinsurance arrangements is applied. In accordance with this approach, the loss given default exposure includes reinsurance recoverables together with a proportion of the risk-mitigating effect of reinsurance on underwriting risk. The risk-mitigating effect is allocated to individual reinsurers in proportion to their share of total reinsurance recoverables.

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

## **E.2.5 Capital Add-ons**

The Group does not have any capital add-ons at either 31 December 2025 or 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 2025, the Group is in compliance with the MCG SCR with coverage of 444.1%. 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 2025, the Group is in compliance with the SCR with coverage of 180.0%. 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 between entities are eliminated on consolidation.

## Cautionary statement

This report should be read in conjunction with the documents distributed by Saturn through The Regulatory News Service (RNS).

This report includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include, but are not limited to, statements regarding the intentions of the Group, beliefs or current expectations concerning, among other things, the Group's business, results of operations, financial position, prospects, dividends, growth and strategies.

By their nature, all forward-looking statements are subject to known and unknown risks and uncertainty because they relate to future events and circumstances. Accordingly, there are or will be important factors that could cause actual results - and Saturn's related plans, expectations and targets - to differ materially from those indicated in these statements. Please see Saturn's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities. Forward-looking statements should be construed in light of such aforementioned factors.

Unless required to do so by law or regulation, Saturn undertakes no obligation to update the forward-looking statements in this report or any other forward-looking statements it may make. Forward-looking statements in this report are current only as of the date on which such statements are made and readers are cautioned not to place undue reliance on such forward-looking statements. Such statements should be regarded as indicative and illustrative only, and Saturn does not provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this report will actually occur.

The information in this report does not constitute an offer to sell or an invitation to buy securities in Saturn or an invitation or inducement to engage in any other investment activities.

## Appendix 1: Quantitative Reporting Templates (QRTs)

# Saturn Holdings Plc

## Solvency and Financial Condition Report

### Disclosures

31 December

**2025**

(Monetary amounts in GBP thousands)

## General information

Entity name	Saturn Holdings Plc
Entity identification code and type of code	LEI/213800UWAG4QV267GF73
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2025
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

-

- IR.02.01.02 - Balance sheet
- IR.05.02.01 - Premiums, claims and expenses by country: Non-life obligations
- 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**

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	<b>Total assets</b>

Solvency II value	
C0010	
0	
3,534	
0	
54	
387,809	
15,350	
0	
9,924	
3,872	
6,052	
305,260	
60,853	
244,406	
0	
0	
56,676	
479	
120	
0	
0	
81,922	
0	
0	
81,922	
285,058	
216,099	
68,959	
0	
0	
850	
42,992	
53,202	
0	
0	
259,303	
0	
1,114,725	

		<b>Solvency II value</b>
		C0010
<b>Liabilities</b>		
R0505	Technical provisions - total	662,381
R0510	<i>Technical provisions - non-life</i>	560,214
R0515	<i>Technical provisions - life</i>	102,167
R0542	Best estimate - total	645,366
R0544	<i>Best estimate - non-life</i>	543,593
R0546	<i>Best estimate - life</i>	101,773
R0552	Risk margin - total	17,015
R0554	<i>Risk margin - non-life</i>	16,622
R0556	<i>Risk margin - life</i>	394
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	5
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	2,135
R0830	Reinsurance payables	124
R0840	Payables (trade, not insurance)	40,142
R0850	Subordinated liabilities	223,429
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	0
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	223,429
R0880	Any other liabilities, not elsewhere shown	0
R0900	<b>Total liabilities</b>	928,217
R1000	<b>Excess of assets over liabilities</b>	186,508

IR.05.02.01

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

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110	Gross - Direct Business	609,551					609,551
R0120	Gross - Proportional reinsurance accepted						0
R0130	Gross - Non-proportional reinsurance accepted						0
R0140	Reinsurers' share	375,771					375,771
R0200	Net	233,780					233,780
<b>Premiums earned</b>							
R0210	Gross - Direct Business	658,532					658,532
R0220	Gross - Proportional reinsurance accepted						0
R0230	Gross - Non-proportional reinsurance accepted						0
R0240	Reinsurers' share	410,801					410,801
R0300	Net	247,730					247,730
<b>Claims incurred</b>							
R0310	Gross - Direct Business	487,124					487,124
R0320	Gross - Proportional reinsurance accepted						0
R0330	Gross - Non-proportional reinsurance accepted						0
R0340	Reinsurers' share	266,755					266,755
R0400	Net	220,369					220,369
R0550	<b>Net expenses incurred</b>	35,334					35,334





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	662,381	0	0	3,833	0
R0020 Basic own funds	409,937	0	0	-1,986	0
R0050 Eligible own funds to meet Solvency Capital Requirement	313,964	0	0	-1,986	0
R0090 Solvency Capital Requirement	174,386	0	0	135	0



R0690 Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

180.04%
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**Reconciliation reserve**

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

C0060

186,508
104,737
0
81,771

IR.25.04.22

**Solvency Capital Requirement**

**Net of loss absorbing capacity of technical provisions**

	C0010
<b>Market risk</b>	
R0070 Interest rate risk	9,218
R0080 Equity risk	7,859
R0090 Property risk	9,181
R0100 Spread risk	13,954
R0110 Concentration risk	17,778
R0120 Currency risk	0
R0125 Other market risk	
R0130 Diversification within market risk	-20,197
R0140 <b>Total Market risk</b>	37,794
<b>Counterparty default risk</b>	
R0150 Type 1 exposures	10,655
R0160 Type 2 exposures	30,568
R0165 Other counterparty risk	
R0170 Diversification within counterparty default risk	-2,025
R0180 <b>Total Counterparty default risk</b>	39,198
<b>Life underwriting risk</b>	
R0190 Mortality risk	
R0200 Longevity risk	1,927
R0210 Disability-Morbidity risk	
R0220 Life-expense risk	
R0230 Revision risk	
R0240 Lapse risk	
R0250 Life catastrophe risk	
R0255 Other life underwriting risk	
R0260 Diversification within life underwriting risk	
R0270 <b>Total Life underwriting risk</b>	1,927
<b>Health underwriting risk</b>	
R0280 Health SLT risk	
R0290 Health non SLT risk	
R0300 Health catastrophe risk	
R0305 Other health underwriting risk	
R0310 Diversification within health underwriting risk	
R0320 <b>Total Health underwriting risk</b>	0
<b>Non-life underwriting risk</b>	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	107,086
R0340 Non-life catastrophe risk	13,829
R0350 Lapse risk	4,952
R0355 Other non-life underwriting risk	
R0360 Diversification within non-life underwriting risk	-14,406
R0370 <b>Total Non-life underwriting risk</b>	111,462
R0400 <b>Intangible asset risk</b>	
<b>Operational and other risks</b>	
R0422 Operational risk	23,778
R0424 Other risks	
R0430 <b>Total Operational and other risks</b>	23,778
R0432 <b>Total before all diversification</b>	250,788
R0434 Total before diversification between risk modules	214,160
R0436 Diversification between risk modules	-39,774
R0438 <b>Total after diversification</b>	174,386
R0440 Loss absorbing capacity of technical provisions	
R0450 Loss absorbing capacity of deferred tax	
R0455 Other adjustments	
R0460 <b>Solvency capital requirement including undisclosed capital add-on</b>	174,386
R0472 Disclosed capital add-on - excluding residual model limitation	
R0474 Disclosed capital add-on - residual model limitation	
R0480 <b>Solvency capital requirement including capital add-on</b>	174,386
R0490 Biting interest rate scenario	decrease
R0495 Biting life lapse scenario	
<b>Information on other entities</b>	
R0500 Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510 <i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	
R0520 <i>Institutions for occupational retirement provisions</i>	
R0530 <i>Capital requirement for non-regulated entities carrying out financial activities</i>	
R0540 Capital requirement for non-controlled participation requirements	
R0550 Capital requirement for residual undertakings	
<b>Overall SCR</b>	
R0555 Solvency capital requirement (consolidation method)	174,386
R0560 SCR for undertakings included via D and A	
R0565 SCR for sub-groups included via D and A	
R0570 <b>Solvency capital requirement</b>	174,386

IR.32.01.22

Undertakings in the scope of the group

	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
Row	C0010	C0020	C0040	C0050	C0060	C0070	C0080
1	GB	LEI/213800UWAG4QV267GF73	Saturn Holdings Plc	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	
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)
3	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)

IR.32.01.22

Undertakings in the scope of the group

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Criteria of influence						
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	
Row	C0010	C0020	C0040	C0050	C0180	C0190	C0200	C0210	C0220	C0230
1	GB	LEI/213800UWAG4QV267GF73	Saturn Holdings Plc	Insurance holding company as defined in the Glossary part of the PRA Rulebook						
2	GB	LEI/21380092HRNZ2H8HOH96	Tradex Insurance Company Plc	Non-life insurance undertaking	100.00%	100.00%	100.00%		Dominant	100.00%
3	GB	LEI/213800239LP2JJ1CF649	Soteria Insurance Limited	Non-life insurance undertaking	100.00%	100.00%	100.00%		Dominant	100.00%

IR.32.01.22

**Undertakings in the scope of the group**

Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Inclusion in the scope of Group supervision		Group solvency calculation
				Yes/No	Date of decision if excluded	Method used and under method 1, treatment of the undertaking
<b>C0010</b>	<b>C0020</b>	<b>C0040</b>	<b>C0050</b>	<b>C0240</b>	<b>C0250</b>	<b>C0260</b>
1 GB	LEI/213800UWAG4QV267GF73	Saturn Holdings Plc	Insurance holding company as defined in the Glossary part of the PRA Rulebook	Included in the scope		Method 1: Full consolidation
2 GB	LEI/21380092HRNZ2H8HOH96	Tradex Insurance Company Plc	Non-life insurance undertaking	Included in the scope		Method 1: Full consolidation
3 GB	LEI/213800239LP2JJ1CF649	Soteria Insurance Limited	Non-life insurance undertaking	Included in the scope		Method 1: Full consolidation