GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

Year ended 31 December 2023

Saturn Holdings Limited

Contents

Executive Summary

1. Introduction and Purpose

The Directors are pleased to present the Solvency & Financial Condition Report (SFCR) for the year ended 31 December 2023.

The Report contains detailed qualitative and quantitative information on the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management, together with standardised Quantitative Reporting Templates with respect to the reporting period for the Saturn Holdings Limited Group (the Group). The results represent the consolidated results of the Group, with the subsidiary results being included from the point of acquisition.

Tradex Insurance Company Limited ('Tradex') is a UK-based General Insurer that underwrites insurance, in both personal and commercial lines (Motor and Home). Soteria Insurance Limited ('SIL') is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home), but is now in run-off.

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

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

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

2. Business Performance (Summary of Section A)

2.1 Business Model & Strategy

Acquisition of subsidiaries

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

On 10 October 2023, following approval by the PRA, SHL acquired Soteria Finance Holdings Limited ('SFHL') and its subsidiary, SIL.

Following the year end, on 19 February 2024, ownership of SIL has transferred from SFHL to SHL and so SIL has become a directly owned subsidiary of SHL. TIHL was dissolved on 9 January 2024 and on 8 March 2024 an application was made to dissolve Soteria AOF Solutions Limited ('SAOFS'), a dormant subsidiary of SHL.

Strategy

Tradex

Tradex underwrites a diverse mix of personal and commercial lines with business sourced from Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford through delegated authority arrangements. Motor lines comprise a large proportion of the portfolio mix.

The business model is focused on effective governance and oversight of the Managing General Agencies (MGAs) to ensure that:

- products provided to customers meet their changing needs, and reach the target customers efficiently and effectively through the distribution channels;
- risks are well understood and policies are priced correctly; and
- the level of service and claims management result in delivery of good outcomes for customers.

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

SIL

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

2.2 Other Significant Events

Impact of inflation and interest rate rises

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

Claims

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

Investments

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

2.3 Performance

Lines of Business and Geographical Areas

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

Line of Business	Definition
Motor vehicle liability insurance (Motor)	Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land. Obligations are predominantly those relating to third parties involved in incidents with policyholders.
Other motor insurance (Other Motor)	Insurance obligations which cover all damage to or loss of land vehicles, predominantly those vehicles owned by policyholders.

Fire and other damage to property insurance (Home)	Insurance obligations which cover all damage to or loss of property due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft.

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

Overall Performance

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

	£000
Net earned premiums	27,959
Net policyholder claims and benefits	(25,718)
Fee and commission income	279
Fee and commission expenses	(16,108)
Acquisition and administrative expenses	10,894
Underwriting result	(2,694)
Net investment income	8,699
Investment expenses and charges	(3,648)
Other income	107
Profit on ordinary activities before tax	2,464

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

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

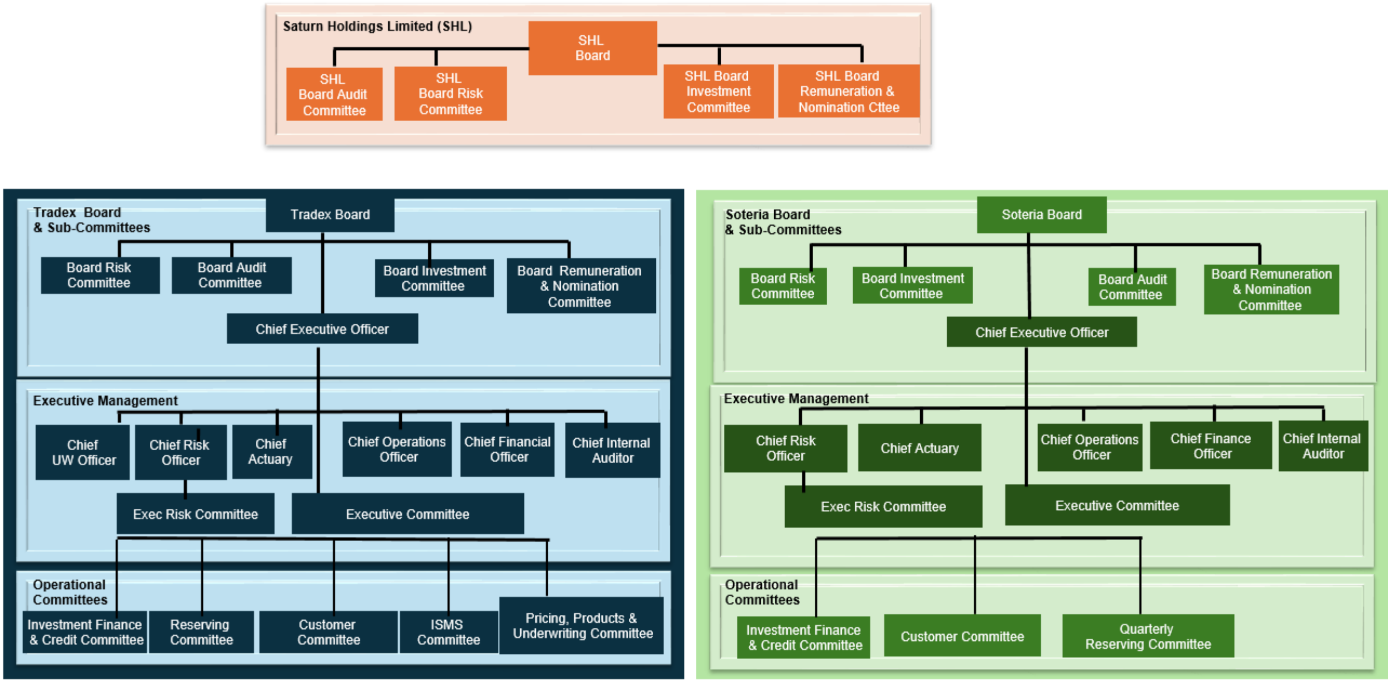
Net investment income reflects income on corporate bonds, gilts, real-estate backed lending, collective investments and equities held by the Group during the year, including realised and unrealised gains and losses. Realised gains represent total gains made on assets which were sold or matured in the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

3. System of Governance (Summary of Section B)

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

3.1 Governance Framework

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



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

3.2 Key elements of the System of Governance

Appropriate Responsibility and Accountability

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

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

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

Fitness & Propriety of Key Function Holders

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

SIL and Tradex each have a Management Responsibilities Map (MRM) which describes and documents the firm's overall governance arrangements. It demonstrates that there are no gaps in the allocation of responsibilities amongst its management.

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

Key Functions, as defined by Solvency 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 performance and its ability to meets its objectives. These risks include:

Risk	Definition
Insurance Risk	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events for earned and unearned policies, and in the timing and amount of claim settlements[1].
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.
Market Risk, including climate change risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers including interest rates, market prices of assets and liabilities. Included within market risk is climate change risk; the risks that arise from the adjustment to a low-carbon economy which could impact a firm's assets, in particular the value of investments[2].

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

[2] Climate change can also impact other level 1 risks, however, it is captured as a whole in Market Risk .

Counterparty Risk, including Credit Risk	The risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations.
Liquidity Risk	The current and prospective risk to earnings or solvency arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk is explicitly excluded from the Standard Formula Solvency Capital Requirement.
Strategic and Business Risk	The risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital.

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

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

	31 December 2023 £000
Insurance risk – non life	64,846
Insurance risk – life	2,068
Operational risk	8,959
Market risk	20,132
Counterparty risk	10,976
Diversification	(19,015)
SCR	87,966

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

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

Operational risks are identified, measured, managed and mitigated through on-going risk management practices including risk assessments, formal control procedures and contingency planning, and mitigated through corporate insurances.

Within the SCR, the value calculated for each individual risk is the estimated loss that would be incurred in an adverse scenario for that specific risk. As not all of these negative outcomes would be expected to occur within a short time frame the Standard Formula SCR calculation allows for a diversification benefit which is an estimate of the total reduction in the overall level of risk. The impact of changes in the risk profile of the Group on capital management is explained in Section 6 of this Summary.

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

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

The table below shows the valuation of assets and liabilities on a Solvency II basis as at 31 December 2023. Section D includes explanations of the valuation and recognition basis under Solvency II as well as a comparison to the UK GAAP valuation basis which is used in the Annual Report and Accounts. The valuation of the balance sheet on a statutory basis is different to the Solvency II balance sheet due to the disallowance of intangible assets, reclassification of accrued interest, the difference in the valuation of the technical insurance provisions, the difference in valuation of subordinated debt and the difference in the treatment of the quota share reinsurance arrangement.

	UK GAAP	Reclassifications	Restatements	**Solvency II**
	£000	£000	£000	**£000**
Assets				
Goodwill	**(59,214)**	-	59,214	**-**
Deferred acquisition costs	**17,177**	-	(17,177)	**-**
Deferred tax assets	**6,937**	-	896	**7,833**
Property, plant and equipment	**1,352**	-	(1,337)	**15**
Investments	**301,935**	2,275	-	**304,210**
Mortgages and loans	**16,094**	922	-	**17,016**
Reinsurance recoverables	**254,312**	(5,171)	(53,156)	**195,985**
Insurance and intermediaries receivables	**145,187**	(141,320)	(3,863)	**4**
Reinsurance receivables	**6,727**	(3,864)	-	**2,863**
Receivables (trade, not insurance)	**1,479**	(548)	89	**1,020**
Cash and cash equivalents	**116,995**	-	-	**116,995**
Any other assets, not elsewhere shown	**5,357**	(3,177)	(2,180)	**-**
Total assets	**814,338**	(150,883)	(17,514)	**645,941**
Liabilities				
Total technical provisions/ UK GAAP insurer contract liabilities	**565,697**	(134,815)	(54,218)	**376,664**
Derivative liabilities	**-**	159	-	**159**
Insurance and intermediaries payables	**22,378**	(22,100)	-	**278**
Reinsurance payables	**49,914**	-	(7,846)	**42,068**
Payables (trade, not insurance)	**17,773**	6,820	598	**25,191**
Subordinated liabilities	**70,080**	-	(3,122)	**66,958**
Any other liabilities, not elsewhere shown	**10,762**	(947)	(6,582)	**3,233**
Total liabilities	**736,604**	(150,883)	(71,170)	**514,551**
Excess of assets over liabilities	**77,734**	-	53,656	**131,390**

The excess of assets over liabilities of £131,390k forms the basis of Own Funds for the Group under Solvency II, which, when added to the Tier 1 Restricted and Tier 2 subordinated loans, is the amount of available capital held to meet the Solvency Capital Requirement.

6. Capital Management (Summary of Section E)

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

	31 December 2023 £000
Eligible Own Funds before Volatility Adjustment	174,680
Effect of Volatility Adjustment	3,733
Eligible Own Funds	178,413
SCR before Volatility Adjustment	88,467
Effect of Volatility Adjustment	(501)
SCR	87,966
Solvency Coverage Ratio before Volatility Adjustment	197%
Solvency Coverage Ratio	203%
Solvency Coverage	90,447

Solvency coverage for the Group at 31 December 2023 is £90,447k (203%). The Group's Eligible Own Funds at 31 December 2023 are £178,413k.

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

As the amount of Tier 2 debt eligible to meet the SCR is restricted, the value included within Eligible Own Funds in the table above is reduced by £12,104k.

As described in Section 4, the SCR at 31 December 2023 is £87,966k.

SIL applies a Volatility Adjustment in calculating solvency coverage which has improved the Group's solvency coverage by 6%. The Volatility Adjustment is designed by the PRA to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. Tradex does not apply the Volatility Adjustment. The Group does not apply the transitional measures of a matching adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

The table below shows the value of Own Funds eligible to meet the Minimum Consolidated Group SCR (MCG SCR) and the SCR at 31 December 2023, classified by tier.

	2023				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	£000	£000	£000	£000	£000
Ordinary share capital	730	730	-	-	-
Share premium account	72,270	72,270	-	-	-
Reconciliation reserve	50,559	50,559	-	-	-
Subordinated liabilities	66,958	-	10,871	56,087	-
Deferred tax assets	7,831	-	-	-	7,831
Total basic own funds after deductions	198,348	123,559	10,871	56,087	7,831
Total available own funds to meet the consolidated group SCR	198,348	123,559	10,871	56,087	7,831
Total available own funds to meet the MCG SCR	190,517	123,559	10,871	56,087	-
Total eligible own funds to meet the consolidated group SCR	178,413	123,559	10,871	43,983	-
Total eligible own funds to meet the MCG SCR	138,829	123,559	10,871	4,399	-
Consolidated group SCR	87,966				
Consolidated group MCG SCR	21,992				

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

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

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2023, the Group has exceeded the MCG SCR with coverage of 631% of the MCG SCR. SHL has been compliant with the MCG SCR throughout the reporting period.

Non-compliance with the SCR occurs when the value of eligible Own Funds falls below the SCR. As at 31 December 2023, the Group has exceeded the SCR with coverage of 203% of the SCR. The Group has been compliant with the SCR throughout the reporting period.

Directors' Report

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

Non-Executive Directors:

Sharon Ludlow	(appointed 6 July 2023)
John Hastings-Bass	(appointed 6 July 2023)
Michael England	

Statement of Directors' Responsibilities

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

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

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

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:

John Hastings-Bass

Director

16 May 2024

A. Business and Performance

A.1 Business

A.1.1 Legal Form, Ownership and Registered Address

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

SHL is a holding company with five subsidiaries, Tradex Insurance Holdings Limited ('TIHL'), Tradex Insurance Company Limited ('Tradex'), Soteria Finance Holdings Limited ('SFHL'), Soteria Insurance Limited ('SIL') and Soteria AOF Solutions Limited ('SAOFS').

Tradex is a UK-based General Insurer that underwrites insurance, in both personal and commercial lines (Motor and Home). SIL is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home). The SIL Board made the decision to place SIL into run-off in February 2021 and its last insurance policies expired in March 2022. Since this date SIL has continued to administer existing policies in force and settle outstanding claims. SFHL was the holding company of SIL on acquisition and at 31 December 2023. SAOFS is a dormant company.

A.1.2 Simplified Group Structure, Related Undertakings and Branches

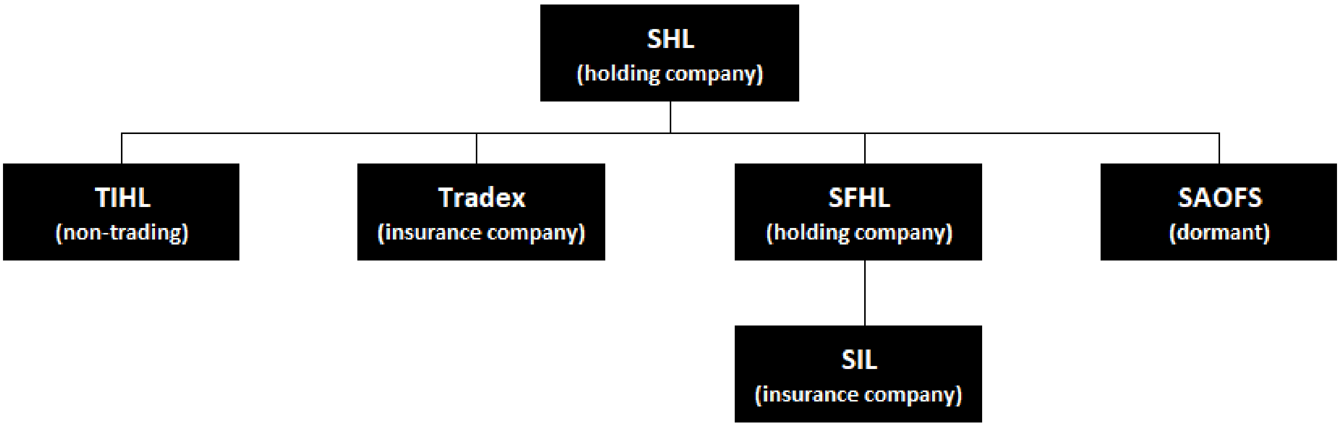
SHL was incorporated on 15 December 2021 but remained dormant until 7 July 2023, when, following approval by the PRA, it acquired TIHL and TIHL's subsidiary, Tradex. On 21 August 2023, ownership of Tradex was transferred from TIHL to SHL.

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

The share capital of SHL is owned by:

Name	Legal form	Country of incorporation	Proportion of ownership interest and voting rights
PSC Nominee 4 Limited	Private Limited Company	Guernsey	90.1%
CVC Credit Partners European Direct Lending III (GBP) SCSp	Special Limited Partnership	Luxembourg	1.0%
CVC Credit Partners EU DL 2021 SCSp	Special Limited Partnership	Luxembourg	1.6%
CVC Credit Partners European Direct Lending Fund II (DL) SCSp	Special Limited Partnership	Luxembourg	0.3%
CVC Credit Partners European Direct Lending Fund II (E) SCSp	Special Limited Partnership	Luxembourg	1.5%
CVC Credit Partners European Direct Lending Fund II (EL) SCSp	Special Limited Partnership	Luxembourg	0.6%
CVC Credit Partners European Direct Lending Fund II (RN) SCSp	Special Limited Partnership	Luxembourg	0.5%
CVC Credit Partners European Direct Lending III (DL) SCSp	Special Limited Partnership	Luxembourg	1.2%
CVC Credit Partners European Direct Lending III (E) SCSp	Special Limited Partnership	Luxembourg	1.9%
CVC Credit Partners European Direct Lending III (EL) SCSp	Special Limited Partnership	Luxembourg	1.3%

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



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

TIHL was dissolved on 9 January 2024 and on 8 March 2024 an application was made to dissolve SAOFS.

A.1.3 Employees

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

A.1.4 Name and Contact Details of External Auditors

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

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

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

A.1.6 Other Significant Events

Impact of inflation and interest rate rises

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

Claims

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

Investments

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

A.2 Underwriting Performance

A.2.1 Overall Performance and Segmental Analysis

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

	£000
Net earned premiums	27,959
Net policyholder claims and benefits	(25,718)
Fee and commission income	279
Fee and commission expenses	(16,108)
Acquisition and administrative expenses	10,894
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The underwriting result is described in more detail in Section A.2.2.

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

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

A.2.2 Underwriting Performance

Analysis of the Group's underwriting performance for the year to 31 December 2023, by line of business, is presented below.

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

Motor Insurance (Motor)

	2023 £000
Net earned premiums	24,585
Net policyholder claims and benefits	(23,491)
Acquisition, administrative and commission expenses	(2,754)
Fee and commission income	279
Underwriting result	(1,381)

Fire and Other Damage to Property Insurance (Home)

	2023 £000
Net earned premiums	3,085
Net policyholder claims and benefits	(2,485)
Acquisition, administrative and commission expenses	(1,751)
Fee and commission income	-
Underwriting result	(1,151)

Other

	2023 £000
Net earned premiums	289
Net policyholder claims and benefits	258
Acquisition, administrative and commission expenses	(32)
Fee and commission income	-
Underwriting result	515

This category includes the aggregate of all other lines of business which are not material to disclose separately. The figures shown exclude £677k expenses which cannot be allocated to individual lines of business.

A.3 Investment Performance

A.3.1 Investment Income and Expenses

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

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

This investment strategy is currently being implemented across the Group, following acquisition of Tradex and SIL during the year.

Current investment holdings are as follows:

	£000
Government bonds	60,958
Corporate bonds	144,721
Collective investment undertakings	27,569
Equities	3,789
Real-estate backed lending	17,016
Investment property	10,774
Cash deposits	55,776
Derivatives	464
	321,067

Figures include accrued interest.

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

	Investment income £000	**Realised gains & losses £000**	**Unrealised gains & losses £000**	**Expenses £000**
Cash	2,156	152	-	
Government bonds	279	-	1,881	
Corporate bonds	1,886	(63)	1,259	
Equities	-	-	10	
Collective investment undertakings	620	-	390	
Real-estate backed lending	11	(8)	7	
Property	-	-	(30)	
Derivatives	-	(143)	292	
	4,952	**(62)**	**3,809**	**(902)**

Continuing market improvements have led to positive returns on investments in the period since acquisition.

A.3.2 Investment Gains and Losses Recognised Directly in Equity

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

A.3.3 Investments in Securitisations

The Group had no investments in securitisations at December 2023.

A.4 Performance of Other Activities

The Group incurred interest costs of £2,746k on its subordinated debt.

A.5 Any Other Information

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

B. System of Governance

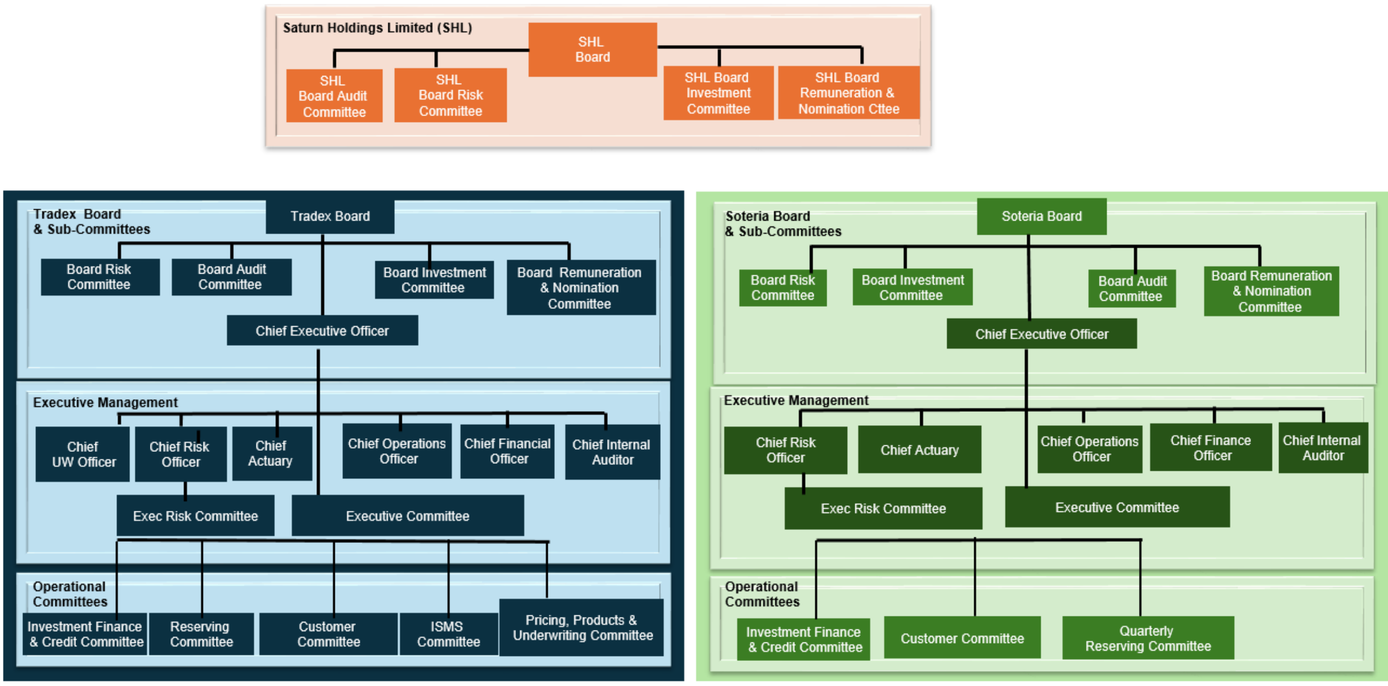
B.1 General Information on the System of Governance

B.1.1 Governance Structure

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

The governance framework for each trading entity includes a formal committee structure, consisting of the Board (which reports to the SHL Board) and its sub-committees (shown in the diagram below), Executive Management committees and Advisory 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, incorporating changes that were made to the structure in H1 2024.



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

Committee	Overview
SHL Board	The SHL Board is responsible for organising and directing the affairs of the Group in a manner that is most likely to promote the success of the business for the benefit of its investors and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice.
SHL Risk Committee	The purpose of the Risk Committee is to oversee and advise the SHL Board on current and potential risks and the overall risk framework. The committee also oversees SHL's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed.
SHL Audit Committee	The SHL Audit Committee assists the SHL Board in discharging its responsibilities for the integrity of SHL's financial statements, to review the effectiveness of internal controls and risk management systems and to monitor the effectiveness and objectivity of internal and external auditors.
SHL Remuneration and Nomination Committee	The purpose is to ensure the overall Governance is adequate for the SHL Group and is the Nominations Committee for SHL Board membership.

B.1.2 Key Functions

Key Functions, as defined by Solvency 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	Group Chief Risk Officer – SIL Tradex Head of Compliance – Tradex	B.4.2
Internal Audit	Group Chief Internal Auditor	B.5
Actuarial function	Group Chief Actuary	B.6

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

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

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

B.1.4 Remuneration

Tradex and SIL determine the remuneration principles of Executives within the trading subsidiaries. The holding company, SHL, does not have any Executive Directors.

Remuneration paid to Non-Executive Directors

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

The SHL Remuneration Committee is responsible for determining the fees payable to the Board Chair. The SHL Governance and Remuneration Committee recommends the fees policy for all SHL Directors.

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

B.1.5 Material Changes

SHL was established in 2021 and became active in 2023 as a parent company of SIL and Tradex.

B.1.6 Material Transactions

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

B.2 'Fit and Proper' Requirements

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

B.2.1 Process for Assessing Fitness and Propriety

The process for assessing fitness and propriety is carried out at entity level.

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

B.3.1 Risk Management System

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

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

B.3.1.1 Risk Vision & Appetite

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

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

B.3.1.2 Risk Management Process

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

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

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

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

Stage	Purpose	Requirement
Risk Reporting	To provide the SHL Board and entity Boards, Executive and senior management with an accurate, timely and clear account of the current risk exposure and to highlight any risks to achievement of business objectives.	This is achieved by taking the most material outputs from the above processes and presenting them to the Board. Ultimately the CRO is responsible for ensuring that this aim is met.

B.3.1.3 Three Lines of Defence

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

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

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

B.3.1.4 Policies and Controls

Policies

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

Controls

Both SIL and Tradex have a risk register, and each identified risk has one or more controls appended to it. Saturn has plans to produce a SHL level risk register in 2024.

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

Qualitative Review

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

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

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA is the totality of all processes used to identify, measure, manage, monitor and report the short term and long term risks the Group faces or may face and the Own Funds necessary to ensure solvency requirements are met on a continuous basis. The Saturn Group will produce a single ORSA for each of SIL, Tradex and SHL, with the first "BAU" ORSA being due in 2024.

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

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

B.3.2.1 ORSA Policy

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

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

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

B.3.2.2 ORSA Principles

The ORSA policy is founded on the following principles:

Process	1. The ORSA is forward-looking and closely related to business planning. *Risk and solvency is considered and projected over (at least) the Group's medium-term planning horizon. The ORSA considers emerging risks, the impact of the business plan on its risk profile, and the extent to which the strategic plan aligns with risk appetite.* 2. The ORSA considers the link between the risk profile, approved risk appetite limits and overall solvency needs. *The ORSA considers capital and solvency on all relevant regulatory and internal bases, including reconciliations and explanation for differences.* *The ORSA includes an analysis of the Standard Formula against the Group's risk-profile.* *The internal economic view of the Group's risks is calculated based upon the Standard Formula, which is adjusted appropriately.* *The ORSA considers the quantity and quality of Own Funds over the business planning period and the composition of Own Funds across tiers.* 3. The ORSA encompasses all material quantitative and qualitative risks that may impact the Group. *The ORSA will assess exposure to these risks against the risk appetite limits set by the respective Board.*

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

B.3.2.3 ORSA Process

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

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

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

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

Production and Review Frequency

The most recent Soteria ORSA was approved by the SIL Board in Q2 2023. The most recent Tradex ORSA was approved by the Tradex Board in November 2023 and was an adhoc ORSA following Change in Control. There has not yet been a SHL ORSA produced given that SHL only became active in July 2023.

B.4 Internal Control System

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

Each SIL and Tradex Executive is required to undertake an RCSA, which identifies the risks to the achievement of their key objectives and the controls against these risks, together with an assessment of the effectiveness of the controls (Design and Performance) with appropriate testing of control performance. The Tradex RCSA is in the process of being refreshed to reflect the new business model in Q1 2024, and the SHL RCSA will be produced later in 2024.

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

Saturn also operates:

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

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

B.4.2 Compliance Function

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

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

Independent audits in all areas of the business against FCA requirements and other guidance, together with Financial Crime oversight, have been outsourced to MSG via the ISARA and BAA agreements, with ownership by the respective Saturn compliance officer.

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

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

B.5 Internal Audit Function

B.5.1 Purpose

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

B.5.2 Scope

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

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

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

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

B.5.3 Rights and Authority

The Internal Audit function derives its authority from the Board through the respective Audit Committees. The Group Chief Internal Auditor is authorised by the Audit Committees to have full and complete access to any of the organisation's records, properties and personnel.

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

The Group Chief Internal Auditor has access to the respective Audit Committees, without the presence of Executive Management, at any time.

B.5.4 Roles and responsibilities in the Risk Management Framework

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

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

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

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

B.5.5 Independence and Objectivity

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

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

B.5.6 Material Findings and Recommendations

Internal Audit has reported high-rated findings within the Group, for which actions are open at the date of signing. These findings are across the areas of IT governance and oversight, cyber security, operational resilience, Consumer Duty and data quality. Internal Audit will monitor the completion of actions, in accordance with the deadlines, as agreed by management.

B.6 Actuarial Function

B.6.1 Overview

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

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

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

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

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

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

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

B.7 Outsourcing

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

- Management will exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing of an activity to a third-party supplier. This is governed through their relevant Policies in a way that is consistent with the overall risk appetite and aligns with their purpose, values and vision.
- Any outsourcing must not result in the delegation of responsibility by senior management.
- Any third-party service provider must protect any confidential information relating Group companies or their customers and comply with the relevant GDPR legislation.
- SIL's and Tradex's relationship with and obligations to their customers must not be altered.
- The conditions for the authorisation of the regulated entities must not be undermined.

Key activities outsourced are:

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

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

B.8 Any other information

B.8.1 Adequacy of the System of Governance

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

C. Risk Profile

Risks are classified into Level 1 and Level 2 categories. The Level 1 risks are the highest category of inherent financial and non-financial risks to which the 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 premium risk, reserve risk, operational risk (third party) and market risk. Saturn has in place a robust Governance Structure and Risk Management Framework which includes a process for setting and reporting against risk appetite, which is consistent across each entity. Board are responsible for monitoring the effectiveness of this framework and reporting in order to ensure that all risk mitigation activity in place is operating effectively.

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

C.1 Insurance Risk

Description

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

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

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

Risk Management Objective

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

Risk Measurement

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

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

Risk Mitigation

The key mitigation tools are:

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

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

Sensitivity Analysis

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

C.2 Market Risk

Description

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

Risk Management Objective

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

Risk Exposure

- Interest rate risk: The value of, or income from, investments held is subject to volatility from changes in market interest rates.
- Discount rate risk: Changes in interest rates also impact SIL through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and regulatory basis.
- Credit Spread risk: SIL is exposed to additional spreads related to the specific credit-worthiness of the issuer ("credit spreads").
- Bond default risk: The risk of loss due to default or delay in payments upon bank deposits, bonds or other money market instruments other than those issued by the UK government.
- Other market risks include risks such as equity or property risks whereby the value of investment funds is subject to volatility with the resulting movements in the market values directly affecting Group solvency.
- Currency Risk: The Group writes contracts of insurance in the United Kingdom, and both insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in Euros and US Dollars as well as sterling and consequently there is an exposure to currency risk, however this is minimised through the use of currency hedges.
- Note that the Group is not exposed to any market risks in respect of pension schemes.

Risk Measurement

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

Risk Mitigation

The key mitigation tools are:

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

Sensitivity Analysis

The most significant aspects of market risk to which Tradex and SIL will be exposed going forwards will be changes in value of investments. The resulting movements in the market values directly affect solvency. However, Tradex having only purchased investments in Dec 2023 this is a forward-looking sensitivity.

Climate Change

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

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

Both Tradex and SIL have an exposure to climate risk in their investment portfolio and, therefore, in market risk. There is a risk, as more investors move to sustainable investment strategies, that investments fall outside these criteria and the price falls as a result. Saturn manages these risks by considering each investment opportunity and its climate risk exposure.

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

Prudent Person Principle

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

C.3 Credit Risk

Description

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

Risk Management Objective

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

Risk Exposure

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

Both entities are exposed to liquidity risk as they needs liquid assets to meet outgoings. For Tradex, this is largely offset by the incoming premiums, particularly as Tradex is in a period of growth.

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
- The investment mandate controls the exposure to concentration risk

Expected Profits Included in Future Premiums

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

For SIL, the value of EPIFP is nil.

Sensitivity Analysis

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

C.5 Operational Risk

Description

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

Risk Management Objective

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

Risk Exposure

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

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

Risk Measurement

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

The Group has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which in 2023 included employer's liability and Directors and Officers.

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

Sensitivity Analysis

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

C.6 Other Material Risks

C.6.1 Strategic & Business Risk

Strategic & Business risk is the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital. The Group's financial objective in managing these risks is to maintain capital adequacy.

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

C.6.2 Conduct Risk

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

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

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

C.6.3 Regulatory Risk

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

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

Regulatory risks are regularly monitored and reported to the 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 having underwriting guidelines in place which ensure a suitable mix of exposure geographically and by underwriting class.

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

C.7.2 Stress Tests

C.7.2.1 Stress Tests and Sensitivity Analysis

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

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

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

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

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

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

Sensitivity Testing

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

Sensitivity	Impact on SIL future P&L	Impact on Tradex future P&L
Reserves +/-10% Net Premiums +/10% Net loss ratio +/-10%	Material Impact N/A N/A	Material impact Material impact Material impact
Investment Returns +/-10%	Low impact	Low impact
Expense base +/-10%	Low impact	Low impact

D. Valuation for Solvency Purpose

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

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

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

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

	UK GAAP	Reclassifications	Restatements	**Solvency II**
	£000	£000	£000	**£000**
Assets				
Goodwill	**(59,214)**	-	59,214	**-**
Deferred acquisition costs	**17,177**	-	(17,177)	**-**
Deferred tax assets	**6,937**	-	896	**7,833**
Property, plant and equipment	**1,352**	-	(1,337)	**15**
Investments	**301,935**	2,275	-	**304,210**
Mortgages and loans	**16,094**	922	-	**17,016**
Reinsurance recoverables	**254,312**	(5,171)	(53,156)	**195,985**
Insurance and intermediaries receivables	**145,187**	(141,320)	(3,863)	**4**
Reinsurance receivables	**6,727**	(3,864)	-	**2,863**
Receivables (trade, not insurance)	**1,479**	(548)	89	**1,020**
Cash and cash equivalents	**116,995**	-	-	**116,995**
Any other assets, not elsewhere shown	**5,357**	(3,177)	(2,180)	**-**
Total assets	**814,338**	(150,883)	(17,514)	**645,941**
Liabilities				
Total technical provisions/ UK GAAP insurer contract liabilities	**565,697**	(134,815)	(54,218)	**376,664**
Derivative liabilities	**-**	159	-	**159**
Insurance and intermediaries payables	**22,378**	(22,100)	-	**278**
Reinsurance payables	**49,914**	-	(7,846)	**42,068**
Payables (trade, not insurance)	**17,773**	6,820	598	**25,191**
Subordinated liabilities	**70,080**	-	(3,122)	**66,958**
Any other liabilities, not elsewhere shown	**10,762**	(947)	(6,582)	**3,233**
Total liabilities	**736,604**	(150,883)	(71,170)	**514,551**
Excess of assets over liabilities	**77,734**	-	53,656	**131,390**

D.1 Assets

D.1.1 Valuation Bases and Assumptions

Goodwill

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

Deferred Acquisition Costs

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

Investments

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

Debt securities

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

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

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

Other investments

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

For equity investments, including collective investments in equities, and real-estate investments, subsequent valuation is at fair value with changes in fair value being recognised in gains less losses within the income statement in the period in which they arise.

For real-estate backed lending and other collective investments, subsequent valuation is at fair value, using the effective interest rate method.

Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques.

Deferred Tax Assets and Liabilities

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

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

- there are appropriate deferred tax liabilities against which the asset can be 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.

Reinsurance Recoverables

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

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

On commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

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

Reinsurance Receivables

Reinsurance receivables includes commission income, which typically varies dependent on the loss ratio of business ceded. Under UK GAAP, commission is recognised in line with the observed loss ratio. Under Solvency II, a more prudent view is taken and only the minimum commission is initially recognised, with additional income due in line with emerging loss ratios recognised two years after the end of the underwriting year.

Insurance and Intermediary Receivables

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

Receivables (Trade, not Insurance)

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

Cash and cash equivalents

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

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

2023 is the first year of reporting for the Group, however there are no material changes from the previous period in the recognition and valuation bases used or estimations made by the subsidiaries in the calculation of assets.

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

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

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

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

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

D.2 Technical Provisions

D.2.1 Value of Technical Provisions

Technical Provisions (TPs), represent the sum of Best Estimate liabilities and Risk Margin.

The value of Best Estimate liabilities equates to the estimated net outwards cash flows in respect of business earned to date (Claim Provisions) and business to be earned in future but for which 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 2023:

	Motor	**Fire & other damage**	**General liability**	**Non-life annuities**	**Total**
	£000	£000	£000	£000	£000
Claims Provision (net)	151,795	17,963	14,442	36,777	220,977
Premium Provision (net)	(50,344)	(1,633)	72	-	(51,905)
Best Estimate Liabilities (net)	101,451	16,330	14,514	36,777	169,072
Risk Margin	9,232	1,207	938	228	11,605
Total Technical Provision (net)	110,683	17,537	15,452	37,005	180,677
Reinsurance Recoverables	152,181	2,390	38	41,378	195,987
Total Technical Provision (gross)	262,864	19,927	15,490	78,383	376,664

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

D.2.1.1 Claims Provisions

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

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

These techniques include:

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

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

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

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

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

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

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

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

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

These include:

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

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

- The development factors selected for the Best Estimate projections reflect the mean expectation of future development.
- The groupings chosen by product and claims description code/payment code/peril code are broadly homogeneous.
- The development ratios in the data, after making appropriate allowance for known trends, will be repeated in future. A manual judgement has been overlaid because there have been delays in obtaining medical evidence, particularly for the large injury claims.
- No significant events occurred after the cut-off point of data.

D.2.1.2 Premium Provisions

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

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

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

D.2.3 Uncertainty

The uncertainty existing within TPs is primarily due to the random nature of how claims develop and is impacted by both external and internal factors. For example, inflation may be higher or lower than expected or claims may be settled more quickly or slowly than anticipated. Assessment of the uncertainty of key assumptions through sensitivity testing of plausible alternative views gives management a clearer understanding of the key risks and provides an indication of the level of confidence in the reported reserves. Sensitivity analysis is performed to understand the effect of key inputs which include the most material assumptions. Results of the sensitivity analysis for each of Tradex and SIL can be found in their individual company SFCR reports at www.tradexinsurance.com and www.soteriainsurance.co.uk.

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

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

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

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

Net UK GAAP reserves are the UK GAAP Insurer Contract Liabilities as shown in the balance sheet at the beginning of Section D (£565,697k), less reinsurance recoverables (£254,312k). The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to a SII basis.

	Motor	**Non-Motor**	**Total**
	£000	£000	£000
UK GAAP Insurer Contract Liabilities	380,854	55,785	436,639
UK GAAP provision for unearned premiums	118,148	10,910	129,058
Reinsurance recoverables	(217,197)	(37,115)	(254,312)
UK GAAP Net TPs	**281,805**	**29,580**	**311,385**
Remove net GAAP provision for unearned premium	(55,650)	(5,139)	(60,789)
Claims in future premium	40,898	5,479	46,377
Contract bound / committed premium	(103)	(48)	(151)
Outstanding premiums	(94,262)	(7,087)	(101,349)
Remove GAAP discounting	49,157	(958)	48,199
SII Discounting	(61,416)	(6,554)	(67,970)
Additional expenses	14,312	6,177	20,489
Margins	(1,015)	1,871	856
Quota Share	(15,432)	(936)	(16,368)
SII Net TPs	**158,294**	**22,385**	**180,679**

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

D.2.5 Matching Adjustment

The Group does not apply a Matching Adjustment.

D.2.6 Volatility Adjustment

A Volatility Adjustment has been used by SIL (as approved by the PRA) to discount all future cash flows in respect of the Claims Provisions. The Volatility Adjustment reduces Best Estimate TPs, net of reinsurance, by £3,733k, reduces the Standard Formula Solvency Capital Requirement (SCR) by £501k and leads to an increase in solvency coverage of £4,234k (6%). Tradex has not used the Volatility Adjustment.

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

	31 December 2023 £000
Eligible Own Funds before Volatility Adjustment	174,680
Effect of Volatility Adjustment	3,733
Eligible Own Funds	178,413
SCR before Volatility Adjustment	88,467
Effect of Volatility Adjustment	(501)
SCR	87,966
Solvency Coverage Ratio before Volatility Adjustment	197%
Solvency Coverage Ratio	203%
Solvency Coverage	90,447

The impact on the Minimum Consolidated Group SCR is a reduction of £116k.

D.2.7 Transitional Interest Rate

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

D.2.8 Transitional Deduction

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

D.2.9 Impact of Reinsurance and Special Purpose Vehicles

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

- The Motor XoL Risk programme, which covers large individual motor losses.
- Quota share arrangements, whereby a proportion of the net premiums earned during 2008-2023 on specific lines of business is ceded. The quota share arrangements apply after other reinsurance covers.
- The Catastrophe XoL programme, which covers accumulations of losses arising from a single weather event such as a major flood or storm.

The Group does not use Special Purpose Vehicles.

D.2.10 Material Changes in Assumptions from Previous Reporting Period

2023 is the first year of reporting for the Group, however there are no material changes from the previous period in the assumptions made by the subsidiaries in the calculation of Technical Provisions.

D.3 Other Liabilities

D.3.1 Valuation Bases and Assumptions

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

Contingent Liabilities

Contingent liabilities and contingent contract obligations in existence at 31 December 2023 are detailed in the Group's Annual Report and Accounts.

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

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

The contingent liabilities in existence at 31 December 2023 are immaterial, as calculated using the probability weighted cash flow method.

The Group has a contingent contract obligation relating to the purchase of SFHL by SHL. The possibility of settlement of this is considered to be remote and the amount cannot be reliably measured, therefore it does not meet the requirements for recognition under FRS 102. For Solvency II purposes this has been estimated at £9,868k, but is considered immaterial due to the remote probability of settlement, and so it is not included on the balance sheet.

Provisions Other Than Technical Provisions

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

Insurance and Intermediaries Payable

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

Reinsurance Payables

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

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

Payables (Trade, not Insurance)

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

Deferred Tax Liabilities

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

Subordinated liabilities

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

Other Liabilities not shown elsewhere

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

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

2023 is the first year of reporting for the Group, however there are no material changes from the previous period in the recognition and valuation bases used or estimations made by the subsidiaries in the calculation of liabilities.

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

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

D.3.4 Expected Timing of any Outflows of Economic Benefits

The expected timing of cash outflows relating to contingent liabilities is unknown, owing to their nature. There are currently no material contingent liabilities. A contingent liability of at £9,868k exists, however, due to the remote probability of settlement, this is considered immaterial.

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

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

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

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

D.4 Alternative Methods for Valuation

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

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

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

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

The discount rate can depend on the following factors:

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

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

D.5 Any Other Information

Going concern

The SFCR is prepared on a going concern basis and the Directors are satisfied that the Group has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2025. In making this assessment, the Directors have performed a review of forecasts for both Tradex and SIL as well as considering future cashflows in SHL.

Projections take into account the recognition of all future expenses within technical provisions. They also take into account the option to cancel or defer, respectively, the interest payments on the Tier 1 and Tier 2 loan instruments in the event that SHL has insufficient solvency or liquidity. The Group's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory capital requirements and its liquidity.

The forecasts show that both Tradex, SIL and the Group maintain SCR coverage above the Board's risk appetite throughout the period of review. Liquidity projections indicate that sufficient liquid assets to meet projected cash outflows will be held throughout the forecast period.

E. Capital Management

E.1 Own Funds

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

E.1.1.1 Background and Objectives

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

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

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

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

E.1.1.2 Policies and Processes

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

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

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

E.1.2 Analysis of Own Funds by Tier

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

In addition, the Group holds:

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

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

	2023				
	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	£000	£000	£000	£000	£000
Ordinary share capital	730	730	-	-	-
Share premium account	72,270	72,270	-	-	-
Reconciliation reserve	50,559	50,559	-	-	-
Subordinated liabilities	66,958	-	10,871	56,087	-
Deferred tax assets	7,831	-	-	-	7,831
Total basic own funds after deductions	198,348	123,559	10,871	56,087	7,831
Total available own funds to meet the consolidated group SCR	198,348	123,559	10,871	56,087	7,831
Total available own funds to meet the MCG SCR	190,517	123,559	10,871	56,087	-
Total eligible own funds to meet the consolidated group SCR	178,413	123,559	10,871	43,983	-
Total eligible own funds to meet the MCG SCR	138,829	123,559	10,871	4,399	-
Consolidated group SCR	87,966				
Consolidated group MCG SCR	21,992				

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

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

E.1.2.1 Tier 1

Share Capital

SHL originally issued 1 share of £1. On 6 July 2023, this was subdivided into 100 shares of £0.01. On 7 July 2023, a further 71,999,900 shares were issued, resulting in share capital of £720k. On 10 October 2023, 1,000,000 shares were issued, resulting in share capital of £730,000.

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

All the shares constitute a single class of ordinary share.

Share Premium

SHL has £72,270k share premium. £71,280k relates to the shares issued on 7 July 2023 and £990k relates to the shares issued on 10 October 2023.

Reconciliation Reserve

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

The reconciliation reserve is calculated as follows:

	£000
Excess of assets over liabilities	198,348
Less:	
Share capital	(730)
Share premium	(72,270)
Subordinated liabilities	(66,958)
Deferred tax assets	(7,831)
Reconciliation reserve	50,559

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

Subordinated Debt

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

E.1.2.2 Tier 2

Subordinated Debt

The Group holds a £60,000k subordinated term loan due 2030 at par, charged at 16.875% interest per annum. The loan was originally issued by SFHL, but transferred to SHL on 10 October 2023.

E.1.2.3 Tier 3

Deferred Tax

A deferred tax asset is recognised when future taxable profits are deemed available within the planning horizon to utilise the asset. The deferred tax asset recognised by the Group is detailed in Section D.1.1.

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

	Total £000	Tier 1 unrestricted £000	Tier 1 restricted £000	Tier 2 £000	Tier 3 £000
Available own funds in previous year	-	-	-	-	-
Increase in share capital	730	730	-	-	-
Increase in share premium	72,270	72,270	-	-	-
Movement in reconciliation reserve:					
Movement in UK GAAP reserves	4,732	4,732	-	-	-
Change in valuation differences between UK GAAP and Solvency II	45,827	45,827	-	-	-
Change in market value of subordinated debt	66,958	-	10,871	56,087	-
Change in valuation of deferred tax assets	7,831	-	-	-	7,831
Available own funds in current year	198,348	123,559	10,871	56,087	7,831

E.1.3 Other Information in Relation to Own Funds

E.1.3.1 Loss Absorbency Mechanisms

The Group has £10,871k Tier 1 restricted capital relating to subordinated liabilities which can be converted to equity at a specified rate in the event of a Principal Loss Absorbency Event, which is defined as any of the following:

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

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

	£000
Total equity per Annual Report and Accounts	77,734
Difference in valuation of assets and liabilities	53,656
Subordinated debt	66,958
Basic Own Funds	**198,348**

Differences in valuation of assets and liabilities between UK GAAP and Solvency II are described in Sections D.1.4 (Assets), D.2.4 (Technical Provisions) and D.3.5 (Other Liabilities). The adjustments described have the effect of increasing the value of Own Funds by the same value as the difference in net assets, being £53,656k. Tier 1 Restricted and Tier 2 subordinated debt of £66,958k are also added back to Basic Own Funds but remain a liability under UK GAAP, meaning that Basic Own Funds are £120,614 higher than Equity under UK GAAP.

E.1.3.3 Transitional Arrangements

Transitional arrangements, lasting a maximum of ten years from 1 January 2016, have been introduced to the Solvency II 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, an insurance group is required to hold sufficient capital to cover unexpected losses. These additional funds held reduce the chance of insurers running out of funds, thus protecting policyholders. There are two capital requirements: the Solvency Capital Requirement and the Minimum Consolidated Group SCR. The Group uses Method 1, as referred to in Articles 230 and 233 of Directive 2009/138/EC, to calculate group solvency.

E.2.1 Minimum Consolidated Group SCR (MCG SCR)

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

E.2.2 Solvency Capital Requirement (SCR)

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

The table below shows the SCR as at 31 December 2023. Section E.2.3 below explains each risk. Note that the 31 December 2023 SCR is still subject to supervisory assessment by the PRA.

SCR	**At 31 December 2023 £000**
Premium risk	*27,206*
Reserve risk	*44,758*
Diversification	*(8,628)*
Total Premium & Reserve risk after diversification	63,336
Catastrophe risk	5,245
Diversification	(3,735)
Non-life underwriting risk	**64,846**
Market risk	20,132
Counterparty default risk	10,976
Life underwriting risk	2,068
Operational risk	8,959
Diversification	(19,015)
SCR	**87,966**

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

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

At the end of the reporting period the Group's SCR is £87,966k and the MCG SCR is £21,992k. This is the first year of the Group's reporting and therefore there are no material changes from the prior year. Details of changes in the underlying subsidiaries, Tradex and SIL, can be found in their individual company SFCR reports at www.tradexinsurance.com and www.soteriainsurance.co.uk.

E.2.4 Simplifications and Undertaking-specific Parameters

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

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

E.2.5 Capital Add-ons

The Group does not have any capital add-ons at 31 December 2023.

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

The PRA does not permit the use of this module.

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

The Group uses the Standard Formula to calculate the SCR.

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

E.5.1 Non-compliance with the MCG SCR

Non-compliance with the MCG SCR occurs when the value of eligible Own Funds falls below the MCG SCR. As at 31 December 2023, the Group is in compliance with the MCG SCR with coverage of 631%. The Group has been compliant with the MCG SCR throughout the reporting period.

E.5.2 Non-compliance with the SCR

Non-compliance with the SCR occurs when the value of eligible own funds falls below the SCR. As at 31 December 2023, the Group is in compliance with the SCR with coverage of 203%. The Group has been compliant with the SCR throughout the reporting period.

E.6 Any Other Information

No additional information is required to be disclosed.

Appendix 1: Quantitative Reporting Templates (QRTs)

General information

Participating undertaking name	Saturn Holdings Limited
Group identification code	213800UWAG4QV267GF73
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

S.02.01.02

Balance sheet

	Assets	Solvency II value
		C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	7,832
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	15
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	304,210
R0080	*Property (other than for own use)*	10,774
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	3,789
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	3,789
R0130	*Bonds*	205,679
R0140	*Government Bonds*	60,958
R0150	*Corporate Bonds*	144,722
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	27,570
R0190	*Derivatives*	623
R0200	*Deposits other than cash equivalents*	55,776
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	17,016
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	17,016
R0270	Reinsurance recoverables from:	195,986
R0280	*Non-life and health similar to non-life*	154,609
R0290	*Non-life excluding health*	154,609
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	41,377
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	41,377
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4
R0370	Reinsurance receivables	2,864
R0380	Receivables (trade, not insurance)	1,020
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	116,995
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	645,941

	Liabilities	Solvency II value
		C0010
R0510	Technical provisions - non-life	298,282
R0520	*Technical provisions - non-life (excluding health)*	298,282
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	286,905
R0550	*Risk margin*	11,377
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	78,382
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	78,382
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	78,154
R0680	*Risk margin*	228
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	159
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	278
R0830	Reinsurance payables	42,068
R0840	Payables (trade, not insurance)	25,191
R0850	Subordinated liabilities	66,958
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	66,958
R0880	Any other liabilities, not elsewhere shown	3,233
R0900	**Total liabilities**	514,551
R1000	**Excess of assets over liabilities**	131,390

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				111,323	24,052		13,500	322									149,198
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				62,777	11,692		1,628	69									76,166
R0200	Net				48,546	12,360		11,872	253									73,032
	Premiums earned																	
R0210	Gross - Direct Business				58,714	4,637		3,458	364									67,173
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				36,360	2,406		373	75									39,214
R0300	Net				22,353	2,232		3,085	289									27,959
	Claims incurred																	
R0310	Gross - Direct Business				43,795	389		3,781	-1,427									46,538
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				22,716	-266		1,296	-1,168									22,579
R0400	Net				21,079	655		2,485	-259									23,959
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net										0							0
R0550	**Expenses incurred**				3,781	-442		2,303	63		0							5,705
R1200	**Other expenses**																	677
R1300	**Total expenses**																	6,381

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									0
R1420	Reinsurers' share									0
R1500	Net									0
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net									0
	Claims incurred									
R1610	Gross						15,146			15,146
R1620	Reinsurers' share						13,648			13,648
R1700	Net						1,498			1,498
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net									0
R1900	**Expenses incurred**									0
R2500	**Other expenses**									
R2600	**Total expenses**									0

S.22.01.22

Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	376,664	0	0	5,686	0
R0020	**Basic own funds**	198,349	0	0	-3,733	0
R0050	**Eligible own funds to meet Solvency Capital Requirement**	178,413	0	0	-3,733	0
R0090	**Solvency Capital Requirement**	87,966	0	0	501	0

S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	730	730		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	72,270	72,270		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	50,559	50,559			
R0140	Subordinated liabilities	66,958		10,872	56,087	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	7,832				7,832
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	198,349	123,559	10,872	56,087	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	198,349	123,559	10,872	56,087	0
R0530	Total available own funds to meet the minimum consolidated group SCR	190,517	123,559	10,872	56,087	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	178,413	123,559	10,872	43,983	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	138,829	123,559	10,872	4,398	
R0610	**Minimum consolidated Group SCR**	21,992				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	202.82%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	178,413	123,559	10,872	43,983	0
R0680	**Group SCR**	87,966				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	202.82%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	131,390
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	80,832
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	50,559
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-873
R0790	**Total Expected profits included in future premiums (EPIFP)**	-873

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	20,132		
R0020	Counterparty default risk	10,976		
R0030	Life underwriting risk	2,068		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	64,846		
R0060	Diversification	-19,014		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	79,007		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	8,959
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	87,966
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	87,966
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	21,992
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	87,966

USP Key

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

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

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

S.32.01.22

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800UWAG4QV267GF73	LEI	Saturn Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual								Included in the scope		Method 1: Full consolidation
2	GB	21380092HRNZ2H8HOH96	LEI	Tradex Insurance Company Limited	Non life insurance undertaking	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	Prudential Regulation Authority (PRA)	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	254900DQJVOGCLPQ7264	LEI	Soteria Finance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual		100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800239LP2JJ1CF649	LEI	Soteria Insurance Limited	Non life insurance undertaking	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual	Prudential Regulation Authority (PRA)	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	GB	213800MGZ5VFRET41F45	LEI	Tradex Insurance Holdings Limited	Other	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual		100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	213800UWAG4QV267GF73GB0000	Specific code	Soteria AOF Solutions Limited	Other	Companies Limited By Shares Or By Guarantee Or Unlimited	Non-mutual		100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation