Stonebridge International Insurance Limited

2024 Solvency and Financial Condition Report

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Scope and Basis of Preparation

Scope

The Solvency II Pillar 3 regulatory reporting requirements came into force on 1 January 2016. There was a subsequent update taking effect from 31st December 2023 detailing that the Regular Supervisory Report (RSR) is no longer required. That leaves firms reporting requirements as the **Solvency and Financial Condition Report (SFCR)** – Firms are required to disclose this report publicly and to report it to the Prudential Regulation Authority (PRA) on an annual basis. The SFCR includes both qualitative and quantitative information.

This report is Stonebridge International Insurance Limited's ("SIIL" or "the Company") Solvency and Financial Condition Report (SFCR) for the year ended 31 December 2024 which will be submitted in full before the reporting deadline of 8 April 2025.

This report informs the Company's stakeholders about:

A. Business and Performance

   This section gives an overview of the business, underwriting, investment and other activity performance over the year.

B. System of Governance

   This section gives general information on the system of governance, covering fit and proper persons requirements and the Company's risk management system including the Own Risk and Solvency Assessment (ORSA). It also covers functions such as internal audit, actuarial and outsourcing arrangements.

C. Risk Profile

   This section covers all risk categories including underwriting, market, credit, liquidity and operational risk.

D. Valuation for Solvency Purposes

   This section explains the methodology differences between Statutory accounts and Solvency II, and provides a reconciliation between the two, identifying classification and valuation differences.

E. Capital Management

   This section provides an analysis and explanation of own funds, solvency capital requirement and minimum capital requirement.

Basis of Preparation

This Solvency and Financial Condition Report (SFCR) for SIIL has been prepared to meet the PRA's regulatory reporting requirements. The SFCR has been prepared on the basis of the financial information and risk assessments as at 31 December 2024 and has been presented to the Board for their review, challenge and approval. The report meets the requirements for the SFCR as set out in the Solvency UK rules which came into force with effect from 31 December 2024 and are specified in the PRA Rulebook.

The Company is required to ensure that its SFCR is subject to approval by its governing body and that governing body takes responsibility for ensuring that the SFCR has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations.

The monetary values in the SFCR are presented in pounds sterling and in thousands except where stated otherwise.

Where Statutory results are disclosed, the figures are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts ("FRS 103") and the Companies Act 2006.

SIIL qualifies as a 'small firm for audit purposes' with a score of 14 (2023: 12) and is therefore exempt from the SFCR external audit requirement. The exemption has been applied since 2020 and has been reaffirmed in January 2025.

The SFCR is not audited as SIIL has received an exemption from such audit as a small insurance firm under PS25/18. The quantitative reporting templates relating to the Company are submitted to the PRA. These can be read in conjunction with the SFCR.

Executive Summary

Introduction

SIIL's principal activity is the transaction and servicing of general insurance products in the UK market. The Company is domiciled and incorporated in England.

The summaries below give an overview of each of the sections within the SFCR. More information is available later in the document.

A. Business and performance

Company overview

The Company's business strategy is focused on continuing to provide protection and benefits through its accident and health insurance products to its established customer base, and new customers in the UK market, ensuring clear communication with its customers on the nature and benefits of their policies.

Strategic overview

Following a year of consolidation, SIIL grew its insurance premiums in 2024 with the growth in the Pet book of business which started in 2023. The Company laid the foundations throughout 2024 for implementing the growth strategy that was set in January 2024 and places the Company in a strong position to deliver growth on its Accident & Health portfolio supporting its longer-term sustainability.

Overview of 2024 and key results

The business had 306,000 in force policies, including rider policies, at 31 December 2024. All policyholders were UK residents.

The majority of customers receive communications about their products at least annually, including those whose policies are managed by managing general agents. Fair value considerations are made by the Board whenever decisions around products and pricing are made to ensure that SIIL continues to comply with the Consumer Duty. We have launched a new scheme in August 2024 where the policy term can be as short as a month. We are therefore satisfied that the customers have the necessary information needed regarding their policy and product.

Annual customer communications were completed in 2024 for all customers.

SIIL brought an existing portfolio of Pet Insurance policies onto its balance sheet during 2023. The policies are managed via a managing general agent; Only Pets Cover Ltd (OPC). The policies are all annual in length and renewed onto SIIL's balance sheet upon their renewal date such that the entire portfolio was underwritten by SIIL as at 31 December 2023. The Pet book of business has grown to 31,000 live policies by the end of 2024. To manage the risk exposure of this portfolio SIIL implemented two new reinsurance arrangements during the year, to supplement SIIL's existing Excess of Loss coverage. A Quota Share and a second Excess of Loss reinsurance arrangement were purchased that cover different risks associated with the Pet portfolio. Identical coverage has been put in place for 2025.

SIIL is part of a group, with Embignell Ltd as its ultimate parent. A group wide strategy session was held in early January 2024 to establish a clear and coherent strategy as regards growth and new business for the medium term. SIIL is an integral part of this strategy as the group's only UK based insurance carrier and SIIL expects to achieve growth to its portfolio via this strategy.

SIIL has continued its strong relationships with Union Income Benefit Holdings Limited (UIB), Konecta, and Gielisch Claims Management (as the other key outsourcers to the business) in order to ensure high quality customer outcomes for its portfolio of Accident and Health Insurance customers. In 2024 SIIL also worked closely with OPC to ensure the same for its Pet Insurance customers.

Conduct and Operational risks have been kept to a minimum by monitoring and managing the products in line with Consumer Duty, ensuring an embedded risk framework and by maintaining a strong risk culture. These are all to ensure good customer outcomes and fair value of product to all customers.

A summary of the key results is provided below:

	2024	2023	Increase / (Decrease)	
	£000's	£000's	£000's	%
Gross Written Premiums	**20,871**	17,722	3,149	17.8%
Profit on ordinary activities before tax	3,962	5,400	(1,438)	(26.6%)
Solvency Ratio at year end	**250%**	259%		

The growth in gross written premiums of 17.8% is driven mainly by the growth in the Pet book of business. Action has been taken throughout 2024 on the Accident & Health book of business which will deliver growth in 2025.

The decrease in Profit before Tax is mainly due to higher claims incurred on our Accident & Health book and lower investment returns for 2024. The 2024 financial results associated with SIIL's core insurance business were in line with expectations.

The Solvency Capital Requirement Cover Ratio (Solvency Ratio) has decreased as whilst our own funds have remained around the same level, the solvency capital requirement has increased due to the growth of the premiums in the Company. At 250%, the solvency ratio remains above the Company's target solvency range as outlined in the Company's Capital Management Policy.

Full details on SIIL's business and performance are described in Section A.

B. System of Governance

Corporate governance

The Company is a wholly owned subsidiary of Global Premium Holdings Ltd ("GPH"), which is itself a wholly owned subsidiary of Embignell Ltd. SIIL's governance structure is in place to ensure the safe and efficient management of the Company, its operations and to protect the interests of its customers.

The SIIL Board is the statutory board of SIIL. It has oversight of the Company and assumes overall management responsibilities for the Company. The Board has delegated responsibilities to committees of the Board. This includes the following governance committees:

- Audit Committee;
- Risk Committee;
- Executive Committee;
- Underwriting Committee; and
- Conduct Risk Committee

Remuneration and Nomination matters are dealt with in private sessions by the Independent Non-Executive Directors.

SIIL is committed to compliance with PRA and Financial Conduct Authority (FCA) rules and has in place rigorous processes and procedures to ensure vetting and verification of individuals and maintenance of clear organisational accountabilities both for individual and group decisions.

Each of SIIL's committees has a clear Terms of Reference that has been reviewed annually and SIIL's overall risk appetite is continuously monitored with a full review taking place at least annually. SIIL's governance structures are clear with the Conduct Risk Committee reporting to Risk Committee, the Underwriting Committee reporting to the Executive Committee and all other committees reporting directly to the Board.

Risk management

SIIL's Risk Management Framework is designed to identify and manage potential events and risks that may affect the Company. It involves:

- Understanding which risks SIIL is facing
- Establishing a business wide framework through which risk can be assessed
- Establishing risk tolerances for the level of exposure to a particular risk
- Utilising risk policies to set minimum standards to be met
- Monitoring risk exposure and actively maintaining oversight over SIIL's overall risk and solvency positions

The framework to monitor risk at the Company reflects a framework of key risk areas, each with specific key risk metrics and tolerances for each metric. Owners for each key risk area were assigned and those owners reported the status of their risks and the result of each key risk metric to the Chief Risk Officer on a monthly basis, who then reported risks outside tolerance to the Risk Committee. Risks outside tolerance were discussed and action plans put in place to return them to tolerance.

Control environment

In addition to risk management, SIIL's Solvency II control environment consists of an internal controls system, an actuarial function and an internal audit function. The internal control system serves to facilitate compliance with applicable laws and regulation and aims to measure SIIL's risk exposure. The actuarial function has end-to-end accountability for the adequacy and reliability of reported technical provisions, including policy setting and monitoring of compliance regarding actuarial risk tolerances. SIIL's internal audit function is independent and objective in performing its duties in evaluating the effectiveness of SIIL's internal control system.

Own Risk and Solvency Assessment (ORSA)

The ORSA is a key part of the system of governance. The latest ORSA report was presented to and approved by the SIIL Board in December 2024.

Full details on SIIL's system of governance are described in Section B.

C. Risk Profile

Key risks

The nature of the SIIL business results in exposure to the following market related risks: Concentration Risk, Counterparty risk, Spread risk and Liquidity risk. However, due to SIIL's conservative investment appetite, the risk of externally market driven events is typically low. SIIL's risk management framework ensured that losses were minimised throughout the period and that SIIL remained appropriately capitalised. The main non-financial risks that the Company is exposed to relate to Underwriting risk, including lapses and claims, and Operational risk, including legal and compliance risks. SIIL's two key risk exposures are to reserving risk and expense risk. SIIL has carefully managed expenses during the year and will continue to do so in line with its annual budgets. SIIL is also exposed to the risk of writing business that is outside risk appetite and tolerance from both a financial and a regulatory perspective. Together these represent the principal risks and uncertainties for the Company.

SIIL's management of risks starts with the setting of its risk appetite, which articulates its risk objectives and associated limits for the key risks, and the subsequent monitoring of exposure in line with appetite.

Stress and scenario analysis is performed to test the overall financial strength of the business and the exposure to specified risk exposures. Sensitivities and scenario analysis are a core part of the risk framework in allowing the business to measure, monitor and manage risk exposures at any time.

Full details of the risk profile for SIIL can be found in full in Section C.

D. Valuation for Solvency Purposes

The valuation of assets and technical provisions for Solvency II purposes are derived predominantly from the same data and models as used in preparation of the Statutory Accounts, and a key internal process control is to reconcile from the audited Statutory Accounts to the valuation of assets and technical provisions for Solvency II reporting.

Full details on the reconciliation between SIIL's statutory balance sheet and its Solvency II balance sheet are described in Section D.

E. Capital Management

Subject to specifications of the Solvency II rules and regulations, the Own Funds are the assets of the Company less the liabilities. Under Solvency II, firms must hold regulatory capital, called the Solvency Capital Requirement (SCR) in addition to those liabilities to ensure that they will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months. The minimum level and composition of an insurer's Own Funds is determined by reference to its SCR.

SIIL applies the standard formula in its calculation of the SCR.

Solvency II key figures £000's	**31 December 2024**	31 December 2023
Own Funds	**18,833**	18,776
Net SCR	**7,524**	7,263
Solvency Ratio	**250%**	259%

Solvency II key figures £000's	**31 December 2024**	31 December 2023
Eligible Own Funds	**18,833**	18,776
MCR	**2,400**	2,359

	2024	2023
Tier 3 Assets	**52**	-

Of the Eligible Own Funds (£18,781k) were unrestricted Tier 1 and £52k were unrestricted Tier 3 at the end of 2024.

During 2024, SIIL utilised its Class 16 (Miscellaneous Financial Loss) license to write a small amount of business.

The solvency ratio (Own Funds/Solvency Capital Requirement) is a key performance indicator for SIIL.

Full details on SIIL's Own Funds and SCR are described in Section E.

A. Business and Performance

A.1 Business

A.1.1 Overview

SIIL's principal activity is the transaction and servicing of general insurance products in the United Kingdom. The Company is domiciled and incorporated in England. SIIL underwrites its own policies.

As a Tier 5 insurer, SIIL has been granted a discretionary waiver over certain reporting requirements.

Significant developments in the SIIL business over 2024:

1. Pet Insurance Portfolio

SIIL brought an existing portfolio of Pet Insurance policies onto its balance sheet during 2023. The policies are managed via a managing general agent; OPC. The policies are all annual in length and renewed onto SIIL's balance sheet upon their renewal date such that the entire portfolio was underwritten by SIIL at 31 December 2023. The Company continued to work with OPC and the Pet book of business has increased by 72%. In order to manage the risk exposure of this portfolio SIIL sought two new reinsurance arrangements during the year, to supplement SIIL's existing Excess of Loss coverage. A Quota Share and a second Excess of Loss reinsurance arrangement that cover different risks associated with the Pet portfolio were bought during 2024. Identical coverage has been obtained for 2025.

2. Cancellation product

In the second half of 2024, SIIL started writing a train cancellation product via a managing general agent, Advent Solutions Management Limited and Companjon Services UK branch ("Companjon"). The product is short tail in nature enabling the Company to understand the performance of the book and to act quickly on pricing. A quota share reinsurance arrangement is in place to manage the risk to the Company.

3. Investment Results

Market expectations for interest rates in the UK at the beginning of 2024 was that the Bank of England would cut base rates throughout the year. The Board made a decision to move to a short to medium term duration corporate and government managed bond portfolio to deliver a consistent stream of interest income whilst protecting its capital. The portfolio has delivered as expected and SIIL's investment returns for 2024 were £597k which exceeded its budget.

4. Loan

During November 2021 SIIL provided a £4m Loan to another Group Entity, Union Income Benefits Holdings Ltd (UIB). An agreement was reached to restructure the repayment schedule for the Loan. UIB shall repay the loan in stages over the next 3 years plus all the interest accrued at each repayment point. Interest being accrued on the loan until maturity is calculated based on the UK base rate each month.

5. Upfront commission

On 14 December 2023, the Company entered into an agreement to advance to OPC the amount 5 months of commission on renewal and new business which is then to be repaid via a reduction in the actual commission due to OPC in month 10.

A.1.2 Key Contact and Business Addresses

The authority responsible for regulatory supervision of the Company is:

Prudential Regulation Authority (or PRA)

Address : 20 Moorgate, London, EC2 6DA

Telephone : +44 (0) 20 3461 7000

Financial Conduct Authority (or FCA)

Address : 12 Endeavour Square, London, E20 1JN

Telephone : +44 (0)20 7066 1000

PKF Littlejohn LLP Accountants is the external auditor of the Company and can be contacted as follows:

Address: 15 Westferry Circus, Canary Wharf, London E14 4HD

Telephone: 0207 5162200

Registered Office of the Parent Company – Embignell Ltd:

Address: 14th Floor, 33 Cavendish Square, London, England, W1G 9DQ

Business Address of the Company:

Address: 39/51 Highgate Road, London, NW5 1RT

A.1.3 Solvency II key figures

Subject to specifications of the SII rules and regulations, the Own Funds are the assets of the Company less the liabilities. Under Solvency II, firms must hold regulatory capital, called the Solvency Capital Requirement (SCR) in addition to those liabilities in order to ensure that they will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months. The minimum level and composition of an insurer's Own Funds is determined by reference to its SCR.

In the following table the Solvency II figures for SIIL are presented:

Solvency II key figures of SIIL per 31 December 2024 and 31 December 2023

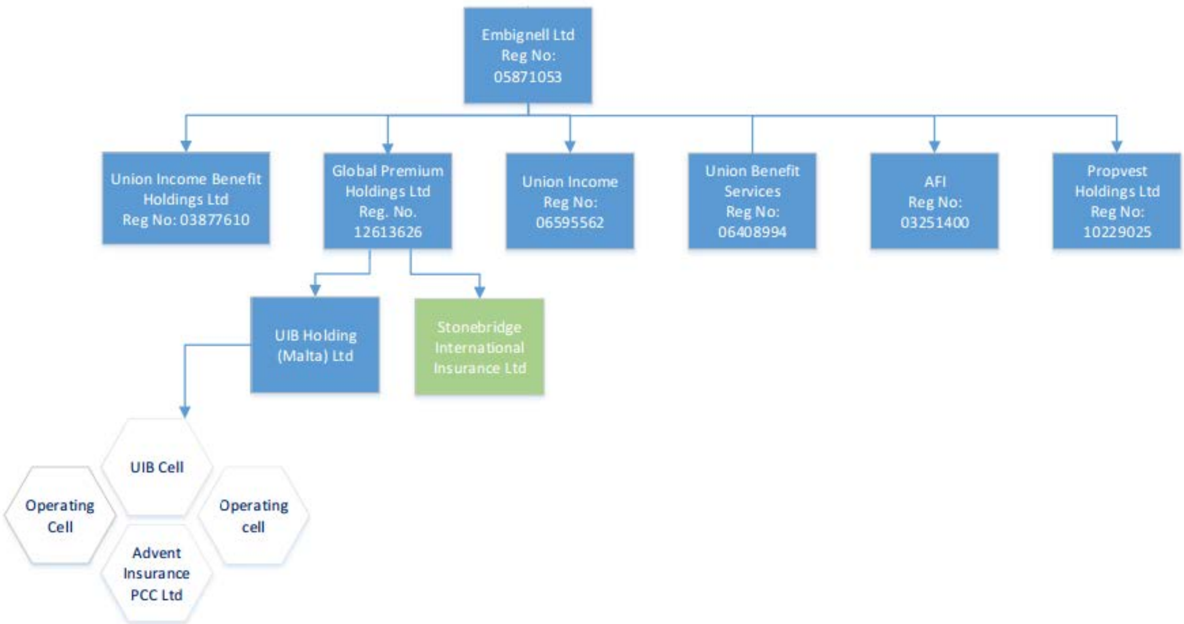
Solvency II key figures

Amount in £000's	**31 December 2024**	31 December 2023
Own Funds	**18,833**	18,776
Net SCR	**7,524**	7,263
Surplus	**11,309**	11,513
Solvency II Ratio	**250%**	259%

The Solvency II ratio of 250% is based on the Solvency Capital Ratio (SCR) calculated using the Solvency II Standard Formula. It represents the Own Funds as a ratio of the SCR and is a key performance indicator for the business.

A.1.4 Group structure

From 28 February 2021, SIIL became part of the Embignell Ltd Group. Beneath Embignell Ltd, the Group structure is Global Premium Holdings Ltd which is the direct parent of SIIL. SIIL is regulated to write insurance business in the United Kingdom.



A.1.5 List of Principal subsidiaries, Joint Ventures and associates

SIIL has no subsidiaries or joint ventures.

A.1.6 Material lines of business and Material lines of geographical areas

Material lines of business

SIIL underwrites a range of protection products including Accidental Death, Hospital Cash Plans and Accident Cash Plan business. Whilst a number of products are closed to new business, UIB continues to make new protection product sales which SIIL then underwrites.

SIIL underwrites a portfolio of pet insurance which is managed by OPC. SIIL has mitigated the risk of its pet insurance business via reinsurance coverage such that the impact to SIIL's capital position of the pet insurance business is low.

SIIL also underwrites a train cancellation product which is managed by Companjon. SIIL has mitigated the risks for this book via reinsurance coverage such that the impact to SIIL's capital position is low.

Throughout 2024 SIIL only underwrote UK business.

The vast majority of the business within SIIL's portfolio is Accidental Death; these policies have the following features:

Accidental Death

- Monthly renewable. Premiums payable monthly
- Payment of Cash Benefit if the insured person suffers accidental death that happens anywhere in the world. For insured customers, the amount payable is dependent on the type of accident. Death must occur within 12 months of the accident. Exclusions and limitations apply.

The Company's in-force policies, including riders, as at 31st December 2024 split by product type is shown below:

Type of Product	Number of Policies at 31st December 2024
Accidental Death	240,754
Pet	31,322
Personal Accident	19,187
Accident Cash Plan	10,706
Income Protection	3,332
Hospitalisation Cash Plan	511
Train cancellation	645
Total	**306,457**

Geographical Markets

SIIL only held UK domiciled policies at 31st December 2024.

A.1.7 Major Shareholders

SIIL is entirely owned by Global Premium Holdings Limited, an entity within the Embignell group.

A.2 Underwriting Performance

This section provides a high-level overview of the underwriting performance of SIIL.

Underwriting performance of SIIL (UKGAAP)

Statutory Results £ 000's	**2024**	**2024**	2023	2023
Net Written Premium	**14,686**		14,132	
Change in the Provision for Unearned Premiums	**(591)**		(808)	
Earned Premiums		**14,095**		13,323
Net Claims Paid	**(4,629)**		(2,259)	
Change in Claims Provision	**(304)**		(1,366)	
Claims Incurred		**(4,933)**		(3,625)
Expenses		**(6,351)**		(6,251)
Other Income		**554**		932
Investment Income		**597**		1,021
Net Income		**3,962**		5,400

Earned Premiums have increased by £772k as a result of the growth in the Pet book of business. Claims Incurred have increased by £1,308k again due to the growth in the Pet book of business. 2024's claims incurred were 4% higher than expected as the Company insured more Pet policies than had been reflected in the Company's plans. Expenses are broadly in line with the previous year. The Company had an exceptional year in 2023 in respect of investment return with the current year's investment income delivering an average return.

SIIL's products are categorised under Accident and Sickness and Miscellaneous Financial Loss for reporting purposes. The products that are in force in 2024 and 2023 were all United Kingdom based.

Claims incurred is the sum of claims paid and movements in claims reserves. UK Claims Incurred in 2024 is made up of £4,629k of claims paid and £304k of reserve movements.

The Medium-Term Plan (MTP) is produced annually and contains details on the expected performance of the business. The projected earnings for SIIL for 2024 and the main variances to that projection are noted in the table below.

Underwriting performance of SIIL in quantitative reporting template comparison to plan

Statutory Results £ 000’s	2024 Actual	2024 Plan	Variance
Net Written Premium	**14,686**	13,807	879
Change in the Provision for Unearned Premiums	**(591)**	(39)	(552)
Total Premiums Earned	**14,095**	13,768	327
Total Claims Incurred	**(4,933)**	(4,790)	(143)
Total Expenses*	**(6,351)**	(6,776)	425
Total Other Income^	**1,151**	793	358

**Excludes investment expenses.*

^Includes investment expenses.

Total Premiums Earned were better than budget by 2%. This was due to the growth in the Pet book of business.

Total Claims Incurred were higher than budget by 3%, driven by the the growth in the Pet book of business.

Total Expenses are below budget by 6% due to careful cost control during the year.

Total Other Income was 45% above budget due, in large part due to a conservative budget for investment returns.

A.3 Investment Performance

This section provides a high-level overview of the investment performance of SIIL.

Investment performance of SIIL

Statutory Results £ 000’s	2024	2023
Investment Income	**1,162**	1,043
Investment expenses	**(11)**	(22)
Total	**1,151**	1,021

SIIL holds its excess liquidity in two investment funds:

- a Money Market fund managed by Royal London; and
- a short to medium dated government and corporate bond portfolio managed by Evelyn Partners.

An analysis of the investment performance per asset class is noted in the table below,

Investment performance of SIIL per asset class

Statutory Results £ 000's	2024	2023
Royal London Short Dated Fund	**53**	735
Royal London Money Market Fund	**374**	286
Evelyn Partners bond portfolio	**175**	-

The investments held adhere to the Company's Investment Policy and appetite to risk.

SIIL Board reviewed its investment strategy at the beginning of 2024 and decided to close the Royal London Short Dated Fund and to place the investments in a managed portfolio of short to medium dated government and corporate bonds.

The Money Market fund continued to perform well and has been insulated from market unrest. SIIL manages its working capital requirements between its Money Market fund holdings and cash deposits.

SIIL has no placements in securitised investments and therefore no insurers risk management procedures are required.

A.4 Intercompany Loan

In November 2021 SIIL provided a £4m loan to another group entity, UIB. A restructuring of the repayment schedule of the loan was agreed between the two entities. The loan will be repaid in stages over three years with all accrued interest on the loan to be repaid at each repayment date.

For the purposes of both the statutory and solvency II accounts, interest is being accrued monthly in line with the loan agreement.

SIIL performs scenario analysis as part of its ORSA to ensure that SIIL remained sufficiently capitalised if the loan were to default. In all scenarios SIIL's solvency ratio remained within the tolerance level as determined by SIIL's capital management policy.

There is no indication that the loan is likely to default and sufficient evidence around cashflow has been provided by UIB. SIIL therefore continues to recognise both the loan value and accrued interest on both its statutory and Solvency II balance sheets. The accrued interest recognised by SIIL during the year is:

Statutory Results £ 000's	2024	2023
Accrued Intercompany Loan Interest	**407**	384

The Intercompany Loan, including any accrued interest, will be treated in the same way that all other investments are during the SCR charge calculation.

A.5 Upfront Commission

On 14 December 2023, the Company entered into an agreement to advance to OPC the amount 5 months of commission on renewal and new business which is then to be repaid via a reduction in the actual commission due to OPC in month 10.

We have recognised the total amount of upfront commissions for statutory accounts purposes as a prepayment.

Statutory Account £ 000's	2024	2023
Prepayments re OPC	**936**	-

As the structure of the agreement is that the upfront commission will be repaid via a reduction of commissions to be paid to OPC in month 10 we have for solvency II purposes offset the amount of prepayment against future commissions due to OPC.

A.6 Performance of other activities

Please note there are no performance of other activities regarding SIIL business.

A.7 Any other information

Please note there is no other material information regarding SIIL business and performance.

B. System of Governance

B.1 General Information on the system of governance

B.1.1 SIIL's corporate governance

The Company has an established governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business.

As a financial institution, the Company is also required to comply with rules and guidance issued by the PRA and FCA, which include high level standards covering Principles for Business and Senior Management Arrangements, Systems and Controls and requirements for the way the firm conducts its business.

Under the SIIL Board's authority, the Company operates the following further governance structure:

- the Audit Committee;
- the Risk Committee;
- the Executive Committee focusing on operational running of the Company;
- the Underwriting Committee, a sub-committee of the Executive Committee focusing on product performance and product governance; and
- the Conduct Risk Committee, a sub-committee of the Risk Committee focusing on all conduct related matters.

Any Remuneration and Nomination matters are discussed at a private session of the Independent Non-Executive Directors.

SIIL's governance framework was reviewed following the change in control period for effectiveness and appropriateness given SIIL's revised strategy and the policies and controls of its new group.

B.1.1.2 Board, Committees and Sub-Committees

Board

Purpose of the SIIL Board:

For the year ended 31 December 2024, the Board's purpose was to act as the statutory board of SIIL, to have oversight of the entity and to assume overall accountability for SIIL. Subject to the articles of association of the Company and company law generally, the authority and remit of the Board is unlimited.

The Board was supported by the Audit Committee and Risk Committee. The Executive Committee meet at least twice per quarter, convening where necessary on matters of day-to-day management of the business. The Underwriting Committee meet quarterly, or more frequently if necessary.

The Board will monitor and oversee the matters and responsibilities it has delegated to various boards and committees as set out in its terms of reference.

Committees

Each Committee reports to the Board and Committee outputs and recommendations are discussed in the plenary meetings of the Board. Each of the Committees of the Board has Terms of Reference in which the composition, duties, and internal procedures are defined.

These committees are:

- Audit Committee;
- Risk Committee; and
- Executive Committee.

Audit Committee

Purpose of the Audit Committee

The Audit Committee is a Committee of the Board. The prime responsibilities of the Audit Committee are to:-

- Monitor the integrity of the financial statements of SIIL prior to their approval by the Board and to review the financial statements contained within SIIL's Own Risk and Solvency Assessment (ORSA).
- Report to and advise the Board on any aspect on which the Committee is not satisfied in relation to the proposed financial reporting by SIIL.
- Liaise with the Risk Committee on the monitoring and review of SIIL's internal controls.
- To ensure that an appropriate audit plan is in place and to assess the effectiveness of the audit.
- Review the external auditors' findings (including those contained in management letters) and management's response to them.
- Review and monitor the external auditors' independence, objectivity, expertise, resources and effectiveness, taking into consideration relevant UK professional and regulatory requirements, including the provision of any non-audit services.
- Advise the Board on the role and selection of the external auditors; audit arrangements generally; and to make recommendations for appointment and the terms of that appointment.
- Develop and agree programmes of internal audit and to review these programmes, to review the annual internal audit plan ensuring it covers the appropriate risk areas and to monitor and ensure that all outstanding audit points are considered and actioned and to evaluate the effectiveness of SIIL's control systems.
- Review the performance of SIIL's internal auditors annually and advise the Board to make recommendations for appointment and the terms of that appointment when required.

Risk Committee

Purpose of the Risk Committee

The Risk Committee is a Committee of the Board. The prime responsibilities of the Risk Committee are to:-

- Satisfy itself on the solvency of the Company on a realistic stressed basis– the Risk Committee will recommend to the Board an appropriate timescale for forecasts.
- Review on a regular basis the reinsurance strategy.
- Review and approve specified risk appetite and risk tolerances to the Board.
- Ensure via review, recommendation or approval that there is effective leadership in relation to the following:
    - Risk issues;
    - An appropriate strategy and plan for risk management is in place;
    - The risk culture across the organisation is appropriate for an organisation of the size and nature of the Company;
    - The remuneration strategy does not encourage excessive risk taking;
    - Appropriate Governance processes are in place and operating effectively;
    - All material risks have been identified and accurately assessed;
    - Those risks that are outside of SIIL's risk tolerance are identified, escalated and are being actively managed back within tolerance;
    - Mitigation action is timely and appropriate and material risks are being controlled through an effective, efficient and comprehensive control environment;
    - Group policies are appropriate and adhered to; and
    - SIIL is meeting its regulatory responsibilities.

Executive Committee

Purpose of the Executive Committee:

The Executive Committee's role includes making decisions, reports and recommendations to enable SIIL to discharge regulatory and governance obligations in accordance with the applicable regulatory regime, PRA and FCA guidance and best practice and to align SIIL's interests with those of shareholders and promote the long-term success of SIIL.

The Executive Committee has authority to make decisions on behalf of the Board save in respect of any matters which require the approval of the Board. The Executive Committee has authority to delegate matters to individuals or to existing or new committees. The Executive Committee does, with the oversight of the Board, supervise certain committees to which it delegates some of its responsibilities.

Underwriting Committee

Purpose of the Underwriting Committee:

The Underwriting Committee is a Sub-Committee of the Executive Committee and has been delegated to handle all matters relating to new and existing products, product performance and value to customers considerations. Not all members of the Executive Committee are members of the Underwriting Committee.

The Underwriting Committee has authority to make decisions on changes to product pricing and product benefits and to sign off potential new business opportunities for viability against underwriting appetite.

The Underwriting Committee reports any matters of significance to the Board or one of its sub-committees as appropriate.

Conduct Risk Committee

Purpose of the Conduct Risk Committee:

The Conduct Risk Committee is a Sub-Committee of the Executive Committee and has been delegated to handle all matters relating to Conduct Risk. The committee focuses on the oversight of customer service, claims and complaint performance of SIIL's outsourced providers. It ensures that their performance is within tolerance, and where it is not a plan to return to tolerance is in place. The committee also focuses on product monitoring ensuring that none of SIIL's products are delivering conduct concerns and all continue to provide fair value to the intended target market.

The Conduct Risk Committee reports any matters of significance to the Executive Committee and the Risk Committee as appropriate.

B.1.2 Remuneration policy

B.1.2.1 Remuneration

All Remuneration within SIIL is overseen by the Board.

In setting remuneration packages for individual employees, SIIL adopts a job evaluation approach. All roles are evaluated according to recognised job evaluation methodology and are then benchmarked against industry data to ensure that total reward (fixed compensation, variable compensation and contractual benefits) is appropriate to the particular role and local market conditions.

B.1.2.2 Fixed and Variable Compensation

Remuneration packages within SIIL are categorised into Fixed and Variable Compensation. Fixed Compensation includes: Basic Salary, Employer Pension Contributions and contractual benefits. Variable Compensation is any type of remuneration that is not fixed. It includes participation in a performance bonus scheme appropriate to the employee's role. Other forms of variable pay such as sign on bonuses, retention bonuses and variable severance pay are only permitted in exceptional circumstances and are subject to strict governance.

Variable Compensation paid to employees is from a bonus pool determined by company metrics. The funding of the pool is determined by performance against financial and non-financial indicators which are agreed by a private session of the Independent Non Executive Directors.

The allocation of individual awards to employees from the bonus pool is determined by personal performance against individual financial and non-financial objectives.

B.1.2.3 Remuneration of members of management body

Directors' remuneration as disclosed in statutory accounts

Statutory Results £ 000's Directors' Remuneration	2024	2023
Directors	**407**	685

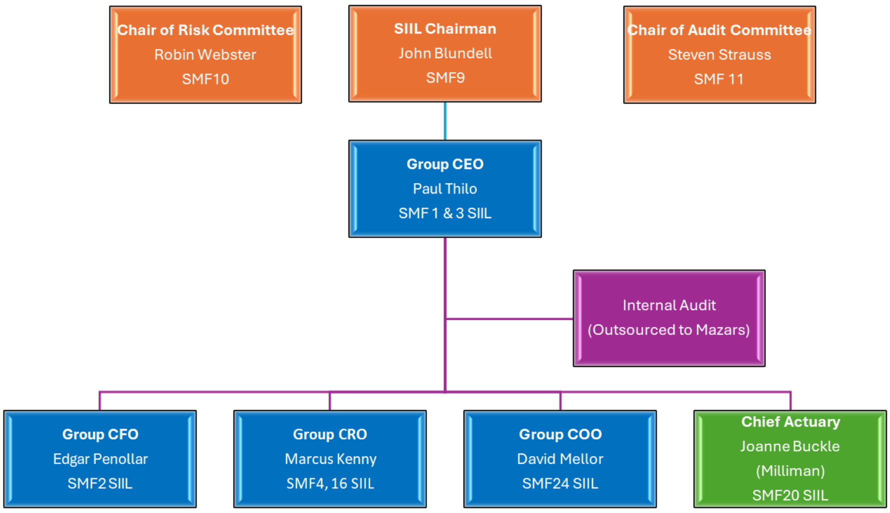
Remuneration for all directors was paid by Union Income Benefit Holdings Ltd and their remuneration charged to SIIL. One director is remunerated for their services to the Group and an apportionment of their total emoluments has been included in the SIIL directors' emoluments figure.

B.1.2.4 Material Changes in the system of governance

Paul Thilo was appointed to the Board on 5 January 2024. John Blundell was appointed to the SIIL Board as an independent director on 16 June 2024. John Blundell was appointed Chair of the SIIL Board on 18 December 2024. Thomas Barbarez resigned from the SIIL Board on 12 September 2024 and Edgar Penollar was appointed to the SIIL Board on the same day. The composition of the Board is detailed below:

John Blundell	Independent Director (appointed 16 June 2024)
Steven Strauss	Independent Director
Robin Webster	Independent Director
Paul Thilo	Director (appointed 5 January 2024)
Edgar Penollar	Director (appointed 12 September 2024)
Dan Harrison	Non-Executive Director

The SIIL internal organisation chart as at 31 December 2024 is shown below.



B.1.2.5 Other key functions

SIIL has two key outsourced control functions: internal audit and the actuarial function.

- *Internal Audit*

  In line with the requirements, Internal Audit is fully objective and independent from all other functions, reporting directly into the Audit Committee and Board.

- *Actuarial function*

  Actuarial Function holder is the Chief Actuary. This is an outsourced role and the Chief Actuary is a member of the Executive Committee.

Responsible persons for key functions as at 31 December 2024

Responsible Person	SMF Position Held	Function
John Blundell	SMF 9	Chair of Governing Body
Steven Strauss	SMF11	Chair of Audit Committee
Robin Webster	SMF10	Chair of Risk Committee
Paul Thilo	SMF1 and SMF3 (12 week rule) (overlap with PRA SMF)	Chief Executive Officer
Edgar Penollar	SMF2 and SMF3 (overlap with PRA SMF)	Chief Finance Officer
Marcus Kenny	SMF4 and SMF16	Chief Risk Officer
Joanne Buckle	SMF20	Chief Actuary
David Mellor	SMF24	Chief Operating Officer

B.2 Fit and proper requirements

B.2.1 Requirements

SIIL is committed to a policy of proactive compliance with the PRA and FCA rules. The PRA/FCA expect standards of behaviour and conduct to be adhered to. These standards are expected as a minimum, and represent good business, ethical, and HR practice, and should not present a challenge for senior managers in the organisation.

Apart from ensuring that individuals are made aware of their responsibilities, there are two main areas where SIIL has implemented rigorous processes and procedures:

1. the vetting and verification of individuals, and
2. the maintenance of clear organisational accountabilities: for both individual and group decisions.

B.2.1.1 Vetting and verification of Approved Individuals

Those about to be appointed into a Senior Manager Function (SMF) role go through a SIIL vetting and verification process, prior to the application to the PRA/FCA. This applies whether the individual is an external or an internal appointment and whether the appointment arises as the result of restructure, succession planning or redeployment.

To ensure that SIIL meets its regulatory obligations, it carries out 'due diligence' prior to the application being submitted to the PRA/FCA. In essence this requires SIIL to ensure that all the information provided is factually accurate.

Appointment to an approved role is conditional upon SIIL obtaining satisfactory information from the vetting and verification checks, a Regulatory Reference and PRA/FCA approval being granted. In assessing fitness and propriety, the PRA/FCA (and SIIL under the 'due diligence' process) consider both the relevance and the importance of any matter which comes to their attention which suggests that a person might not be 'fit and proper'.

B.2.1.2 Criminal Record Checks

Approved roles are subject to a check from the Disclosure and Barring Service (DBS) and/or the Scottish Criminal Records Office (SCRO). The information provided includes details of cautions, reprimands or final warnings, as well as convictions. The check must be satisfactory to SIIL and the PRA/FCA for the appointment to be confirmed. Once the SIIL checks have been carried out satisfactorily, all required information is submitted to the PRA/FCA to go through its approval process.

B.2.1.3 Maintenance of clear organisational accountabilities

SIIL has processes in place to ensure the maintenance of clear organisational accountabilities for key decisions. These processes govern both collective and individual decision making. Clear oversight of this is provided by the Management Responsibilities Map.

The collective element is covered by SIIL's high level committee structures, which deal with the corporate governance frameworks of the organisation. Each committee has its own terms of reference which covers its remit, membership and operating/reporting requirements, as well as where each committee derives its authority and escalation processes where matters breach the extent of authority afford to that Committee.

In addition to this, individual Approved Persons are required to agree and maintain up to date documentation on their role. This includes a job description outlining the main responsibilities of the role. The job description reflects both the PRA/FCA Controlled Function(s) that apply and details of any high-level Boards and Committees that the individual sits on, either as Chairperson or member. The significance of this is that the individual's responsibilities for both collective and individual decisions are reflected.

B.2.2 Process for assessment

The FCA and PRA's Senior Managers and Certification Regime (SMCR) came into force on 10 December 2018 for insurers. The regime was implemented to ensure the majority of firms (commencing with insurers) followed the same standards which were implemented for banks following the publication of the final report of the Parliamentary Commission on Banking Standards.

The SMCR seeks to ensure that the senior persons who are running insurers, or who have responsibility for key functions at those firms, behave with integrity, honesty and skill. It replaced both the FCA's approved person regime and the PRA's Senior Insurance Managers Regime.

One of the regulators' key themes is senior management responsibility and accountability. The PRA continues to stress that it is the individual and collective responsibility of senior management to ensure that firms comply with its regulatory obligations.

The objective of SMCR (for insurers) is to enhance the governance structures of Solvency II insurance firms. The regime reaffirms standards of fitness, propriety and conduct for individuals that fall within scope and reflects the regulators' increased focus on greater personal responsibility and accountability.

The scope of the SMCR covers senior insurance managers who are subject to pre-approval by the PRA and/or FCA for a controlled function together with all the other senior individuals (termed "key function holders") who are effectively running the insurer.

SIIL ensures it has appropriate persons identified and approved in line with the SMCR regime.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk management system

B.3.1.1 SIIL's Risk Management Framework

SIIL's approach to the management of risk exposures are outlined within the Risk Management Framework which guides the business on its approach to risk. The fundamental purpose of the Risk Management Framework is to provide a structured approach to identifying, measuring, and managing risk within SIIL – considering both risk exposures in the here and now, as well as those which may arise in the future. The core components of the framework are outlined in this section.

The Risk Management Framework involves:

- Establishing SIIL's risk appetite statement
- Establishing an underwriting appetite
- Maintaining a Risk Taxonomy framework with key risk indicators and risk owners through which risk can be assessed and monitored
- Establishing risk tolerances for each key risk indicator
- Utilising risk policies to set minimum standards to be met
- Monitoring the Company's overall risk exposure via the Risk Committee to ensure a combination of risks positions isn't causing a worsening of overall risk

Risk Strategy & Risk Tolerance:

SIIL has in place risk appetites for the business which articulates its risk objectives and associated limits for the key risks. This is articulated in the form of a risk strategy (the directional and core strategic view of risk) and the risk tolerance (setting out clear limits which are monitored against). Risk strategy and tolerance are reviewed on an annual basis.

Risk Identification

SIIL has identified the key risks to the business and each has been assigned the most appropriate risk owner from SIIL's Senior Managers and/or SMF holders. Controls and key risk indicators for each risk have been agreed and tolerances with which to measure each against are in place.

Risk Assessment

It is the responsibility of risk owners to monitor their risks, with the Chief Risk Officer reporting emerging risks and risk concentrations directly to the Executive Committee and Risk Committee. The SIIL capital model quantifies risks addressed by the standard formula to which the business is exposed and capital is held to meet those risks.

Risk Reporting, Monitoring and Response

Risk owners are required to submit monthly updates on the status of each key risk indicator as well as an overall grade for their risk: Red, Amber, Yellow or Green. An executive summary is provided to give context on risk indicators to ensure clarity. The Chief Risk Officer then gathers the responses into a single view for presentation to committees and an overall assessment of the risk exposure of the firm. Risk mitigation is then discussed if the overall risk breaches, or is approaching, the risk tolerance as set by the Board. Additionally, risks which are currently outside appetite are reported through Executive Committee and Risk Committee, including actions to bring them back into appetite.

Risk Control

The Risk Management Framework is supported and embedded by a strong risk culture throughout SIIL. This is vital to ensuring that adherence to and use of the framework is active on a day-to-day basis.

B.3.1.2 SIIL's risk governance framework

The risk governance framework is aligned to the corporate governance structure outlined earlier in this section.

The SIIL risk management framework operates through a three lines of defence model with clear reporting and escalation lines defined. The core 2nd line of defence is the Risk function, which incorporates Operational Risk and Financial Risk oversight. Risk and control activities are defined and embedded within the three lines of defence.

Additionally, SIIL has a Compliance Monitoring Plan which reviews control effectiveness and adherence to internal policies and procedures. Where gaps are identified actions to mitigate these gaps are suggested.

B.3.1.3 Risk Strategy and Tolerance Approach

Risk appetite statements covers the reason for taking a risk, competence to manage the risk and risk preference leading to a clear appetite for each risk. Risk Tolerance statements translate the appetite into a targeted risk profile and are established to assist management in carrying out business strategy within the resources available to the company. This plays an important role across four areas: financial strength; continuity; culture; and risk balance.

The risk taxonomy output from the risk management framework is used by the risk owner to frame the appropriate Risk Response. The tolerance levels and the key risk indicators will be reviewed at least annually to retest their appropriateness.

Monitoring and managing the level of risk within SIIL against the risk reports is a key risk management tool. The risk reports, and the effective management against those, increase the likelihood of SIIL achieving its business objectives and are key to meeting the Solvency II requirements.

B.3.1.4 SIIL's risk reporting approach

SIIL performs regular risk reporting and produces a comprehensive set of risk reports to measure, monitor and manage the risks in the business. The reports are discussed and presented at governance committees for mitigating actions and awareness of any potential new emerging risks to be analysed.

B.3.2 Own Risk and Solvency Assessment

B.3.2.1 ORSA process overview

The ORSA policy outlines the mandatory requirements for completing the SIIL ORSA. The ORSA enabling framework helps link the process between the business strategy and business plan, to the supporting risk framework and risk & capital assessments, to the use of the results in decision making and hence influence on the business strategy.

B.3.2.2 ORSA Governance

The ORSA report is subject to Board level approval at least annually or in the event of a significant change in the risk profile. The last ORSA was approved at the December 2024 Board.

B.3.2.3 Own Solvency Needs & Capital Management

Solvency II became the primary regulatory capital basis applicable to the business as of 1 January 2016 and hence is the primary metric adopted within the ORSA. Solvency II is a risk-based capital regime which has policyholder protection central to its aims.

There is a need to maintain and meet Regulatory Capital requirements and therefore protect policyholder benefits to the regulatory specified levels. In addition, and in line with SIIL Capital Management Policy, a buffer level of capital is targeted within SIIL. Capital strength is actively considered through Solvency II reporting, required by the PRA under its Prudential Sourcebook for Insurers.

The approved Standard Formula ('SF') has been used to determine solvency needs. Additional capital in the form of a capital buffer represents the level of target capital which enables the business to withstand plausible events whilst still being able to meet regulatory capital requirements. This is further described in Section E.

The company also uses financial forecasts to cover the medium-term financial outlook of the business, including forecasts of solvency positions and key performance indicators under a variety of management decisions. This is a key element of the MTP and ORSA.

B.3.3 External Credit Assessments Institutions (ECAI)

SIIL does not use credit assessments from ECAI.

B.3.4 Long Term Guarantees

SIIL does not use the Matching Adjustment, Volatility Adjustment or the Transitional Measures. Due to the duration of its liabilities it is not exposed to the extrapolation of the risk free rate.

B.4 Internal control system

B.4.1 SIIL's internal control system

This section provides an overview of the Risk Management Framework and the tools and procedures which enable a robust internal control system. This section is split into three as follows:

1. Risk Management Framework
2. Implementation within SIIL
3. Compliance Function

B.4.2 Risk Management Framework

The Risk Management Framework specifies how risks are identified, measured, monitored and managed within the business. These measures cover financial, customer, operational and regulatory risks ensuring that SIIL protects the interests of SIIL's customers and shareholders under a wide range of severe but plausible risk events. A system of governance is adopted within SIIL which acts to oversee the embedding of the risk framework and the management of risk exposures to its customers and shareholders.

B.4.3 Implementation within SIIL

SIIL has a core objective of seeking to achieve fair outcomes for its customers as illustrated through its risk appetite statements and supporting Risk Framework. The risk appetite for the business is articulated in its Risk Appetite Statement. The Risk Taxonomy, where individual risks are owned by senior managers, allows individual risks to be monitored against their key risk indicators and reported back to the Chief Risk Officer and then onto the Risk Committee. This provides a comprehensive management tool to identify, measure and manage SIIL's risk exposures within specified bounds. Further detail of which is included in the section B.3.1 above.

SIIL sets and monitors against risk appetite on the conduct of its business based on the regulatory environment in which SIIL operates, internal expectations for the fair treatment of customers, the exposure to and management of financial crime, how SIIL's people behave and conduct themselves, and the operations in the business.

A formal review of risk and control activities (including administrative and accounting procedures) is undertaken by the accountable executive and control owners on at least an annual basis. Monthly risk reports are completed by management across business functions to demonstrate how each key risk indicator is performing against its tolerance. This allows the risk owner to allocate a grading to their risk and SIIL's overall risk exposure to be measured, monitored and discussed.

Risk events ('incidents') can occur and are reported and managed in the business in line with an Incident Management process. This process ensures that all risk events, including significant issues, control failures, breaches or other shortcomings are logged, investigated and remediated.

The Risk Framework is supported by a range of policies which are adopted in the business. These set the processes and bounds within the business to manage risk within the business. The Compliance Monitoring plan tests adherence to internal policies and procedures. Consideration of actual and potential conflicts of interest is made in alignment with the Conflicts of Interest Policy.

The Risk Framework operates through a three lines of defence model with clear reporting and escalation lines defined. There is a split of activities undertaken within the second line of defence providing coverage of the Risk Management Framework.

1st Line of Defence Internal Control Activities

A number of activities across the 1st line of defence comprise the Internal Control Framework:

- Finance Controls which provide assurance over the reliability, accuracy, timeliness and quality of financial, management, regulatory reporting and the safeguarding of assets.
- A Quality Model is in place within the administration functions to ensure accurate and appropriate processing of customer data. Key elements of our Quality Model include:
    - Licensing of individuals based on assessment of competence
    - Use of standard checklists within the workflow system
    - Risk based checking and sampling of each work activity
- A suite of policies which are regularly reviewed and refreshed through governance are adopted to manage the risks that arise in the running of the business in a consistent manner within SIIL's risk appetite. All employees are required to operate within the policy guidelines.
- Risk and assurance actions are recorded, tracked and monitored and are subject to oversight from the structure of governance committees and boards which regularly review and challenge risk management information ("MI") as well as monitoring compliance with the risk framework.
- Information Security Compliance checks are performed in compliance with the Group Information Security Policy and minimum standards.
- Business continuity testing is in place and regularly tested in accordance with the Business Continuity Policy and the IT Systems Risk Policy.
- All staff are required to complete mandatory computer based training on a regular basis to ensure they understand all key requirements including legislative, regulatory and the expected Code of Conduct.

Management is responsible for ensuring that the appropriate controls are in place having considered the following activities as set out in the risk management framework:

- Monthly Risk Reports – SIIL's risk management framework requires the completion of a report on each risk for which a manager is the designated owner. This captures an assessment of the level of overall risk and the result of each key risk indicator against its tolerance.
- Risk Acceptances – which provide assessment, approval and monitoring of risks accepted through the formal governance process within the SIIL framework.
- Policy compliance – an assessment of performance against policy requirements. The outputs provide management with key data highlighting any compliance gaps which could present risks or weaknesses and allows the appropriate action to be taken.
- Incident management, breaches and loss events - An Incident Management process is embedded with defined responsibilities. This process ensures that all risk events, including significant issues, control failures, breaches or other shortcomings are logged, investigated and remediated. This includes regulatory risk breach reporting.
- Consideration of any issues and actions identified by Risk, Compliance or the Internal Audit Function.
- Consideration of actual and potential conflicts of interest in alignment with the Conflicts of Interest Policy.

2nd Line of Defence Internal Control Activities

The activities undertaken by management within the 1st line of defence are subject to review, challenge and oversight by the Risk Function. This includes monitoring compliance with the risk framework.

Reporting on the internal control framework activities as detailed above is covered in Risk MI which is provided to the Executive Committee and the Risk Committee each time they meet.

The Compliance function operates a Regulatory Development Group (RDG) which monitors Regulatory & Legislative Developments and considers the impact to SIIL. The Group meets bimonthly to consider new items and all monitoring actions are recorded, tracked and monitored. Additionally, the RDG has oversight of actions arising from Internal Audits and Compliance Monitoring reviews, tracking these through to completion.

3rd Line of Defence Internal Control Activities

The Internal Audit function provides independent assurance over the internal controls, by undertaking specific and thematic reviews.

B.4.4 SIIL's Compliance function

The objectives of the Compliance function cover both Solvency II Compliance and broader aspects through the Regulatory Compliance function. The objective is to support the SIIL Board and Risk Committee in ensuring that SIIL acts in line with relevant legal, regulatory requirements and group risk tolerance. It also has oversight of operations systems and controls. In this role, the function promotes and fosters compliance with laws and regulations. Delivered well, strong regulatory compliance enables the organisation to act with integrity and enable optimal service delivery to the Company's policyholders.

B.4.4.1 Compliance Risk

'Compliance risk' at SIIL is defined as: The risk of impairment to the organisation's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies. This includes the risk of failure to comply with established good business practices and failing to balance the expectations of key stakeholders such as customers, employees and society as a whole.

B.4.4.2 Compliance Risk Appetite

SIIL aims to be compliant with all applicable laws and regulations, internal company rules and policies governing its operations and established good business practices. SIIL acts to ensure that this requirement is embedded in the culture of its business operations.

B.4.4.3 Tolerance

Where the application of a rule or guidance is open to interpretation, SIIL may make a judgement if it can evidence a reasonable argument for its actions and the interpretation does not result in SIIL taking any unacceptable risks.

In judging the application of a rule or guidance that is open for interpretation, SIIL considers the following to be unacceptable:

- Customer financial loss or loss of rights due to non-compliance with applicable regulatory requirements;
- Implementation of any product, service, process or system that is likely to result in enforcement action by the regulator;

- Implementation of any product, service, process or system that is likely to result in loss of customer or intermediary confidence in the Company's ability to conduct business compliantly; and
- Business practices that do not display integrity and may damage SIIL's reputation.

B.5 Internal audit function

B.5.1 Internal audit function

The Internal Audit team assist the Executive the Board and Risk Committees in protecting the Company's assets, reputation, and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes. The Internal Audit function is the third line of defence.

Audit Services for SIIL are delivered by Mazars LLP, reporting to the Board and Audit Committee.

The audit function carries out the following activities;

- Prepare and execute a risk-based audit plan which is approved by the SIIL Board.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.
- Assist in the investigation of significant suspected fraudulent activities or conduct special reviews or consulting which may not usually be included in the scope of Internal Audit and notify the Audit and Board Committees of the results of these activities.
- Issue periodic reports to management and the Audit Committee, summarising the progress and results of the annual audit plan.
- Ensure the Audit Committee, Board and wider senior management are kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and compliance and risk functions, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

B.5.2 Independence and Objectivity of the Internal audit function

The Internal Audit function is independent of senior management, which has responsibility for the first and second lines of defence and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management, and governance.

Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Audit. Internal Audit's policies also align with professional auditing standards, including the Chartered Institute of Internal Auditors' guidance for Effective Internal Audit in the Financial Services Sector.

Internal Audit avoids any conflict of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

Internal Audit did not execute any operational duties for SIIL and will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted.

To ensure the independence of the auditors and effective governance, Internal Audit had a primary reporting line to the Audit Committee and secondary reporting lines to the Board and Risk Committee.

The Internal Auditor attended SIIL Audit Committee meetings in 2024, providing updates to the Board.

Role and purpose of the SIIL Internal Audit Function

Internal Audit Services for SIIL are delivered by Mazars LLP. The Internal Audit Function is the third line of defence and reports functionally and administratively primarily to the Audit Committee.

The objective of the Internal Audit Function is to systematically evaluate the effectiveness of and provide insight on the SIIL control environment that consists of, not limited to, the combined effectiveness of governance, organisation, policies, procedures and systems. Examples may include strategy, culture, financial performance, compliance, system security, and due diligence engagements. The function also provides consulting services where the nature and scope of the services are agreed with the service requestor. These should fit the nature of the audit function and not interfere or conflict with the independence and objectivity of the audit function. The consulting services intend to add value and improve SIIL's governance, risk management, and control processes without assuming any management responsibility by the internal auditors. Examples include counsel, advice, facilitation, and training. In order to act upon SIIL's purpose, the service provided by the function needs to be aligned with SIIL's Strategy and business objectives.

Opportunities to strengthen the existing management control environment, effectiveness and SIIL's reputation may be identified during all its activities.

Authority

SIIL Internal Audit derives its authority from the SIIL Board, via the Audit Committee, and is authorised to examine the internal controls, risk management and governance processes in all areas of the Company.

Internal Audit is authorised to have full, free and unrestricted access to all SIIL records, functions, physical properties and personnel, including where appropriate outsourced operations, within a reasonable period of time making the request. Local laws and regulations will apply regarding the attainment of any records required.

Escalation

To ensure the appropriate influence, authority, independent position and direct access to the appropriate parts of the organisation, Internal Audit can escalate to the Chair of the Audit Committee, Chair of the SIIL Board or to the SIIL Chief Executive Officer.

Committees

The Internal Audit Function shall meet periodically with the Audit Committee to report activities since the previous meeting, significant audit findings, future activities relating to regular audits and special projects, acts of fraud, theft or misconduct, and other matters believed to be of sufficient magnitude and importance.

B.5.3 Internal Audit 2025 Plan

The proposed risk-based internal audit plan for 2025 has been reviewed by the Audit Committee and confirmed to consist of the following reviews:

IT Disaster Recovery

Financial Controls

Claims and Case Reserving

Data Governance

B.5.4 Internal Audit Persons

None of the Internal Audit staff performed any other control functions including the compliance, risk management and actuarial functions.

B.6 Actuarial Function

The SIIL actuarial function is delivered through an outsourcing arrangement with an actuarial consulting provider. The overall accountability for the function rests with the Chief Actuary. The SIIL Chief Actuary is responsible for providing information and assurance as required for the Board. Within SIIL the objective of the Actuarial function is to assist the effective discharge of their responsibilities by:

- Ensuring appropriate methodology and best estimate assumptions for the valuation of the firm's liabilities and related items, including procedures that ensure timely review and appropriate level of granularity on an ongoing basis;
- Ensuring that insurance liabilities and related items are valued and reported properly, including choice of valuation approach, reflection of uncertainty and management discretion, model set-up and other relevant components of valuation;
- Furnishing senior management with actuarial analysis and advice at least concerning:
    - appropriateness of data, assumptions and methodologies used to determine technical provisions and related items including items that are deemed to require future attention;
    - the adequacy of the reinsurance arrangements.
    - impact of strategic or management decisions on liabilities.
- Supporting management in the execution of an effective underwriting policy, also covering pricing and product development, by providing expert opinions; and
- Ensuring compliance with regulatory actuarial (reporting) requirements, including local actuarial sign-off on adequacy of reserves.

B.7 Outsourcing

Outsourcing arrangements and material suppliers impact operational risk as a result of potential changes to and reduced control over the related people, processes and systems. SIIL followed Its own outsourcer management policies and procedures during the year. This ensures that arrangements entered into by SIIL which can result in material risk (i.e., risk classification severe and significant) are subject to appropriate due diligence approval and on-going monitoring and governance. All material risks arising from these activities should be appropriately managed to ensure that SIIL is able to meet both its financial and service obligations.

External outsourcing arrangements are arrangements of any form between an organisation and a supplier, by which the supplier performs a function or an activity, whether directly or by sub-outsourcing, which could otherwise be performed by the organisation itself.

B.7.1 Intra-group outsourcing arrangements

Embignell Group

Staff were jointly employed by UIB, SIIL, GPH and Union Benefit Services Ltd (UBS) throughout the year. These are all entities within the Embignell Group. UIB is the lead employer and recharges the costs of salaries to SIIL in the proportion of the SIIL work carried out by each staff member.

UIB provides some IT, HR, Legal and Payroll support and these costs were recharged through 2024.

UIB also provide customer service and claims handling services to SIIL customers via a delegated authority agreement for a significant portion of SIIL's portfolio. UIB staff act as the first point of contact for relevant SIIL customer phone calls, emails and post. UIB staff handle and process customer policy claims for the same SIIL customers that they provide customer service. UIB conduct their own quality assurance, reporting to SIIL monthly via a performance report.

B.7.2 External outsourcing arrangements

SIIL significantly outsources its operations in the business whilst retaining all Management as internal roles. The most significant outsourcing arrangements are:

Konecta

Konecta provide customer service to SIIL customers for a significant portion of the portfolio that are not handled by intragroup services. Konecta act as the first point of contact for relevant SIIL customer phone calls, emails, faxes and post. Konecta also work collaboratively with the relevant adjudicating bodies in the UK to ensure a fair outcome when handling customer complaints. Konecta also provide a quality assurance service which ensures processing work is to a high standard. This includes the quality assurance(QA) of claims cases processed by Gielisch (GCM).

Gielisch

Gielisch (GCM) handle and process customer policy claims for the remaining SIIL customers across its portfolio. GCM also enhance the quality model by providing an additional layer of oversight to the quality checks performed.

SSP

SSP Ltd host and maintain the policy administration system for some of the portfolio while ensuring a high level of data security and system availability is achieved. In addition to this, SSP play a key part in making information available as required for many business critical processes. SIIL worked on a project to migrate its data to a different, Group owned, system which completed during 2024 and ultimately ending the relationship with SSP.

Only Pets Cover Ltd (OPC)

OPC are the managing general agent of the Scratch & Patch portfolio which is underwritten by SIIL. SIIL delegates the management of the portfolio which is then outsourced by OPC including customer service, claims handling, premium collection and quality assurance work. SIIL maintains oversight of OPC to ensure that customers are treated fairly, the products provide fair value and that no conduct related issues are unaddressed.

Companjon

Companjon are the managing general agent of the train cancellation product which is underwritten by SIIL. They carry out management of the portfolio including customer service, claims handling, premium collection and quality assurance work. SIIL maintains oversight of Companjon to ensure that customers are treated fairly, the products provide fair value and that no conduct related issues are unaddressed.

The risks to the outsourcers include but are not limited to the failure of the outsourcer and need for replacement – potentially at short notice, reducing standards including poor customer conduct issues and fraud. All outsourcers are required to comply with the approved Outsourcing policy that is adopted by SIIL, compliance with this policy supports the effectiveness of the outsourcing governance framework, the outsourcing strategy and budgets set by SIIL.

SIIL recognises it cannot outsource its regulatory responsibilities and remains liable for the fair treatment of customers and to ensure that FCA principles and consumer outcomes are honoured. To achieve this oversight, monitoring and reporting of these Outsource Service Providers (OSPs) is given the highest priority. Additionally, SIIL takes fair value to the end customer into consideration when deciding whether to outsource key processes to OSPs.

B.7.3 The rationale for outsourcing and evidence that appropriate oversight and safeguards are in place

The customer service function and claims functions for a material portion of the insurance portfolio are outsourced to Konecta, GCM, OPC and Companjon. These companies have vast experience of the products and processes that they provide services for.

At the start of 2024, the Company had used SSP who owns the policy administration platform that SIIL used to store and maintain policy information for a large number of customers. SSP are an expert in their field within the global insurance industry and also has vast knowledge of the SIIL business. The outsourcing arrangement with SSP ceased in 2024.

Konecta, GCM, OPC, Companjon and SSP had all participated in regular monthly performance reviews to ensure an appropriate service is delivered and business objectives are being met. In addition, SIIL chairs formal quarterly meetings to review measures and controls in relation to risk, compliance and contractual obligations.

Critical outsourcers are subject to annual health checks validating the financial health of the companies and ensuring the security controls in place are appropriate and fit for purpose.

Regular monthly meetings as well as daily MI / daily contact ensures the outsourced services are being provided satisfactorily and SIIL can quickly react as required. The business maintains a register on all SIIL's outsourcers in line with the PRA's guidance on outsourcers and third parties.

B.8 Any other information

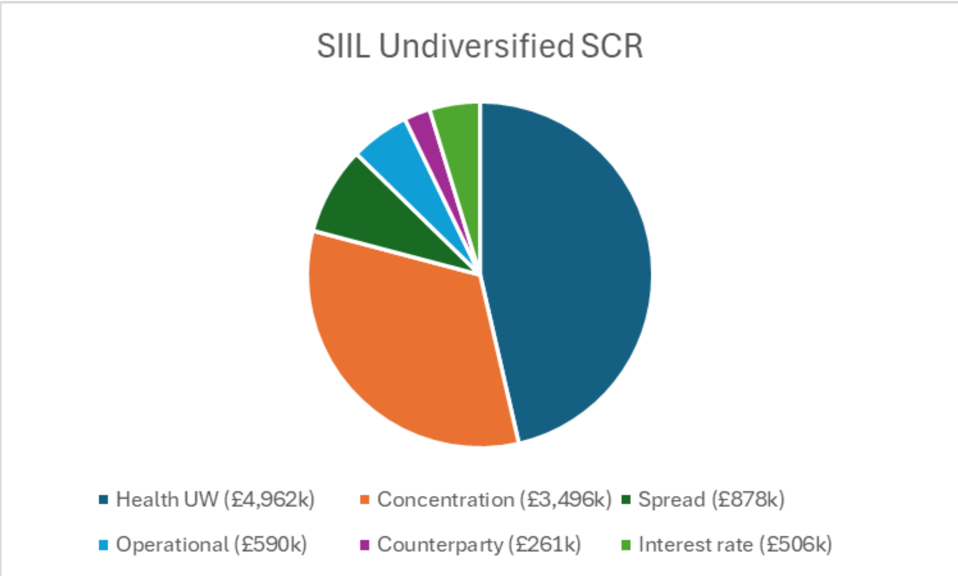
All material information regarding the Systems of Governance for SIIL is covered earlier in this section. The Systems of Governance described are fully embedded in the business. To ensure the Systems of Governance are operating effectively, a regular cycle of Board effectiveness and Terms of Reference compliance is undertaken.

C. Risk Profile

General

The Company is exposed to the following material market related risks: Counterparty risk, Concentration risk, Spread Risk and Liquidity risk. Due to the types of investments that SIIL holds, the risk of externally market driven events is usually low. The main other risks that the Company is exposed to relate to Underwriting risk, and Operational risk which includes legal and compliance risks. Underwriting risk includes the risk of writing business that is outside SIIL's risk appetite and the risk that SIIL is inadequately reserved for its insurance portfolio.

Exposure to these risks is monitored by the Board, and appropriate sub-committees of the Board (in particular the Risk Committee) and Executive Committee. The capital held to cover the risks are further disclosed in Section E, however a chart of the Solvency Capital Requirement (SCR) outlining the key risks exposures is noted below:-



SIIL Undiversified SCR as at 31st December 2024

Off-balance positions and Special Purpose Vehicles

There are no off-balance sheet positions for SIIL. SIIL does not utilise Special Purpose Vehicles.

Prudent Person principle

The prudent person principle is in scope of SIIL's System of Governance. There are a suite of risk policies in place to ensure that the assets held are appropriate to the nature of the liabilities without taking on excessive risks.

SIIL only invests in assets that can be properly identified, measured, managed, controlled and reported on. Assets held to cover Technical Provisions are invested in a manner appropriate to the nature and duration of the corresponding general insurance liabilities. The overall aim is aligned to Article 132 of the Solvency II Directive to only make investments for that a "prudent person" would make.

This section discusses each risk category, per the Delegated Acts Article 95, in turn as follows:

- Underwriting Risk (C.1)
- Market Risk (C.2)
- Credit Risk (C.3)
- Liquidity Risk (C.4)
- Operational Risk (C.5)
- Other material risks (C.6)

Collateral

SIIL does not have any collateral arrangements.

Securities Lending or Borrowing

SIIL does not have any securities lending or borrowing transactions.

Annuities

SIIL does not sell annuities. There are no guarantees to include hedging arrangements in respect of any variable annuity business.

Loan Portfolio

Other than the Intercompany Loan and the upfront commission to OPC discussed in Section A.1, SIIL does not have a loan portfolio.

Investments

A listing of SIIL's assets has been included in Section C 3.1 in this document. These assets are invested in accordance with the prudent person principle as noted in the risk profile and with the low-risk business strategy. SIIL has no qualifying infrastructure investments.

There is no risk from intra-group positions. The intercompany loan defaulting, as an unlikely but worst-case scenario, is modelled each quarter end to confirm that the Company has sufficient capital should this become a risk. Additionally, the Group position is monitored for financial health. Outstanding balance amounts at the end of the reporting period are net debtors of £1,678k, this mostly relates to accrued intercompany loan income.

There are no other material risks to the capital position of SIIL. Full analysis of any material risk exposures can be found in the ORSA.

C.1 Underwriting risk

C.1.1 Underwriting risk description

Underwriting risk is the risk of making losses on the activity of insurance either in assessing the risks it insures or in quantifying claims that might occur.

The risk under any one insurance contract is the possibility that the insured event occurs and the size of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk faced by the Company is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random, and the actual number and number of claims and benefits will vary year to year from the level established using estimation techniques.

Health Underwriting risk at 31 December 2024 comprises 52% (2023: 52%) of the total undiversified SCR. The key components of underwriting risk are:

- Premium Risk - Results from fluctuations in the timing, frequency and severity of insured events
- Reserve Risk - Results from fluctuations in the timing and amount of claim settlements
- Catastrophe Risk - The risk from extreme or irregular events that are not sufficiently captured by the capital requirements for premium and reserve risk
- Lapse Risk - The risk from the discontinuance of insurance policies (where this would result in a reduction of future premiums).

Future lapse risk only exists on insurance contracts of more than one month in length. The risk to the Solvency II capital position comes from a lack of future premiums in cases where contracts are not renewed. The Company has a portfolio where contracts are 12 months in length at the reporting date. These contracts carry a lapse risk which will add to the Capital Requirement, however the risk is currently low given the product experience.

C.1.2 Underwriting Risk Monitoring and Control

The Company monitors and controls underwriting risks via various methods, including:

- The Company acquired re-insurance cover for the entirety of 2024. This offered Risk Mitigation to the Company against larger claims against SIIL's Accident & Health policies. The 2024 policy was utilised during the year on a claim reported in 2023. There could still be claims relating to 2024 that have not yet been reported. The Company has again taken out re-insurance to cover 2025. SIIL mitigates risk on the Pet portfolio by obtaining reinsurance coverage against large third party liability claims and also via a quota share arrangement which covers all other claims. SIIL mitigates risk on the train cancellation product by obtaining a quota share reinsurance arrangement which covers all claims.
- Monthly performance reporting highlights performance of key underwriting metrics Reviewing relevant risks, including Reserve Risk, in the Risk Register at least quarterly
- Quarterly reporting and monthly estimations of claims reserves are submitted to the Board and Executive Committee
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions
- Lapse/Non-Renewal monitoring is conducted monthly

- Expense management processes are in place to limit Expense Risk

C.1.3 Risk Sensitivity

SIIL undertakes a range of stress and scenario testing to determine both the potential losses that could arise because of underwriting experience and also any additional impacts on solvency coverage levels that could arise, for example as a result of changes in SCR.

In preparing the ORSA consideration was given to the key following scenarios: -

1) Claims Utilisation Increase
2) Claims Handling Cost Increase
3) Loss of Key Staff
4) Worsening of Macroeconomic Conditions
5) Loan default
6) Climate Change

In all instances SIIL was able to maintain a suitable solvency position once the impacts to Underwriting Risk (and all other risks) was factored in.

C.2 Market risk

C.2.1 Market risk description

Market risk is the risk that assets or liabilities for the Company are adversely impacted by market movements including instrument defaults, credit risk movements (covered below in separate section) or market volatility increases/decreases.

As noted in sections A.3 and A.4 SIIL currently holds significant investment in Royal London funds, a bond portfolio managed by Evelyn Partners and has an Intercompany Loan issued to another group entity.

Market risk at 31 December 2024 comprises 39% (2023: 39%) of the total SCR. The key components of market risk are:

Spread Risk
Arises from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Concentration Risk
Is the risk arising from the accumulation of exposures with the same counterparty. It applies to equities, bonds and property and is dependent on rating and type.

Interest Rate Risk
Arises because of the impact of interest yield curves on future payments to be made for claims and receipts from investments. SIIL's exposure to interest rates arises from the investment portfolio and the settlement of future claims.

Currency Risk
Arises from fluctuations in exchange rates causing revaluations of the Company's current or future assets or liabilities. SIIL has limited exposure to currency risk.

C.2.2 Market Risk Monitoring and Control

The short-term, high quality liquid investment holdings are a consequence of the investment assets being prudently invested, considering the liquidity requirements of the business and the nature and timing of the insurance liabilities. Security of the investments is considered, and all funds are of a high credit quality. SIIL's investment policy requires 95% of its investments to be investment grade (excluding intercompany loan arrangements). Financial instruments are of investment grade if they are either part of an investment grade rated fund or if they are rated at least BBB individually.

Before entering into any investment, due diligence was performed on the underlying fund holdings and enquiries were made on the availability of data on these holdings on a look through basis so that SIIL was satisfied that it was possible to properly identify, measure, monitor, manage, control and report on these assets and be able to perform the required solvency capital calculations.

Before entering into any loan arrangements, due diligence was performed on the recipient to confirm suitability to make repayment. Stress testing of Solvency II and statutory financials in the event of a defaulting scenario was also performed. The effect of a loan default is monitored throughout the loan term.

Market risk is assessed and monitored by the Board as part of its oversight of the investment portfolio. The committee ensures that the exposure is within the risk appetite level and is in accordance with the investment process. The investment process is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates. Market risk is also identified, assessed and monitored through the RiskRegister where key market risks are recorded.

The Company does not have any exposure to Equity Risk or Property Risk.

C.2.3 Risk Mitigation

The investment strategy is derived and managed consistently with risk appetite and within the boundaries set out in The Company's Capital Management policy.

Investment performance is monitored monthly, and reporting provided to the Board and relevant Sub-Committees at least quarterly.

C.3 Credit Risk

C.3.1 Counterparty Default Risk description

Counterparty Default risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause SIIL to incur a financial loss. An indication of SIIL's exposure to counterparty default risk is the quality of the investments and counterparties with which it transacts. SIIL manages counterparty default risk exposure by individual counterparty, sector and asset class, including cash positions.

SIIL holds assets in cash and in low volatility/low return funds which seeks to reduce losses in downward market conditions in exchange for lower return potential.

SIIL also holds a reinsurance policy aimed at mitigating the risk of large claims.

Cash assets

All cash assets are held in rated banks providing day to day operational funds to run the business and meet policyholder claims. There is a counterparty risk to the banks in the event of significant counterparty failure.

Bank Placements at Year End

The cash values of the bank placements at the end of 2024 are:

Bank Account Exposures	Barclays Bank £ 000's	Natwest Bank £ 000's
31 December 2024 Balance	**1,291**	**100**

The cash values of the bank placements at the end of 2023 were:

Bank Account Exposures	Barclays Bank £ 000's	Natwest Bank £ 000's
31 December 2023 Balance	**1,813**	**100**

Royal London Short Dated Fund

The SIIL board carried out an exercise during 2024 looking at various options for their investments. A decision was to close the Company's investments in the Royal London Short Dated Fund. The fund is an Investment Grade Corporate Bond fund that offers modest returns for a relatively low investment risk. Investment in the fund was consistent with SIIL's investment strategy.

Royal London Money Market Fund

At the end of 2024 SIIL's investments in the Royal London Money Market Fund were valued at £7.1m. This fund also offers returns on a holding of very short dated bonds and cash equivalents. SIIL invested £0.9m in the fund and withdrew £0.8m from the fund during 2024.

Evelyn Partners Bond Portfolio

The SIIL board carried out an exercise during 2024 looking at various options for their investments. A decision was to hold some funds in a short to medium term government and corporate bond portfolio managed by Evelyn Partners. Funds amounting to £6.5m were invested in May 2024, and at the end of 2024 SIIL's investments in the Evelyn Partners bond portfolio were valued at £7.3m. SIIL invested a further £0.6m in the fund in November 2024.

At 31 December 2024 Counterparty Default Risk accounted for 3% of the total SCR charge (2023: 3%).

C.3.2 Counterparty Default Risk Monitoring and Control

Counterparty default risk is monitored in monthly financial reporting where exposures to each financial institution is recorded. The Board reviews and monitors this risk exposure through quarterly capital reporting.

C.3.3 Counterparty Default Risk Mitigation

If the Board's risk appetite to Counterparty Default risk is exceeded, then the Board will instruct management to diversify its exposure to counterparties.

C.4 Liquidity risk

C.4.1 Liquidity risk description

The definition of "liquidity risk" is where SIIL is unable to realise investments and other assets to settle its financial obligations when they fall due. This will arise where SIIL cannot meet policyholder claim pay outs or operational expense obligations due to a lack of accessible funds with which to make the payments.

SIIL generates liquidity in Sterling as it receives regular premiums in the period which are used to fund future claims and expenses. Furthermore, SIIL holds sufficient cash assets which can be readily realised. Cash assets can be drawn immediately with limited barriers to execution. Funds from the Royal London Fund money market can be drawn with 2 days' notice. Investments in the Evelyn Partners bond portfolio also can be accessed with 2 days' notice.

SIIL does employ a strategic mismatch in the duration of its assets versus liabilities (because of the short tail nature of the liabilities) to earn additional returns. This is managed through the preparation and review of regular cash flow forecasts. Also, as mentioned above all of SIIL's assets remain highly liquid.

Liquidity is assessed against a defined risk appetite ensuring SIIL can meet all payments due even in the event of stressed conditions. The current position is that SIIL is well within its risk appetite and liquidity risk exposure is deemed to be low.

C.4.2 Liquidity Risk Monitoring and Control

All Cash and Investment assets are monitored for changes in their availability. Any significant lengthening to availability is assessed to determine the impact on the Company's ability to settle its financial obligations.

The nature of SIIL's investment holdings mean it is highly unlikely that any impact would be significant.

C.4.3 Liquidity Risk Mitigation

Liquidity is managed through holding highly liquid assets, regular cash flow forecasting and reporting as endorsed by the business strategy. This is within risk-appetite and is monitored by management.

C.4.4 Future Premiums

An unearned premium reserve is held under UKGAAP to cover periods of time bound by existing contracts that are after the reporting date. Under Solvency II a cashflow approach is taken and the claims expected to occur in these same periods of time is held in a Premiums Provision. The Premiums Provision ensures that SIIL hold sufficient liquidity to settle these claims as they fall due.

C.5 Operational risk

C.5.1 Operational risk description

SIIL Operational Risk is all risks relating to the operational running of the business including meeting regulatory and legal & compliance requirements, servicing SIIL customers, and processing claims. For SIIL, a significant amount of the operations of the business are outsourced to preferred suppliers – in particular Konecta who perform customer service to a significant number of SIIL customers, and GCM who service customer claims. SIIL did outsource the support for the policy administration system to SSP which ended in 2024. The Company has developed its own policy administration system which went live during the year. This gives the Company better control over the handling of its customers and reduces the cost to the business. These services are provided to a separate significant portion of the SIIL book by UIB on an Intragroup arrangement. Finally, these operations are delegated to OPC and Companjon for the pet portfolio and the train cancellation portfolio respectively.

SIIL's management maintains a well-controlled environment and sound policies and practices to control these risks and keep operational risk at appropriate levels. Notwithstanding these control measures, however, operational risk is part of the business environment in which SIIL operates and is inherent in SIIL's size and complexity.

SIIL's risk management activities cannot anticipate every economic and financial outcome, or the specifics and timing of such outcomes. Furthermore, if the contractual arrangements put in place with any third-party service providers are terminated, including contractual arrangements with providers of information technology, administrative or investment management services, SIIL may not be able to find an alternative provider on a timely basis or on equivalent terms. SIIL may incur losses from time to time due to these types of risks.

At 31 December 2024 Operational Risk accounted for 6% of the total SCR (2023: 6%). Operational risk is derived by gross written premiums which have risen in 2024 as a result of the Pet Insurance premiums written.

C.5.2 Operational risk Monitoring and Control

Operational risk is measured and monitored on an on-going basis in line with the Risk Framework. The primary tools are the use of the Risk Taxonomy Risk Reports, and Risk Appetite Statements.

Business Risk

An overview of key business risks is directly monitored as these risks are directly related to SIIL's strategy. These risks are reported to Management and the Board through Risk reporting and other Chief Risk Officer reporting. Key business risks include:

- Growth
- Overall business strategy and products in the medium to long term
- Customer communications to ensure that SIIL continues to provide clear and accurate policyholder information
- Claims ratios, persistency levels and expense levels as outlined in earlier sections

SIIL remains within risk appetite for business risk.

Processing Risk

Processing risk covers operational processes in the business focused on the servicing of customers, as well as financial reporting and accounting processes. Controls are identified and monitored by risk owners of the appropriate risks within the risk taxonomy. Key processing risks include:

- Management and oversight of outsourcers and MGAs to administer policies and claims. Service level agreements are in place and are monitored, combined with regular reporting of key metrics.
- Implementation of Solvency II for SIIL. Inaccuracies in (financial) models could have a significant adverse effect on SIIL's business. Reliance on various (financial) models to measure risk, price products and establish key results, is critical to SIIL's operations.
- Billing processes with distribution partners are subject to controls to reduce the risk of incorrect billing or issues arising in the billing process.

SIIL remains within risk appetite for processing risk.

On a monthly basis, management complete a risk report to assess the status of each risk against its key risk indicators and their tolerances. The Chief Risk Officer gathers all risk reports together and reports an overall view of SIIL's risk exposure to the Executive Committee and Risk Committee. This framework supports compliance with senior manager arrangements as set out by the UK regulators, the PRA and FCA.

Legal, Compliance & Conduct Risk

Legal, compliance and conduct risk is the risk that losses occur due to non-voluntary legal liabilities, inadequate legal documentation, inadequate patenting of brands and intellectual property, and the risk of impairment to the organisation's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant legal and regulatory developments, possibly resulting in an inability to influence the final outcome.

Legal, Compliance & Conduct Risk is within tolerance as existing exposures are monitored.

Systems & Business Disruption Risk

Systems and Business Disruption risk is the risk that losses occur due to systems related failures arising from inadequate or failed controls over technology maintenance and development, information security or business continuity and disaster recover planning. Disaster recovery plans are in place, aligned to Group policies, in the event of a major business disturbance across the Group infrastructure. Key outsourcers have recovery plans in place and these are tested annually. Where appropriate the test results are reviewed by SIIL management.

Systems & Business Disruption risk is within tolerance as existing exposures are monitored. A particular focus is on the oversight to ensure critical outsourcers business continuity and disaster recovery plans remain appropriate and information security standards continue to meet SIIL's risk appetite.

C.5.3 Operational Risk Mitigation

A range of risk mitigation techniques are employed to ensure Operational Risk remains within Operational risk appetite. Generally, this is achieved through day-to-day management of processes and people, controls and risk appetite monitoring. Where incidents arise, corrective action is taken in line with the incident management process and controls are evaluated and improved on.

Material risk mitigation techniques include outsourcer and supplier oversight, compliance monitoring programme, and disaster recovery processes.

C.6 Other material risk

SIIL monitors emerging risks, including the financial risk from the impact of climate change and has a plan in place that is monitored by the Risk Committee. A climate change champion was in place throughout 2024.

There are no other material risks to the capital position of SIIL, full analysis of the material risk exposures can be found in the ORSA.

SIIL has no risk exposure from the pledging of collateral or off-balance sheet events.

SIIL has no risk exposure to securities lending, borrowing or any repurchase or reverse repurchase agreements which includes liquidity swap.

There are no guarantees to include hedging arrangements in respect of any variable annuity business.

SIIL has no qualifying infrastructure investments.

Other than the Intercompany Loan and an Intercompany Debtor, there are no other risks from intra-group positions at 31 December 2024.

C.7 Any other information

There is no further material information regarding the risk profile for SIIL.

D. Valuation for Solvency Purposes

In this chapter the Statutory balance sheet is reconciled to the Solvency II balance sheet for full years 2024 and 2023, the comparative year. First the approach used for the reconciliation of the UKGAAP Statutory balance sheet to the Solvency II balance sheet is discussed. Followed by a reconciliation by balance sheet item between the Statutory and Solvency II, this also includes a discussion of the differences in measurement and presentation between Statutory and Solvency II and the resulting reconciliation differences.

Total balance sheet reconciliation overview

The table below shows the total Statutory to Solvency II reconciliation.

Statutory to Solvency II Reconciliation

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Assets						
Deferred acquisition costs	**1,917**	**(1,917)**	**-**	301	(301)	-
Deferred tax assets	**52**	**-**	**52**	64	(64)	-
Investments (other than assets held for index-linked and unit-linked contracts)	**14,428**	**-**	**14,428**	16,039	-	16,039
Intercompany Loan	**4,000**	**1,071**	**5,071**	4,000	664	4,664
Insurance and intermediaries receivables	**6,418**	**(5,593)**	**825**	4,276	(3,487)	789
Reinsurance Recoverables	**7,371**	**(3,599)**	**3,772**	2,087	(1,811)	276
Other assets	**2,775**	**(1,102)**	**1,673**	2,125	(722)	1,403
Cash and cash equivalents	**1,391**	**-**	**1,391**	1,913	-	1,913
Total assets	**38,352**	**(11,140)**	**27,212**	30,805	(5,722)	25,083
Liabilities						
Technical provisions – health not similar to life techniques	**11,802**	**(6,505)**	**5,297**	11,191	(4,190)	5,000
Deferred tax liabilities	**-**	**-**	**-**		-	83
Payables	**1,608**	**-**	**1,608**	717	-	717
Other Liabilities	**6,109**	**(4,635)**	**1,474**	2,562	(2,055)	507
Total liabilities	**19,519**	**(11,140)**	**8,379**	12,470	(6,162)	6,308
Excess of assets over liabilities	**18,833**	-	**18,833**	18,335	441	18,776

In the next sections, the reconciliation for each balance sheet item is discussed. The statutory valuation basis is fully disclosed in the statutory accounts. All amounts disclosed in this section are in £000s.

Cash based assets have no judgements or assumptions applied to value the assets. There have been no changes to the recognition or valuation in the year 2024.

D.1 Assets

D.1.1 Deferred acquisition costs

Deferred acquisition costs (DAC)

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Deferred acquisition costs	1,917	**(1,917)**	-	301	(301)	-

Statutory Treatment:

Commission costs are deferred and amortised over the contractual life of the policy for all 12 month contracts as are costs associated with obtaining new business. Commissions for one month contracts are expensed in full in the same month as payment.

Reconciliation difference: Revaluation Adjustments

Deferred acquisition costs are not recognised under Solvency II as they have no resale value and for this reason they are eliminated (i.e. revalued to nil with corresponding adjustment of reducing equity/own funds) as one of the reconciliation steps.

Solvency II Treatment:

Solvency II regulation does not recognise deferred acquisition costs. Under Solvency II, these are captured under insurance liabilities, which for Solvency II embody all the acquisition costs and servicing costs within the contract boundaries defined. For the valuation of the insurance liabilities, the principles of accrual-based accounting and the matching principle are not applied.

D.1.2 Deferred tax assets

Deferred tax assets

Balance Sheet as of	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Deferred Tax Assets	52	-	**52**	64	(64)	-

Statutory Treatment:

Deferred tax assets are recognised for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of differences arising from the initial recognition of goodwill and of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognised for tax loss carry forwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised (IAS 12.5). IAS 12 prescribes the accounting treatment for income taxes. Current tax liabilities or assets for the current and prior periods shall be measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period (IAS 12.46). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period (IAS 12.47).

Statutory to Solvency II reconciliation adjustments:

Considering the requirements outlined above - Statutory to Solvency II reconciliation of deferred tax items should comprise of DTA and DTL adjustments reflecting the tax impact of all the individual revaluations processed for other components of the Balance Sheet. In these cases, where the sum of all above adjustments results in a DTA or DTL changing their sign to negative - effectively becoming DTL and DTA respectively – additional reclassification is required to move the new balance to the correct – opposite – side of the Balance Sheet.

Reconciliation difference: Valuation Adjustments

The difference between the balance sheet valuation of the deferred tax assets according to Statutory or Solvency II is purely driven by the differences in the valuation of the relevant balance sheet elements between the Statutory balance sheet and Solvency II balance sheet. Where tax bases do not change, revaluation adjustments related to DTA balances must then be equal to the revaluation adjustments for other balance sheet elements multiplied by applicable tax rates.

Solvency II Treatment:

The methodology for the calculation of deferred taxes follows the provisions of IAS 12. Deferred tax assets and liabilities are recognised for Solvency II purposes, on the basis of the temporary differences between the carrying amounts of the assets and liabilities in the solvency balance sheet for Solvency II and the tax balance sheet values according to local tax regulations of the insurance company. Deferred tax accrual is calculated at the corporate tax rate. Tax losses carried forward are recognised as deferred tax assets if their future benefit is likely according to the forecast. Solvency II guidelines do not require discounting of deferred tax assets and liabilities, in line with the Statutory approach.

In the Spring Budget 2021, the Government announced their intention to increase the corporation tax from 19% to 25% from 1 April 2023. This increase has since been substantively enacted.

D.1.3 Investments (other than assets held for index- and unit-linked contracts)

Investments (other than assets held for index and unit-linked contracts)

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Investments (other than assets held for index- and unit-linked contracts)	**14,428**	**-**	**14,428**	16,039	-	16,039

Statutory Treatment:

The investments are valued at fair value using market prices these prices are readily available on actively traded markets. No significant judgments or estimates are used in the valuation of these investments.

Reconciliation difference: Reclassification/Valuation Adjustments

There is no reclassification adjustment required for Solvency II in 2024.

Solvency II Treatment:

A look-through approach is used for investment funds under Solvency II. Look-through data provided by the fund manager drives the classification of the assets and liabilities within the fund.

D.1.4 Intercompany Loan

Intercompany Loan

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Intercompany Loan	**4,000**	**1,071**	**5,071**	4,000	664	4,664

Statutory Treatment:

Intercompany Loans are valued at fair value. The accrued interest relating to the loan is shown as a debtor under UKGAAP.

Reconciliation difference: Reclassification Adjustments:

As the accrued loan income is included during the calculation of the Concentration and Spread risks, it is reclassified under Solvency II. As the loan gets nearer to maturity, the difference between the two valuations increases.

Solvency II Treatment:

Solvency II requires that Fair Value be applied to Loans, inclusive of any accrued interest.

D.1.5 Insurance and intermediaries receivables

Insurance and intermediaries receivables

Balance Sheet As At	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Insurance and intermediaries receivables	**6,418**	**(5,593)**	**825**	4,276	(3,487)	789

Statutory Treatment:

'Insurance and intermediaries receivables' are valued at amortised cost.

Statutory to Solvency II reconciliation adjustments:

Insurance receivables relating to premiums not yet due on annual insurance contracts are considered within the Premium Provision under Solvency II. The Scratch & Patch policies, which are annual contracts, represents a large part of the premiums not yet due balance at the end of 2024. This is backed out for the Solvency II balance sheet, as it is accounted for within the technical provisions calculation.

Solvency II Treatment:

Any receivables not considered within the Premium Provision are held at Fair Value under Solvency II.

D.1.6 Reinsurance Recoverables

Reinsurance Recoverables

Balance Sheet As At	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Reinsurance Recoverables	**7,371**	**(3,599)**	**3,772**	2,087	(1,811)	276

Statutory Treatment:

Reinsurance recoverables are valued at amortised cost.

Statutory to Solvency II reconciliation adjustments:

Reinsurance recoverables are measured differently under UKGAAP and Solvency II resulting in an adjustment between the two valuations. SIIL's reinsurance recoverables all relate to the Scratch & Patch portfolio.

Solvency II Treatment:

Reinsurance recoverables under Solvency II are measured as the ceded portions of the Technical Provisions as calculated in section D.2 – Technical Provisions.

D.1.7 Any other Assets

Any other Assets

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Other Assets	**2,775**	**(1,102)**	**1,673**	2,125	(722)	1,403

Statutory Treatment:

Any other assets are initially recognised at Fair Value and are subsequently measured at amortised cost. There are no differences between fair value and amortised cost.

Reconciliation difference: Reclassification/Valuation Adjustments

Prepayments have no resale value and therefore carry no value under Solvency II. Accrued interest relating to the intercompany loan is treated elsewhere in the Solvency II calculation and is therefore removed.

Solvency II Treatment:

Solvency II requires that any other assets are held at Fair Value. There were no assets valued using alternative valuation methods.

D.1.8 Cash and cash equivalents

Cash and cash equivalents

Balance Sheet as at	**31 December 2024**			**31 December 2023**		
(£000s)	**Statutory Results**	**Adjustments**	**Solvency II Results**	**Statutory Results**	**Adjustments**	**Solvency II Results**
Cash and Cash Equivalent	**1,391**	**-**	**1,391**	1,913	-	1,913

Statutory Treatment:

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements.

Reconciliation difference: Reclassification/Valuation Adjustments

There are no reclassification or valuation adjustments required for Solvency II in 2024.

Solvency II Treatment:

The Fair Value approach is prescribed, with the exception that the amount should not be less than the amount payable on demand.

D.2 Technical provisions

SIIL's principal activity is the transaction and servicing of accident and health related general insurance products.

The transitional provisions on technical provisions, the matching adjustment and the volatility adjustment are not used by SIIL.

D.2.1 Technical provisions – Health not similar to Life Techniques – Non -Life

Technical provisions – Health not similar to Life techniques – Non-Life

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Technical provisions	**11,802**	**(6,505)**	**5,297**	9,191	(4,191)	5,000
Best Estimate	**11,802**	**(6,652)**	**5,150**	9,191	(4,329)	4,862
Risk Margin	**-**	**147**	**147**	-	138	138

Statutory Treatment:

The insurance liability generally includes reserves for unearned premiums, unexpired risk, and outstanding claims and benefits. No catastrophe reserves are included in the measurement of the liability.

The reserve for unearned premiums includes premiums related to periods of risk coverage for periods beyond the balance sheet date. Generally, the reserve is released over the coverage period of the premium and is recognised as premium income.

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported to SIIL. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to general insurance contracts.

Reconciliation difference: Reclassification/Valuation Adjustments

This Risk Margin of £147k is not a concept under the Statutory Accounting basis. The difference in best estimate is £6,653k. The Unearned Premium Reserve is valued at £5,833k under the Statutory Accounting basis but -£693k under Solvency II, a difference of -£6,526k. The difference is that Solvency II subtracts the expected claims and other expense payments due on the current Statutory Reserve and any contract periods bound at the reporting date from future bound premiums due. The Claims Reserve is valued at £5,969k under the Statutory Accounting basis but £5,843k under Solvency II, a difference of -£126k. This is mostly due to an allocation for Events Not Yet in the Data under Solvency II.

Technical Provisions have increased in 2024, compared to 2023, as a result of the growth in the Scratch & Patch portfolio. There were also increases to claims reserves held for Protection policies during the year.

Solvency II Treatment:

The majority of Stonebridge's technical provisions relates to incurred but not settled claims for which reserves are set equal to the Statutory reserves described above with an additional allowance for expenses as Solvency II requires the inclusion of indirect overhead expenses (e.g. salaries to general managers, auditing costs, office rent, buying new IT systems, etc.). The run off period and current risk free values make discounting under Solvency II immaterial so no adjustment is currently made to discount cashflows.

The unearned premium reserve under Solvency II is calculated as the value of expected future claims and expenses expected to be paid on the premiums related to the period of risk coverage beyond the balance sheet date. Therefore, an expected loss ratio is applied to the unearned premium to reflect this.

Under Solvency II SIIL are required to hold a Risk Margin which is the market consistent value of the variability around best estimate assumptions for non-hedgeable risk. In other words, this is a cost that you would expect to pay to transfer the risk of the uncertainty of your future cashflows to another market participant.

The most significant assumption for SIIL in calculating the SII Claims Provision is the development of incurred but not settled claims. The assumptions around the development of claims payment are set using a combination of Basic Chain Ladder (BCL), Bornhuetter Ferguson (B-F), and Expected Loss Ratio (ELR) methodology. For the claims incurred in the most recent accident quarters, greater reliance has been placed on the ELR and/or the B-F method, with judgement applied on a product segment level depending upon the variability of claims experience for each respective segment.

The data used for Solvency II calculations is fully compliant with requirements for full year 2024 reporting.

Significant judgements contained within the claims reserving have been approved by the Board and these can be found in the Claim Reserves monthly reporting document.

D.3 Other liabilities

D.3.1 Payables

Payables (trade, not insurance)

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Payables (trade, not insurance)	**1,608**	**-**	**1,608**	717	-	717

Statutory Treatment:

Considered 'financial liabilities' are to be valued at amortised cost or Fair Value. If at Fair Value, then the discount rates should also include the Own Credit Spread (OCS). There are no differences between fair value and amortised cost.

Reconciliation difference: Reclassification/Valuation Adjustments

There are no reclassification or valuation adjustments required for Solvency II.

Solvency II Treatment:

Fair Value approach is prescribed, excluding the effect of changes in OCS since initial recognition. There were no liabilities valued using alternative valuation methods.

D.3.2 Deferred Tax Liabilities

Payables (trade, not insurance)

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Payables (trade, not insurance)	**-**	**-**	**-**	-	83	83

Statutory Treatment:

See reverse of item D 1.2.

Reconciliation difference: Reclassification/Valuation Adjustments

See reverse of item D 1.2.

Solvency II Treatment:

See reverse of item D 1.2.

D.3.3 Any Other Liabilities

Any Other Liabilities

Balance Sheet as at	31 December 2024			31 December 2023		
(£000s)	Statutory Results	Adjustments	Solvency II Results	Statutory Results	Adjustments	Solvency II Results
Other Liabilities	**6,109**	**(4,635)**	**1,474**	2,562	(2,055)	507

Statutory Treatment:

Any other liabilities are initially recognised at Fair Value and are subsequently measured at amortised cost. There are no differences between fair value and amortised cost.

Reconciliation difference: Reclassification/Valuation Adjustments

The reinsurer's share of premiums not yet due and deferred acquisition costs are removed from the Solvency II balance sheet asset. Premiums not yet due are accounted for within the technical provisions calculation and deferred acquisition costs carry no value under Solvency II.

Solvency II Treatment:

Solvency II requires that any other liabilities are held at Fair Value. There were no liabilities valued using alternative valuation methods.

D.3.4 Off-balance sheet liabilities

There are no material or otherwise off-balance sheet liabilities in the reporting period.

D.4. Alternative methods of valuation

SIIL do not apply alternative methods of valuation for both assets and liabilities.

D.5. Other material information

All material information for the valuation of solvency purposes has been detailed in the earlier sections.

D.6 Any other information not contained in the SFCR.

There is no further information that is not contained within the SFCR regarding the Solvency II valuation of assets, technical provisions and other liabilities.

E. Capital Management

E.1 General

The Capital Management Policy ('CMP') supports SIIL's financial strategy to adequately protect the interests of customers, return capital to SIIL's shareholder and execute strategic priorities.

E.1.1 Capital Management Policy

The CMP is intended to ensure transparency and accountability with respect to capital management within SIIL. The CMP provides trigger levels for management action or management response such as initiation of a capital plan. These trigger levels are calculated as part of the process of updating the ORSA report.

As noted in the ORSA report, a limit has been set for SIIL using capital coverage ratios. The Capital Management Zones for SIIL have been set by using the ratio of own funds to the standard capital requirement in line with the requirements of the Capital Management policy. This was assessed by management and signed off by the Board as part of the process outlined in Section B in regard to the ORSA.

Capital Management Zones are set to allow time for management actions to be taken if an adverse scenario occurs and therefore minimise the likelihood of a breach of the SCR.

The capital management policy is reviewed at least annually by the Board in conjunction with the ORSA. The current position against the capital and risk tolerance policy is subject to regular monitoring by management.

A full formal Budgeting and Medium-Term Planning process is undertaken each year involving a detailed review of SIIL's business plan including detailed projections of the expected level of Own Funds, SCR and earnings over the projection period. This takes into account the company's best estimate of future investment conditions, expenses and business experience such as persistency and claim rates.

Details of the Capital Management Policy and how it is applied for SIIL are set out in the ORSA.

E.1.2 Managing dividends and executing of strategic priorities

Any dividend paid by SIIL will be appropriate given the current capital position and future projections of the capital position. Any dividend paid will comply with SIIL's capital management policy such that SIIL's capital is not expected to drop below the target range.

E.1.3 Monitoring capital positions

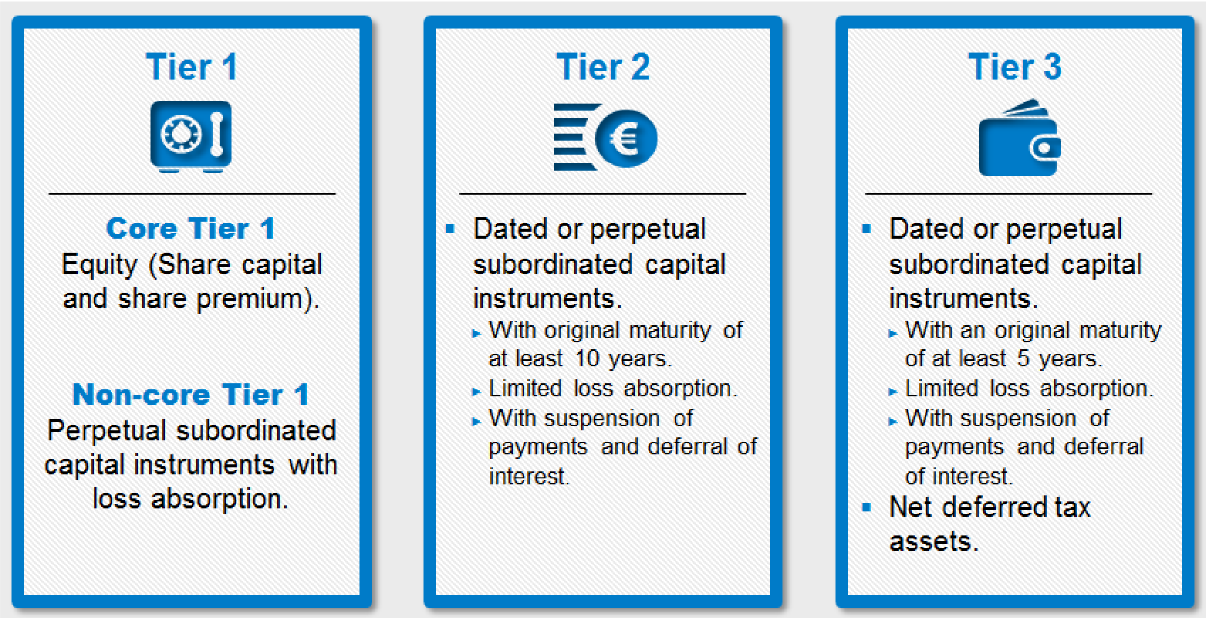
Management monitor the capital position on a quarterly basis from a full valuation perspective and against the estimated capital position throughout the period. Management also monitor the estimated position on a monthly basis. Key drivers that are monitored are the claims loss ratio and level of lapses in respect to ongoing premiums and investment portfolio performance. This is monitored through the Executive Committee to ensure experience is aligned to expectations.

E.2 Own Funds

E.2.1 Tiering of Own Funds

The Own Funds are divided into three Tiers. The general characteristics of these tiers are visualised in the figure below.

Figure 1 Overview of general characteristics of the three Tiers of Own funds



Restrictions apply to the eligibility of Tier 2 and Tier 3 capital, as well as the eligibility of Non-core Tier 1. The total of Tier 2 and Tier 3 Own Funds may not exceed 50% of the SCR whilst Tier 3 Own Funds is limited to 15% of SCR. Non-core Tier 1 may not exceed 20% of Tier 1 Own Funds.

In regard to SIIL, the majority of own funds qualify as Tier 1 as it relates to either share capital of £7,500k or it is retained earnings with the exception of deferred tax assets which are Tier 3.

Ordinary share capital

Ordinary share capital comprises of 7,500k ordinary shares of £1 par. The amount presented here aligns with data published in SIIL statutory accounts for the year 2024.

Reconciliation reserve

Reconciliation reserve is calculated as follows:

Key differences between Statutory Equity and Solvency II **£ 000's**	**2024**	2023
Excess of Assets over Liabilities	**18,833**	18,776
Share Capital	**(7,500)**	(7,500)
Deferred Taxes	**(52)**	-
Reconciliation Reserve	**11,281**	11,276

Total available own funds to meet the SCR

This amount £18,833 (2023: £18,776k) reconciles with the total available own funds.

Total available own funds to meet the Minimum Capital Requirement (MCR)

The total available funds to meet the MCR as at 31 December 2024 is £18,833k (2023: £18,776k).

The MCR is derived from a proportion of the best estimate liability and written premiums for 12 months.

Eligible Own Funds of SIIL at 31 December 2024 is also £18,833k (2023: £18,776k).

The expected development of own funds is included in the ORSA where a base case of normal anticipated results have been provided along with stressed results for potential risks facing SIIL. Management have no current plans at this time or in the immediate future to repay, redeem or issue share capital.

E.2.2 Difference between Solvency Own Funds and Statutory Shareholders Equity

The main differences between the Solvency Own Funds and statutory equity as reported in SIIL's statutory accounts are related to the Solvency II expense overhead reserve and the difference in the valuation of the insurance liabilities, recognition of deferred acquisition costs and the resulting tax impact of these valuation differences.

Key differences between Statutory Equity and Solvency II

£ 000's	**2024**	2023
Statutory Accounts Net Assets	**18,833**	18,335
Deferred Acquisition Costs	**(1,917)**	(301)
Technical Provision	**6,505**	4,190
Deferred Taxes	**-**	(147)
Insurance and Intermediary Receivables	**(5,593)**	(3,487)
Reinsurance Recoverables	**(3,599)**	(1,812)
Prepayments	**(31)**	(58)
Other Liabilities	**4,635**	2,055
Excess of Assets over Liabilities	**18,833**	18,776

E.2.3 Transitional arrangements

There are no transitional arrangements in place for SIIL and therefore no plans to replace any basic own funds items.

E.2.4 Ancillary own funds

The year-end 2023 solvency position of SIIL did not include any ancillary own funds as defined by article 89(1) of Directive 2009/138/EC.

E.2.5 Description of items deducted from Own Funds

There were no items deducted from own funds for SIIL.

E.3 Solvency Capital Requirement and Minimum Capital Requirement

E.3.1 SCR

This section outlines the period to 31 December 2024 Solvency Capital Requirement based on the Standard Formula Model ('SF') for SIIL.

Solvency II key figures

£000's	31 December 2024	31 December 2023
Own Funds	**18,833**	18,776
Net SCR	**7,524**	7,263
Solvency Ratio	**250%**	259%

SCR based on Standard Formula

At 31 December 2024, SIIL's SCR was £7,524k (2023: £7,263k).

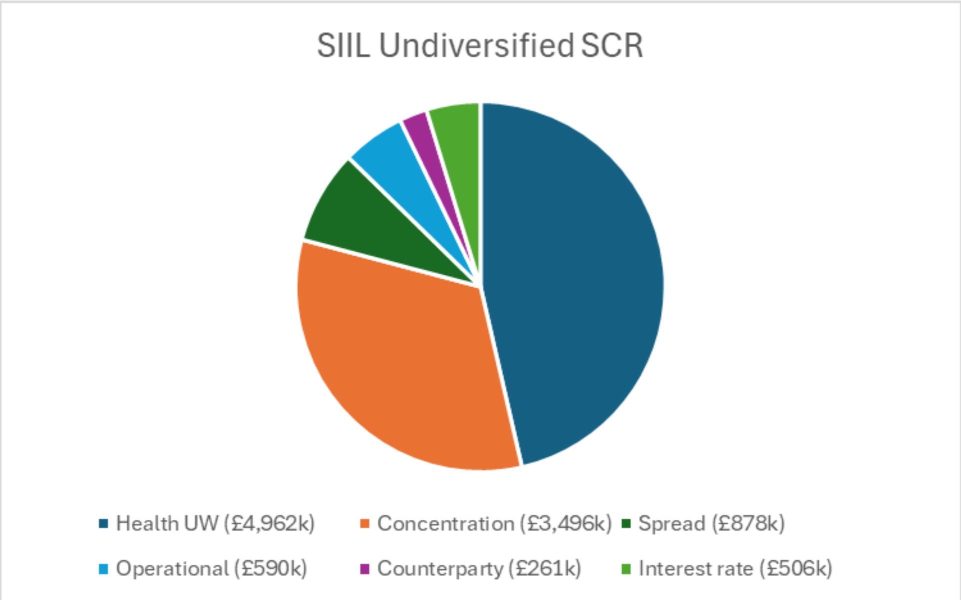
In the implementation of the Solvency II Directive, the UK has made use of the Member State option provided for in article 51(2) of the Solvency II Directive relating to capital add-on disclosure.

The composition of the Standard Formula SCR is shown in the chart below.

E.3.2 SCR split by risk module

The chart below shows the breakdown of the SF SCR components:

	2024	2023
Gross SCR	**9,452**	9,143
Net SCR	**7,524**	6,263
Diversification	**(1,928)**	(1,880)



Standard Formula SCR composition SIIL at 31 December 2024

As shown by the chart above, the main risk categories contributing to SIIL SCR are Health Underwriting risk, Concentration Risk and Spread Risk.

The main change in the gross SCR in the year was driven by Investment into the Royal London Short Dated Fund which due to its composition reduced the Counterparty Risk charge but increased the Concentration and Spread Risk charges.

E.3.3 Simplified Calculations

SIIL does not apply simplified calculations for calculating the Standard Formula SCR.

E.3.4 Undertaking- specific parameters (Article 104(7) of Directive 2009/138/EC)

SIIL does not apply SIIL-specific parameters as defined in article 104(7) of the Directive 2009/138/EC for calculating the Standard Formula SCR.

E.3.5 Article 51(2) of Directive 2009/138/EC

The UK does not make use of the option provided for in the third subparagraph of article 51(2) of Directive 2009/138/EC.

E.3.6 Minimum Capital Requirement

The Minimum Capital Requirement ("MCR") of SIIL at 31 December 2024 was £2,400 (2023: £2,359), an increase of 2% during 2024. The MCR is calculated in accordance with a prescribed formula subject to a defined floor and cap based on the SCR.

E.4 Use of the duration-based equity risk sum-module

SIIL does not use the duration-based equity risk sub-module set out in article 304 of Directive 2009/138/EC in the calculation of the SCR.

E.5 Non-compliance with capital requirements

There have not been any instances during 2024 where the estimated SIIL Solvency II ratio was below the SCR, nor the MCR level. To ensure that SIIL maintains adequate solvency levels, actual and expected capital positions are monitored against capitalisation zones that are defined in Capital Management Policy. Several activities as referred to in section E.1.1 are performed to monitor and assess the future development of SIIL's solvency position such as the annual Budget Medium Term Planning (MTP) process and regular, periodic management reporting. Decisions to return capital to the shareholder are based on solvency assessments that look into the impact of the decision on the current and future projected solvency position.

Any solvency position is subject to risks and SIIL therefore constantly monitors such risks. These are quantified to determine the impact of such risks on the current and the projected solvency position. The Capital Management Policy provides actions that need to be performed as soon as the identified risks could cause the projected solvency ratio to fall within a particular capitalisation zone.

Within the ORSA there are detailed projection of SIIL's earnings over the business planning period to include the Capital position. These forward-looking projections provide assurance that there are no foreseeable risks for non-compliance with the MCR and SCR.

E.6 Any other information

There have been no changes to information previously submitted in any application to use undertaking specific parameters in the standard formula SCR or a matching adjustment in the calculation of technical provisions.

There is no further information available in respect of capital management.

F. Audit Report

SIIL has received exemption from the regulator from having its SFCR and quantitative reporting templates audited.

SIIL's board will provide sign off in the following section that the SFCR has been prepared in accordance with all Solvency II regulations.

G. Approval by the Board of the Solvency and Financial Condition Report and Reporting Templates

Stonebridge International Insurance Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial year ended 31 December 2024

We certify that:

a. The Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations; and

b. We are satisfied that:

    i. Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and the Solvency II regulations as applicable to the insurer; and
    ii. It is reasonable to believe that, at the date of the publication of the SFCR the insurer has continued to comply and will continue to comply in the future.

Paul Thilo
Paul Thilo (Apr 8, 2025 15:39 GMT+1)

Paul Thilo

Director and Chief Executive

8th April 2025

H. Quantitative Reporting Template

Stonebridge

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	Stonebridge International Insurance Ltd
Entity identification code and type of code	LEI/2138006PPB8GBYSGJC74
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

IR.02.01.02 - Balance sheet

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

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	52
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	14,428
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	14,428
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	5,071
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	5,071
R0270	Reinsurance recoverables from:	545
R0280	*Non-life and health similar to non-life*	545
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	825
R0370	Reinsurance receivables	3,227
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,391
R0420	Any other assets, not elsewhere shown	1,673
R0500	Total assets	27,212

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	5,297
R0510	*Technical provisions - non-life*	5,297
R0515	*Technical provisions - life*	0
R0542	Best estimate - total	5,150
R0544	*Best estimate - non-life*	5,150
R0546	*Best estimate - life*	
R0552	Risk margin - total	147
R0554	*Risk margin - non-life*	147
R0556	*Risk margin - life*	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	1,608
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	1,474
R0900	Total liabilities	8,379
R1000	Excess of assets over liabilities	18,833

IR.05.04.02

Non-life income and expenditure : reporting period

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
				Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
	Income												
	Premiums written												
R0110	Gross written premiums		20,871	8,767	12,068								
R0111	Gross written premiums - insurance (direct)		20,871	8,767	12,068								
R0113	Gross written premiums - accepted reinsurance		0	0	0								
R0160	Net written premiums		14,686	2,675	12,011								
	Premiums earned and provision for unearned												
R0210	Gross earned premiums		18,786	6,606	12,145								
R0220	Net earned premiums		14,095	2,007	12,088								
	Expenditure												
	Claims incurred												
R0610	Gross (undiscounted) claims incurred		7,095	3,597	3,468								
R0611	Gross (undiscounted) direct business		7,095	3,597	3,468								
R0612	Gross (undiscounted) reinsurance accepted		0	0	0								
R0690	Net (undiscounted) claims incurred		4,535	1,099	3,436								
R0730	Net (discounted) claims incurred	4,535	4,535										
	Analysis of expenses incurred												
R0910	Technical expenses incurred net of reinsurance ceded	6,872											
R0985	Acquisition costs, commissions, claims management costs	3,359	3,359	708	2,651								
	Other expenditure												
R1140	Other expenses	0											
R1310	Total expenditure	11,622											

IR.05.04.02

Non-life income and expenditure : reporting period

		Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance					
		General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
		C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
	Income														
	Premiums written														
R0110	Gross written premiums								36						
R0111	Gross written premiums - insurance (direct)								36						
R0113	Gross written premiums - accepted reinsurance								0						
R0160	Net written premiums								0						
	Premiums earned and provision for unearned														
R0210	Gross earned premiums								34						
R0220	Net earned premiums								0						
	Expenditure														
	Claims incurred														
R0610	Gross (undiscounted) claims incurred								31						
R0611	Gross (undiscounted) direct business								31						
R0612	Gross (undiscounted) reinsurance accepted								0						
R0690	Net (undiscounted) claims incurred								0						
R0730	Net (discounted) claims incurred														
	Analysis of expenses incurred														
R0910	Technical expenses incurred net of reinsurance ceded														
R0985	Acquisition costs, commissions, claims management costs								0						
	Other expenditure														
R1140	Other expenses														
R1310	Total expenditure														

IR.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	Best estimate																	
	Premium provisions																	
R0060	Gross	-258	-425										-11					-693
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-181											-13					-194
R0150	Net Best Estimate of Premium Provisions	-77	-425										2					-500
	Claims provisions																	
R0160	Gross	1,114	4,729										0					5,843
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	739											0					739
R0250	Net Best Estimate of Claims Provisions	375	4,729										0					5,104
R0260	Total best estimate - gross	856	4,304										-11					5,150
R0270	Total best estimate - net	298	4,304										2					4,604
R0280	Risk margin	8	139										0					147
R0320	Technical provisions - total	864	4,442										-10					5,296
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	558	0										-13					545
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	306	4,442										3					4,751

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident year

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

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	-9	879	875	239	56	25	0	0	65	0	0		0	2,140
R0170	-8	483	1,440	306	3	18	0	0	0	0			0	2,251
R0180	-7	1,334	1,592	474	55	130	0	1	0				0	3,585
R0190	-6	519	985	244	130	0	1	0					0	1,878
R0200	-5	763	2,005	787	30	146	130						130	3,860
R0210	-4	434	1,035	208	57	325							325	2,059
R0220	-3	145	828	267	199								199	1,439
R0230	-2	187	894	733									733	1,815
R0240	-1	1,508	1,472										1,472	2,981
R0250	0	3,671											3,671	3,671
R0260												Total	6,530	25,677

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	-9	0	197	186	35	15	0	0	0	0	0		0
R0170	-8	1,363	436	78	39	4	0	0	0	0			0
R0180	-7	1,987	306	124	18	15	0	0	0				0
R0190	-6	1,980	330	54	17	1	0	0					0
R0200	-5	1,914	431	142	10	17	0						0
R0210	-4	2,061	671	520	378	4							4
R0220	-3	1,997	496	180	21								21
R0230	-2	2,401	1,307	770									770
R0240	-1	3,415	1,181										1,181
R0250	0	3,866											3,866
R0260												Total	5,843

IR.19.01.21.22
Gross premium

		C0570	C0580
		Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	0	0
R0170	N-8	11,656	0
R0180	N-7	10,327	0
R0190	N-6	9,638	0
R0200	N-5	9,202	0
R0210	N-4	8,526	0
R0220	N-3	8,005	0
R0230	N-2	9,866	0
R0240	N-1	14,912	0
R0250	N	18,786	0

IR.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	7,500	7,500		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	11,281	11,281			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	52				52
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
R0290	Total basic own funds after deductions	18,833	18,781	0	0	53
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	Total ancillary own funds	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	18,833	18,781	0	0	52
R0510	Total available own funds to meet the MCR	18,781	18,781	0	0	
R0540	Total eligible own funds to meet the SCR	18,833	18,781	0	0	52
R0550	Total eligible own funds to meet the MCR	18,781	18,781	0	0	
R0580	SCR	7,524				
R0600	MCR	2,400				
R0620	Ratio of Eligible own funds to SCR	250%				
R0640	Ratio of Eligible own funds to MCR	783%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	18,833
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	7,552
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	Reconciliation reserve	11,281

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	505
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	878
R0110	Concentration risk	3,495
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	-1,240
R0140	Total Market risk	3,638
	Counterparty default risk	
R0150	Type 1 exposures	154
R0160	Type 2 exposures	124
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-18
R0180	Total Counterparty default risk	260
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	Total Life underwriting risk	0
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	4,908
R0300	Health catastrophe risk	202
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	-146
R0320	Total Health underwriting risk	4,964
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	0
R0340	Non-life catastrophe risk	0
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	0
R0370	Non-life underwriting risk	0
R0400	Intangible asset risk	
	Operational and other risks	
R0422	Operational risk	590
R0424	Other risks	
R0430	Total Operational and other risks	590
R0432	Total before all diversification	10,857
R0434	Total before diversification between risk modules	9,452
R0436	Diversification between risk modules	-1,928
R0438	Total after diversification	7,524
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	7,524
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	7,524
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	1,723

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	298	2,630
R0030	Income protection insurance and proportional reinsurance	4,304	12,011
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	2	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	1,723
R0310	SCR	7,524
R0320	MCR cap	3,386
R0330	MCR floor	1,881
R0340	Combined MCR	1,881
R0350	Absolute floor of the MCR	2,400
R0400	Minimum Capital Requirement	2,400

2024 SFCR - FINAL combined documents

Final Audit Report 2025-04-08

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