Soteria Insurance Limited

Annual report and accounts 2024

Contents

Principal activities and business updates

Soteria Insurance Limited ('SIL' and the 'Company') is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home).

The principal activity of the Company since entering run-off has been the administration of existing policies in force and the settlement of outstanding claims. The focus of the Directors is to meet all obligations to customers throughout a solvent run-off, to fulfil all regulatory requirements and, to the extent the Company has surplus capital above a prudent risk appetite to meet its liabilities and regulatory requirements, it aims to distribute this capital to its parent company.

Financial position & performance

The financial position of the Company at 31 December 2024 is shown in the Statement of Financial Position on page 16 with the trading results shown in the Income Statement on page 15. A summary of the trading results is shown below.

Highlights

	2024 £m	2023 £m	Change £m
Earned premiums, net of reinsurance	**(0.5)**	(0.6)	0.1
Claims incurred, net of reinsurance	**3.1**	(10.3)	13.4
Other technical income, net of reinsurance	**1.5**	(1.7)	3.2
Net operating expenses	**(4.5)**	(6.8)	2.3
Balance on the technical account for general business	**(0.4)**	(19.4)	19.0
Investment income	**6.9**	15.5	(8.6)
Net unrealised gains on investments	**1.6**	3.9	(2.3)
Investment expenses and charges	**(2.4)**	(3.0)	0.6
Other non-technical income	**0.1**	-	0.1
Profit/(loss) on ordinary activities before tax	**5.8**	(3.0)	8.8

The 2024 full year financial result was a profit before taxation of £5.8m (2023: £3.0m loss).

The Company incurred a profit before tax in the year, primarily as a result of positive investment returns together with a release of reserves in respect of prior years' claims.

Investment income for the year was £6.9m, including interest of £14.0m and realised losses of £7.1m. In addition, unrealised gains on investments amounted to £1.6m. The realised losses were incurred following strategic decisions to increase the duration of the investment portfolio and to exit certain higher risk investments. The decrease in investment income compared with the prior year reflects the decrease in the investment portfolio, as returns on investments were higher than in 2023.

Impact of inflation and interest rate rises

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

Claims

Although inflation rates have continued to fall during 2024, this continues to cause an increase in claims costs as the cost of vehicle parts and building materials has increased. As a result of being in run-off, SIL's exposure to these types of claims is reduced. The observed impact of wage increases on bodily injury claims has been higher than long-term expectations for 2024, and is expected to continue to have an impact in 2025, though this has been partially offset by the impact of the Ogden discount rate announcement. The impact of inflation on SIL's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with Markerstudy Insurance Services Limited (MISL).

Capital

SIL has continued to monitor available capital on a Solvency II UK basis throughout 2024, with a Standard Formula Solvency Capital Requirement (SCR) coverage at 31 December 2024 of 227% (2023: 185%). The SCR has reduced by £11.8m, from £46.6m at 31 December 2023 to £34.8m at 31 December 2024, with eligible capital decreasing by £7.2m, from £86.3m to £79.1m.

Key performance indicators

The business strategy for SIL measures success in the key areas of financial performance and capital adequacy & risk. This ‘balanced scorecard’ approach helps ensure focus on the implications to areas identified as being key in progressing towards the Company’s strategic vision. In addition, a range of customer outcomes measures are considered although there is no single key indicator.

Indicator	2024	2023
Financial *Financial measures focus on profitability and the value of the business*		
Profit/(loss) before taxation This shows the level of loss before tax	£5.8m	(£3.0m)
Net asset value This shows the value of total assets less total liabilities	£101.5m	£96.0m
Capital adequacy & risk *Risk measures focus on capital adequacy and risk appetite*		
Risk appetite The SIL Board has approved risk appetite statements with underpinning metrics	Risk appetite metrics have approved limits within which business operations are to be conducted, along with thresholds to give early warning of emerging issues	
Capital buffer There are a number of different methodologies for calculating the minimum level of capital that SIL must maintain. At any one time, SIL must ensure it has sufficient capital to meet the most onerous of these requirements. The principal externally imposed capital requirement is the SCR under Solvency II UK, which is assessed quarterly.	227%	185%

SIL currently has 2,528 open claims remaining, being 2,282 motor claims, 220 home claims and 26 liability claims.

Risks and uncertainties

The following are considered to be the high level risks facing SIL:

Level 1 Risks	Definition
Strategic and business risk	The risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital.
Conduct risk	The risk that SIL’s processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers.
Regulatory risk	The risk of regulatory sanctions, regulatory censure, material financial loss, or loss to reputation SIL may suffer as a result of failure to comply with regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities.
Insurance (reserving) risk	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events for earned policies, and in the timing and amount of claim settlements.
Market risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers including interest rates, market prices of assets and liabilities.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.
Liquidity risk	The current and prospective risk to earnings or solvency arising from SIL’s inability to meet its obligations when they come due without incurring unacceptable losses.
Credit risk	The risk to earnings and capital arising from a debtor’s failure to meet their legal and contractual obligations[1].

[1] This does not include credit risk arising from investments such as corporate bonds which are captured as level 2 market risks.

Risks and uncertainties (continued)

The most material risks that SIL is exposed to are reserve risk and market risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets, although both have moderated over the last twelve months.

A detailed description of each risk type can be found on pages 27 to 33.

Section 172(1) statement & stakeholder engagement

The Board of SIL considers that it has, in good faith, acted in a way that it considers would be most likely to promote the success of SIL for the benefit of its members as a whole, and, in doing so, has had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172 (1) (a-f) of the Act) when making decisions.

Overview

Good corporate governance underpins how we conduct ourselves as a Board; our culture, values, behaviours and how we do business. As a Board, we are conscious of the impacts that our business and decisions have on our direct stakeholders as well as our wider societal impact.

The Board of SIL is aware of its duties under the Companies Act, including the matters set out in s.172 and has adopted a framework of matters reserved for its decision. It has also approved terms of reference for matters delegated to its committees and reviews these periodically to ensure they accord with best practice.

For any principal decisions approved by the Board, a discussion takes place around impact on our key stakeholders, including our colleagues and our customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making.

Board Decisions

The table below sets out examples of our key stakeholders, our approach to engaging with them, and how they are taken into regard in Board considerations.

Key stakeholders	Board matter	Board considerations
Shareholder Our Board maintains open and regular dialogue with its parent. This includes, for example, regular discussion between the SIL Management team and the SHL Board and Board Committees in order to understand the concerns and priorities of the parent entity.	Performance and risks	In all discussions the Board regularly considers if and how it is acting in the best interest of its parent, whilst ensuring that any actions: • do/will not breach any regulatory requirements applicable to SIL or the Board; • do/will not have any adverse effect on the security of SIL's policyholder benefits; and • comply with any legislation applicable to SIL. The SHL Board receives performance updates on SIL, which includes the SIL Management team attending appropriate SHL Board Committees.
Customers Protecting our customers and providing a good customer experience remains at the heart of what we do.	Consumer Duty	SIL is required to comply with the Consumer Duty regulations. It has appointed a Consumer Duty champion and has completed all of the actions in its implementation plan, with a standing Board agenda item to report on progress. SIL also provides oversight to ensure that MISL are complying with the regulations.

Section 172(1) statement & stakeholder engagement (continued)

Key stakeholders	Board matter	Board considerations
Colleagues The Board recognise the importance of engaging our colleagues, ensuring their views are considered when making decisions and supporting their wellbeing.	Colleague reward	The Board and Remuneration Committee considered the approach to colleague reward in light of: • the acquisition of the Company by SHL and the changes in opportunities and responsibilities for colleagues employed by SIL and across the wider SHL group; • the growth in the business and the need to support colleagues throughout the transition; and • key person risk and the need to attract and retain key skills.
Regulator As a regulated entity, SIL has to comply with the requirements of the PRA and the FCA and to report to them on a regular basis.	Regulation and compliance	In addition to the standard regulatory reporting requirements, the Board engaged with the regulators on the following matters: • with the PRA regarding the transfer of ownership of SIL from SFHL to SHL; and • with the PRA regarding a potential dividend payment.

Approved by the Board on 23 May 2025 and signed on its behalf by:

Mark Summerfield

Director

Report of the Board of Directors

General information

SIL is a Limited Company registered in England & Wales under the Companies Act 2006 (registered number 12698289). SIL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FRN 435022).

Post balance sheet events

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

Results and dividends

The financial statements set out the results of SIL for the year ended 31 December 2024 and are shown on pages 15 to 18.

Dividend

No dividends were paid during 2024.

In the prior year, the Company paid two dividends. On 23 February 2023, the Board recommended a dividend payment of £40m, following confirmation of non-objection from the PRA. This was approved by member resolution on 24 February 2023 and subsequently paid on 23 March 2023. On 7 November 2023, the Board recommended payment of a second dividend for the year of £45m, following confirmation of non-objection from the PRA. This was approved by member resolution on 18 December 2023 and paid on 19 December 2023.

Political donations

There were no political donations during the year or prior year.

Directors' details

The Directors of SIL during the financial year are listed below. Their appointments were for the full period unless otherwise stated:

Non-Executive Directors:

Ewen Gilmour (Chair)

Neil Southworth (appointed 1 May 2024)

Sharon Ludlow (appointed 1 May 2024)

Andrew Johnston (appointed 1 September 2024)

Kathryn Morgan (resigned 1 May 2024)

Oliver Peterken (resigned 1 May 2024)

Executive Directors:

Mark Summerfield (Chief Executive Officer)

Maria Leighton (Chief Financial Officer, appointed 15 April 2024)

Grant Mitchell (Chief Actuary, resigned 31 January 2025)

Secretary:

Steven Moore (appointed 2 February 2024)

Vistra Company Secretaries Limited (resigned 2 February 2024)

Corporate responsibility and the environment

SIL is covered by the SHL, Board-approved, Environmental, Social and Governance (ESG) Policy, which is reviewed on an annual basis.

The Investment Committee reviews asset categories and, where required, individual assets, to ensure that these are held in line with ethics appetites. The investment mandate includes limits to monitor and control direct exposure to climate related risks in the investment portfolio, with restrictions set to ensure:

- no direct exposure to investments in the fossil fuel industry (namely coal, oil, gas and mining) with more than 4 years' duration; and
- within a 4 year period, direct exposure to investments in the fossil fuel industry is limited to 20% of the Solvency Capital Requirement.

In addition, the main investment portfolio, managed by Credit Suisse, follows their ESG framework, which ensures that investments meet certain relevant standards. Compliance with these standards is reported each month to the overall investment manager, Hundle & Partners Limited, and any breaches are reported to the Investment Committee.

Statement of going concern

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

The going concern assessment performed takes into account that the Company continues as a going concern as, during the run-off period, the Company operates its business of administration and settlement of outstanding claims. Projections take into account the recognition of all future expenses within technical provisions at the point SIL went into run-off. SIL's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory and economic capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Economic Capital Requirement (ECR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts) and stressed investments (the value of investments in a stressed scenario after applying a haircut, which considers the type of asset and maturity). Both projected liquid investments and stressed investments are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, SIL has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that SIL would likely be able to meet the majority of payments solely from existing cash holdings and investment maturities, with only modest reliance on additional income from the sale of highly liquid gilts or highly rated corporate bonds.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the SCR and Economic Capital Requirement (ECR) coverage ratio is projected to fall below 100%, even if no future dividends are paid, however, the coverage ratios would naturally recover over time as investment returns were received. In this scenario, SIL's assets continue to exceed its liabilities and it would still hold sufficient liquid investments to be able to meet all of its liabilities as they fall due.

Risk management and internal controls

The Board has overall responsibility for SIL's internal control systems and for monitoring their effectiveness. Implementation and maintenance of the internal control systems are the responsibility of the Board and senior management.

The Board has established a management structure with defined lines of responsibility and clear delegation of authority. The control framework cascades through the business, detailing clear responsibilities for ensuring appropriate controls are in place at an operational level, including controls relating to the financial reporting process. SIL's approach to Risk Management is set out in further detail on pages 27 to 33.

SIL's internal control systems are designed to manage, rather than eliminate, the risks of failure to meet business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board has regard to materiality and to the relationship between the cost of, and benefits from, internal control systems.

On behalf of the Board, the Audit Committee regularly reviews the effectiveness of SIL's internal control systems. Its monitoring covers all material controls. Principally it reviews and challenges, on an ongoing basis, reports from management, the internal audit function and external auditors. This enables it to consider how to manage or mitigate risk in line with SIL's risk strategy.

Whenever any significant control weaknesses are identified actions are taken, or agreed plans are put in place and tracked by the Board to implementation.

Annual Report and Accounts

So far as the Directors are aware, there is no relevant audit information of which SIL's auditors are unaware, and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that SIL's auditors have been made aware of that information.

Statement of Directors' responsibilities in respect of the report of the Board of Directors and the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare SIL's accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts).

As required by Law, the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of SIL and of its profit or loss for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- in respect of the financial statements, state whether UK accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the accounts on the going concern basis unless it is appropriate to presume that SIL will not continue in business.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, at any time, the financial position of SIL and enable them to ensure that its accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of SIL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on SIL's website.

Auditors

The Company's auditor is Ernst and Young LLP. The auditor is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006 and will therefore continue in office.

MA Summerfield

By order of the Board

Mark Summerfield

Director

23 May 2025

Opinion

We have audited the financial statements of Soteria Insurance Limited for the year ended 31 December 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 30 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and FRS 103 ‘’Insurance Contracts’’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management’s going concern assessment process and obtaining management’s assessment which covers the period to 31 December 2026;
- evaluating the solvency and liquidity position of the company by reviewing base case solvency and liquidity projections. We agreed the starting position of the projections, where applicable, to the audited financial information;
- understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom and concluded them to be remote;
- reviewing the company’s latest forecasts and considering the impact on the company’s ability to continue operating as a going concern;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company’s ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the company’s ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing them for consistency with management’s assessment and for compliance with the relevant reporting requirements.

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

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

Overview of our audit approach

Key audit matters	• Inappropriate setting of claims outstanding (specifically IBNR)
Materiality	• Overall materiality of £2.1m which represents 2% of net assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact companies. The company has determined that the physical and transition risks from climate change do not currently pose a material risk to the company. This is explained on page 4 in the strategic report, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition risks and the resulting conclusion that there was no material impact from climate change, and the adequacy of the Company's disclosures on page 19 and 30 of the financial statements which explain the rationale.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate setting of claims outstanding (specifically IBNR) (£39.0m, 2023: £49.8m – both on a gross of reinsurance basis) **Refer to the accounting policies (page 20); and Note 22 of the Financial Statements (page 40-42)** The estimation of claims outstanding is inherently uncertain and has a material impact on the reported results and financial position. The company ceased underwriting insurance business on 29 March 2021, and has no live exposures post 29 March 2022, with the absolute quantum of claims outstanding reducing. However, uncertainty arises as a consequence of the continued natural run-off of claims, whereby the outcomes of remaining claims may have a more significant impact on the results and financial position of the Company. We have therefore assessed the level of the risk as consistent with the prior year. Management records a margin in addition to the best estimate. The setting of the margin is highly judgemental as, of its very nature, it is held to recognise liabilities and uncertainties that have not yet manifested through the available data. The subjectivity in estimating the gross best estimate and the recognition of a margin makes the claims outstanding susceptible to the risk of management override.	We updated our understanding of the reserving process employed by management, paying particular attention to the setting of IBNR and management's methodology including that used for the setting of the margin, and assessed the design and implementation of key controls within the process. Supported by our actuaries who were part of the audit team, and using management's own data, we independently projected, on both a gross and net basis, the best estimate and a reasonable range of estimates. We investigated significant differences between our projections and management's best estimate for each reserving class, including comparison of these differences relative to our independent projections for the prior period. We tested the data used in the reserving process and confirmed it was consistent with the audited accounting records. We assessed management's actuarial assumptions against our own experience, market practice, and other industry participants, especially as regards the liability class of business. We assessed the appropriateness of the net discount rate used to discount the gross Period Payment Orders (PPOs) claims outstanding balance having regard to the inflation and investment return assumptions (including the associated re-investment risks). We considered the investment return assumption based on the assets committed to back the PPO liabilities. We challenged the level of margin held compared to market practice, prior periods and in the context of the areas of uncertainty for which the margin is held.	We consider that the claims outstanding (specifically IBNR), including management margin, lie within what we consider to be a reasonable range of estimates. In addition, we consider that the disclosures made provide information that assists in understanding the uncertainty inherent in the estimation of claims outstanding.

There has been no change to our key audit matter from the prior year auditor's report.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £2.1 million (2023: £1.9 million), which is 2% (2023: 2%) of net assets at 31 December 2024. We believe that net assets provides us with the most appropriate basis that will enable us to identify misstatements that may influence the users of the financial statements. We believe that the users of the financial statements are focused on the capital strength of the company and net assets is the UK GAAP metric that is mostly aligned to this.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £1.0m (2023: £0.9m). We have set performance materiality at this percentage due to our assessment of the overall control environment and the level of prior year audit differences.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £100k (2023: £96k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority (‘PRA’) and the Financial Conduct Authority (‘FCA’).
- We understood how Soteria Insurance Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and UK regulatory bodies; reviewed minutes of the Board and its committees; and gained an understanding of the company’s approach to governance.
- We assessed the susceptibility of the company’s financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also performed journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We also considered areas of significant judgment, including performance targets, external pressures and the impact these have on the control environment. The fraud risk, including management override, was considered to be higher in respect of the estimation of claims outstanding (specifically IBNR), and we performed audit procedures to address the risk as detailed in the key audit matter above and our communication to the Audit Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company’s methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA and FCA.

The company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team and concluded that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 21 May 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 31 December 2016 to 31 December 2024.
- The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

Ernst & Young LLP

30EA94B84A764FB...

Vinood Ramabhai (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 May 2025

Notes:

1. The maintenance and integrity of the Soteria Insurance Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	8	**-**	(0.1)
Outward reinsurance premiums	8	**(0.5)**	(0.5)
Net written premiums		**(0.5)**	(0.6)
Earned premiums, net of reinsurance	8	**(0.5)**	(0.6)
Other technical income, net of reinsurance	9	**1.5**	(1.7)
Total technical income		**1.0**	(2.3)
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	10	**(51.4)**	(79.4)
- reinsurers' share	10	**12.5**	19.5
	10	**(38.9)**	(59.9)
Change in the provision for claims			
- gross amount	22	**54.0**	68.9
- reinsurers' share	22	**(12.0)**	(19.3)
Claims incurred, net of reinsurance		**3.1**	(10.3)
Net operating expenses	11	**(4.5)**	(6.8)
Total claims and expenses		**(1.4)**	(17.1)
Balance on the technical account for general business		**(0.4)**	(19.4)
Non-technical account			
Balance on the general business technical account		**(0.4)**	(19.4)
Net Investment income	12	**6.9**	15.5
Net unrealised gains on investments	12	**1.6**	3.9
Investment expenses and charges	13	**(2.4)**	(3.0)
Other income	9	**0.1**	-
Profit/(loss) on ordinary activities before tax		**5.8**	(3.0)
Tax on profit on ordinary activities	14	**(0.3)**	-
Profit/(loss) for the financial year attributable to members of the Company		**5.5**	(3.0)

Statement of Comprehensive Income/(Expense)

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
Profit/(loss) and total comprehensive income/(expense) for the financial year		**5.5**	(3.0)

Statement of Financial Position
For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
Assets			
Investments			
Financial investments	15	**169.0**	230.2
Reinsurers' share of technical provisions			
Provision for unearned premiums	21	**-**	-
Claims outstanding	22	**57.3**	61.8
		57.3	61.8
Debtors			
Debtors arising out of direct insurance operations			
- policyholders		**-**	0.1
- intermediaries		**2.1**	4.9
Corporation tax debtor	23	**0.4**	0.1
Other debtors	16	**12.1**	0.8
		14.6	5.9
Other assets			
Cash at bank and in hand	17	**59.6**	94.1
Prepayments and accrued income			
Accrued interest		**2.6**	2.9
Other prepayments and accrued income		**0.3**	0.3
		2.9	3.2
Total assets		**303.4**	395.2

Statement of Financial Position

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
Equity and liabilities			
Capital and reserves			
Called up share capital	18	**38.0**	38.0
Capital reserve	19	**-**	-
Retained earnings	19	**63.5**	58.0
Total capital and reserves		**101.5**	96.0
Technical provisions			
Provision for unearned premiums	21	**-**	-
Claims outstanding	22	**197.1**	253.4
		197.1	253.4
Creditors			
Creditors arising out of direct insurance operations		**0.5**	0.7
Creditors arising out of reinsurance operations		**0.5**	0.1
Other creditors including taxation and social security		**0.2**	42.4
		1.2	43.2
Accruals and deferred income		**3.6**	2.6
Total liabilities		**201.9**	299.2
Total equity and liabilities		**303.4**	395.2

Approved by the Board of Directors on 23 May 2025 and signed on its behalf by:

Ewen Gilmour, Chair

Mark Summerfield, Director

Statement of Changes in Equity
For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	Share capital	Capital reserve	Retained earnings	Total
2024					
Balance at the beginning of the financial year		**38.0**	**-**	**58.0**	**96.0**
Profit and total comprehensive income for the financial year		**-**	**-**	**5.5**	**5.5**
Transactions with owners of the Company:					
Dividends paid	19 & 20	**-**	**-**	**-**	**-**
Balance at the end of the financial year		**38.0**	**-**	**63.5**	**101.5**
2023					
Balance at the beginning of the financial year		38.0	57.1	88.9	184.0
Loss and total comprehensive expense for the financial year		-	-	(3.0)	(3.0)
Transactions with owners of the Company:					
Dividends paid	19 & 20	-	(57.1)	(27.9)	(85.0)
Balance at the end of the financial year		38.0	-	58.0	96.0

1. General information

Soteria Insurance Limited (SIL) is a Limited Company registered in England under the Companies Act. The registered office is Mclaren House, 100 Kings Road, Brentwood, England, CM14 4EA. SIL is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home).

On 11 February 2021, the Board made the decision to place the Company into run-off and subsequently made an application to the PRA for SIL's regulatory permissions to effect new insurance contracts to be cancelled. This application was approved on 29 March 2021 and SIL's last insurance policies expired in March 2022. The principal activity of the Company since entering run-off has been the administration of existing policies in force and the settlement of outstanding claims.

2. Basis of preparation and statement of compliance

The annual report and accounts of SIL have been prepared in compliance with United Kingdom Accounting Standards ('UK GAAP'), 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, "Insurance Contracts" ("FRS 103"), the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

As permitted by FRS 103, SIL continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

SIL has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the consolidated statement of cash flows presented in the publicly available group annual report and accounts of its parent company, Saturn Holdings Limited.

The financial information has been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of the annual report and accounts requires the use of certain critical accounting estimates and judgments. Information about key judgements, assumptions and other sources of estimation uncertainty is disclosed in note 4, where these have a significant impact on the annual report and accounts.

Impact of climate change

In preparing these financial statements the Directors have considered the impact of the physical and transition risks of climate change and identified this as an area of focus, as set out on page 4, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2024.

The financial investments are reported at fair value under UK GAAP and therefore, as set out in note 29 utilise market prices at the period end where these are available. These market prices will include the current expectations of the impact of climate change on the financial investments. For financial investments valued using alternative valuation techniques, there is considered to be a low risk of significant exposure to climate change due to the nature and duration of these investments.

Insurance liabilities are accrued based on past insurable events so will not be affected by any future impact of climate change.

The Directors recognise that legislation and reporting requirements surrounding climate change risk continue to develop and the future impact of any changes cannot be fully predicted. Future valuations of assets may therefore differ as the market responds to these potential changes as well as to extreme weather events caused by climate change. As the Company is now in run-off, there is limited impact from changes in the frequency or magnitude of future insurable events linked to the effect of climate risks.

Going concern

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

The going concern assessment performed takes into account that the Company continues as a going concern as, during the run-off period, the Company operates its business of administration and settlement of outstanding claims. Projections take into account the recognition of all future expenses within technical provisions at the point SIL went into run-off. SIL's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory and economic capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Economic Capital Requirement (ECR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts) and stressed investments (the value of investments in a stressed scenario after applying a haircut, which considers the type of asset and maturity). Both projected liquid investments and stressed investments are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, SIL has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that SIL would likely be able to meet the majority of payments solely from existing cash holdings and investment maturities, with only modest reliance on additional income from the sale of highly liquid gilts or highly rated corporate bonds.

2. Basis of preparation and statement of compliance (continued)

Going concern (continued)

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the SCR and Economic Capital Requirement (ECR) coverage ratio is projected to fall below 100%, even if no future dividends are paid, however, the coverage ratios would naturally recover over time as investment returns were received. In this scenario, SIL's assets continue to exceed its liabilities and it would still hold sufficient liquid investments to be able to meet all of its liabilities as they fall due.

Functional and presentational currency

The functional and presentational currency for SIL is pounds sterling. All amounts presented are in pounds sterling, rounded to the nearest 0.1 million pounds, unless stated otherwise.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this annual report and accounts.

a) Revenue recognition

i) Premium income from insurance contracts

SIL's accounting policy in respect of revenue arising from insurance contracts is set out within the insurance specific accounting policy in note 3 b) ii).

ii) Investment return

Investment return comprises all investment income, including realised investment gains and losses and movements in unrealised gains and losses.

Investment income derived from assets held at fair value includes dividends and interest income. Dividends are recorded on the date on which the right to receive the payment is established. For listed equities this is when they are declared ex-dividend. For unlisted equities, a final dividend is recognised once declared by the directors and an interim dividend only when received. Interest income is recognised on an accruals basis.

Realised gains and losses on investments held at fair value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or their purchase price for those acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

For assets held at amortised cost (deposits with credit institutions) interest income is recognised using the effective interest rate (EIR) method. The EIR basis spreads the interest income over the expected life of the instrument. The EIR is the rate that, at inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount.

iii) Commission income and profit commission due under reinsurance arrangements

Reinsurance commission, netted off within the net operating expenses in the Technical Account, represents commission income relating to the ceding of policies. Minimum commission income, as set out in the reinsurance contract, is initially recognised when the underlying policies are written. Where there are variable commission arrangements in place, adjustments to the minimum commission amount are accrued based on loss ratios in accordance with the terms of the reinsurance contract. The commission income is recognised in the same accounting period as the related direct business being reinsured.

Profit commission due under reinsurance arrangements is recognised in the income statement in line with the associated premiums ceded and ceded incurred claim costs, in accordance with the contractual terms of the relevant reinsurance contract.

b) Insurance contracts

i) Classification of insurance contracts

Contracts under which SIL accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. A contract that qualifies as insurance remains an insurance contract until all the risks and obligations are extinguished or expire.

All contracts of general insurance business written by SIL are classified as insurance contracts. General insurance business is accounted for on an annual basis.

ii) Recognition of premium income

Gross written premiums comprise adjustments in the accounting period relating to premium receivable in respect of business written in prior periods. Gross written premiums are stated gross of commission and exclude any taxes or levies based on premiums. Gross written premium (whether paid in advance or by instalments) is earned evenly over the period of the contract.

3. Significant accounting policies (continued)

b) Insurance contracts (continued)

iii) Claims incurred

Insurance claims incurred comprises claims paid during the year, together with related claims handling costs and the change in the gross liability for claims in the period, net of related recoveries including salvage and subrogation.

iv) Claims provisions and related reinsurance recoveries

Claims outstanding comprises provisions representing the estimated ultimate cost of settling:

- estimates on claims reported by the statement of financial position date (claims reported), assessed on an individual basis; and
- expected additional cost in excess of claims reported for all claims occurring by the statement of financial position date (claims incurred but not reported), assessed on a statistical basis based upon the history of past claims development patterns taking into account current expectations and developments.

The provision for outstanding claims is based upon realistic assumptions in the light of all relevant currently available information. Aggregate claims provisions, which include attributable claims handling expenses as well as a management margin above actuarial best estimate, are set at a level such that no adverse run off deviations are expected.

Outstanding reserves are discounted in respect of periodical payment orders and a portion of historic liability claims from the electric industry for which separate assets are held of similar duration. All other claims provisions are undiscounted.

Estimates of salvage and subrogation recoveries are included separately within 'debtors arising out of direct insurance operations'.

v) Reinsurance

Contracts with reinsurers that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same period as the related claim. Premiums, claims and receivables are presented on a gross basis in the income statement and statement of financial position.

The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the SIL's reinsurance programme over time.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. If objective evidence of impairment exists, reinsurance assets are reduced to their recoverable amount and an impairment loss is recognised in the income statement.

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

vi) Quota share

A quota share reinsurance contract transfers insurance risk on a proportional basis. The income statement is shown net of premiums ceded, claims recoverable and commission earned under these arrangements.

Premiums ceded under these arrangements may be held in a notional funds withheld account, against which claims paid recoveries, earned commission and margin paid, are deducted. The funds withheld balance is offset against expected recoveries for claims outstanding and future profit commission in the statement of financial position.

c) Financial instruments

SIL has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102 to all of its financial instruments.

i) Recognition of financial assets and financial liabilities

Financial investments are recognised by SIL on the trade date, which is the date it commits to purchase the instruments. All other financial instruments are recognised on the date that the SIL becomes a party to the contractual provisions of the instrument.

ii) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when they are sold and:

- the rights to receive cash flows from the assets have ceased; or
- SIL has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

iii) Basic financial instruments

The following instruments have been identified as ‘basic financial instruments’ in accordance with Section 11 of FRS 102.

Debt securities

Initial measurement of the Company’s holdings in debt securities is at fair value, being purchase price on the date on which the Company commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. They are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and information is provided internally to key management personnel on that basis. Consequently, subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

Equities

Equities are initially measured at fair value, being purchase price on the date on which the Group commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

Deposits with credit institutions

Deposits with credit institutions are initially measured at their transaction price, plus including any transaction costs and are subsequently measured at amortised cost using the effective interest rate.

Debtors

Debtors are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at amortised cost. The amortised cost is the initial amount at recognition less principal repayments and less impairment provisions for incurred losses. Debtors are not discounted as they have no stated interest rate and are expected to be received within one year.

Cash at bank and in hand

Cash at bank and in hand is initially measured at transaction price and is subsequently measured at amortised cost using the effective interest rate.

Financial liabilities

Financial liabilities are contractual obligations to deliver cash or other financial assets. Other financial liabilities are initially recognised at fair value, net of directly attributable transaction costs and are subsequently measured at amortised cost.

iv) Other financial instruments

SIL holds investments in asset-estate backed lending, collective investment undertakings and derivatives which are classified as ‘other financial investments’ in accordance with Section 12 of FRS 102. These assets are valued initially at fair value, being purchase price on the date on which the Company commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

v) Fair value measurement

Fair value for quoted investments in an active market is the bid price, which management believe is representative of fair value. If the market for a quoted financial investment is not active or the investment is unquoted the fair value is determined using valuation techniques. For these investments, the fair value is established using quotations from independent third parties, such as brokers or pricing services, or by using alternative valuation techniques. Priority is given to publicly available prices from independent sources, when available, but overall, the source of pricing and/or valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Alternative valuation techniques include the use of recent arm’s length transactions, reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

v) Fair value measurement (continued)

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

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

The discount rate can depend on the following factors:

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

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

vi) Impairment of financial assets held at cost or amortised cost

At the statement of financial position date, SIL assesses its financial assets held at cost or amortised cost for objective evidence that an impairment loss has occurred. Only if there is objective evidence is an impairment loss calculated.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original or current effective interest rate (if the asset has a variable interest rate). Any impairment losses are recognised immediately through the income statement with a corresponding reduction in the value of the financial asset.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed with the amount of the reversal recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

d) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Money market funds are classified as cash as are deemed to be equivalent to cash on deposit. Banking facilities that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash at bank and in hand for the purpose of the cash flow statement.

e) Offsetting

FRS 103 prohibits the offsetting of reinsurance assets against the related insurance liabilities. Reinsurance assets and liabilities arising under the quota share arrangements are offset and the net amount reported in the statement of financial position as there is a legally enforceable right to set off the amounts, and there is an intention to settle on a net basis, as set out in the contractual terms of the quota share agreements.

Financial assets and liabilities are offset under FRS 102, with the net amount reported in the statement of financial position, where there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

f) Income tax

Tax in the income statement for the year comprises current and deferred tax, which is recognised in the income statement except to the extent that it relates to items in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

When there is uncertainty over the income tax treatment, if it is probable that a particular tax treatment is accepted, SIL determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in SIL's corporation tax filing. If it is not probable that a particular tax treatment is accepted, SIL uses the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, whichever gives better predictions of the resolution of the uncertainty.

ii) Deferred tax

Deferred tax is provided based on timing differences that arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements.

The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

g) Leases

Where a significant proportion of the risk and rewards of ownership of a leased asset are retained by the lessor, these contracts are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised in the income statement on a straight-line basis over the lease term. All leases currently held by SIL are considered operating leases and no liability is recognised in the statement of financial position.

h) Fee and commission expenses

Fees and commission expenses mainly relates to commission payable to insurance intermediaries that is recognised over the lifetime of the related policy. All other fees and commission expenses are recognised on an accruals basis as the service is provided.

i) Pensions

SIL operates a defined contribution pension plan which receives fixed contributions from the Company. The Company's legal or constructive obligation for this plan is limited to those contributions. Contributions are recognised as an employee benefit expense when they fall due.

j) Share capital and share premium

Ordinary shares are classified as equity. Share premium represents the excess of share issue proceeds over the nominal value of shares issued and is included within equity.

k) Dividends to shareholders

Dividends are only recognised in the annual report and accounts by SIL once they have been appropriately authorised.

l) Foreign currencies

The Company holds some investments denominated in US Dollars and Euros which are translated to the Company's functional currency at the exchange rate at the reporting date. Transactions in foreign currencies are recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of investments at the financial reporting date are recognised in the non-technical profit and loss account.

4. Use of estimates and judgments

The preparation of the annual report and accounts requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

General insurance contracts – assumptions, changes in assumptions and sensitivity

i) Basis of assessing liabilities

SIL uses a combination of recognised actuarial and statistical techniques to assess the ultimate cost of claims. These include:

- projecting historic claims payment and recoveries data;
- projecting numbers of claims;
- deriving average costs per claim to apply to claim numbers; and
- projecting historic claims paid and incurred data (payment plus estimates) – statistical actuarial techniques including chain ladder and Bornhuetter-Ferguson.

Detailed claims data, including individual case estimates, are used to derive patterns in average claims costs and timings between occurrence and estimate/payment of claims. The most common method used is the chain ladder method. This technique involves the analysis of historical claims development trends and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident quarter, which is not yet fully developed, to produce an estimated ultimate claims cost for each accident quarter. A degree of judgment is required in selecting the most appropriate development factors.

The chain ladder method can be volatile for relatively undeveloped origin periods so a Bornhuetter-Ferguson/Cape Cod method is often used in such cases. These methods use some prior expectation of the ultimate claims and stabilise the projected ultimate by weighting between the prior expected ultimate and that projected based on the assumed development factors. The Cape Cod method differs from the Bornhuetter-Ferguson method in that it uses a trending of ratios (such as the average cost) to arrive at a prior expected ultimate for use in the projections.

The work is undertaken and supervised by suitably qualified personnel. Claims provisions are separately computed for each claim type such as bodily injury, accidental damage, storm, flood and subsidence. All provisions are calculated with explicit allowance for reinsurance and subrogation recoveries. Provisions are not discounted for investment return other than any required additional provision for unexpired risks (if any), periodic payment settlements and provisions relating to exposure within the electric industry.

Discounted reserves in respect of periodic payment settlements are £63.9m (2023: £63.3m) and historic liability claims from the electric industry discounted reserve amounts to £1.5m (2023: £1.7m). The impact of the unwinding of the discounting in the year was £1.4m (2023: £1.3m). Further details around expected settlement patterns for claims arising on these reserves are disclosed within the market risk section on pages 28 to 30.

The historic liability claims from the electric industry reserve was based on a report produced for the industry in March 2022 by Willis Towers Watson, an actuarial consultancy. This gave Willis Towers Watson's estimate of both the undiscounted and discounted incurred but not reported (IBNR) reserves as at the end of June 2021. This was the most recent report available when SIL calculated its year end 2024 reserves.

As outlined within the risk management section, there is significant uncertainty in the assessment of liabilities and provisions are set to be adequate to cover the anticipated eventual cost. A management margin is added to the 'actuarial best estimate', so that, in most years, no adverse run-off deviations are envisaged. Sensitivity analysis is performed to assist the selection of key parameters and, hence, the provisions adopted. Provisions are subject to detailed review regarding the appropriateness of key assumptions and the quantum of the provisions established. The Board regularly commissions an independent third party review, typically undertaken every two years, to ensure the reserves are reasonable.

The overall objective of SIL's reserving policy is to produce reliable and accurate reserves. Assumptions underlying the reserving calculations are agreed by the Quarterly Reserving Committee (QRC). Methodologies are peer reviewed throughout the calculation process. Provisions are approved and signed off by the Actuarial Function Actuary in consultation with the QRC, and any margin above the actuarial best estimate reserve is set by the Chief Financial Officer. The Board has a risk appetite that adopted reserves will include a management margin above the actuarial best estimate. This margin is commonly expressed as a percentage of the best estimate reserve, and the risk appetite is that it should fall between 5-10% for the motor and household lines of business. The amount of margin held at any given time is determined by the Chief Financial Officer taking into account current causes of uncertainty in the reserve. The Company's reserves are within this risk appetite.

Quarterly reports are produced by the actuarial team and presented to SIL's Chief Financial Officer in order to advise management of the performance of the business against plan. These reports form the basis of reporting the performance to the Board.

All amounts are stated in £m unless otherwise indicated

4. Use of estimates and judgments (continued)

ii) Key assumptions

Principal assumptions underlying the claims provisions include:

- The accuracy of individual case estimates applied by claims handlers, particularly in respect of large individual motor claims;
- The future development pattern for claims payments and incurred amounts being in line with those observed in the past;
- Allowance for future inflation rates being different to those implied in the claims data;
- The pattern of future claims notifications relating to mesothelioma claims decaying as projected; and
- For bodily injury claims, allowance has been made for:
    1. use of the appropriate Ogden Tables and the current discount rate (+0.5% in England and Wales);
    2. awards for general damages in accordance with the 17th edition of the Judicial College Guidelines;
    3. a proportion of large claims being settled by periodic payments; and
    4. the interest rate used to discount the value of future payments from claims settled by Periodical Payment Orders.

Inflation

In light of current high levels of inflation, particular consideration has been given at the end of 2024 to the need to make additional allowance within reserves for the possible impact of continuing high inflation, in addition to the allowance already implicit in individual case estimates. A combination of explicit allowance and implicit judgments have been made which have increased the reserve by £4.4m (2023: £7.6m), net of reinsurance.

A sensitivity of a one percentage point increase in the rate of inflation for one year would increase the costs of outstanding claims by £1.8m (2023: £2.3m), net of reinsurance. The outstanding reserves are predominantly the larger or more complex claims which take longer to settle, and for which inflation is masked by mix volatility, and therefore this estimate is subject to considerable uncertainty.

Movement in insurance liabilities

The gross insurance provision of £197.1m (2023: £253.4m) for claims and claims handling costs arising in respect of prior years includes a decrease in reserves of £2.9m (2023: increase of £11.4m). This movement is as a result of the adverse development in Motor large bodily injury claims, a strengthening of household subsidence claims and a strengthening of legacy employer's liability reserves, reported as Fire and Accident (which includes Home) in the table below (figures exclude changes in quota share):

	2024	2023
Gross		
Fire and Accident increase of reserves	**(5.4)**	(4.4)
Motor decrease/(increase) of reserves	**8.4**	(6.9)
Increase in claims handling reserves	**(0.1)**	(0.1)
Gross movement in insurance liabilities	**2.9**	(11.4)
Movement in reinsurance	**0.5**	0.2
Net movement in insurance liabilities	**3.4**	(11.2)

Fair values of financial assets and liabilities

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the annual report and accounts:

Financial investments

The fair value of listed securities is based on market prices provided by independent, external pricing sources at the statement of financial position date without any deduction for transaction costs. The fair value of unlisted securities is calculated using an appropriate methodology based on the information available. Further information on the methods used is disclosed in Note 3 c).

Assets which are valued using alternative valuation techniques are those classified as level 3 in Note 29. Details of the assumptions made in valuing these investments can be found in Note 3 c).

5. Risk management

SIL is exposed to insurance risk, via the contracts that were issued historically, and is exposed to financial risk through its holdings of financial assets and liabilities. This section summarises these risks and the way SIL manages them.

Our approach to risk management

The Risk Management Framework (RMF) identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across SIL and is well embedded.

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

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

- First line: manage risk in day to day operations.
- Second line: provide oversight and challenge.
- Third line (Internal Audit): provide assurance that the RMF is being executed as intended.

As SIL is largely an outsourced model, much of first line work is carried out by third parties, with finance and risk accountability being assumed by the SIL management team.

Risk assessment of SIL

SIL assesses the principal risks facing the business annually and a projection of how these risks are expected to evolve as the risk profile changes is completed as part of the ORSA process. These risks are summarised on page 4.

The SIL RMF requires the Executive Team to attest that they understand the risks and controls in their areas of accountability and support an open risk management culture. In support of the attestation, each Executive is required to undertake a Risk and Control Self-Assessment (RCSA), which identifies the risks to the achievement of their objectives and the controls in place to mitigate these risks, together with an assessment of the effectiveness of the controls (Design and Performance with appropriate testing of control performance). The RCSA is designed to cover all material controls including financial, operational and compliance controls as well as the minimum requirements set out in SIL's risk policies.

Responsibilities map

SIL maintains a Responsibilities Map which sets out the accountabilities delegated by the CEO to each member of the Executive Team, which are also reflected within their individual job descriptions. These accountabilities include the Senior Managers & Certification Regime (SM&CR) senior management function and prescribed responsibilities which are considered in conjunction with delegated authorities.

Risk management structure

The Board is responsible for approving the SIL strategy and the level of acceptable risks articulated through its statements of risk appetite. The Board is also responsible for overall corporate governance, which includes ensuring that there is an adequate system of risk management in place.

To assist the Board in carrying out its functions and to ensure that there are internal controls and risk management, the Board has delegated certain responsibilities to a set of Board committees and the Chief Executive Officer (CEO). The CEO has in turn, delegated elements of these responsibilities to appropriate members of the Executive. To ensure independent oversight the Chief Risk Officer (CRO) also has accountability to the Board Risk Committee (BRC).

All Board committees have Terms of Reference describing the authority delegated to them by the Board, and the Board ensures that each committee is provided with sufficient resources to enable its duties to be undertaken.

Risk taxonomy

Risks are classified into Level 1 and Level 2 categories. Business activity can be exposed to one or a combination of the following risk types. The Level 1 risks are the highest category of financial and non-financial risks to which SIL is exposed.

The most material risks that SIL is exposed to are reserve risk and market risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets, although both have moderated over the last twelve months.

A Risk Framework Owner (RFO) is appointed for each risk category. The RFO is required to define and document a risk framework; this usually comprises a Risk Policy and framework documents and risk appetite tolerance metrics. The RFO is required to certify to the effectiveness of the control framework used to manage the Risk on a semi-annual basis.

Strategic and business risk

Strategic and Business risk is defined as the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors, resulting in lost earnings and capital. Strategic risks cover those risks over the longer term time horizon around the strategic plan and they align to the strategic risk profile. Business risks are in year performance against plan and align to the material risk profile.

SIL's financial objective in managing these risks is to hold a sufficient capital buffer in excess of minimum regulatory capital requirements to cover projected risks and meet liabilities as they fall due. The Board has defined detailed risk appetite measures and limits underpinning these objectives, which are measured, monitored and reported regularly to management, BRC and Board.

5. Risk management (continued)

Conduct risk

Conduct risk is the risk that SIL's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers. Accordingly, conduct risk may arise from any aspect of the way a business is conducted. Conduct risk is a key area of focus across the financial services industry, with close scrutiny from the FCA. This risk has significantly reduced since entering run-off as a direct result of fewer claims outstanding and no live customers, however, the expectations of the Regulator in this area have increased significantly following the introduction of Consumer Duty.

Regulatory risk

Regulatory risk is the risk of regulatory sanctions, regulatory censure, material financial loss or loss to reputation SIL may suffer as a result of its failure to comply with regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. SIL's objective is to be compliant with all relevant regulatory requirements and manage its regulatory risks so as to minimise the probability and potential impact of breaches and to remedy promptly and comprehensively the consequences of any that do occur.

Insurance risk

Following the expiry of SIL's last insurance policies in March 2022, it is no longer exposed to Premium Risk or Catastrophe Risk.

Insurance (reserving) risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities. The exposure is for Motor and Home business, together with other classes of business, mainly comprising employer's liability and commercial motor business.

Key risks under Motor policies for a run off book are in respect of uncertainty with respect to the ultimate cost of bodily injury to third parties, which are exposed to judicial, legislative and inflationary changes. As run off progresses, motor property damage is becoming less material. Home policies are also less exposed to property type claims as run off progresses, and subsidence is the longest tailed type of claim. Risks exist with respect to historical classes of business, in particular the liability class which is long tailed and exposed to latent claims.

There were no significant concentrations of insurance risk at the statement of financial position date or at the prior year end date.

Insurance risk – objective and strategy

SIL outsources the management of insurance risk to a third party (MISL). Oversight is in place to ensure that reserve risk volatility is minimised through proactive claims handling, the claims provisioning process and robust reserving and modelling approaches.

The overriding objective in claims handling is to ensure all claims are properly scrutinised and paid where they fall within the terms and conditions of the policy. The proper scrutiny of claims is facilitated by the use of various technical aids such as fraud databases and the use of claims specialists. The basis for assessing claims provisions is set out in note 4 (pages 25 to 26).

The nature of insurance contracts is that the obligations of the insurer are uncertain as to the timing or quantum of liabilities arising from contracts. SIL takes all reasonable steps to ensure that it has information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. SIL manages this risk through the Reserving Committee, which supports the CFO in their responsibility to formally review claims reserves on a quarterly basis. Analysis of claims development can be found in note 22 (page 42).

Insurance risk – reinsurance

SIL uses reinsurance to manage insurance risk.

Until the expiry of its final policies in March 2022, SIL had two main reinsurance programmes in place: catastrophe excess of loss cover and motor excess of loss cover.

Quota share reinsurance arrangements relating to accident years from 2017 to 2020 remain in force and enhance the Standard Formula capital coverage by reducing exposure to reserve risk.

Market risk

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

SIL invests in high-quality fixed and variable interest bonds issued by corporations ("corporate bonds"), the UK government ("gilts") and overseas governments ("other government bonds"). The value of, or income from, assets held is subject to volatility from changes in both market interest rates and additional spreads related to the specific credit-worthiness of the issuer ("credit-spreads"). Proceeds from maturing investments are also subject to risk over the future return on reinvestment.

SIL is also exposed to market interest rates through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and regulatory basis. However, short term insurance reserves (normally less than five years) are not directly affected by market interest rates as they are undiscounted.

SIL invests in a limited amount of index linked bonds, asset backed lending and collective investment funds which are of a more long term nature to match the long term liabilities. In addition to the risks listed above, this portfolio is subject to risks associated with property values. This is mitigated by restricting the loan to value ratio on asset backed lending as well as limiting the duration of these investments.

SIL wrote contracts of insurance in the United Kingdom and insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in Euros and US Dollars as well as sterling, and consequently there is an exposure to currency risk, however this is minimised through the use of currency hedges.

SIL is not exposed to any pensions risk.

5. Risk management (continued)

Market risk (continued)

In summary, the key market risks that SIL is exposed to are:

- Fluctuations in interest rates, allowing for the impact on both asset and liability values, and investment income.
- Movements in credit-spreads which impact the market value of corporate bonds.
- Changes in the relationship between interest rates which have similar but not identical characteristics.
- Fluctuations in the market value of assets.

Market risk – objective and strategy

SIL's objective is to achieve acceptable returns through the use of highly rated government and corporate bonds while managing volatility by limiting and diversifying exposure to equities and other volatile instruments. To enhance certainty over the investment return generated from these assets, management practice is generally to maintain holdings to maturity.

SIL's investments are managed by Hundle & Partners Limited. SIL has agreed investment mandates in place with the investment managers with limits for exposure by asset type, credit-rating, maximum terms and maximum exposure to individual counterparties.

SIL manages credit-spread and default risks from corporate bonds through the limits for exposure to credit-ratings and individual counterparties. Other risk mitigation techniques employed to manage exposure to counterparty default include transacting only through a diversified range of authorised counterparties. The Investment, Finance & Capital Committee (IFCC) and Investment Committee support the CFO in overseeing the monitoring and management of these risks and exposures against limits.

The investment mandate sets strategic asset allocation and limits on the types and duration of investments. The mandate has been set by considering the risk/reward trade off and the impact upon capital adequacy and solvency of the overall business.

Interest-rate risk is managed through investing in fixed interest securities with a similar duration profile to the liabilities under the general insurance contracts. SIL matches the average duration of assets and liabilities in this portfolio by estimating their mean duration. The mean duration of financial assets is measured against the investment mandate and remained within these boundaries during the period. The mean duration of insurance liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date).

	2024 (years)	2023 (years)
Insurance liabilities	**8.5**	7.1
Financial assets	**3.6**	1.4

The increase in duration of insurance liabilities is due to the run-off of the business impacting the mix of reserves and a longer liability claim notification pattern.

The relatively low maturity profile of the financial assets reflects the asset strategy which was adopted in 2021. The main investment portfolio, which supports the run-off of the majority of the claims, has a duration of less than one year. Assets supporting the long-term claims have a longer duration, as explained below, with the strategy being that these will be reinvested on maturity. The balance of the total investment portfolio is reviewed every six months to ensure that the main investment funds are sufficient to meet the forecast short-term cashflows.

Specific assets are used to match periodic payment orders (PPOs) and provisions relating to exposure within the historic liability claims from the electricity industry (EIROS) by amount and appropriate to the long duration of these liabilities. In order to do this, an expert opinion on claimants' life expectancy is used along with an expectation of long term average earnings.

All amounts are stated in £m unless otherwise indicated

5. Risk management (continued)

Market risk – objective and strategy (continued)

Mean durations for these exposures are:

2024	Amount	Duration
Periodical payments and EIROS		**Years**
Insurance liabilities	**32.1**	**14.3**
Financial assets		
Cash	**10.4**	**-**
Gilts	**14.9**	**15.2**
Asset backed lending	**23.0**	**0.1**
Collective investment assets	**15.2**	**2.5**
Equity	**2.9**	**-**
Derivatives	**-**	**n/a**

2023	Amount	Duration
Periodical payments and EIROS		**Years**
Insurance liabilities	31.3	14.7
Financial assets		
Cash	18.9	n/a
Gilts	17.3	7.4
Asset backed lending	16.1	0.1
Collective investment assets	27.6	0.4
Equity	-	-
Derivatives	0.1	n/a

Assets held against the PPO liabilities are of shorter duration than the liabilities themselves, as the asset strategy is that these assets are expected to be reinvested at maturity.

Owing to the low value of the remaining EIROS liabilities, these are now managed on a combined basis with the PPOs, and so no specific assets are held at the year end in relation to the EIROS liabilities.

Insurance liabilities are shown net of reinsurance. The liabilities are assessed against assets on a net basis, as this represents SIL's residual risk. Gross liabilities in respect of periodic payment settlements are £63.9m (2023: £63.3m) and EIROS claims amount to £1.5m (2023: £1.7m).

Market risk – sensitivity analysis

The most significant aspect of market risk to which SIL is exposed is the effect of changes in value of investments, which directly impacts the profits reported under UK GAAP, and changes in credit-spreads on corporate bonds, which also affect SIL's solvency.

An increase of 100 basis points in credit-spreads would reduce profit, equity and the value of SIL's assets at the end of the financial year by approximately £1.3m (2023: £2.2m). This would reduce SIL's solvency (on all bases) by £1.0m net of tax (2023: £1.7m), although it is likely that the overall net impact on solvency would be lower than this as the fall would be partially offset by a reduction in the value of liabilities arising from the use of the Volatility Adjustment (under Solvency II UK) to value claims provisions. The impact of a decrease of 100 basis points in credit-spreads would have similar but opposite effects.

An increase in the discount rate of 100 basis points would decrease the value of gross PPO reserves by £6.7m and the value of net PPO reserves by £3.7m, which would increase profit and equity at the end of the financial year by approximately £0.9m. A decrease in the discount rate of 100 basis points would increase the value of PPO reserves by £8.4m and the value of net PPO reserves by £4.7m, which would reduce profit and equity at the end of the financial year by approximately £1.2m.

Climate change

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

SIL has considered its exposure to climate change risk as at the end of December 2024. SIL has no live policies on risk after March 2022, meaning the exposure to climate change in the short term is limited. The majority of the short tail claims settled within 12 to 18 months after the last policy expired. There will remain some longer tail claims, predominantly bodily injury, which are not expected to settle for a number of years. Climate change is not expected to have a material impact on the cost of these claims or on the insurance related assets.

SIL does have an exposure to climate risk in its investment portfolio and, therefore, in market risk. The risks include a fall in the value of corporate bonds in carbon intensive companies due to stranded assets or legislation to deal with climate change. Furthermore, as more investors move to sustainable investment strategies there is the risk that investments that fall outside these criteria fall in price as a result. SIL monitors its exposure to fossil fuel related assets on a monthly basis to ensure that it is within acceptable, Board approved levels.

A review of SIL's investment portfolio has concluded that there is not an undue level of risk. Most of SIL's investment portfolio is held in corporate bonds and gilts, which are intended to closely align with the projected claims settlement patterns and, as such, are heavily weighted to mature within the next few years.

All amounts are stated in £m unless otherwise indicated

5. Risk management (continued)

Climate change (continued)

Many of the global climate reforms are targeting tangible change from the mid-point of this decade through to 2050. As SIL's outstanding claims and investment portfolio will be significantly reduced by the end of 2025, SIL considers that there is limited impact, particularly in the short to medium term, from climate change on its current business model and liabilities.

It is incumbent on SIL management, Board and investment partners to ensure that the longer term investment strategy, albeit notably limited in size, is managed effectively and minimises the risk of exposure to climate affected sectors.

Currency risk

SIL is exposed to currency risk on its investments as corporate bonds include investments denominated in Euros and US Dollars. Currency hedges are held against these assets to minimise the foreign exchange exposure. The table below shows the holdings of corporate bonds, gilts, other government bonds and equities by currency and domicile of issuer.

As at 31 December 2024	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
GBP				
UK	13.4	10.1	15.8	**39.3**
Europe	13.2	11.5	0.5	**25.2**
Rest of world	4.3	10.4	-	**14.7**
EUR				
Europe	4.7	8.0	2.7	**15.4**
USD				
UK	1.6	-	-	**1.6**
Europe	-	1.9	-	**1.9**
Rest of world	-	1.9	-	**1.9**
	37.2	**43.8**	**19.0**	**100.0**

As at 31 December 2023	Up to 1 year	1 to 5 years	Over 5 years	Total
GBP				
UK	9.6	34.6	17.3	**61.5**
Europe	38.4	6.3	-	**44.7**
Rest of world	23.3	5.6	-	**28.9**
EUR				
UK	4.8	24.2	1.6	**30.6**
Europe				
USD	-	1.9	-	**1.9**
UK	4.3	1.4	-	**5.7**
Europe	10.5	2.2	-	**12.7**
Rest of world				
	90.9	**76.2**	**18.9**	**186.0**

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. SIL's objective is to minimise operational risk through the implementation of a robust control environment which minimises the potential for loss as a result of the failure of processes, people and technology or due to external events.

SIL has defined the following sub-categories within operational risk, which represent the major areas of operational risk exposure. Each sub-category has its own RFO, and is supported by underlying control standards:

- Financial reporting risk
- Technology risk (including cyber risk)
- Third party supplier risk
- Operational resilience risk
- Information risk
- Financial crime risk
- People risk
- Model risk

Under the operating model, MISL are responsible for managing a significant amount of SIL's operational risks.

Third Party Risk will remain high given SIL's reliance on MISL for the management of policies and claims. This is managed via the ISARA agreement and monitoring arrangements that have been put in place. SIL has only a small number of staff; although this may mean that people risk is lower overall, it does increase key person dependency. This risk is managed individually with detailed succession planning and retention strategies if required. SIL has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which, in 2024, included employer's liability and Directors' and Officers' insurance.

All amounts are stated in £m unless otherwise indicated

5. Risk management (continued)

Liquidity risk

Liquidity risk is the current and prospective risk to earnings or solvency arising from SIL's inability to meet its obligations when they come due without incurring unacceptable losses. SIL's objective is to maintain at all times, liquid resources which are adequate to meet all policyholder and other funding obligations as they fall due primarily through the use of cash and highly liquid UK government and corporate bonds.

SIL's Board sets risk appetite thresholds for both liquid and stressed investments, based on forecast cash flows, and assesses liquidity against these.

The stressed investment valuation is intended to represent the value at which assets could reasonably be sold in a short timeframe. The values of stressed investments are the market values of the investments less haircuts which are based on the credit rating of the investment. The haircuts applied to stressed investments are:

Credit Rating	Maturity	Government	Corporate
AAA to AA-	≤ 1 year > 1 ≤ 5 years > 5 years	0.5% 1.5% 3.0%	1.5% 5.5% 11.0%
A+ to BBB-	≤ 1 year > 1 ≤ 5 years > 5 years	1.5% 4.0% 6.0%	2.5% 8.5% 17.0%
BB+ and lower	All	100.0%	100.0%
Equity, collective investments & property-backed lending	N/a	100.0%	100.0%
Cash	N/a	-	-

At 31 December 2024 liquid assets of £79.2m were held against a risk appetite threshold of £26.9m. The stressed value of investments at 31 December 2024 was calculated as £128.2m versus a risk appetite threshold of £37.7m.

The actual and projected levels of cash and other assets held are monitored and managed through the IFCC, with oversight by the BRC and Board. In addition, in between IFCC meetings, monthly monitoring of liquid assets against risk appetite limits is undertaken.

The following table indicates the time profile of undiscounted cash flows arising from financial liabilities and insurance contract liabilities (based upon contractual maturity).

	Carrying value	Gross nominal outflow	Up to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
As at 31 December 2024								
Insurance contract liabilities	197.1	270.5	35.8	30.9	19.0	12.2	9.9	162.7
Financial liabilities at amortised cost:								
Reinsurance liabilities	0.5	0.5	0.5	-	-	-	-	-
Insurance and other payables	0.7	0.7	0.7	-	-	-	-	-
	198.3	**271.7**	**37.0**	**30.9**	**19.0**	**12.2**	**9.9**	**162.7**
Other liabilities	3.6							
Total recognised liabilities	**201.9**							

	Carrying value	Gross nominal outflow	Up to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
As at 31 December 2023								
Insurance contract liabilities	251.2	326.8	55.7	39.8	28.0	20.5	12.5	170.3
Financial liabilities at amortised cost:								
Reinsurance liabilities	0.1	0.1	0.1	-	-	-	-	-
Insurance and other payables	45.7	45.7	45.7	-	-	-	-	-
	297.0	**372.6**	**101.5**	**39.8**	**28.0**	**20.5**	**12.5**	**170.3**
Other liabilities	-							
Total recognised liabilities	**297.0**							

All amounts are stated in £m unless otherwise indicated

5. Risk management (continued)

Credit risk

Credit risk is the risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations. SIL does not aim to earn a return from credit risk hence its appetite for credit risk is very low. Potential losses arising from credit risk are minimised by the use of high quality reinsurers and highly rated investments.

SIL's key credit risk exposure is from default or delay in respect of insurance receivables, where default is defined as failure to pay resulting in financial loss to SIL. The main potential cause of this would be reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries.

SIL manages credit risks associated with cash and corporate bonds as part of market risk. See page 28 to 30 for details.

Where reinsurance is used to manage insurance risk, there is a risk that the reinsurer fails to meet its obligations in the event of a claim. SIL places limits over exposure to a single reinsurance counterparty, or counterparty group, based upon their credit-worthiness. These limits applied when reinsurance was initially placed, and are regularly monitored by the IFCC. Where concern exists over the credit quality of a reinsurer, a review will be undertaken to determine the most appropriate management action.

The quota share reinsurance arrangement in place throughout 2017 – 2020 operates on a funds withheld basis, which means that only the reinsurer margin is transferred to the reinsurer.

As at the statement of financial position date, the table below provides analysis of the credit rating of those assets subject to credit risk. SIL's policy for making provisions for possible impairment is described within the accounting policy section on page 23.

	AAA	AA	A	BBB and below	Not rated	Total
As at 31 December 2024						
Investment assets:						
Corporate bonds	2.7	2.7	12.5	32.7	33.1	83.7
Gilts	-	19.6	-	-	-	19.6
Other government bonds	15.6	5.0	2.1	0.8	-	23.5
Equities	-	-	-	-	3.2	3.2
Asset backed lending	-	-	-	-	23.8	23.8
Collective investments	-	-	-	-	15.2	15.2
Derivatives	-	-	-	-	-	-
Reinsurance assets	-	37.5	19.7	-	0.1	57.3
Insurance receivables and other assets	-	-	-	-	12.3	12.3
Cash at bank and in hand	35.7	-	23.9	-	-	59.6
	54.0	64.8	58.2	33.5	87.7	298.2
Salvage and subrogation						1.9
Assets not subject to credit risk						3.3
						303.4

	AAA	AA	A	BBB and below	Not rated	Total
As at 31 December 2023						
Investment assets:						
Corporate bonds	11.6	8.3	29.1	60.0	4.8	113.8
Gilts	-	27.0	-	-	-	27.0
Other government bonds	30.9	8.8	5.3	-	-	45.0
Equities	-	-	-	-	0.2	0.2
Asset backed lending	-	-	-	-	16.1	16.1
Collective investments	-	-	-	-	27.6	27.6
Derivatives	-	-	-	-	0.5	0.5
Reinsurance assets	-	38.0	23.6	-	0.2	61.8
Insurance receivables and other assets	-	-	-	-	4.9	4.9
Cash at bank and in hand	41.1	-	53.0	-	-	94.1
	83.6	82.1	111.0	60.0	54.3	391.0
Salvage and subrogation						4.1
Assets not subject to credit risk						0.1
						395.2

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the table. No assets held at the end of the year are past due.

6. Capital management

The Company's capital and capital requirement is defined in the Strategic Report on page 3.

Objectives when managing capital

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

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

Required capital

Under the Solvency II UK regulatory framework, the Prudential Regulation Authority (PRA) requires SIL to calculate a capital requirement and to hold sufficient capital to meet it.

(a) Regulatory required capital

The Solvency II UK regulatory regime came into force as at 1 January 2016 and, from 31 December 2024 has been replaced by the Solvency II UK regulatory regime, as prescribed by the PRA. Under this solvency framework, SIL is required to hold capital at the greater of two measures, namely the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). These measures are described below.

i) SCR: The SCR is a risk-responsive capital measure, calibrated to ensure that an insurer will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. SIL currently calculates its SCR using the Standard Formula (SF). The Standard Formula is calibrated based on market wide data and not on a specific firm's data, so the PRA must approve the SF SCR as being appropriate for a particular firm.

ii) MCR: The calculation of the MCR is prescribed under the Solvency II UK guidance and is set at a lower level than the SCR. Initially, the MCR is calculated by applying set factors to net technical provisions and the previous 12 months' net written premiums and is then subject to a cap of 45% and a floor of 25% of the SCR.

(b) Internal required capital

Under the Solvency II UK regime, whilst the SF SCR determines the regulatory required capital, SIL also calculates its own view of risk called the Economic Solvency Capital Requirement (ECR). Since late-2019, SIL has estimated the ECR using an adjusted SF model on an economic basis, and this model has subsequently been further refined. This view of risk considers, amongst other things, the full run-off of risks, rather than just the risks over the next 12 months.

SIL Board sets capital risk appetite, which defines how much additional capital SIL should hold. Coverage of both the SCR (1 year basis) and ECR (ultimate basis) is considered. This was reviewed by Board in September 2023 and reapproved in November 2024. The capital coverage to meet appetite was set at the greater of 140% SCR coverage and 130% ECR coverage. These thresholds were set taking into account the impact of stress tests and the fact that SIL is in run off with fewer capital management actions available than if it were still actively underwriting.

SIL has maintained capital above all its regulatory requirements throughout 2024, and SCR and ECR coverage have been maintained above the risk appetite throughout the year. SIL reviews solvency regularly through monthly or, when appropriate, more frequent monitoring. Monthly updates are provided to management and quarterly reports are provided to the Investments, Finance and Capital Committee and to the Board.

In the event that SIL falls below its risk appetite, it would be possible to reduce capital requirements by executing actions that reduce risk, albeit often resulting in reduced returns. Management have identified potential actions which fall into three main categories:

- Actions to reduce insurance risk – for example, through the purchase of reinsurance.
- Actions to reduce other types of risk – for example, de-risking the investment portfolio.
- Actions to increase available capital – for example, through possible issuance of additional subordinated debt, or through reducing future planned dividend payments.

Potential actions are routinely assessed at least once a year so that contingent management actions are available.

(c) Capital composition

The policies and processes employed by SIL are designed to benefit policyholder protection by giving the business an accurate understanding of the amount and quality of capital and resources. This helps the business ensure that sufficient capital is held to absorb unexpected losses and maintain solvency.

Under the Solvency II UK regime capital resources are referred to as own funds. Own funds correspond to capital and reserves which can serve as a buffer against risks and absorb financial losses. Each type of own funds is classified within a tier, with tier 1 being the highest quality capital.

All of SIL's excess of assets over liabilities, which comprises share capital and retained profits calculated on a Solvency II UK basis, is classified as tier 1 capital. Any deferred tax assets are classified as tier 3 capital. 100% of own funds held at the end of the reporting period were eligible to meet the SCR and MCR. The amounts noted in this paragraph are unaudited.

Further information, including an explanation of the valuation of assets and liabilities on a Solvency II UK basis, is included in the Company's Solvency & Financial Condition Report published annually.

All amounts are stated in £m unless otherwise indicated

7. Class of business

These results include items directly attributable to a class of business as well as those that can be allocated on a reasonable basis. The accounting policies of the business classes are the same as those described in the summary of significant accounting policies.

Business classes

SIL comprises the following classes of business:

Motor Private motor car and motor cycle, individual commercial vehicles.

Home Domestic buildings, contents and personal possessions.

Other Commercial risks covering property, liability, financial loss, and motor fleet. Other minor personal risks, run off of inwards reinsurance liabilities and finance costs.

Class of business income statement for the year ended 31 December 2024

	Motor	Home	Other	Total
Gross premiums written	0.2	(0.2)	-	-
Gross premiums earned	0.2	(0.2)	-	-
Gross claims incurred	7.5	(2.5)	(2.4)	2.6
Gross other technical income	(0.1)	-	-	(0.1)
Gross operating expenses	(3.4)	(1.1)	-	(4.5)
Reinsurance balance (including quota share)	1.1	-	0.5	1.6
Balance on the technical account for general business	**5.3**	**(3.8)**	**(1.9)**	**(0.4)**

Class of business income statement for the year ended 31 December 2023

	Motor	Home	Other	Total
Gross premiums written	-	(0.1)	-	(0.1)
Gross premiums earned	-	(0.1)	-	(0.1)
Gross claims incurred	(7.7)	(3.4)	0.6	(10.5)
Gross operating expenses	(4.8)	(2.0)	-	(6.8)
Reinsurance balance (including quota share)	(0.8)	-	(1.2)	(2.0)
Balance on the technical account for general business	**(13.3)**	**(5.5)**	**(0.6)**	**(19.4)**

There was no commission during the year relating to direct insurance business (2023: £0.0m). All insurance contracts are concluded in the United Kingdom.

8. Net earned premiums

	2024	2023
Gross premiums		
Gross written premiums	**-**	(0.1)
Change in unearned premium provision	**-**	-
Gross earned premiums	**-**	(0.1)
Outward reinsurance premiums		
Premiums ceded	**(0.5)**	(0.5)
Change in unearned premium provision	**-**	-
Premiums ceded to reinsurers	**(0.5)**	(0.5)
Net earned premiums	**(0.5)**	(0.6)

9. Other income

	2024	2023
Other technical income, net of reinsurance		
Fee income	**(0.1)**	-
Reinsurance commission	**1.6**	(1.7)
	1.5	(1.7)

Fee income is in respect of policy administration fees and commission from third party arrangements, predominantly within Motor.

Reinsurance commission relates to profit commission from/(to) reinsurers under reinsurance arrangements.

	2024	2023
Other non-technical income		
Interest income	**0.1**	-

Interest income relates to interest charged on £3m intercompany loan to SHL.

10. Net claims paid

	Note	2024	2023
Gross claims paid			
Current year claims		**-**	-
Prior year claims		**53.4**	84.1
Gross claims paid	22	**53.4**	84.1
Less salvage and subrogation			
Current year claims		**-**	-
Prior year claims		**(2.0)**	(4.7)
Salvage and subrogation received		**(2.0)**	(4.7)
Claims paid		**51.4**	79.4
Less amounts receivable from reinsurers			
Current year claims		**-**	-
Prior year claims		**(12.5)**	(19.5)
Amounts receivable from reinsurers	22	**(12.5)**	(19.5)
Net claims paid		**38.9**	59.9

11. Net operating expenses

	2024	2023
Administration expenses	**4.5**	6.8

SIL has a small number of employees to oversee key functions, with other services provided by Markerstudy Insurance Services Limited. Key management compensation is disclosed in note 28. Staff costs included within administrative expenses are shown below. Included within the administration expenses is £0.3m (2023: £0.2m) paid by SIL in respect of regular pension contributions.

Staff costs

	2024 £'000	2023 £'000
Wages and salaries	**2,067**	2,549
Social security costs	**290**	438
Pension costs - defined contribution scheme	**63**	237
	2,420	3,224

Staff costs for 2024 excludes £3.7m recharged to other group entities in respect of work undertaken for those entities.

11. Net operating expenses (continued)

Average number of employees

	2024	2023
Administration	**10**	8
Management	**5**	6
	15	14

Amounts payable to auditors

	2024 £'000	2023 £'000
Audit of these financial statements	**447**	482

The above amounts are exclusive of VAT.

12. Investment return

	2024	2023
Interest and similar income:		
Deposits with credit institutions	**0.2**	0.7
Listed debt securities	**11.0**	12.6
Asset backed lending	**1.5**	-
Collective investments	**1.3**	1.0
	14.0	14.3
Realised gains/(losses) on investments:		
Listed debt securities	**(9.1)**	(1.2)
Collective investments	**0.9**	-
Equity	**0.1**	-
Foreign exchange hedges	**1.0**	2.4
	(7.1)	1.2
Total investment return	**6.9**	15.5

	2024	2023
Unrealised gains/(losses) on investments:		
Listed debt securities	**5.0**	3.7
Collective investments	**0.6**	0.8
Equities	**(3.7)**	0.2
Foreign exchange hedges	**(0.3)**	(0.8)
	1.6	3.9

Included in the returns for listed debt securities are a realised gain of £0.3m (2023: gain of £2.6m) and an unrealised loss of £0.3m (2023: loss of £3.1m) relating to foreign exchange movements on investments denominated in currencies other than GBP.

All amounts are stated in £m unless otherwise indicated

13. Investment expenses and charges

	2024	2023
Investment expenses and charges:		
Investment management expenses	**2.4**	3.0

14. Income tax

	2024	2023
Current tax		
UK tax charge for the current year	**(0.3)**	-
Total current tax charge	**(0.3)**	-
Deferred tax		
Origination and reversal of timing differences	**-**	-
Adjustment in respect of previous periods	**-**	-
Total deferred tax credit	**-**	-
Total tax charge recognised in the income statement	**(0.3)**	-

Further information about deferred tax is presented in note 23.

Reconciliation of effective tax rate

The tax charge in the income statement differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

	2024	2023
Profit/(loss) before taxation	**5.8**	(3.0)
Tax calculated at domestic corporation tax rate of 25% (2023: 23.5%)	**(1.4)**	0.7
Effect of:		
Deferred tax provided and utilised in the year	**1.1**	(0.7)
Income tax charge	**(0.3)**	-

The UK corporation tax rate increased from 19% to 25% with an effective date of 1 April 2023.

15. Financial investments

	2024 Carrying value	**2024 Cost**	2023 Carrying Value	2023 Cost
Corporate bonds	**83.7**	**85.8**	113.8	119.2
Gilts	**19.6**	**28.6**	27.0	39.1
Other government bonds	**23.5**	**23.7**	45.0	45.8
Equities	**3.2**	**2.2**	0.2	-
Asset backed lending	**23.8**	**23.7**	16.1	16.1
Collective investment assets	**15.2**	**14.6**	27.6	27.6
Derivatives	**-**	**-**	0.5	0.2
	169.0	**178.6**	230.2	248.0

At 31 December 2024, corporate bonds, gilts, other government bonds and equities of £92.8m (2023: £97.9m) are expected to be recovered more than 12 months after the reporting date. All other amounts in the current and prior year are expected to be recovered within one year. There are no secured deposits included in the above figures.

£19.3m (2023: £2.6m) of the asset backed lending is expected to be recovered more than 12 months after the reporting date.

The collective investment assets include investments in funds of European asset-backed credit, global credit and equities. These funds have no maturity date and units are readily tradeable.

Derivatives consist of foreign exchange hedges and options.

All amounts are stated in £m unless otherwise indicated

16. Other debtors

	2024	2023
Accounts receivable	**12.1**	0.8

Other debtors above include related party balances of £4.7m (2023: £0.0m), of which £3.2m is a related party loan.

17. Cash at bank and in hand

	2024	2023
Cash at bank	**28.6**	71.6
Money market funds	**31.0**	22.5
Net cash at bank and in hand	**59.6**	94.1

Included in cash at bank and in hand is £6.0m (2023: £18.6m) held in SIL's custodian account for investment purposes. A further £31.0m is held in money market funds for investment purposes (2023: £22.5m).

18. Share capital

	2024	2023
Authorised	**38.0**	38.0
Issued and fully paid		
38,000,000 (2023: 38,000,000) ordinary shares of £1 each	**38.0**	38.0

The ordinary shares have attached to them full voting, dividend and capital distribution rights. The ordinary shares do not confer any rights of redemption.

19. Retained earnings and other reserves

	2024	2023
Retained earnings		
At the beginning of the financial year	**58.0**	88.9
Profit/(loss) for the financial year	**5.5**	(3.0)
Dividends paid	**-**	(27.9)
At the end of the financial year	**63.5**	58.0

Other reserves	**2024**	2023
Capital reserve		
At the beginning of the financial year	**-**	57.1
Dividends paid	**-**	(57.1)
At the end of the financial year	**-**	-

Any retained earnings would represent amounts available for dividend distribution to the equity shareholder of SIL, subject to certain conditions being met.

The capital reserve represented a distributable, non-refundable capital contribution from a former parent company, the Co-operative Banking Group Limited. This was distributed as part of the dividend payments made in the prior year.

All amounts are stated in £m unless otherwise indicated

20. Dividends

	2024	2023
Dividends on ordinary shares declared and paid:		
Dividend paid on 23 March 2023	**-**	40.0
Dividend paid on 19 December 2023	**-**	45.0
	-	85.0

21. Provision for unearned premiums

	Gross 2024	**Reinsurance 2024**	**Net 2024**	Gross 2023	Reinsurance 2023	Net 2023
At the beginning of the financial year	**-**	**-**	**-**	-	-	-
Increase in the financial year	**-**	**(0.5)**	**(0.5)**	(0.1)	(0.5)	(0.6)
Release in the financial year	**-**	**0.5**	**0.5**	0.1	0.5	0.6
Movement in the financial year	**-**	**-**	**-**	-	-	-
At the end of the financial year	**-**	**-**	**-**	-	-	-

22. Claims outstanding

Change in insurance contract liabilities (net of salvage and subrogation)

	Gross	**Unexpired risk provision**	**Salvage & Subrogation**	**Net**
2024				
At the beginning of the financial year	**253.4**	**-**	**(4.2)**	**249.2**
Movement in the financial year	**(56.3)**	**-**	**2.3**	**(54.0)**
At the end of the financial year	**197.1**	**-**	**(1.9)**	**195.2**

	Gross	**Unexpired risk provision**	**Salvage & Subrogation**	**Net**
2023				
At the beginning of the financial year	326.1	-	(7.9)	318.2
Movement in the financial year	(72.7)	-	3.8	(68.9)
At the end of the financial year	253.4	-	(4.1)	249.3

All amounts are stated in £m unless otherwise indicated

22. Claims outstanding (continued)

Claims and claims handling costs

	Gross 2024	**Reinsurance 2024**	**Net 2024**	Gross 2023	Reinsurance 2023	Net 2023
Claims reported	**201.4**	**(64.8)**	**136.6**	258.2	(80.1)	178.1
Claims incurred but not reported	**49.8**	**(10.2)**	**39.6**	63.4	(14.2)	49.2
Claims settlement expenses	**2.2**	**-**	**2.2**	4.5	-	4.5
Unexpired risk provision	**-**	**-**	**-**	-	-	-
	253.4	**(75.0)**	**178.4**	326.1	(94.3)	231.8
Quota share	**-**	**13.2**	**13.2**	-	19.1	19.1
At the beginning of the financial year	**253.4**	**(61.8)**	**191.6**	326.1	(75.2)	250.9
Claims paid during the year	**(53.4)**	**12.5**	**(40.9)**	(84.1)	19.5	(64.6)
Increase/(decrease) in liabilities:						
Arising from current year claims	**-**	**-**	**-**	-	-	-
Arising from prior year claims	**(2.9)**	**(0.5)**	**(3.4)**	11.4	(0.2)	11.2
Movement in unexpired risk provision	**-**	**-**	**-**	-	-	-
	(56.3)	**12.0**	**(44.3)**	(72.7)	19.3	(53.4)
Quota share	**-**	**(7.5)**	**(7.5)**	-	(5.9)	(5.9)
Total movement	**(56.3)**	**4.5**	**(51.8)**	(72.7)	13.4	(59.3)
Claims reported	**156.8**	**(58.2)**	**98.6**	201.4	(64.8)	136.6
Claims incurred but not reported	**39.0**	**(4.8)**	**34.2**	49.8	(10.2)	39.6
Claims settlement expenses	**1.3**	**-**	**1.3**	2.2	-	2.2
Unexpired risk provision	**-**	**-**	**-**	-	-	-
	197.1	**(63.0)**	**134.1**	253.4	(75.0)	178.4
Quota share	**-**	**5.7**	**5.7**	-	13.2	13.2
At the end of the financial year	**197.1**	**(57.3)**	**139.8**	253.4	(61.8)	191.6

The balance in the quota share funds withheld account is £11.8m (2023: £18.3m). The figures for quota share in the table above represent the quota share funds withheld net of the expected future profit commission of £6.1m (2023: £5.1m).

Included within the movement in claims liabilities is £2.6m gross, £1.4m net (2023: £2.6m gross, £1.3m net), being the unwind of discounting relating to Periodic Payment Order (PPO) claims.

All amounts are stated in £m unless otherwise indicated

22. Claims outstanding (continued)

Analysis of claims development

	Accident year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	**Total**
Gross of reinsurance											
At end of the accident year:	285.5	353.5	367.8	401.7	414.6	299.1	115.7	1.2	-	-	**2,239.1**
One year later	268.1	371.6	358.0	393.0	412.8	290.9	114.8	1.4	-		**2,210.6**
Two years later	259.9	351.0	353.4	394.4	420.2	299.2	115.8	1.6			**2,195.5**
Three years later	259.2	345.5	354.9	402.5	433.8	301.9	114.4				**2,212.2**
Four years later	256.2	353.1	354.6	416.7	430.4	298.3					**2,109.3**
Five years later	256.3	351.0	356.0	418.9	428.5						**1,810.7**
Six years later	257.7	349.8	358.5	417.9							**1,383.9**
Seven years later	257.6	349.7	357.0								**964.3**
Eight years later	257.5	348.9									**606.4**
Nine years later	257.4										**257.4**
Estimate for cumulative claims	257.4	348.9	357.0	417.9	428.5	298.3	114.4	1.6	-	-	**2,224.0**
Cumulative payments to date	(257.3)	(335.7)	(355.9)	(400.6)	(413.8)	(264.8)	(96.7)	(0.7)	-	-	**(2,125.5)**
Gross outstanding claims liabilities	0.1	13.2	1.1	17.3	14.7	33.5	17.7	0.9	-	-	**98.5**
Provision for prior years											**97.3**
Gross outstanding claims liabilities											**195.8**
Gross claims reported											**156.8**
Gross claims incurred but not reported											**39.0**
Gross outstanding claims liabilities											**195.8**

Included in the analysis above is £63.9m (2023: £63.3m) of discounted reserves relating to PPOs. PPO reserves are discounted at 4.5% (2023: 4.5%), reflecting the expected yield on the investments held to back the PPO claims, adjusted for credit risk. Undiscounted reserves relating to PPOs are £138.5m (2023: £138.7m). The above analysis excludes claim handling expenses.

	Accident year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	**Total**
Net of reinsurance											
At end of the accident year:	267.9	347.7	268.3	294.4	295.0	219.1	114.2	1.2	-	-	**1,807.8**
One year later	256.8	357.8	262.1	289.1	293.1	210.6	113.5	1.4	-		**1,784.4**
Two years later	247.7	339.3	259.6	289.9	297.4	215.9	114.5	1.6			**1,765.9**
Three years later	247.5	335.9	260.6	295.3	305.9	218.6	113.1				**1,776.9**
Four years later	245.6	338.5	260.4	305.3	303.9	216.1					**1,669.8**
Five years later	245.5	337.2	261.4	307.0	303.7						**1,454.8**
Six years later	247.0	336.8	263.1	306.2							**1,153.1**
Seven years later	246.8	336.8	262.1								**845.7**
Eight years later	246.7	336.6									**583.3**
Nine years later	246.7										**246.7**
Estimate for cumulative claims	246.7	336.6	262.1	306.2	303.7	216.1	113.1	1.6	-	-	**1,786.1**
Cumulative payments to date	(246.5)	(329.6)	(261.3)	(294.3)	(294.6)	(194.1)	(95.5)	(0.7)	-	-	**(1,716.6)**
Net outstanding claims liabilities	0.2	7.0	0.8	11.9	9.1	22.0	17.6	0.9	-	-	**69.5**
Provision for prior years											**63.3**
Net outstanding claims liabilities											**132.8**
Net claims reported											**98.6**
Net claims incurred but not reported											**34.2**
Net outstanding claims liabilities											**132.8**

Included in the analysis above is £31.6m (2023: £30.7m) of discounted reserves relating to PPOs.

It is to be expected that releases will normally be made to prior years' claims as current reserves are set such that no adverse deterioration is expected. However, from time to time the random occurrence of significant large individual claims or events being worse than expected can give rise to a required strengthening, in addition to normal claims development being adverse. The 2024 result includes a decrease on prior year reserves of £3.4m (2023: increase of £11.3m).

The above figures exclude claim handling expenses and quota share funds withheld.

All amounts are stated in £m unless otherwise indicated

23. Taxation

	2024	2023
Current tax		
Asset at the beginning of the financial year	**0.1**	2.6
Tax charged to income statement	**(0.3)**	-
Tax on structured settlements	**0.1**	0.1
Tax paid/(received) during the financial year	**0.5**	(2.6)
Asset at the end of the financial year	**0.4**	0.1

	2024	2023
Deferred tax liability		
Liability at the beginning of the financial year	**-**	-
Tax credited to the income statement	**-**	-
Liability at the end of the financial year	**-**	-
Analysis of deferred tax liability		
Capital allowances on fixed assets	**0.2**	0.2
FRS 102 transitional adjustments	**(3.1)**	(3.6)
Tax losses	**2.9**	3.4
Liability at the end of the financial year	**-**	-

On 1 April 2023, in line with the UK Government announcement on 3 March 2021, the main UK corporation tax rate increased from 19% to 25%.

A deferred tax asset has not been recognised in relation to carried forward tax losses of £54.1m (2023: £57.8m) on the basis it is uncertain whether the Company will generate future taxable profit against which the deductible temporary difference may be utilised.

24. Operating leases

SIL has one lease agreement in place, which is cancellable with a three month notice period.

25. Contingent assets and liabilities

SIL does not have any contingent assets.

As a financial services provider, SIL is subject to extensive and comprehensive regulation. It must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affect the way it does business. Whilst SIL believes there are no unidentified areas or failures to comply with these laws and regulations which would have a material impact on the financial statements, there can be no guarantee that all issues have been identified.

26. Contingent contract obligations

SIL has no contingent contract obligations.

27. Parent company

SHL is the immediate parent and is incorporated in England & Wales as a company under the Companies Act 2006.

SHL's ultimate owners are funds managed or advised by Pollen Street Capital Limited, a subsidiary of Pollen Street Group Limited, a UK listed asset manager (LON:POLN).

The results of SIL are consolidated into the results of the group headed by SHL. This is both the smallest and the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. The financial statements of the parent organisation are available from www.soteriainsurance.co.uk.

All amounts are stated in £m unless otherwise indicated

28. Related party transactions

Balances at the end of the year	2024	2023
Amounts due from/(to) other group companies:		
SHL	**3.2**	(41.9)
Tradex	**1.5**	-
Amounts due from/(to) other related parties:		
Newpoint Re Group	**30.0**	-
MISL	**-**	1.4

Amounts due from Newpoint Re group include amounts held as investments in this entity.

Transactions during the year	2024	2023
Income from transactions with other group companies:		
SFHL	**-**	0.6
SHL	**0.3**	-
Tradex	**3.9**	-
Expenses from transactions with other group companies:		
SFHL	**(0.1)**	-
SHL	**-**	(0.1)
Tradex	**(0.1)**	-
Income from transactions with other related parties:		
Newpoint Re group	**0.2**	-
Expenses from transactions with other related parties:		
MISL	**(2.3)**	(3.7)
Northlight Group LLP	**(0.4)**	-
Expenses from transactions with SHL shareholder companies:		
Pollen Street Credit group	**-**	(0.1)
Other transactions with other related parties:		
Newpoint Re group	**(30.0)**	-

The figures shown above include balances and transactions with companies that were related to SIL during the year.

Pollen Street Credit and its subsidiaries became related parties on 10 October 2023, owing to the PSC group's investment in SHL.

Newpoint Re (Newpoint) and its parent NFG Sarl (NFG) are related as a result of NFG being a shareholder in SHL, SIL's immediate parent company.

The balances shown above are those at year end, and the transactions are those for the full year, not just for the period in which the parties were related to SIL.

Related party transactions consist of:

- Transactions with SFHL, where SIL pays expenses on behalf of SFHL and then recharges SFHL. These costs include payments made to SFHL's Directors as well as administration expenses where these are not paid directly by SFHL.
- Transactions with SHL, where either SIL or SHL pays expenses on behalf of the other and then recharges these. These costs include payments made to SHL's Directors by SIL.
- Transactions with SHL relating to a perpetual loan from SIL to SHL on which interest is charged at 7% p.a.
- Transactions with Tradex, where either SIL or Tradex pays expenses on behalf of the other and then recharges these. These costs include payments made to Tradex's Directors by SIL.
- An investment into corporate bonds issued by Newpoint Surety Asset Finance Ltd.
- A cash balance held by SIL on behalf of SHL, which was transferred to SHL on 5 March 2024.
- Transactions with MISL, representing amounts charged for the provision of insurance services under an outsourcing agreement.
- Investment management fees charged by Pollen Street Credit.
- Investment management fees charged by Northlight Group LLP.

All amounts are stated in £m unless otherwise indicated

28. Related party transactions (continued)

Key management compensation

Key management is considered to include the members of SIL Board and Executive committee members.

Details of transactions and balances with Key Management during the financial period are provided below. The figures below exclude costs that are recharged to Tradex for work employees undertake in Tradex, though they are legally employed by SIL.

	2024	2023
Salaries and short-term benefits:		
In respect of key management	**1.5**	1.7
In respect of Executive and Non-Executive Directors	**0.8**	1.3
In respect of the highest paid director	**0.6**	0.8

29. Fair values of financial assets and liabilities

As described in note 4, the fair value of listed securities is based on market prices provided by independent, external pricing sources at the statement of financial position date without any deduction for transaction costs. The fair value of unlisted securities is based on independent valuations which are updated at least quarterly.

For receivables and payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value where the effect of discounting is immaterial.

The following table provides an analysis of financial investments that are valued or disclosed at fair value, by the three level fair value hierarchy as defined within FRS 102, where valuations are based on:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Based upon guidance issued by The Committee or European Securities Regulators (CESR), SIL classifies debt securities in level 1 only if it can be demonstrated on an individual security by security basis that the price quotes obtained are representative of actual trades in an active market (through obtaining binding quotes or through corroboration to published market prices). Pricing providers cannot guarantee that the prices that they provide are based on actual trades in the market. Therefore, all of the corporate bonds, gilts and equities are classified as level 2 and valued using the market prices as at the reporting date multiplied by the number of each security held.

Level 3 investments are valued using valuation techniques described in note 3 c) on pages 22 to 23.

Valuation of financial investments

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments	**-**	**127.8**	**41.2**	**169.0**

2023	Level 1	Level 2	Level 3	Total
Financial investments	-	191.9	38.3	230.2

There were no movements between the levels during the year and so the only movements are due to sales and purchases made in the year.

30. Events after the Reporting Period

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