

Soteria Insurance Limited

Annual report and accounts 2025

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Principal activities

Soteria Insurance Limited ('Soteria' and the 'Company') is a UK-based General Insurer that underwrote insurance, predominantly in personal lines (Motor and Home). The Company is a wholly owned subsidiary of Saturn Holdings plc ('Saturn'), which also own 100% of the share capital of Tradex Insurance Company plc ('Tradex'). Saturn changed its legal status in November 2025 from a limited company to a public limited company.

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.

Results

Key performance indicators

The business strategy for Soteria 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	2025	2024
Financial		
<i>Financial measures focus on profitability and the value of the business</i>		
Profit before taxation	£10.8m	£5.8m
Net asset value	£96.5m	£101.5m
Capital adequacy & risk		
<i>Risk measures focus on capital adequacy and risk appetite</i>		
Solvency coverage	222.8%	227.3%
Operational		
<i>Operational measures focus on business performance</i>		
Total number of open claims remaining	1,102	2,528
Motor claims	941	2,282
Home claims	122	220
Liability claims	39	26

The 2025 full year financial result was a profit before taxation of £10.8m (2024: £5.8m profit).

The Company generated 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 £10.1m (2024: £6.9m), including interest of £11.0m and realised losses of £0.9m (2024: £14.0m and £7.1m, respectively). In addition, unrealised gains on investments amounted to £0.1m (2024: gains of £1.6m). Investment income increased compared with prior year despite the decrease in the size of the overall investment portfolio, largely driven by an improved performance by listed debt securities.

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.

Capital resources

Soteria is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amounts and type of capital that may be held in addition to insurance liabilities. The Company's policy is to maintain capital in excess of these regulatory requirements.

The Company is required to meet a Solvency Capital Requirement ("SCR") which is calibrated to seek to ensure a 99.5% confidence of the ability to meet its obligations over a 12-month time horizon. Soteria calculates its SCR in accordance with the standard formula prescribed in the Solvency II UK regulations. The assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

On a Solvency II basis, as submitted, the Company's capital resources showed eligible own funds of £63.2m at 31 December 2025 (2024: £79.1m) compared with a capital requirement of £28.4m (2024: £34.8m), resulting in a solvency coverage ratio of 222.8% (2024: 227.3%).

Operational developments

Some of the Company's operational activities are managed by Markerstudy Insurance Services Limited ('MISL'), with oversight by Soteria. All core servicing and claims activities have agreed service levels, including activities undertaken by third-party suppliers on behalf of MISL.

Soteria regularly monitors the operational performance against service levels, and monthly reporting updates are provided to both Soteria and MISL's senior management, with agreed processes and procedures in place to resolve any under-performance.

Risks and uncertainties

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

Key Risk	Definition
Conduct and regulatory risk	The risk that Soteria's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers, or lead to regulatory sanctions, financial loss, and reputational damage due to a failure to comply with applicable laws, industry standards, and internal codes of conduct.
Insurance risk (reserve risk)	Insurance risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities related to earned exposure.
Solvency and liquidity risk	The risk of loss or of adverse change to Soteria's financial position and capital adequacy resulting, directly or indirectly, from market volatility, interest rate fluctuations, or the failure of debtors to meet contractual obligations, which ultimately impairs Soteria's ability to meet its own obligations as they fall due without incurring unacceptable losses.
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 and conflicts of interest risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events, or from situations where personal interests, relationships or obligations influence, or may be perceived to influence, a person's ability to act in the best interests of Soteria, its customers, or other stakeholders..

The most material risks that Soteria is exposed to are reserve risk and market risk.

A detailed description of each risk type can be found on pages 27 to 30.

Section 172(1) statement & stakeholder engagement

The Board of Soteria considers that it has, in good faith, acted in a way that it considers would be most likely to promote the success of Soteria 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 Soteria 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
<p>Shareholder</p> <p>Our Board maintains open and regular dialogue with its parent. This includes, for example, regular discussion between the Soteria Management team and the Saturn Board and Board Committees in order to understand the concerns and priorities of the parent entity.</p>	<p>Performance and risks</p>	<p>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:</p> <ul style="list-style-type: none"> do/will not breach any regulatory requirements applicable to Soteria or the Board; do/will not have any adverse effect on the security of Soteria's policyholder benefits; and comply with any legislation applicable to Soteria. <p>The Saturn Board receives performance updates on Soteria, which includes the Soteria Management team attending appropriate Saturn Board Committees. Key interactions in the year were:</p> <ul style="list-style-type: none"> surrounding the proposal and payment of dividends; and regarding entering into the LPT arrangement.
<p>Customers</p> <p>Protecting our customers and providing a good customer experience remains at the heart of what we do.</p>	<p>Consumer Duty</p>	<p>Soteria is required to comply with the Consumer Duty regulations. Saturn's Chief Customer Officer (CCO) oversees Consumer Duty assurance and issues a standing Board agenda item to report on customer outcomes monitoring, including oversight of MISL's compliance with the Consumer Duty regulations.</p> <p>In addition, Soteria proactively monitors customer complaints to identify opportunities to improve customer outcomes across all customer journeys, and ensures all complaints are handled efficiently and effectively and in accordance with the Dispute Resolution Rules (DISP) as set out by the Financial Conduct Authority (FCA) and those applied by the Financial Ombudsman Service (FOS).</p> <p>More broadly, Saturn's COO is responsible for the design and execution of a broader Customer Strategy that drives a customer-centric culture across all entities and ensures Soteria continues to deliver a competitive customer experience.</p>

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

Key stakeholders	Board matter	Board considerations
<p>Colleagues</p> <p>The Board recognise the importance of engaging our colleagues, ensuring their views are considered when making decisions, supporting their wellbeing and engagement.</p>	<p>Colleague engagement</p>	<p>The Board and Remuneration Committee were engaged and considered in the approach to colleague engagement including:</p> <ul style="list-style-type: none"> • the growth in the business which has resulted in changes in opportunities and responsibilities for colleagues employed by Soteria and across the wider Saturn group and a need to support colleagues throughout the transition; • a defined people plan and processes inclusive of any key person risk as well as the need to attract and retain key talent with regular updates on people metrics; and • regular communication with all colleagues to provide business updates along with the opportunity for Q&A with senior leadership.
<p>Regulator</p> <p>As a regulated entity, Soteria has to comply with the requirements of the PRA and the FCA and to report to them on a regular basis.</p>	<p>Regulation and compliance</p>	<p>In addition to the standard regulatory reporting requirements, the Board engaged with the regulators on the following matters:</p> <ul style="list-style-type: none"> • with the PRA regarding reinsurance arrangements in respect of the liability claims; • with the PRA regarding two dividend payments. The first of which was approved and subsequently paid in June 2025, and the second was approved by the PRA in December 2025; and • In respect of Party VII transfer of Commercial liabilities to another insurer.

Approved by the Board on 2 April 2026 and signed on its behalf by:



Mark Summerfield
Director

Directors' report

Report of the Board of Directors

General information

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

Other matters

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

Post balance sheet events

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

Results and dividends

The financial statements set out the results of Soteria for the year ended 31 December 2025 and are shown on pages 15 to 18.

Dividends

On 19 June 2025, following confirmation of no objection from the PRA, the directors declared a dividend of £15m which was paid to Saturn on 25 June 2025.

On 3 October 2025, the directors proposed a further dividend of £30m, payable to Saturn. Subsequently, on 17 December 2025, the PRA confirmed they had no objection to the dividend.

In the prior year, the Company paid no dividends.

Political donations

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

Directors' details

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

Non-Executive Directors:

Sharon Ludlow

Neil Southworth

Andrew Johnston

Stuart Vann (appointed 29 January 2026)

Ewen Gilmour (resigned 31 December 2025)

Executive Directors:

Mark Summerfield (Chief Executive Officer)

Maria Leighton (Chief Financial Officer, resigned 25 June 2025)

Grant Mitchell (Chief Actuary, resigned 31 January 2025)

Secretary:

Steven Moore

Corporate responsibility and the environment

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

The Company is not highly exposed to climate related risks at present, with exposure limited to that within the investment portfolio. The Board will continue to monitor the potential impacts of climate change on the business but there are not expected to be any material detriments in the short to medium term planning horizon.

Soteria is not liable for any direct liabilities for power supply as the rent paid by Soteria for its office space is inclusive of such costs and is not in scope of the Streamlined Energy and Carbon Reporting.

Statement of going concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that Soteria 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 2027. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the 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 Soteria went into run-off. Soteria'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, Soteria 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 Soteria 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 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, Soteria'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 Soteria'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. Soteria's approach to Risk Management is set out in further detail on pages 27 to 30.

Soteria'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 Soteria'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 Soteria'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 Soteria'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 Soteria's auditors have been made aware of that information.

Directors' report

Report of the Board of Directors

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 Soteria'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 Soteria 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 Soteria 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 Soteria and enable them to ensure that its accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of Soteria 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 Soteria's website.

Auditors

Ernst and Young LLP has held office in accordance with Section 487 of the Companies Act 2006 for the 2025 financial year, which marks a 10 year period for Ernst and Young LLP as the Company's auditor. Under the requirements of The Statutory Auditors and Third Country Auditors Regulations 2016, Soteria is required to carry out a formal audit tender process for the audit of the 2026 financial year.

Following completion of the tender process, Ernst and Young LLP has been reappointed on 31 March 2026 as independent auditor of the Company for the year ending 31 December 2026.



By order of the Board

Mark Summerfield

Director

2 April 2026

Opinion

We have audited the financial statements of Soteria Insurance Limited for the year ended 31 December 2025 which comprise Income Statement: Technical Account and Non-Technical Accounts – General Business, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 33 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" (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103).

In our opinion, the financial statements: In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2025 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 2027;
- evaluating the solvency and liquidity position of the company understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing the company's latest forecasts, and considering the impact on the company's ability to continue operating as a going concern;
- reviewing correspondence with the regulator;
- 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 2027.

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

Overview of our audit approach

Key audit matters	• Inappropriate setting of claims outstanding (specifically IBNR)
Materiality	• Overall materiality of £1.9m (2024: £2.1m) which represents 2% (2024: 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.

An overview of the scope of our audit (continued)

Climate change

Stakeholders are increasingly interested in how climate change will impact Soteria Insurance Limited. The company has determined that Climate change risk is limited as all policies are written for a maximum period of 12 months and the major future risks from climate change do not currently pose a material risk to the Company. This is explained on page 8 in the strategic report that 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”.

In planning and performing our audit we assessed the potential impacts of climate change on the company’s business and any consequential material impact on its financial statements.

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 in the financial statements (pages 8, 19 and 30) which explain the rationale.

We also challenged the Directors’ considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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 judgement, 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
<p>Inappropriate setting of claims outstanding (specifically IBNR) (£35.7m, 2024: £39m)</p> <p>Refer to the Accounting policies (page 20); and Note 23 of the Financial Statements (page 38)</p> <p>The estimation of claims outstanding is inherently uncertain and has a material impact on the reported results and financial position.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit of the claims outstanding and management’s key judgements was supported by our EY actuaries, as part of the audit team, and included the following:</p> <p>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.</p> <p>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.</p> <p>We tested the data used in the reserving process and confirmed it was consistent with the audited accounting records.</p> <p>We assessed management’s actuarial assumptions against our own experience, market practice, and other industry participants.</p> <p>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.</p> <p>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.</p>	<p>We consider that the claims outstanding (specifically IBNR), including management margin, lie within what we consider to be a reasonable range of estimates.</p> <p>In addition, we consider that the disclosures made provide information that assists in understanding the uncertainty inherent in the estimation of claims outstanding.</p>

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 £1.9m (2024: £2.1m), which is 2% (2024: 2%) of net assets. We believe that net assets provide 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% (2024: 50%) of our planning materiality, namely £0.9m (2024: £1m). We have set performance materiality at this percentage due to our assessment of the risk of misstatement and our expectation of the quantum and magnitude of uncorrected misstatements.

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 £0.1m (2024: £0.1m), 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 (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Companies Act 2006), the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and the relevant direct and indirect tax compliance legislation in the United Kingdom.
- We understood how Soteria Insurance Limited is complying with those frameworks making enquiries of management, internal audit and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we reviewed minutes of Board and other Committee meetings, reviewed correspondences between the Company and UK regulatory bodies and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and Board's review of the Company's risk management framework and internal control processes.
- 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 to ascertain their awareness of any actual or suspected non-compliance with relevant laws or regulations;
 - Identifying the policies and procedures established by those charged with governance to prevent, detect and monitor non-compliance by officers and employees;
 - Reviewing correspondence with regulators and formal minutes of the Board and relevant sub-committees to determine whether any instances of non-compliance with laws and regulations.
- 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.

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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 10 years, covering the years ending 31 December 2025.
- 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:
Vinood Ramabhai
30EA94B84A764FB...

Vinood Ramabhai (Senior statutory auditor)

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

London

2 April 2026

Income Statement

For the year ended 31 December 2025

All amounts are stated in £m unless otherwise indicated

	Notes	2025	2024
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	8	-	-
Outward reinsurance premiums	8	(17.4)	(0.5)
Net written premiums		(17.4)	(0.5)
Earned premiums, net of reinsurance	8	(17.4)	(0.5)
Other technical income, net of reinsurance	9	0.6	1.5
Total technical (expense)/income		(16.8)	1.0
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	10	(24.0)	(51.4)
- reinsurers' share	10	9.4	12.5
	10	(14.6)	(38.9)
Change in the provision for claims			
- gross amount	23	6.1	54.0
- reinsurers' share	23	32.9	(12.0)
Claims incurred, net of reinsurance		24.4	3.1
Net operating expenses	11	(4.8)	(4.5)
Total claims and expenses		19.6	(1.4)
Balance on the technical account for general business		2.8	(0.4)
Non-technical account			
Balance on the general business technical account		2.8	(0.4)
Net investment income	12	10.1	6.9
Net unrealised gains on investments	12	0.1	1.6
Investment expenses and charges	13	(2.3)	(2.4)
Other income	9	0.1	0.1
Profit on ordinary activities before tax		10.8	5.8
Tax on profit on ordinary activities	14	(0.8)	(0.3)
Profit for the financial year attributable to members of the Company		10.0	5.5

Statement of Comprehensive Income

For the year ended 31 December 2025

All amounts are stated in £m unless otherwise indicated

	Notes	2025	2024
Profit and total comprehensive income for the financial year		10.0	5.5

Statement of Financial Position

For the year ended 31 December 2025

All amounts are stated in £m unless otherwise indicated

	Notes	2025	2024
Assets			
Investments			
Financial investments	15	<u>136.9</u>	169.0
Reinsurers' share of technical provisions			
Claims outstanding	23	<u>90.5</u>	57.3
		<u>90.5</u>	<u>57.3</u>
Debtors			
Debtors arising out of direct insurance operations - intermediaries		1.8	2.1
Corporation tax debtor	25	0.9	0.4
Other debtors	17	9.0	12.1
		<u>11.7</u>	<u>14.6</u>
Other assets			
Cash at bank and in hand	18	<u>67.9</u>	59.6
Prepayments and accrued income			
Accrued interest		1.8	2.6
Other prepayments and accrued income		0.3	0.3
		<u>2.1</u>	<u>2.9</u>
Total assets		<u>309.1</u>	<u>303.4</u>

Statement of Financial Position

For the year ended 31 December 2025

All amounts are stated in £m unless otherwise indicated

	Notes	2025	2024
Equity and liabilities			
Capital and reserves			
Called up share capital	19	38.0	38.0
Retained earnings	20	58.5	63.5
Total capital and reserves		96.5	101.5
Technical provisions			
Claims outstanding	23	190.3	197.1
		190.3	197.1
Creditors			
Creditors arising out of direct insurance operations		0.7	0.5
Creditors arising out of reinsurance operations		18.3	0.5
Other creditors including taxation and social security		0.4	0.2
		19.4	1.2
Accruals and deferred income			
		2.9	3.6
Total liabilities		212.6	201.9
Total equity and liabilities		309.1	303.4

Approved by the Board of Directors on 2 April 2026 and signed on its behalf by:



Sharon Ludlow, Chair



Mark Summerfield, Director

Statement of Changes in Equity

For the year ended 31 December 2025

All amounts are stated in £m unless otherwise indicated

	Notes	Share capital	Retained earnings	Total
2025				
Balance at the beginning of the financial year		38.0	63.5	101.5
Profit and total comprehensive income for the financial year		-	10.0	10.0
Transactions with owners of the Company:				
Dividends paid	20 & 21	-	(15.0)	(15.0)
Balance at the end of the financial year		38.0	58.5	96.5
2024				
Balance at the beginning of the financial year		38.0	58.0	96.0
Profit and total comprehensive expense for the financial year		-	5.5	5.5
Transactions with owners of the Company:				
Dividends paid	20 & 21	-	-	-
Balance at the end of the financial year		38.0	63.5	101.5

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

1. General information

Soteria Insurance Limited (Soteria) is a Limited Company registered in England under the Companies Act. The registered office is McLaren House, 100 Kings Road, Brentwood, England, CM14 4EA. Soteria 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 Soteria's regulatory permissions to effect new insurance contracts to be cancelled. This application was approved on 29 March 2021 and Soteria'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 Soteria 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, Soteria continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Soteria 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 plc.

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.

Following the 2024 Periodic Review, amendments were made to FRS 102 which are effective from 1 January 2026. The principal changes include enhanced recognition for leases, and the introduction of a five-step model for revenue recognition. The changes to FRS 102 are being reviewed to consider the impact on the report and accounts; the Company will assess leases held to determine whether they fit exemption criteria or if recognition of a right-of-use asset and lease liability is required on an individual basis. Changes to revenue recognition will be considered in regard to non-technical income, which is in scope of FRS 103.

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 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 2025.

The financial investments are reported at fair value under UK GAAP and therefore, as set out in note 32 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 Soteria 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 2027. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the 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 Soteria went into run-off. Soteria'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 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.

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

Going concern (continued)

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, Soteria 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 Soteria 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 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, Soteria'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 Soteria 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

Soteria'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 Soteria 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 Soteria 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 Soteria'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. These amounts are reflected within 'Creditors arising out of reinsurance operations'.

c) Financial instruments

Soteria 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 Soteria 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 Soteria becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

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
- Soteria 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.

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.

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. Money market funds are measured at fair value, with changes in fair value being recognised within the income statement in the period in which they arise.

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

Soteria 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 Soteria'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, Soteria 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.

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, Soteria determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in Soteria's corporation tax filing. If it is not probable that a particular tax treatment is accepted, Soteria 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 Soteria 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

Soteria 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 Soteria once they have been appropriately authorised. Dividends proposed, declared and authorised may be cancelled, deferred or withheld by the directors at any time prior to payment. As a result, a dividend does not create a contractual obligation until the point it is actually paid, and payment is conditional on it not having been cancelled, deferred or withheld before that time.

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

Soteria 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 for exposure to employers' liability claims in relation to the electric industry (EIROS claims).

Discounted reserves in respect of periodic payment settlements are £62.4m (2024: £63.9m) and historic liability claims from the EIROS discounted reserve amounts to £1.2m (2024: £1.5m). The impact of the unwinding of the discounting in the year was £1.4m (2024: £1.4m). Further details around expected settlement patterns for claims arising on these reserves are disclosed within the market risk section on pages 28 to 29.

The historic liability claims from the EIROS 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 Soteria calculated its year end 2025 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 Soteria'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 Soteria'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.

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 2025 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 £4.7m (2024: £4.4m), 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 £1.5m (2024: £1.8m), 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 £190.3m (2024: £197.1m) for claims and claims handling costs arising in respect of prior years includes an increase in reserves of £18.5m (2024: decrease of £2.9m). The increase in gross reserves is driven by a £12m increase in PPO claims together with an increase in management margin. The decrease in net reserves is primarily due to the LPT arrangement entered into during the year to cover obligations relating to liability claims, see note 24 for further detail. Figures below exclude changes in quota share:

	2025	2024
Gross		
Fire and Accident increase of reserves	1.0	5.4
Motor increase/(decrease) of reserves	17.3	(8.4)
Increase in claims handling reserves	0.2	0.1
	<hr/>	<hr/>
Gross increase/(decrease) in insurance liabilities	18.5	(2.9)
Decrease in insurance liabilities due to reinsurance excluding LPT	(22.2)	(0.5)
	<hr/>	<hr/>
Net decrease in insurance liabilities excluding LPT	(3.7)	(3.4)
Decrease in insurance liabilities due to LPT reinsurance	(20.0)	-
	<hr/>	<hr/>
Net decrease in insurance liabilities	(23.7)	(3.4)

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 32. Details of the assumptions made in valuing these investments can be found in Note 3 c).

5. Risk management

Soteria 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 Soteria manages them.

Our approach to risk management

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

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.

Soteria provides first line oversight of all outsourced activities. The second line also provides review and oversight in accordance with Soteria's risk profile.

Risk assessment of Soteria

Soteria 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 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 Soteria's risk policies.

Responsibilities map

Soteria 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 Soteria 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.

Conduct and regulatory risk

Conduct risk is the risk that Soteria's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers. 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 is the risk of regulatory sanctions, regulatory censure, material financial loss or loss to reputation Soteria 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. Soteria'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. Soteria seeks to mitigate the risk that it may fail to meet regulatory expectations through regular engagement with regulators, an effective governance framework and a three lines model which helps to ensure the identification and management of relevant requirements and associated risks.

5. Risk management (continued)

Insurance risk

Following the expiry of Soteria'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. During the year, Soteria entered into an LPT arrangement with Darag to cover its obligations relating to liability claims. Further details can be found in note 24.

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.

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. Soteria takes all reasonable steps to ensure that it has information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the ultimate position will prove to be different from the original liability established. Soteria manages this risk through the Reserving Committee, which supports the Chief Financial Officer in their responsibility to formally review claims reserves on a quarterly basis. Analysis of claims development can be found in note 23 (page 39).

Insurance risk – reinsurance

Soteria uses reinsurance to manage insurance risk.

Until the expiry of its final policies in March 2022, Soteria 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

Soteria considers Market Risk as 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.

Interest Rate – The risk of exposure to losses resulting from fluctuations in risk-free interest rates. The risk that the fair value or future cashflows of financial assets fluctuate due to changes in market interest rates. Soteria's bond holdings are sensitive to rate movements, which also affect the valuation of insurance liabilities. Duration matching and interest rate hedging are used to mitigate this risk.

Credit-Spread – Credit spread risk arises from changes in the credit and liquidity risk-premia on marketable assets held within the company. This risk is reflected in a reduction in the market value of marketable assets but is only crystallised if the asset is sold. Credit quality thresholds and diversification are used to manage this risk.

Credit Default – The risk of financial loss due to issuer or counterparty default, or delay in payments upon bank deposits, bonds or money-market instruments other than those issued by the UK government. This includes direct exposures, and indirect exposures via pooled vehicles. Credit quality thresholds and diversification are used to manage this risk.

Currency – The risk of loss due to currency fluctuations affecting assets, liabilities, or cashflows denominated in foreign currencies. Soteria 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, which is managed through hedging and exposure limits.

Other Risks – Market Risks other than those risks listed above, including risks such as Equity and Property Risks. The risk of losses due to a reduction in value of the assets. Soteria also holds investments in equities and asset-backed lending, including real-estate backed lending. A diversified approach is adopted across asset classes together with restrictions around loan to value.

5. Risk management (continued)

Market risk (continued)

In summary, the key market risks that Soteria 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

During 2025, Aon Investments Limited ('Aon') was appointed as the Outsourced Chief Investment Officer (OCIO). For legacy related assets Hundle & Partners Limited ('Hundle') was instructed to manage the assets on a care and maintenance basis in line with the revised investment management agreement between Soteria and Hundle. Soteria invested assets, managed under the OCIO arrangement, are structured to balance liability hedging and liquidity needs. These objectives are pursued within a framework that supports Soteria's regulatory obligations.

The OCIO-managed portfolio is designed to:

- Hedge the Technical Provisions liabilities, aiming to reduce exposure to interest rate and inflation risk where possible.
- Maintain adequate liquidity, in conjunction with additional liquidity holdings managed outside the OCIO mandate.
- Support solvency coverage targets, in line with ranges set out in the Capital Policy, and in line with Solvency II UK requirements.

In practice, this results in the majority of assets being invested in high-quality fixed income instruments and money market funds, with the remainder allocated to diversified, return-seeking investments intended to generate excess returns in a capitally efficient manner. The Strategic Asset Allocation (SAA) targets and investment mandate are captured as part of the Investment Risk Policy.

As Soteria is in run-off, claims and other expenses are met entirely from the investment portfolio. The investment strategy states Soteria is in run-off and therefore investment income is required to help meet claims outgoings and discharge liabilities. The focus of Soteria's investment strategy going forward will therefore be on income generating, cashflow matching assets that deliver the required level of investment return with a high degree of certainty and liquidity whilst also mitigating duration, inflation and FX risk.

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). The mean duration of insurance liabilities and financial assets are shown in the table below:

	2025	2024
	(years)	(years)
Insurance liabilities	11.0	8.5
Financial assets	3.9	3.6

The increase in average 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.

Specific assets are used to match periodic payment orders (PPOs) 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.

Market risk – sensitivity analysis

The most significant aspect of market risk to which Soteria 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 Soteria's solvency.

An increase of 100 basis points in credit-spreads would reduce profit, equity and the value of Soteria's assets at the end of the financial year by approximately £1.2m (2024: £1.3m). This would reduce Soteria's solvency (on all bases) by £0.9m net of tax (2024: £1.0m), 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 £6.5m (2024: £6.7m) and the value of net PPO reserves by £3.7m (2024: £3.7m), which would increase profit and equity at the end of the financial year by approximately £2.8m (2024: £2.8m). A decrease in the discount rate of 100 basis points would increase the value of PPO reserves by £8.2m (2024: £4.8m) and the value of net PPO reserves by £4.8m (2024: £4.7m), which would reduce profit and equity at the end of the financial year by approximately £3.6m (2024: £3.5m).

5. Risk management (continued)

Climate change

The financial risks from climate change arise through 2 primary channels or risk categories:

- **Physical risks:** arise from specific weather events (e.g. floods) and longer term shifts in the climate (e.g. weather variability and sea level rise) which could impact Soteria's assets.
- **Transition risks:** arise from the adjustment to a low-carbon economy. These could impact a firm's assets, in particular the value of investments.

Market, credit, regulatory and operational risk are identified as potentially being impacted, though this is not considered significant given that Soteria has low risk, short term investments, although we note that if the investment mandate changes going forwards then this may increase Soteria's exposure to climate related risks.

In that operational risk relates to access to premises, this is also not a significant risk and is dealt with as part of business continuity planning.

Currency risk

Soteria is exposed to currency risk on its investments as corporate bonds, equities and asset backed lending include investments denominated in Euros and US Dollars. Currency hedges are held against these assets to minimise the foreign exchange exposure. At the end of the year, the net currency exposure after the impact of hedging was £0.1m (2024: £2.9m)

The Company's currency exposure is immaterial to the financial statements, and any reasonably possible fluctuations that would arise through sensitivity analysis would not be material.

Operational risk

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

Soteria is committed to managing operational risk effectively and proportionally. This includes maintenance of robust internal control processes and governance frameworks and the embedding of risk policies. All core servicing and claims activities provided under the outsourced service agreement have agreed service levels, including activities undertaken by third-party suppliers on behalf of MISL.

The Company has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which, in 2025, included employer's liability and Directors' and Officers' insurance.

Liquidity risk

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

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

The actual and projected levels of cash and other assets held are monitored and managed through an appropriate finance governance committee, with oversight by the BRC and Board.

See note 26 for detail of the time profile of undiscounted cash flows arising from financial liabilities and insurance contract liabilities.

Credit risk

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

Soteria'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 Soteria. 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. See note 16 for analysis of credit rating of assets subject to credit risk.

Soteria manages credit risks associated with cash and corporate bonds as part of market risk, see page 36 for details. There is an Investment Management Agreement (IMA) in place which covers the investment mandate for financial investments. Strategic Asset Allocation (SAA) limits are captured together with investment guidelines and limits at the third party manager level. Measuring and monitoring of credit quality is done against the SAA limits and guidelines and reported on as part of the governance framework requirements. In respect of unrated investments, appropriate due diligence has been undertaken which includes consideration of the credit worthiness. In addition, ongoing review of the financial positions of the underlying entities and exposures are conducted at least annually.

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. Soteria places limits over exposure to a single reinsurance counterparty, or counterparty group, based upon their credit-worthiness. These limits apply when reinsurance is 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.

6. Capital management

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

Objectives when managing capital

Soteria'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 Soteria 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, Soteria 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.

- 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%. Soteria 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.
- 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, Soteria also calculates its own view of risk called the Economic Solvency Capital Requirement (ECR). Since late-2019, Soteria 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.

Soteria's Board sets capital risk appetite, which defines how much additional capital Soteria should hold. Coverage of both the SCR (1 year basis) and ECR (ultimate basis) is considered.

Soteria has maintained capital above all its regulatory requirements throughout 2025, and SCR and ECR coverage have been maintained above the risk appetite throughout the year. Soteria 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 Soteria 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 Soteria 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 Soteria'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.

Notes to the annual report and accounts

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

Soteria 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 2025

	Motor	Home	Other	Total
Gross premiums written	-	-	-	-
Gross premiums earned	-	-	-	-
Gross claims incurred	(17.5)	0.3	(0.7)	(17.9)
Gross other technical income	-	-	-	-
Gross operating expenses	(4.7)	(0.1)	-	(4.8)
Reinsurance balance (including quota share)	19.3	-	6.2	25.5
Balance on the technical account for general business	(2.9)	0.2	5.5	2.8

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)

There was no commission during the year relating to direct insurance business (2024: £0.0m). All insurance contracts are concluded in the United Kingdom.

8. Net earned premiums

	2025	2024
Gross premiums		
Gross written premiums	-	-
Change in unearned premium provision	-	-
Gross earned premiums	-	-
Outward reinsurance premiums		
Premiums ceded	(17.4)	(0.5)
Change in unearned premium provision	-	-
Premiums ceded to reinsurers	(17.4)	(0.5)
Net earned premiums	(17.4)	(0.5)

9. Other income

	2025	2024
Other technical income, net of reinsurance		
Fee income	-	(0.1)
Reinsurance commission	<u>0.6</u>	<u>1.6</u>
	<u>0.6</u>	<u>1.5</u>

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

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

	2025	2024
Other non-technical income		
Interest income	<u>0.1</u>	<u>0.1</u>

Interest income relates to interest charged on £3m intercompany loan to Saturn. This loan was settled during 2025.

10. Net claims paid

	Note	2025	2024
Gross claims paid			
Current year claims		-	-
Prior year claims		<u>25.2</u>	<u>53.4</u>
Gross claims paid	23	<u>25.2</u>	<u>53.4</u>
Less salvage and subrogation			
Current year claims		-	-
Prior year claims		<u>(1.2)</u>	<u>(2.0)</u>
Salvage and subrogation received		<u>(1.2)</u>	<u>(2.0)</u>
Claims paid		<u>24.0</u>	<u>51.4</u>
Less amounts receivable from reinsurers			
Current year claims		-	-
Prior year claims		<u>(9.4)</u>	<u>(12.5)</u>
Amounts receivable from reinsurers	23	<u>(9.4)</u>	<u>(12.5)</u>
Net claims paid		<u>14.6</u>	<u>38.9</u>

11. Net operating expenses

	2025	2024
Administration expenses	<u>4.8</u>	<u>4.5</u>

Included within administration expenses is £1.1m (2024: £0.4m) of exceptional costs that relate to costs outside the usual scope of business and are of a non-recurring nature.

Soteria 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 31. Staff costs included within administrative expenses are shown below. Included within the administration expenses is £0.1m (2024: £0.3m) paid by Soteria in respect of regular pension contributions.

Staff costs

	2025	2024
Wages and salaries	1.4	2.0
Social security costs	0.2	0.3
Pension costs - defined contribution scheme	<u>0.1</u>	<u>0.1</u>
	<u>1.7</u>	<u>2.4</u>

Staff costs for 2025 excludes £4.9m (2024: £3.7m) recharged to other group entities in respect of work undertaken for those entities.

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

11. Net operating expenses (continued)

Average number of employees

	2025	2024
Administration	10	10
Management	4	5
	<u>14</u>	<u>15</u>

Amounts payable to auditors

	2025	2024
Audit of these financial statements	0.4	0.4
	<u>0.4</u>	<u>0.4</u>

The above amounts are exclusive of VAT.

12. Investment return

	2025	2024
Interest and similar income:		
Deposits with credit institutions (including money markets)	2.4	0.2
Listed debt securities	5.1	11.0
Asset backed lending	2.4	1.5
Collective investments	1.1	1.3
	<u>11.0</u>	<u>14.0</u>
Realised gains/(losses) on investments:		
Deposits with credit institutions (including money markets)	(0.7)	-
Listed debt securities	(0.5)	(9.1)
Collective investments	-	0.9
Equity	-	0.1
Foreign exchange hedges	0.3	1.0
	<u>(0.9)</u>	<u>(7.1)</u>
Total investment return	<u>10.1</u>	<u>6.9</u>
	2025	2024
Unrealised gains/(losses) on investments:		
Listed debt securities	0.5	5.0
Collective investments	0.1	0.6
Asset backed lending	(0.6)	-
Deposits with credit institutions (including money markets)	0.2	-
Equities	(0.3)	(3.7)
Foreign exchange hedges	0.2	(0.3)
	<u>0.1</u>	<u>1.6</u>

Included in the returns for listed debt securities are a realised loss of £0.5m (2024: gain of £0.3m) and an unrealised loss of £0.2m (2024: loss of £0.3m) relating to foreign exchange movements on investments denominated in currencies other than GBP.

13. Investment expenses and charges

	2025	2024
Investment expenses and charges:		
Investment management expenses	2.3	2.4
	<u>2.3</u>	<u>2.4</u>

14. Income tax

	2025	2024
Current tax		
UK tax charge for the current year	(0.9)	(0.3)
Adjustment in respect of previous periods	0.1	-
Total current tax charge	<u>(0.8)</u>	<u>(0.3)</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment in respect of previous periods	-	-
Total deferred tax credit	<u>-</u>	<u>-</u>
Total tax charge recognised in the income statement	<u>(0.8)</u>	<u>(0.3)</u>

Further information about deferred tax is presented in note 25.

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:

	2025	2024
Profit before taxation	<u>10.8</u>	5.8
Tax calculated at domestic corporation tax rate of 25% (2024: 25%)	(2.7)	(1.4)
Effect of:		
Income not taxable	0.1	-
Adjustment in respect of prior years	0.1	-
Impact of unrecognised deferred tax	1.7	1.1
Income tax charge	<u>(0.8)</u>	<u>(0.3)</u>

15. Financial investments

	2025	2025	2024	2024
	Carrying value	Cost	Carrying Value	Cost
Corporate bonds	71.0	71.8	83.7	85.8
Gilts	16.9	26.6	19.6	28.6
Other government bonds	7.6	7.6	23.5	23.7
Equities	3.1	2.4	3.2	2.2
Asset backed lending	20.7	21.2	23.8	23.7
Collective investment assets	17.4	16.6	15.2	14.6
Derivatives	0.2	-	-	-
	<u>136.9</u>	<u>146.2</u>	169.0	178.6

At 31 December 2025, corporate bonds, gilts, other government bonds and equities of £82.9m (2024: £92.8m) 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.

£11.1m (2024: £19.3m) 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 interest rate swaps, foreign exchange hedges and options.

Included in investments are corporate bonds of £13.8m, gilts of £2.2m and other government bonds of £0.6m which are held in respect of the reinsurance arrangement with Darag. Any income received on these investments is transferred to Darag and Soteria is not exposed to any risk in relation to these assets.

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

16. Credit rating

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

	AAA	AA	A	BBB	BB and below	Unrated	Total
As at 31 December 2025							
Investment assets:							
Corporate bonds	-	-	-	3.9	16.2	37.0	57.1
Gilts	-	14.7	-	-	-	-	14.7
Other government bonds	-	7.1	-	-	-	-	7.1
Equities	-	-	-	-	-	3.1	3.1
Asset backed lending	-	-	-	-	-	20.7	20.7
Collective investments	-	-	-	-	-	17.4	17.4
Derivatives	-	-	-	-	-	0.2	0.2
Reinsurance assets	-	38.3	28.1	-	-	24.1	90.5
Insurance receivables and other assets	-	-	-	-	-	9.5	9.5
Cash at bank and in hand	60.8	-	5.3	-	-	-	66.1
	60.8	60.1	33.4	3.9	16.2	112.0	286.4

Assets not subject to credit risk

4.3

290.7

	AAA	AA	A	BBB	BB and below	Unrated	Total
As at 31 December 2024							
Investment assets:							
Corporate bonds	2.7	2.7	12.5	11.4	21.3	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	11.4	22.1	87.7	298.2

Assets not subject to credit risk

5.2

303.4

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.

The figures above exclude investments of £16.6m (2024: £nil) and cash of £1.8m (2024: £nil) held in relation to the Darag reinsurance arrangement.

17. Other debtors

	2025	2024
Accounts receivable	9.0	12.1

Other debtors above include related party balances of £1.6m (2024: £4.7m).

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

18. Cash at bank and in hand

	2025	2024
Cash at bank	22.1	28.6
Money market funds	45.8	31.0
	<hr/>	<hr/>
Net cash at bank and in hand	67.9	59.6

Included in cash at bank and in hand is £16.8m (2024: £6.0m) held in Soteria's custodian account for investment purposes. A further £45.8m is held in money market funds for investment purposes (2024: £31.0m).

19. Share capital

	2025	2024
Authorised	<hr/> 38.0	<hr/> 38.0
Issued and fully paid		
38,000,000 (2024: 38,000,000) ordinary shares of £1 each	<hr/> 38.0	<hr/> 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.

20. Retained earnings and other reserves

	2025	2024
Retained earnings		
At the beginning of the financial year	63.5	58.0
Profit for the financial year	10.0	5.5
Dividends paid	(15.0)	-
	<hr/>	<hr/>
At the end of the financial year	58.5	63.5

Retained earnings represent amounts available for dividend distribution to the equity shareholder of Soteria, subject to certain conditions being met.

21. Dividends

	2025	2024
Dividends on ordinary shares declared and paid:		
Dividend paid on 25 June 2025	15.0	-
	<hr/>	<hr/>
	15.0	-

On 3 October 2025, the directors proposed a further dividend of £30m, payable to Saturn. Subsequently, on 17 December 2025, the PRA confirmed they had no objection to the dividend.

22. Provision for unearned premiums

	Gross 2025	Reinsurance 2025	Net 2025	Gross 2024	Reinsurance 2024	Net 2024
At the beginning of the financial year	-	-	-	-	-	-
Increase in the financial year	-	(17.4)	(17.4)	-	(0.5)	(0.5)
Release in the financial year	-	17.4	17.4	-	0.5	0.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Movement in the financial year	-	-	-	-	-	-
At the end of the financial year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

23. Claims outstanding

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

	Gross	Unexpired risk provision	Salvage & Subrogation	Net
2025				
At the beginning of the financial year	197.1	-	(1.9)	195.2
Movement in the financial year	(6.8)	-	0.7	(6.1)
At the end of the financial year	190.3	-	(1.2)	189.1
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

Claims and claims handling costs

	Gross 2025	Reinsurance 2025	Net 2025	Gross 2024	Reinsurance 2024	Net 2024
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 beginning of the financial year	197.1	(57.3)	139.8	253.4	(61.8)	191.6
Claims paid during the year	(25.3)	9.4	(15.9)	(53.4)	12.5	(40.9)
Increase/(decrease) in liabilities:						
Arising from current year claims	-	-	-	-	-	-
Arising from prior year claims	18.5	(42.3)	(23.8)	(2.9)	(0.5)	(3.4)
Movement in unexpired risk provision	-	-	-	-	-	-
	(6.8)	(32.9)	(39.7)	(56.3)	12.0	(44.3)
Quota share	-	(0.3)	(0.3)	-	(7.5)	(7.5)
Total movement	(6.8)	(33.2)	(40.0)	(56.3)	4.5	(51.8)
Claims reported	153.9	(72.4)	81.5	156.8	(58.2)	98.6
Claims incurred but not reported	35.7	(23.5)	12.2	39.0	(4.8)	34.2
Claims settlement expenses	0.7	-	0.7	1.3	-	1.3
Unexpired risk provision	-	-	-	-	-	-
	190.3	(95.9)	94.4	197.1	(63.0)	134.1
Quota share	-	5.4	5.4	-	5.7	5.7
At the end of the financial year	190.3	(90.5)	99.8	197.1	(57.3)	139.8

The balance in the quota share funds withheld account is £12.0m (2024: £11.8m). The figures for quota share in the table above represent the quota share funds withheld net of the expected future profit commission of £6.6m (2024: £6.1m).

Included within the movement in claims liabilities is £2.5m, gross, £1.4m net (2024: £2.6m gross, £1.4m net), being the unwind of discounting relating to Periodic Payment Order (PPO) claims.

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

23. Claims outstanding (continued)

Analysis of claims development

	Accident year										Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Gross of reinsurance											
At end of the accident year:	353.5	367.8	401.7	414.6	299.1	115.7	1.2	-	-	-	1,953.6
One year later	371.6	358.0	393.0	412.8	290.9	114.8	1.4	-	-	-	1,942.5
Two years later	351.0	353.4	394.4	420.2	299.2	115.8	1.6	-	-	-	1,935.6
Three years later	345.5	354.9	402.5	433.8	301.9	114.4	1.2	-	-	-	1,954.2
Four years later	353.1	354.6	416.7	430.4	298.3	110.2	-	-	-	-	1,963.3
Five years later	351.0	356.0	418.9	428.5	308.0	-	-	-	-	-	1,862.4
Six years later	349.8	358.5	417.9	425.8	-	-	-	-	-	-	1,552.0
Seven years later	349.7	357.0	417.6	-	-	-	-	-	-	-	1,124.3
Eight years later	348.9	356.9	-	-	-	-	-	-	-	-	705.8
Nine years later	355.6	-	-	-	-	-	-	-	-	-	355.6
Ten years later	-	-	-	-	-	-	-	-	-	-	-
Estimate for cumulative claims	355.6	356.9	417.6	425.8	308.0	110.2	1.2	-	-	-	1,975.3
Cumulative payments to date	(336.1)	(356.4)	(402.1)	(418.2)	(274.0)	(100.4)	(0.9)	-	-	-	(1,888.1)
Gross outstanding claims liabilities	19.5	0.5	15.5	7.6	34.0	9.8	0.3	-	-	-	87.2
Provision for prior years	-	-	-	-	-	-	-	-	-	-	102.4
Gross outstanding claims liabilities											189.6
Gross claims reported											153.9
Gross claims incurred but not reported											35.7
Gross outstanding claims liabilities											189.6

Included in the analysis above is £62.4m (2024: £63.9m) of discounted reserves relating to PPOs. PPO reserves are discounted at 4.5% (2024: 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 £135.0m (2024: £138.5m). The above analysis excludes claim handling expenses.

	Accident year										Total
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Net of reinsurance											
At end of the accident year:	347.7	268.3	294.4	295.0	219.1	114.2	1.2	-	-	-	1,539.9
One year later	357.8	262.1	289.1	293.1	210.6	113.5	1.4	-	-	-	1,527.6
Two years later	339.3	259.6	289.9	297.4	215.9	114.5	1.6	-	-	-	1,518.2
Three years later	335.9	260.6	295.3	305.9	218.6	113.1	1.2	-	-	-	1,530.6
Four years later	338.5	260.4	305.3	303.9	216.1	108.9	-	-	-	-	1,533.1
Five years later	337.2	261.4	307.0	303.7	215.0	-	-	-	-	-	1,424.3
Six years later	336.8	263.1	306.2	301.7	-	-	-	-	-	-	1,207.8
Seven years later	336.8	262.1	306.6	-	-	-	-	-	-	-	905.5
Eight years later	336.6	262.0	-	-	-	-	-	-	-	-	598.6
Nine years later	337.9	-	-	-	-	-	-	-	-	-	337.9
Ten years later	-	-	-	-	-	-	-	-	-	-	-
Estimate for cumulative claims	337.9	262.0	306.6	301.7	215.0	108.9	1.2	-	-	-	1,533.3
Cumulative payments to date	(329.7)	(261.6)	(292.9)	(297.4)	(200.7)	(99.2)	(0.9)	-	-	-	(1,482.4)
Net outstanding claims liabilities	8.2	0.4	13.7	4.3	14.3	9.7	0.3	-	-	-	50.9
Provision for prior years	-	-	-	-	-	-	-	-	-	-	42.8
Net outstanding claims liabilities											93.7
Net claims reported											81.5
Net claims incurred but not reported											12.2
Net outstanding claims liabilities											93.7

Included in the analysis above is £33.5m (2024: £31.6m) 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 2025 result includes an decrease on prior year reserves of £20.9m (2024: decrease of £3.4m).

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

Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

24. Loss portfolio transfer arrangement

During the year, Soteria entered into an LPT arrangement with Darag 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. The LPT arrangement is managed on a funds withheld basis. The following transactions/balances are included in the primary statements:

	Reinsurance debtor	Funds withheld
LPT		
Balance on inception of LPT arrangement	18.8	(17.9)
Movements in reserves	1.4	0.3
Claims paid	(0.4)	0.1
Investment returns due	-	(0.8)
	<hr/>	<hr/>
Balance at the end of the financial year	19.8	(18.3)

25. Taxation

	2025	2024
Current tax		
Asset at the beginning of the financial year	0.4	0.1
Tax charged to income statement	(0.9)	(0.3)
Adjustment in respect of prior periods	0.1	-
Tax on structured settlements	0.1	0.1
Tax paid/(received) during the financial year	1.2	0.5
	<hr/>	<hr/>
Asset at the end of the financial year	0.9	0.4
	<hr/>	<hr/>
	2025	2024
Deferred tax liability		
Liability at the beginning of the financial year	-	-
Tax credited to the income statement	-	-
	<hr/>	<hr/>
Liability at the end of the financial year	-	-
	<hr/>	<hr/>
Analysis of deferred tax liability		
Capital allowances on fixed assets	0.2	0.2
FRS 102 transitional adjustments	(2.6)	(3.1)
Tax losses	2.4	2.9
	<hr/>	<hr/>
Liability at the end of the financial year	-	-

A deferred tax asset has not been recognised in relation to carried forward tax losses of £47.9m (2024: £54.1m) on the basis it is uncertain whether the Company will generate future taxable profit against which the deductible temporary difference may be utilised.

26. Cashflows arising from liabilities

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 2025								
Insurance contract liabilities	190.3	262.3	22.0	15.8	8.8	7.2	6.7	201.8
Financial liabilities at amortised cost:								
Reinsurance liabilities	18.3	18.3	18.3	-	-	-	-	-
Insurance and other payables	1.1	1.1	1.1	-	-	-	-	-
	209.7	281.7	41.4	15.8	8.8	7.2	6.7	201.8
Other liabilities	2.9							
Total recognised liabilities	212.6							
	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							

27. Obligations under operating leases

Soteria does not have any lease agreements in place.

28. Contingent assets and liabilities

Soteria does not have any contingent assets.

As a financial services provider, Soteria 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 Soteria 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.

29. Contingent contract obligations

Soteria has no contingent contract obligations.

30. Parent company

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

Saturn'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 Soteria are consolidated into the results of the group headed by Saturn. 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.

31. Related party transactions

Balances at the end of the year	2025	2024
Amounts due from/(to) other group companies:		
Saturn	-	3.2
Tradex	1.6	1.5
Amounts due from/(to) other related parties:		
MISL	0.6	-
Transactions during the year	2025	2024
Income from transactions with other group companies:		
Saturn	0.1	0.3
Tradex	5.0	3.9
Expenses from transactions with other group companies:		
SFHL	-	(0.1)
Tradex	(0.8)	(0.1)
Expenses from transactions with other related parties:		
MISL	(1.9)	(2.3)

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

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 Soteria.

Related party transactions consist of:

- Transactions with Soteria Finance Holdings Limited ('SFHL'), where Soteria 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 Saturn, where either Soteria or Saturn pays expenses on behalf of the other and then recharges these. These costs include payments made to Saturn's Directors by Soteria.
- Transactions with Saturn relating to a perpetual loan from Soteria to Saturn on which interest is charged at 7% p.a. This loan was settled during 2025.
- Transactions with Tradex, where either Soteria or Tradex pays expenses on behalf of the other and then recharges these. These costs include payments made to Tradex's Directors by Soteria.
- Transactions with MISL, representing amounts charged for the provision of insurance services under an outsourcing agreement.

Key management compensation

Key management is considered to include the members of Soteria 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 Soteria.

	2025	2024
Salaries and short-term benefits:		
In respect of key management	0.6	1.5
In respect of Executive and Non-Executive Directors	0.5	0.8
In respect of the highest paid director	0.2	0.6

In addition to the above, for key management and Executive and Non-Executive Directors, £0.3m (2024: £nil) was paid during the year in respect of payments for loss of office.

32. 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), Soteria 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 21 to 23.

Valuation of financial investments

2025	Level 1	Level 2	Level 3	Total
Financial investments	-	97.7	39.2	136.9
2024	Level 1	Level 2	Level 3	Total
Financial investments	-	127.8	41.2	169.0

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.

33. Events after the reporting period

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

Soteria Insurance Limited

Registered under the Companies Act 2006

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