TRADEX

# SOLVENCY AND FINANCIAL CONDITION REPORT

# Year ended 31 December 2023

# Tradex Insurance Company Limited

## Contents

TRADEX

# Executive Summary

## 1. Introduction and Purpose

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

The Report contains detailed qualitative and quantitative information on the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management, together with standardised Quantitative Reporting Templates with respect to the reporting period for Tradex Insurance Company Limited (Tradex).

Tradex is a UK-based General Insurer that underwrites insurance, in both personal and commercial lines (Motor and Home). It is a wholly owned subsidiary of Saturn Holdings Limited.

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

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

The document makes reference to the Annual Reports and Accounts, which also provide relevant information about Tradex, copies of which can be found at www.tradexinsurance.com.

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

### 2.1 Business Model & Strategy

#### Acquisition of TIHL

Since 7 July 2023, Tradex has been a wholly owned subsidiary of Saturn Holdings Limited (SHL).

On 7 July 2023, following approval by the PRA, Tradex's immediate parent, Tradex Insurance Holdings Limited ('TIHL'), was acquired by Saturn Holdings Limited ('SHL'). On 10 October 2023, SHL also acquired Soteria Insurance Limited ('SIL'). TIHL was dissolved on 9 January 2024.

Consolidated results for the Saturn Group of companies can be found in SHL's accounts and SFCR.

#### Strategy

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

Our business model is focused on effective governance and oversight of the Managing General Agencies (MGAs) to ensure that products provided to our customers meet their changing needs, reach our target customers efficiently and effectively through the distribution channels, risks are well understood and priced correctly, and the level of service and claims management deliver good outcomes for our customers.

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

We seek to achieve this through:

Pricing and data driven portfolio management: Tradex is focused on consistently delivering price adequacy through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve profit targets, and continuously improving the portfolio mix.

Measured risk selection: We reviewed the footprint and took actions to exit from certain underperforming, volatile and non-scalable segments in H2 2023. The emphasis going forward is on underwriting risk selection and quality through sophistication in tools and data, with a focused footprint.

Volatility management through adequate purchase of Reinsurance: We seek to continue to manage P&L volatility and balance sheet through adequate purchase of reinsurance which comprises of Excess of loss, Quota share and Catastrophe protection for lines of business sourced through both MISL and Clegg Gifford. In addition, models which assess propensity of large claims have been embedded at quotation stage in Private Car (which is a significant proportion of the business mix) providing segmentation of the portfolios and enabling us to make proactive decisions on volatile segments.

Strong Governance on Products and Claims management: We seek to continuously review the products and how they are distributed, ensuring they meet the target customer needs, there is effective oversight of the service levels provided by the MGA's to brokers and end customers and that legitimate claims are settled quickly and smoothly delivering good outcomes for our customers.

## 2.2 Other Significant Events

### Effect of inflation and interest rate rises

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

### Claims

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

### Investments

Investment Managers were hired in Q4 2023, the investment mandate has been written and some initial investments were made in December 2023.

### Consumer Duty

The FCA's new rules on Consumer Duty came into force in July 2023. Tradex Board considers Consumer duty, together with relevant management information, as a standing agenda item and ensures that compliance with the duty is prioritised throughout the business.

## 2.3 Performance

### Lines of Business and Geographical Areas

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

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

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

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

### Overall Performance

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

| Overall Performance | 2023 |
|---|---|
| | £000 |
| Net Earned Premium | 43,729 |
| Net Claims | (36,971) |
| Commissions | (5,916) |
| **Underwriting result** | **842** |
| | |
| Expenses | (7,379) |
| Finance Charges & Other income | 556 |
| Investment Income | 2,260 |
| | |
| **Loss on ordinary activities before tax** | **(3,721)** |

A more detailed analysis of the performance, including comparatives against the prior year, can be found in the Annual Report and Accounts which is available at www.tradexinsurance.com.

Tradex's 2023 result of a £3,721k loss was driven mainly by

- large losses on Balance of account motor portfolio
- Adverse prior year development on large losses mainly on the 2017 and prior underwriting years
- impact from weather events on the Home portfolio (Storms Babet and Ciaran)
- continued effect from claims inflation with shortages of materials, motor parts and labour.

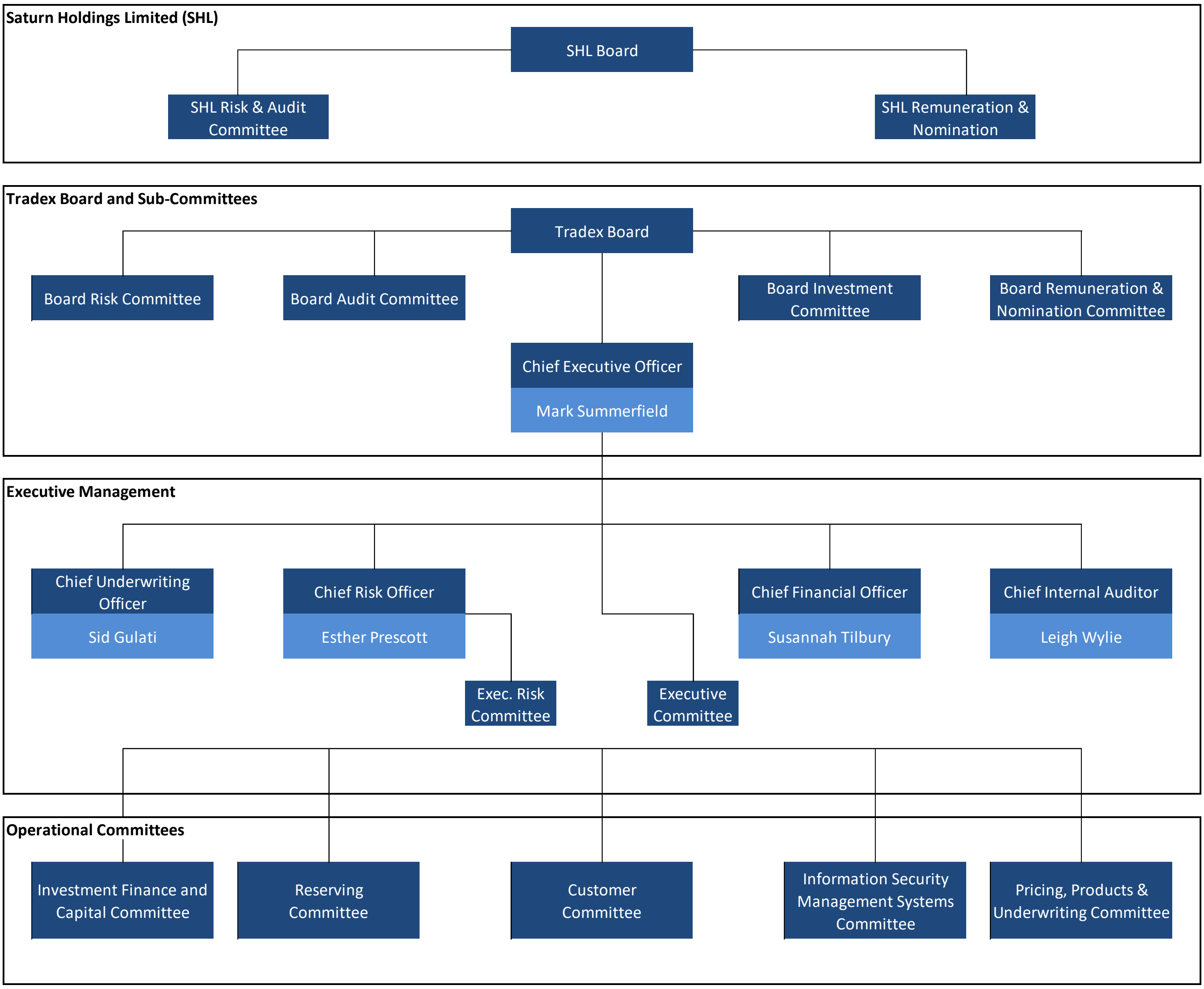
Actions were taken in H2 2023 to exit underperforming segments and continued actions on pricing and risk selection to improve rating adequacy are expected to deliver a profitable underwriting result in 2024.

## 3. System of Governance (Summary of Section B)

The governance structure of Tradex is described below.

### 3.1 Governance Framework

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




The Tradex Board owns and approves the Risk Appetite Statement and the Risk Management Framework, setting the thresholds and approach to risk taking activities. To ensure that there are effective internal controls and risk management, the Tradex Board has established sub-committees and delegated certain responsibilities to them. All Board sub-committees have Terms of Reference which document the membership, their accountabilities and describe the authority delegated to them by the Board. The Board ensures that each committee is provided with sufficient resources to enable it to undertake its duties.

## 3.2 Key elements of the System of Governance

### Appropriate Responsibility and Accountability

Tradex operates a 'Three Lines of Defence' governance model to ensure appropriate responsibility and accountability is allocated to the identification, measurement, management, monitoring and reporting of risks.

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

Internal Audit is the third line of defence within the Company structure. Internal Audit independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the Tradex Board Audit Committee (BAC) and senior management on the adequacy of both the first and second lines of defence, including the quality of their work.

### Fitness & Propriety of Key Function Holders

As a regulated company, all accountabilities within Tradex are allocated as part of The Senior Manager and Certification Regime (SM&CR).

The Tradex Management Responsibilities Map describes and documents the firm's overall governance arrangements. It demonstrates that there are no gaps in the allocation of responsibilities amongst its management.

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

Key Functions, as defined by Solvency II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The firm's system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

The Company has established fit and proper processes which comply with the SM&CR. Certified Employees (the next tier of management below Senior Managers where the role has a risk of significant harm to the firm or any of its customers) are in the process of being identified.

The Company will ensure that Senior Managers and Certified Employees are at all times fit and proper persons. This means that these persons have adequate professional qualifications, knowledge and experience to enable the sound and prudent management of the firm and that they are of good repute and integrity.

### Robust Risk Management Framework

Tradex operates within a Risk Management Framework that identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across the Company.

The Risk Management Framework is designed to aid the business in the management of risks at all levels in the business in accordance with the 'Three Lines of Defence' model.

## 4. Key Risks (Summary of Section C)

Tradex is exposed to a number of risks which could adversely affect its performance and its ability to meets its objectives. The most material risks that the Company is exposed to are insurance risk (both premium and reserve risk), operational risk, market risk and credit risk.

| Risk | Definition |
|---|---|
| Insurance Risk (Premium Risk) | The inherent uncertainties as to the occurrence, amount and timing of insurance liabilities for business not yet earned. Premium risk includes catastrophe risk; the risk of loss arising from natural or man-made disasters. |

| | |
|---|---|
| Insurance Risk (Reserve Risk) | The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events for earned policies, and in the timing and amount of claim settlements[1]. |
| Operational Risk | The risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes risks such as outsourcing risk, cyber risk and model risk. |
| Market Risk, including climate change risk | The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers including interest rates, market prices of assets and liabilities.<br>Included within market risk is climate change risk; the underwriting and investment risks that arise from the adjustment to a low-carbon economy which could affect a firm[2]. |
| Counterparty Risk, including credit risk | The risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations. |

These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

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

| Solvency Capital Requirement | 31 December 2023 | 31 December 2022 | Movement |
|---|---|---|---|
| | £000 | £000 | £000 |
| Non-Life Underwriting Risk | 36,776 | 11,898 | 24,878 |
| Market risk | 7,368 | 1,982 | 5,386 |
| Counterparty risk | 6,815 | 3,393 | 3,422 |
| Operational risk | 3,832 | 3,551 | 281 |
| Diversification Credit | (7,780) | (2,695) | (5,085) |
| **SCR** | **47,011** | **18,130** | **28,882** |

Insurance risk is managed by thorough pricing and underwriting management and claims' reserving and is mitigated through the use of appropriate reinsurance.

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

Market risk reflects the portfolio of assets held by the Company which currently focuses on cash and some investments in higher-yielding assets.

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

[2] Climate change can also impact other level 1 risks, in particular insurance risk, but has been allocated to market risk for reporting purposes.

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

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

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

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

The table below shows the valuation of assets and liabilities on a Solvency II basis as at 31 December 2023. Section D includes explanations of the valuation and recognition basis under Solvency II as well as a comparison to the UK GAAP valuation basis which is used in the Annual Report and Accounts.

The valuation of the balance sheet on a statutory basis is different to the Solvency II balance sheet due to the reclassification of accrued interest, the difference in the valuation of the technical insurance provisions and the difference in the treatment of the quota share reinsurance arrangement.

| Valuation of assets and liabilities | UK GAAP | Reclass-ifications | Restate-ments | Solvency II |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Assets** | | | | |
| Equities Property | 10,774 | 0 | 0 | 10,774 |
| Equities (other than participations) - Unlisted | 3,633 | 0 | 0 | 3,633 |
| Government bonds | 17,682 | 0 | 0 | 17,682 |
| Deposits other than cash equivalents | 55,776 | 0 | 0 | 55,776 |
| Reinsurance Unearned premium reserve | 68,269 | 0 | (68,269) | 0 |
| Reinsurance recoverable | 124,252 | (3) | (4,962) | 119,287 |
| Insurance and intermediaries receivables | 146,932 | (140,205) | (3,863) | 2,864 |
| Other Debtors | 3,238 | 0 | 0 | 3,238 |
| Deferred Tax asset | 5,740 | 0 | 1,257 | 6,998 |
| Fixed Assets | 1,352 | 0 | (1,337) | 15 |
| Cash | 22,832 | 0 | 0 | 22,832 |
| Deferred acquisition Costs | 19,389 | 0 | (19,389) | 0 |
| Prepayments | 2,180 | 0 | (2,180) | 0 |
| **Total assets** | **482,049** | **(140,208)** | **(98,743)** | **243,099** |
| **Liabilities** | | | | |
| Unearned premium reserve | 128,893 | 0 | (128,893) | 0 |
| Outstanding claims | 183,200 | (124,720) | 64,684 | 123,164 |
| Reinsurance payables | 49,779 | 0 | (27,740) | 22,039 |
| Payables (trade, not insurance) | 39,316 | (15,488) | 599 | 24,427 |
| Accruals | 900 | 0 | 0 | 900 |
| Reinsurance Deferred acquisition Costs | 7,345 | 0 | (7,345) | 0 |
| **Total liabilities** | **409,433** | **(140,208)** | **(98,695)** | **170,530** |
| **Excess of assets over liabilities** | **72,617** | **0** | **(48)** | **72,569** |

The excess of assets over liabilities of £72,569k forms the Own Funds for Tradex under Solvency II and is the amount of available capital held to meet the Solvency Capital Requirement.

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

Solvency coverage at 31 December 2023 is £25,558k (154.4%) (2022: £3,754k (120.2%)). Own Funds at 31 December 2023 are £72,569k (2022: £22,359k).

As described in Section 4, the SCR at 31 December 2023 is £47,011k.

The Company does not apply the transitional measures of a matching adjustment, volatility adjustment, transitional deduction to the technical provisions or the transitional risk-free interest rate.

The table below shows the value of Own Funds eligible to meet the SCR at 31 December 2023. All Own Funds in both years are tier 1 unrestricted except for the Deferred tax assets which are classified as Tier 3 capital.

| Own funds | 2023 Total | 2022 Total | Movement |
|---|---|---|---|
| | £000 | £000 | £000 |
| | | | |
| Ordinary share capital | 12,138 | 12,138 | 0 |
| Share premium account | 66,775 | 10,080 | 56,695 |
| Reconciliation reserve | (13,341) | (7,650) | (5,692) |
| Subordinated liabilities | 0 | 5,000 | (5,000) |
| Net deferred tax assets | 6,998 | 2,847 | 4,150 |
| **Total basic own funds after deductions** | **72,569** | **22,415** | **50,154** |
| | | | |
| Total available own funds to meet the SCR | 72,569 | 22,415 | 50,154 |
| Total available own funds to meet the MCR | 65,571 | 19,568 | 46,003 |
| | | | |
| Total eligible own funds to meet the SCR | 72,569 | 22,287 | 50,281 |
| Total eligible own funds to meet the MCR | 65,571 | 15,474 | 50,097 |
| | | | 0 |
| Solo SCR | 47,011 | 18,130 | 28,882 |
| Solo MCR | 11,753 | 4,532 | 7,220 |
| **Ratio of Eligible own funds to SCR** | **154.4%** | **122.9%** | **31.4%** |
| Ratio of Eligible own funds to MCR | 557.9% | 341.4% | 216.5% |

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

Non-compliance occurs when the value of eligible own funds falls below the MCR or the SCR. As at 31 December 2023, Tradex has exceeded both the MCR and SCR with coverage of 557.9% (2022: 341.4%) and 154.4% (2022: 122.9%) respectively. Tradex has been compliant with both the MCR and the SCR throughout the reporting period.

## Directors' Report

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

| Non-Executive Directors |
|---|
| Roy Sampson (resigned 8 January 2024) |
| Garry Fearn (resigned 8 January 2024) |
| Neil Southworth (appointed 2 January 2024) |
| Sharon Ludlow (awaiting Regulatory approval) |
| **Executive Directors** |
| Nick Taylor (resigned 11 September 2023) |
| Mark Summerfield (appointed 11 September 2023) |
| Susannah Tilbury |
| Deborah Austin (resigned 23 February 2023) |

## Statement of Directors' Responsibilities

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

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

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

b) it is reasonable to believe that the Company has continued to comply subsequently and will continue to comply in future.

By order of the Board:

Mark Summerfield

Director

3 April 2024

# A. Business and Performance

## A.1 Business

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

Tradex Insurance Company Limited (Tradex) underwrites insurance risk in both personal and commercial lines in the Motor and Home insurance markets within the UK.

### A.1.2 Simplified Group Structure, Related Undertakings and Branches

Since 7 July 2023, Tradex has been a wholly owned subsidiary of Saturn Holdings Limited (SHL).

On 7 July 2023, following approval by the PRA, Tradex's immediate parent, Tradex Insurance Holdings Limited ('TIHL'), was acquired by Saturn Holdings Limited ('SHL'). On 10 October 2023, SHL also acquired Soteria Insurance Limited ('SIL'). TIHL was dissolved on 9 January 2024.

SHL, together with its subsidiaries, together form an Insurance Group.

The consolidated SFCR for the Group is available at www.soteriansurance.co.uk.

### A.1.3 Employees

The Company employs a small number of colleagues to oversee the key functions of the business, with additional services provided by MISL. There is also an arrangement with Soteria whereby a number of colleagues employed by Soteria also work for Tradex and Soteria recharges a portion of its staff salary expenses to Tradex.

### A.1.4 Name and Contact Details of External Auditors

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

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

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

### A.1.6 Strategy

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

Our business model is focused on effective governance and oversight of the MGA's to ensure that products provided to our customers meet their changing needs, reach our target customers efficiently and effectively through the distribution channels, risks are well understood and priced correctly, and the level of service and claims management deliver good outcomes for our customers.

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

We seek to achieve this through:

Pricing and data driven portfolio management: Tradex is focused on consistently delivering price adequacy through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve profit targets, and continuously improving the portfolio mix.

Measured risk selection: We reviewed the footprint and took actions to exit from certain underperforming, volatile and non-scalable segments in H2 2023. The emphasis going forward is on underwriting risk selection and quality through sophistication in tools and data, with a focused footprint.

Volatility management through adequate purchase of Reinsurance: We seek to continue to manage P&L volatility and balance sheet through adequate purchase of reinsurance which comprises of Excess of loss, Quota share and Catastrophe protection for lines of business sourced through both MISL and Clegg Gifford. In addition, models which assess propensity of large claims have been embedded at quotation stage in Private Car (which is a significant proportion of the business mix) providing segmentation of the portfolios and enabling us to make proactive decisions on volatile segments.

Strong Governance on Products and Claims management: We seek to continuously review the products and how they are distributed ensuring they meet the target customer needs, there is effective oversight of the service levels provided by the MGA's to brokers and end customers and that legitimate claims are settled quickly and smoothly delivering good outcomes for our customers.

## A.1.7 Other Significant Events

### Effect of inflation and interest rate rises

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

### Claims

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

### Investments

Investment Managers were hired in Q4 2023, the investment mandate has been written and some initial investments were made in December 2023.

### Consumer Duty

The FCA's new rules on Consumer Duty came into force in July 2023. Tradex Board considers Consumer duty, together with relevant management information, as a standing agenda item and ensures that compliance with the duty is prioritised throughout the business.

## A.2 Underwriting Performance

### A.2.1 Overall Performance and Segmental Analysis

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

| Overall Performance | 2023 |
|---|---|
| | £000 |
| Net Earned Premium | 43,729 |
| Net Claims | (36,971) |
| Commissions | (5,916) |
| **Underwriting result** | **842** |
| | |
| Expenses | (7,379) |
| Finance Charges & Other income | 556 |
| Investment Income | 2,260 |
| | |
| **Loss on ordinary activities before tax** | **(3,721)** |

A more detailed analysis of the performance of Tradex, including comparatives against the prior year, can be found in the Annual Report and Accounts which are available at www.tradexinsurance.com.

Tradex's 2023 result of a £3,721k loss was driven mainly by

- large losses on Balance of account motor portfolio
- Adverse prior year development on large losses mainly on the 2017 and prior underwriting years
- impact from weather events on the Home portfolio (Storms Babet and Ciaran)
- continued effect from claims inflation with shortages of materials, motor parts and labour.

Actions were taken in H2 2023 to exit underperforming segments and continued actions on pricing and risk selection to improve rating adequacy are expected to deliver a profitable underwriting result in 2024.

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

Investment income and net unrealised losses on investments reflect income on fixed term deposits and some minimal investments purchased on 21 December 2023. All unrealised gains and losses are included in the income statement.

### A.2.2 Underwriting Performance

Analysis of Tradex's underwriting performance for the year to 31 December 2023, by line of business, is presented below. The segmental analysis is shown before corporate overheads and investment return.

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

| Motor Insurance (Motor) | 2023 |
|---|---|
| | £000 |
| Net Earned Premium | 39,504 |
| Net Claims | (34,220) |
| Commissions | (3,997) |
| **Underwriting result** | **1,287** |

| Fire and Other Damage to Property Insurance (Home) | 2023 |
|---|---|
| | £000 |
| Net Earned Premium | 3,631 |
| Net Claims | (2,900) |
| Commissions | (1,776) |
| **Underwriting result** | **(1,044)** |

| Other | 2023 |
|---|---|
| | £000 |
| Net Earned Premium | 593 |
| Net Claims | 150 |
| Commissions | (143) |
| **Underwriting result** | **600** |

This category is primarily made up of the small Liability class within the Clegg Gifford historic portfolio, sold as an add-on to Motor Trade policies. One significant claim has seen a £268k reserve release in the year.

## A.3 Investment Performance

### A.3.1 Investment Income and Expenses

The Company has a small portfolio of investments at 31 December 2023 with the majority of assets in cash. Investment managers were hired in the final quarter of 2023 and an investment mandate has been developed with the key strategic objective of meeting liabilities over both the longer and shorter terms using two identifiable portfolios.

The short-term portfolio will be to support the Solvency II technical provisions, achieve an acceptable level of investment return (bias towards income generation but also capital growth), maintaining liquidity and taking a relatively low level of risk.

The higher risk/higher return portfolio is to achieve a real rate of return above inflation. This portfolio is for the use of excess assets over the Board Capital Risk Appetite. It is recognised that this will involve taking a higher level of risk, within the agreed capital budget.

TRADEX

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

| Investment income and expense analysis | Investment income | Realised gains & losses | Unrealised gains & losses | Expenses |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Cash | 1,613 | 0 | 0 | |
| Government bonds | 558 | 0 | 44 | |
| Equity | 0 | 0 | 18 | |
| Mortgages and loan | 178 | 0 | 0 | |
| Property | 0 | (49) | (30) | |
| | | | | |
| | **2,349** | **(49)** | **32** | **(121)** |
| Prior year | 308 | (49) | 0 | (15) |
| Movement | 2,041 | 0 | 32 | (106) |

Investment performance is substantially higher than in 2022, following the acquisition by SHL and injection of additional capital.

### A.3.2 Investment Gains and Losses Recognised Directly in Equity

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

### A.3.3 Investments in Securitisations

The Company had no investments in securitisations at December 2023.

## A.4 Performance of Other Activities

The Company has no other information to disclose about the performance of other activities.

## A.5 Any Other Information

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

## B. System of Governance

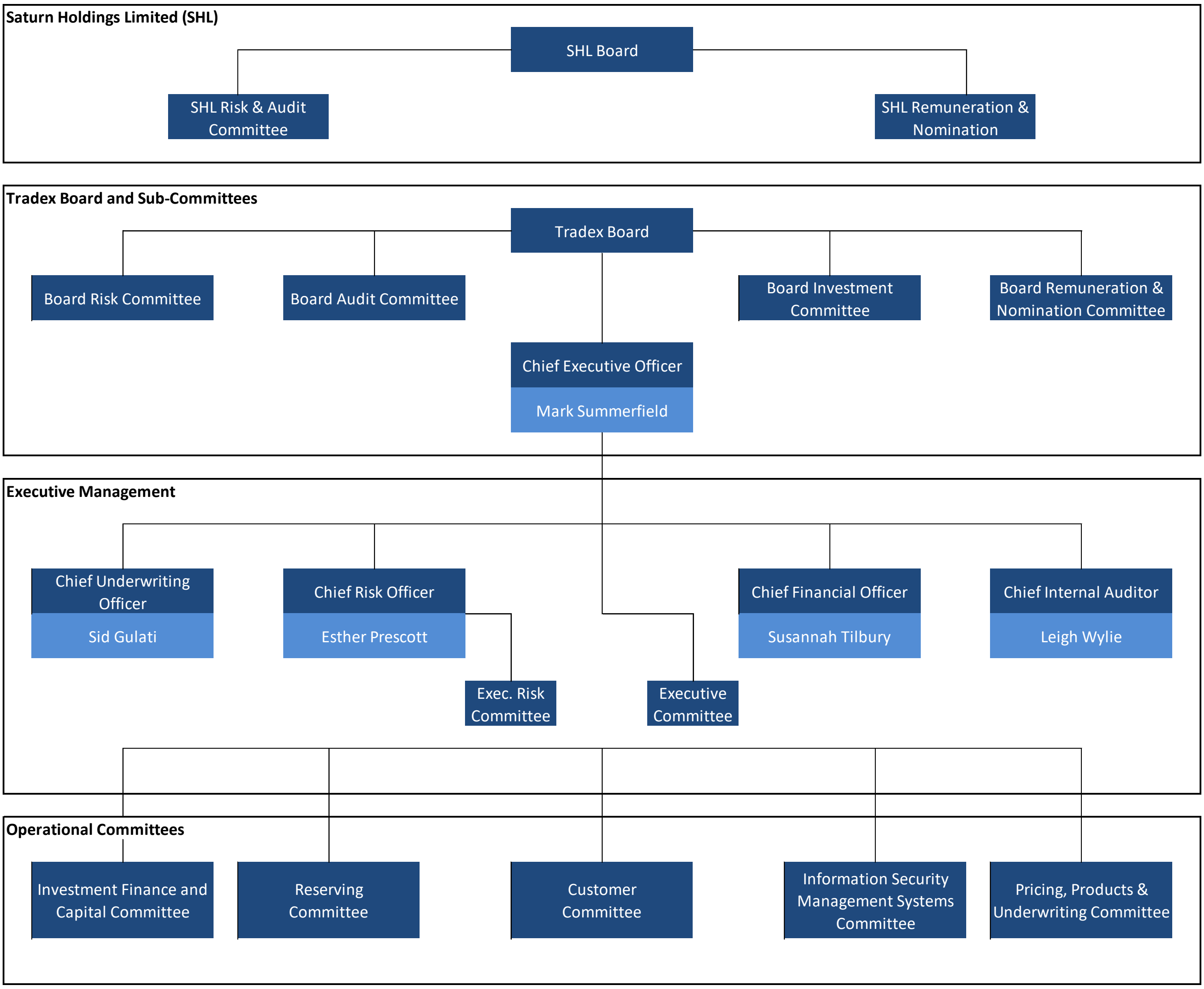
## B.1 General Information on the System of Governance

### B.1.1 Governance Structure

Since the acquisition by SHL, the main focus of Tradex has been in establishing an appropriate framework for the new business model. This has included: separating the previous Board Audit and Risk Committee into separate Board Audit and Board Risk Committees, and establishing a new Board Investment Committee. At Executive level, a new Executive Risk Committee has been established. Finally, a number of Operational Committees are now in place to support the Executive in their duties. This is shown in the diagram below.

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

The governance framework is managed using a 'Three Lines of Defence Model' (see Section B.3.1.3). Material changes to the governance framework over the year are described in Section B.1.5.



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

| Committee | Overview |
|---|---|
| Tradex Board | The Tradex Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the business for the benefit of its shareholders and customers and is consistent with its purpose, regulatory and statutory requirements and corporate governance best practice. |
| Tradex Board Risk Committee (BRC) | The purpose of the BRC is to oversee and advise the Tradex Board on current and potential risks and the overall risk framework. The committee also oversees Tradex's risk management arrangements, ensuring that Risk Appetite is appropriate and adhered to and that key risks are identified and managed. The committee also is charged with ensuring a good customer outcome. |
| Tradex Board Audit Committee (BAC) | The purpose of the BAC is to assist the Tradex Board in discharging its responsibilities for the integrity of Tradex's financial statements, to review the effectiveness of internal controls and risk management systems and to monitor the effectiveness and objectivity of internal and external auditors. |
| Tradex Board Investment Committee (BIC) | The purpose of the Committee is to assist the Tradex Board in discharging its responsibilities in relation to the Prudent Person Principle by overseeing the Company's out-sourced investment activities and to ensure investments are made in line with the approved strategy and mandate. |
| Tradex Board Remuneration and Nomination Committee (REMCO) | The purpose of the REMCO is to oversee and advise the Board on nomination matters. In addition, the committee also determine the Remuneration Policy for Tradex in respect of its Executive and set/approve remuneration in conjunction with the parent Remuneration Committee. |

### B.1.2 Key Functions

Key Functions, as defined by Solvency II regulation, are those functions which, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the on-going ability of the firm to meet its policyholder obligations. The firm's system of governance has identified those persons who are responsible for the Key Functions, known as Key Function Holders (KFHs), along with their lines of accountability.

The table below summarises the four Key Functions:

| Key Function | Key Function Holder | Section Reference |
|---|---|---|
| Risk management function | Group Chief Risk Officer | B.3 |
| Compliance function | Group Chief Risk Officer | B.4.2 |
| Internal Audit | Group Chief Internal Auditor | B.5 |
| Actuarial function | Group Chief Actuary | B.6 |

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

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

As a regulated company all accountabilities within Tradex are allocated as part of the Senior Manager and Certification Regime (SM&CR).

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

Tradex is required to demonstrate how overall governance in the firm is managed and responsibilities are shared. This is done through Management Responsibilities Maps and supporting material, which shows how the individual responsibilities come together to ensure good governance at an entity level and demonstrates that there are no gaps in the allocation of responsibilities amongst its management.

In addition, the delegation of Financial Authorities is referenced within the Delegated Authorities Operating Manual, which sets out the specific delegated authorities by role and includes a wider, more granular set of financial authorities.

The list of Function Holders and the senior management responsibilities they hold is as follows:

| Senior Manager Function | Description | Name | Senior Management Responsibilities Held |
|---|---|---|---|
| SMF1<br>SMF3 | Chief Executive Officer<br>Executive Director | Mark Summerfield | • Board (Executive Director)<br>• Insurance Mediation<br>• Human Resource<br>• Learning and Development |
| SMF2<br>SMF3 | Chief Finance Officer<br>Executive Director | Susannah Tilbury | • Board (Executive Director)<br>• Financial Information<br>• Regulatory Reporting<br>• Climate Change Champion (investments) |
| SMF4 | Group Chief Risk Officer | Esther Prescott | • Risk Management System<br>• ORSA |
| SMF5 | Group Chief Internal Auditor | Leigh Wylie | • Internal Audit |
| SMF9 | Chairman | Sharon Ludlow | • Board |
| SM10 | Chair of Risk Committee | Neil Southworth | • Board (including Consumer Duty Champion) |
| SMF11 | Chair of Audit Committee | Neil Southworth | • Board |

| Senior Manager Function | Description | Name | Senior Management Responsibilities Held |
|---|---|---|---|
| SMF12<br><br>SMF13 | Chair of Remuneration Committee<br><br>Chair of the Nominations Committee | Sharon Ludlow | • Board |
| SMF16 | Head of Compliance | Leon Harrison | • Compliance<br>• Financial Crime<br>• Complaints |
| SMF20 | Group Chief Actuary | Richard Kelsey* | • Actuarial Reserves |
| SMF23 | Chief Underwriting Officer | Sid Gulati | • Claims<br>• Pricing<br>• Underwriting<br>• Product Governance<br>• Climate Change Champion (underwriting)<br>• Sales and distribution oversight<br>• Reinsurance<br>• Good customer outcome |
| SMF24 | Chief Information Officer | Sarb Lota | • Information Technology<br>• Business Continuity |

* Note that as at year end the SMF20 was outsourced to an external provider, Sukie Harrar of Holborn Underwriting Limited. Since year end this has now been bought in house and the role is carried out by Richard Kelsey.

### B.1.4 Remuneration

The Tradex Pay Policy documents the remuneration principles of Executives within the Company. The policy is governed by REMCO and reviewed by the SHL Governance and Remuneration Committee.

The Tradex Pay Policy promotes a competitive but not excessive employment offer which achieves an appropriate balance between fixed and variable pay and which promotes sound and sustainable decision-making through effective risk management.

In determining Tradex Executive remuneration, the Policy takes into account a number of principles which reflect the regulatory responsibilities of Tradex, including the following:

- The Policy has been designed to ensure that overall levels of remuneration are sufficient to attract, retain and motivate individuals of the quality necessary to manage Tradex effectively and successfully, but are not excessive in comparison to the relevant external market.
- The Policy aims to align the remuneration of Tradex Executives with balanced business judgement, in order to ensure that customers are placed first, and sustainable decisions and actions are taken in their best interests. Therefore, Tradex Executives are not remunerated solely on the basis of the profits of Tradex, but on a balanced scorecard including both customer and risk measures.

* REMCO will seek to maintain a market-aligned and sustainable remuneration structure for Tradex Executives.
* Any performance conditions attached to incentive awards will be appropriate, stretching and support the strategy and purpose of Tradex.
* REMCO should ensure that performance conditions do not encourage excessive risk taking and protect the delivery of fair customer outcomes.
* Variable remuneration will be subject to appropriate claw-back and, where appropriate, malus arrangements.
* Remuneration for new hires should be sufficient to attract Executives of the required calibre using the same policies that apply to current Tradex Executives.
* If Tradex Executives depart Tradex, REMCO will aim to ensure colleagues are treated fairly whilst minimising the cost to Tradex.

#### Long-term incentive awards and supplementary pension and early retirement schemes

The Company does not contractually issue any long-term incentive awards. No supplementary pension or early retirement schemes are offered.

#### Remuneration paid to Non-Executive Directors

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

The Tradex REMCO is responsible for determining the fees payable to the Board Chair.

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

### B.1.5 Material Changes

Throughout the year there have been a number of changes to the SMF responsibilities:

* Mark Summerfield was appointed as Group Chief Executive (SMF1) replacing Nick Taylor
* Esther Prescott was appointed as Group Chief Risk Officer (SMF4) replacing Bansi Shah
* Leigh Wylie was appointed as Group Chief Internal Auditor (SMF5)
* Richard Kelsey was appointed as Group Chief Actuary (SMF20) replacing Sukie Harrar (note that this occurred post year-end)
* Sid Gulati was appointed Chief Underwriting Officer (SMF23) replacing Richard Day, and previously Deborah Austin

The following changes were made to the sub-Board Committee structure in Q4 2023:

An Executive Risk Committee (ERC) has been established to oversee all risk and control actions for Tradex and to ensure that the business is being operated within agreed boundaries and control framework. This committee also oversees that the requirements of the Binding Authority Agreements (BAA) are being met.

A new Customer Committee was established. The purpose of the Customer Committee is to oversee Tradex's compliance with the FCA's Consumer Duty Principle to act to deliver good customer outcomes, and the supporting cross-cutting rules (to act in good faith, avoid foreseeable harm, and enable and support customers to pursue their financial objectives).

A new Investment, Finance and Capital Committee was established to oversee capital and solvency management, credit risk, reinsurance risk, market risk, model risk and liquidity risk.

A new Pricing and Underwriting Committee was established to support the SMF23 in their duties in this area and to provide oversight to MISL.

### B.1.6 Material Transactions

Information relating to transactions with related companies, including the Key management compensation can be found in the Company's Annual Report and Accounts.

## B.2 'Fit and Proper' Requirements

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

Tradex has established a fit and proper policy and processes which comply with the Senior Managers and Certification Regime (SM&CR). Tradex will ensure that Senior Managers are at all times fit and proper persons.

The fit and proper assessment of Senior Managers is performed proportionately, with relatively more attention being given to the assessment of Senior Managers.

Under fit and proper requirements, the Company must be satisfied that the person:

- Has the personal characteristics (including being of good repute and integrity).
- Possesses the level of competence, knowledge and experience.
- Has the qualifications.
- Has undergone or is undergoing all training.

Note: A list of the Persons in the undertaking that are responsible for the four mandatory Key Functions is shown in Section B.1.2 and a list of delegated responsibilities is in Section B.1.3.

### B.2.1 Process for Assessing Fitness and Propriety

The process for assessing fitness and propriety comprises of two stages:

#### 1. Pre-appointment

To assess an individual's fitness and propriety to perform a role the following steps are undertaken:

- Executive search consultancy utilised to identify the best candidates for the role.
- Request a formal application along with a full and comprehensive CV.
- Request and review evidence of relevant qualifications, where appropriate.
- Interviews conducted by individuals with appropriate expertise and seniority within the firm.
- Obtain regulatory references from previous employers. These must include the minimum information as prescribed by our regulators. Personal references may also be obtained.
- Criminal records checks.
- Credit checks to establish an individual's financial soundness
- Other due diligence from other publicly available sources, for example Financial Services Register, Companies House (to establish any conflicts of interest) and media searches.

The Company will only recruit individuals to a position of significant influence who have the appropriate skills, knowledge and experience. Where any minor development needs are identified these will be addressed as part of a development plan and the individual will be provided with appropriate support.

The Company will also ensure that any appointments to the Board contain an appropriate mix of skills and experience, and the right mix of both financial industry capability and critical perspective from high-level experience in other major businesses.

#### 2. On-going (post appointment)

The Company seeks to monitor an individual's fitness and propriety on an on-going basis via regular performance appraisals. In addition, an assessment is conducted and documented on an annual basis using the following information:

- Results of performance appraisals, including adherence to the conduct rules outlined by SM&CR.
- Criminal records checks.
- Credit checks to establish an individual's financial soundness.
- Progress against development plans, where appropriate.
- Self-certification by the individual as to their fitness and propriety.
- Other relevant supporting documentation, for example an assessment of their risk performance over the year, Internal Audit Summary, role profiles & Continuous Professional Development logs.
- An up-to-date version of their handover pack as part of succession planning protocol.

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

### B.3.1 Risk Management System

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

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

#### B.3.1.1 Risk Vision & Appetite

The Company's Risk Vision is owned and approved by the Tradex Board, supported by a capital coverage risk appetite requirement and overarches the Risk Appetite statements.

The Risk Vision: "Tradex's strategy is to offer underwriting capacity to MSG, ensuring that all products sold generate a real return over the insurance cycle and offer a positive customer outcome, and to meet all regulatory requirements".

Risk Appetite is the expression of how much risk Tradex would be prepared to accept in pursuit of its vision. One or more metrics underpin each of the risk appetite statements, along with 'red', 'amber' and 'green' thresholds for monitoring and reporting exposure against each metric. The Tradex Board owns and approves the Tradex Level Risk Appetite and delegates the setting of more detailed risk limits through the formal assignment of Risk Framework Owner (RFO) accountabilities.

The detailed statements and their supporting metrics are contained within Risk Vision and Appetite documents which are maintained by the Group Chief Risk Officer (CRO) of Tradex and reviewed annually. All of the statements and metrics have been updated this year.

### B.3.1.2 Risk Management Process

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

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

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

| Stage | Purpose | Requirement |
|---|---|---|
| Risk Identification | To identify the current and emerging risks that may affect the Company. | The process requires in-depth knowledge of the Company's strategic and operational objectives, business, markets and structure. |
| Risk Measurement | To quantify the risks to the Company in a consistent manner. | Risks within the Company are assessed by considering the 'likelihood' of the risk materialising and the 'impact' should it materialise.<br>Risks within the Company are assessed using a 5 x 5 Risk Assessment Matrix. |
| Risk Management | To carry out an appropriate strategy to address the risk in question. | Risk mitigation by the use of well documented and robust controls will be the most appropriate approach for the majority of risks. |
| Risk Monitoring | To ensure that the selected risk management approach is effective, and to keep track of any changes which may affect the risk environment and the level of exposure over time. | Exposure by risk type is monitored on a regular basis. The frequency will depend upon the materiality of the risk. |
| Risk Reporting | To provide the Tradex Board, Executive and senior management with an accurate, timely and clear account of the current risk exposure and to highlight any risks to achievement of business objectives. | This is achieved by taking the most material outputs from the above processes and presenting them to the Board. Ultimately the Tradex CRO is responsible for ensuring that this aim is met. |

### B.3.1.3 Three Lines of Defence

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

- First line: manage risk in day-to-day operations.
- Second line: provide oversight and challenge of first line activities; establish and oversee the risk management framework.

- Third line (Internal Audit): provide assurance that the RMF is being executed as intended and functioning correctly (see Section B.5 for further details of the Audit function).

As Tradex is largely an outsourced model, much of first line work is carried out by third parties. Second line activities do not aim to repeat the independent checks and controls of the work produced by MISL on behalf of Tradex. The Second line will separately review based on a first line residual risk prioritisation to provide proportionate assurance of the Risk profile and control status.

#### B.3.1.4 Policies and Controls

**Policies**

Tradex has a set of risk policies in place to manage risk across the business. These policies outline the principles that the business seeks to follow.

The individual policies are reviewed and updated annually, as a minimum, to ensure on-going relevance and effectiveness against business strategy and organisational design, or any changes in external regulatory requirements. It is recognised that in this period of change some of the policies require updating to reflect the new business model and plans are in place for this to take place during the first half of 2024.

**Controls**

Each risk identified in the risk register has one or more controls appended to it. Each of the controls is owned and approved by the relevant RFO, however they may choose to delegate the management and testing of the controls to a subject matter expert within their area. The RFO must attest that all controls are operating effectively every 6 months and call out areas of control weakness. The risk and control process is currently in the process of being renewed to reflect the new business model and there are plans to test all controls throughout 2024 and into the first quarter of 2025.

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

**Qualitative Review**

Tradex have considered the appropriateness of the Standard Formula and conclude that overall, the Standard Formula remains appropriate for Tradex. This is on the basis that Tradex's risks are very "standard". The review needs to be updated in 2024 to reflect the new business model and is expected to conclude that the standard formula remains appropriate for Tradex.

### B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA is the totality of all processes used to identify, measure, manage, monitor and report the short term and long-term risks the Company faces or may face and the Own Funds necessary to ensure solvency requirements are met on a continuous basis.

The Company has a governance structure to ensure the necessary technical expertise to provide input to and challenge the ORSA:

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

### B.3.2.1 ORSA Policy

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

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

There is also a dividend extraction policy which sets out the process approved by the Tradex Board that must be followed in the event that Tradex wishes to pay a dividend up to its parent, however there are no plans to do so.

### B.3.2.2 ORSA Principles

The ORSA policy is founded on the following principles:

| | |
|---|---|
| Process | 1. The ORSA is forward-looking and closely related to business planning.<br>*Risk and solvency is considered and projected over (at least) the Company's medium-term planning horizon. The ORSA considers emerging risks, the impact of the business plan on its risk profile, and the extent to which the strategic plan aligns with risk appetite.*<br>2. The ORSA considers the link between the risk profile, approved risk appetite limits and overall solvency needs.<br>*The ORSA considers capital and solvency on all relevant regulatory and internal bases, including reconciliations and explanation for differences.*<br>*The ORSA includes an analysis of the Standard Formula against the Company's risk-profile.*<br>*The internal economic view of the Company's risks is calculated based upon the Standard Formula, which is adjusted appropriately.*<br>*The ORSA considers the quantity and quality of Own Funds over the business planning period and the composition of Own Funds across tiers.*<br>3. The ORSA encompasses all material quantitative and qualitative risks that may affect the Company.<br>*The ORSA will assess exposure to these risks against the risk appetite limits set by the Board.*<br>*The ORSA documents and explains the change in the risk profile, capital and solvency from the previous exercise. This assessment includes confirmation of continuous solvency over the period from the previous ORSA report.*<br>4. The ORSA includes stress tests, sensitivity analyses and reverse stress tests.<br>*The tests are to be performed at least annually, normally as part of the Strategic Planning process, and additionally on an ad hoc basis if appropriate. These include economic scenarios, individual stress events and sensitivities to key assumptions. Reverse stress tests are events or a combination of events that would lead to business failure. The analysis includes the impact upon solvency, which provides management with information on the potential vulnerabilities faced by Tradex so that they can identify appropriate management actions.* |

| | |
|---|---|
| Report and Documentation | 5. The full ORSA report documents the ORSA process, conclusions and implications, providing links to further evidence.<br>6. A full ORSA report is to be produced annually alongside, or shortly after, the Company's Strategic Plan.<br>*An annual frequency is considered appropriate to update the full ORSA report in normal circumstances, given the Company's business model and risk profile.*<br>7. Ad hoc updates to the ORSA report are produced following material changes to the Company's current and/or projected risk profile, business model or solvency position.<br>*The CRO is responsible for recommending to the SHL and Tradex Boards when an ad hoc ORSA assessment and report should be carried out, which may also be carried out upon request by the Tradex Board or the PRA*<br>8. The risk team will produce and maintain an ORSA record document. |

### B.3.2.3 ORSA Process

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

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

| Process | Key activities that form part of the ORSA process |
|---|---|
| Business Planning | • Setting and quantifying stresses and scenarios, at least annually<br>• Ongoing Financial Projections including capital and solvency<br>• Annual Production of full ORSA report<br>• Quarterly review of credit risk and reserves |
| Pricing and Underwriting | • Determining appropriate pricing and underwriting strategy and limits<br>• Determine and purchase appropriate reinsurance based on risk/reward considerations |
| Investment | • Ongoing Liquidity risk management including stress testing and projections.<br>• Investment strategy review and management |
| Risk Management | • Ongoing maintenance of risk register and RCSA process.<br>• Annual review of Risk Management Framework<br>• Risk reporting including quarterly CRO reports to Board.<br>• Annual review of risk vision and appetite |
| Capital Management | • Monthly calculation of capital requirements and solvency, both internal and regulatory<br>• Annual review of SF Appropriateness<br>• Determination of appropriate capital extraction and dividend application process |

| Process | Key activities that form part of the ORSA process |
|---|---|
| Ad Hoc Strategic Processes | • Reviewing risk, capital and solvency implications of mergers, acquisitions, further reinsurance purchase and other strategic activity.<br>• Production of ad hoc ORSA reports, if necessary. |

### Production and Review Frequency

The most recent ORSA was approved by the Tradex Board following 'Change in Control' in November 2023 and was considered an ad hoc ORSA given the material change in risk profile.

The Company's current and projected risk profile and solvency position is monitored continuously with reporting provided on a quarterly basis to the Tradex Board.

## B.4 Internal Control System

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

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

The Tradex CRO will ensure that RCSAs are reviewed and challenged by the Second Line Risk function to ensure these provide reasonable assurance over the material accuracy of the Executive and RFO assurances.

Tradex has also established:

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

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

Risk and control assessments must be provided by each Tradex Executive for all of their areas of accountability. This procedure of producing assessments is required on a six-monthly cycle, with the first assessment being due based on H1 2024.

### B.4.2 Compliance Function

The Tradex Head of Compliance holds compliance officer responsibilities.

Implementing and reporting on compliance risk is supported by the MSG Risk and Compliance team which acts independently from Tradex but performs its activities objectively according to agreed requirements. MSG provide Tradex with updates on regulatory and legal change as well as updates on their ongoing compliance and delivery of any identified actions, in particular around Consumer Duty compliance. Independent audits in all areas of the business in line with FCA requirements and other guidance, together with Financial Crime oversight, have been outsourced to MSG via the BAA, with ownership by the Tradex Head of Compliance.

The Tradex Head of Compliance has wide ranging access to information that the Board or Risk Team considers necessary to enable Tradex to meet its responsibilities.

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

## B.5 Internal Audit Function

### B.5.1 Purpose

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

### B.5.2 Scope

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

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

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

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

### B.5.3 Rights and Authority

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

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

The Group Chief Internal Auditor has access to the Tradex BAC, without the presence of Executive Management, at any time.

### B.5.4 Roles and responsibilities in the Risk Management Framework

The ‘Three Lines of Defence’ governance model operated by Tradex ensures appropriate responsibility and accountability is allocated to the identification, measurement, management, monitoring and reporting of risks.

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

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

The Third line of defence, Internal Audit, independently challenges the overall design and operation of the Risk Management Framework and provides assurance to the Tradex BAC and senior management on the adequacy of both the First and Second lines of defence, including the quality of their work.

### B.5.5 Independence and Objectivity

The Group Chief Internal Auditor reports to the Chair of the Board Audit Committee. The Group Chief Internal Auditor does not hold any other management responsibility and does not develop nor install systems or procedures, prepare records or engage in any other activity which Internal Audit would normally audit.

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

### B.5.6 Material Findings and Recommendations

Internal Audit has reported high-rated findings for which actions are open at the date of writing across: IT governance and oversight; cyber security; operational resilience; Consumer Duty; and data quality. Internal Audit will monitor the completion of actions agreed by management in accordance with the agreed dates.

## B.6 Actuarial Function

### B.6.1 Overview

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

As such the Actuarial Function is responsible for:

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

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

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

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

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

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

## B.7 Outsourcing

Tradex's approach to its outsourcing activity is documented within its Outsourcing policy. Where the Company outsources critical or important operational functions, services and activities it remains fully responsible for discharging all of its regulatory obligations, including the Consumer Duty requirement. To do this Tradex sets the following high-level principles:

- Tradex management will exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing of an activity to a third-party supplier. This is governed through an Outsourcing policy which sets out a specific set of principles by which Tradex manages Third-Party Service Provider Risk in a way that is consistent with its overall risk appetite and aligns with its purpose, values and vision.
- Any outsourcing must not result in the delegation of responsibility by senior Tradex management.
- Any third-party service provider must protect any confidential information relating to Tradex or its customers and comply with the relevant GDPR legislation.
- Tradex's relationship with, and obligations to, its customers must not be altered.
- The conditions for the authorisation of the regulated entities within Tradex must not be undermined.

Key activities outsourced are:

- Claims handling & loss adjusting (for Motor, Home & Personal Injury)
- Sales and servicing
- Some elements of IT, Finance and HR Services
- Banking activities
- Investment Management
- Internal Audit reviews

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

## B.8 Any other information

### B.8.1 Adequacy of the System of Governance

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

## C. Risk Profile

Risks are classified into Level 1 and Level 2 categories. The Level 1 risks are the highest category of inherent financial and non-financial risks to which the Company is exposed. This section describes these risks and how they are managed, measured and mitigated.

The most material risks that the Company is exposed to are insurance risk (both premium and reserve risk), operational risk, market risk and credit risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets.

Tradex has put in place a Governance Structure and Risk Management Framework which includes a process for setting and reporting against Risk Appetite, which is currently in its infancy. The effectiveness of this framework and reporting will be monitored by the Board. This process has been designed to ensure that all risk mitigation activity in place is operating effectively.

Unless stated, there has been no change in the measurement methods used over the year. Details of how each of these risks is covered within the Standard Formula Solvency Capital Requirement are shown in Section E.2.

## C.1 Insurance Risk

### Description

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

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

### Risk Management Objective

Tradex manages insurance risk in accordance with its overall aims to achieve stable insurance earnings, a fair customer experience and to meet all regulatory requirements.

### Risk Exposure

- Key risks under Motor policies relate to uncertainty with respect to the ultimate cost of claims for bodily injury to third parties, which are exposed to judicial, legislative and inflationary changes.
- Home policies are exposed to property type claims, with subsidence being the longest tailed type of claim.

### Risk Measurement

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

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

### Risk Mitigation

| Mitigation technique | Explanation |
|---|---|
| Minimising reserve risk volatility through proactive claims handling, the claims provisioning process and robust reserving and modelling approaches. | The Company outsources its underwriting, claims handling and reserving processes. Oversight of these processes is maintained by the outsourcing agreements that are in place, the most material of which is the BAA with MISL, which is monitored on a monthly basis.<br><br>The Company manages reserve risk through Tradex's Reserving Committee which supports Tradex's Chief Financial Officer (CFO) in their responsibility to formally review claims' reserves on a quarterly basis. |
| Mitigating Underwriting risk through Oversight of pricing and underwriting and product governance | Tradex has an oversight committee, the pricing and underwriting committee which has responsibility for pricing and underwriting and ensuring that actions are put in place if any adverse trends are detected. This committee also has responsibility for product governance and ensuring that the products remain appropriate for customers' needs and generate a good customer outcome. |
| Mitigating Underwriting risk through the use of appropriate reinsurance arrangements. | Reinsurance has been used to manage insurance risk. The Company has excess of loss cover in place to cover large motor and catastrophe claims. In addition, quota share arrangements are in place to cede parts of the portfolio. |

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

### Sensitivity Analysis

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

Deterioration of the 2023 Underwriting loss ratio by 10% affects profitability by £3,000k and affects the solvency coverage ratio by 15%.

Sensitivity of the technical provisions to the assumptions chosen is shown in D.2.3.

## C.2 Market Risk

### Description

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

### Risk Management Objective

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

### Risk Exposure

- Interest rate risk: The value of, or income from, investments held is subject to volatility from changes in market interest rates.

- Discount rate risk: Changes in interest rates also affect Tradex through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on a regulatory basis.
- Credit Spread risk: Tradex is exposed to additional spreads related to the specific credit-worthiness of the issuer (“credit spreads”).
- Bond default risk: The risk of loss due to default or delay in payments upon bank deposits, bonds or other money market instruments other than those issued by the UK government.
- Climate change risk: The risks arising from the adjustment to a low-carbon economy which could affect the firm’s assets particularly the value of investments.
- Other market risks include risks such as equity or property risks whereby the value of investment funds is subject to volatility with the resulting movements in the market values directly affecting Company solvency.
- Currency Risk: The Company writes contracts of insurance in the United Kingdom, and both insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in US dollars and Polish zloty, as well as sterling, and consequently there is a modest exposure to currency risk, however the Investment Committee have approved a hedging policy which is effective from April 2024. Basis risk is the potential risk that arises from mismatches in a hedged position.
- Note that the Company is not exposed to any market risks in respect of pension schemes.

### Risk Measurement

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

### Risk Mitigation

| Mitigation technique | Explanation |
|---|---|
| Management of risk through governance and the investment mandate. | Approval of the investment mandate is the responsibility of the Tradex Board. The mandate sets strategic asset allocation and limits on investment types and durations.<br>The Investments, Finance and Capital Committee supports the Tradex CFO in overseeing the monitoring and management of these risks and exposures against limits.<br>The mandate is determined through considering the risk/reward trade off, the term and nature of the liabilities and the effect upon capital adequacy and solvency of the overall business. |
| Management of credit spread and default risks. | Through setting limits for exposure to credit ratings and individual counterparties and transacting only through a diversified range of authorised counterparties.<br>Ensuring that any cash deposits (in excess of counterparty limits) are collateralised on a daily basis. |
| Management of interest rate risk through investing in securities with a similar duration profile to the | The investments are considered in terms of a short-term and a higher risk/higher return portfolio.<br>The short-term portfolio will be to support the Solvency II technical provisions, achieve an acceptable level of investment return (bias |

| Mitigation technique | Explanation |
|---|---|
| liabilities under the general insurance contracts. | towards income generation but also capital growth), maintaining liquidity and taking a relatively low level of risk.<br><br>The higher risk/higher return portfolio is to achieve a real rate of return above inflation and match long-term liabilities. This portfolio is for the use of excess assets over the Board Capital Risk Appetite. It is recognised that this will involve taking a higher level of risk, within the agreed capital budget. |

### Sensitivity Analysis

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

Stressing the return on cash and investment return directly reduces income by 5-7%.

### Climate Change

Tradex is exposed to Climate Change primarily via its underwriting and investments. For underwriting, Tradex is exposed to the risk of a change in weather patterns which may increase claims, in particular from the Home products. The Company has an exposure to climate risk in its investment portfolio and, therefore, in market risk. There is a risk, as more investors move to sustainable investment strategies, that investments fall outside these criteria and the price falls as a result. Tradex manages these risks by considering each investment opportunity and its climate risk exposure.

Tradex has incorporated Climate Change into its Risk Management Framework and Investment Mandate and has assigned two owners who are responsible for the management and reporting of climate change from both an underwriting and a market risk respectively.

It is incumbent on the Company's Management, Board and investment partners to ensure that the longer-term higher risk/higher return strategy, is managed effectively and minimises the risk of excessive exposure to climate affected sectors.

### Prudent Person Principle

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

## C.3 Credit Risk

### Description

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

### Risk Management Objective

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

### Risk Exposure

The Company is primarily exposed to credit risk from i) reinsurance counterparties failing to meet financial obligations and ii) non receipt of policyholder premiums, as a consequence of third parties failing to pass them on.

The Company manages credit risks arising from investments as part of market risk (see Section C.2).

### Risk Measurement

Credit risk is primarily measured by considering the compliance with the credit limits.

### Risk Mitigation

| Mitigation technique | Explanation |
|---|---|
| The Company manages credit risk through setting limits for exposure to credit ratings and individual counterparties. | Operationally, credit risk is managed by setting robust contract terms and having in place cashflow management processes with all counterparties.<br><br>The Investment, Finance and Capital Committee supports the Tradex CFO in overseeing the monitoring and management of credit risk and exposures against limits. |
| The Company places limits over exposure to a single reinsurance counterparty or counterparty group, based upon their credit-worthiness. | 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. These limits apply when reinsurance is initially placed, and are then regularly monitored by the Investment, Finance and Capital Committee.<br><br>Where concern exists over the credit quality of a reinsurer, a review will be undertaken to determine the most appropriate management action. |

### Sensitivity Analysis

One of the most significant stresses would be where the largest reinsurer defaults and only 50% is recovered. This directly affects the profitability removing the reinsurance mitigation and thus proportionally reducing capital resources. There would be a negligible balancing effect on solvency counterparty exposure.

## C.4 Liquidity Risk

### Description

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

### Risk Management Objective

The Company's objective is to maintain adequate liquidity at all times. This means the Company needs resources which are adequate to meet all policyholder and other funding obligations as they fall due and achieves this primarily through the use of cash, and will during 2024 use highly liquid UK government and corporate bonds.

### Risk Exposure

Tradex is exposed to liquidity risk as it needs liquid assets to meet its outgoings, this is largely offset by the incoming premiums, particularly as Tradex is in a period of growth.

### Risk Measurement

The model to assess liquidity takes into account projected future cashflows as the Company grows and what would be required under stressed scenarios. Liquid investments are cash.

### Risk Mitigation

| Mitigation technique | Explanation |
|---|---|
| Governance structure to monitor liquidity. | The level of cash and other assets held are monitored regularly and managed through Investments, Finance and Capital Committee, with oversight by the BRC and Board.<br><br>This includes monthly monitoring of liquid investments and stressed investments against risk appetite limits including forecasts for 2024 and beyond. |
| The investment mandate controls the exposure to concentration risk. | By setting limits on individual counterparties and credit ratings. |

### Expected Profits Included in Future Premiums

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

### Sensitivity Analysis

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

## C.5 Operational Risk

### Description

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

### Risk Management Objective

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

### Risk Exposure

Tradex can divide the operational risk into the following categories:

- Financial Reporting Risk
- Technology Risk (including Cyber)
- Third-Party Supplier Risk

- People Risk
- Financial Crime Risk
- Operational Resilience

**Risk Measurement**

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

**Risk Mitigation**

| Mitigation technique | Explanation |
|---|---|
| Operational risks are identified, managed and mitigated through on-going risk management practices including appetite review and RCSA process. | Operational risks and key controls are regularly reviewed by the Executive Team.<br>Significant operational risks are reported to the Board Risk Committee (BRC) and Board. |
| Operational Resilience | Tradex has a project in place to identify tolerances for each key business process, and to establish the appropriate governance and oversight to ensure that these can be met at all times. In addition, Tradex regularly tests its business continuity and disaster recovery plans. |
| Third-Party Supplier Risk | Tradex outsources much of its day-to-day policy admin and claims handling. Appropriate management information is in place which enables oversight of the outsourced activities via dedicated committees. |
| IT management | Tradex outsources the IT server infrastructure.<br>Management information and controls are in place to monitor service levels, risk and incident monitoring using the ISO 27001 Information Security framework. |

**Scenario Analysis**

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

## C.6 Other Material Risks

### C.6.1 Strategic & Business Risk

Strategic & Business risk is the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital. This category also includes expense risk and reputation risk. Tradex have low fixed costs due to the MGA outsourcing model employed under which fees are based on variable volume.

The Company's financial objective in managing these risks is to maintain capital adequacy.

The Company's Risk Vision is set by the Board and supported by a Capital Coverage Risk Appetite requirement. This is measured, monitored, and reported regularly to the Executive, Tradex BRC and Board.

### C.6.2 Conduct Risk

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

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

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

### C.6.3 Regulatory Risk

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

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

Regulatory risks are regularly monitored and reported to the Tradex Executive, BRC and Board.

## C.7 Any Other Information

### C.7.1 Risk Concentration

Tradex manages concentration risk in its investments via the investment mandate which ensures an appropriate level of diversification and liability matching. In addition, reinsurance credit exposures are monitored to ensure they remain within defined limits.

Tradex manages concentration risk in its underwriting having underwriting guidelines in place which ensure a suitable mix of exposure geographically and by underwriting class.

### C.7.2 Stress Tests

#### C.7.2.1 Stress Tests and Sensitivity Analysis

Tradex uses scenario analysis, sensitivity analysis and reverse stress-testing methods to analyse the effect of various scenarios and changes in assumptions on Solvency, as well as understanding the events that would have to occur to cause Solvency Coverage to fall below the Company's Risk Appetite.

The table below shows the scenarios considered, which risks each scenario takes into account, and the assumptions used. The stress testing calculates the effect on the solvency coverage ratio if the stressed scenario were to occur.

| No | Theme | Stress description | Probability |
|---|---|---|---|
| 1a | Insurance Risk | ULR's deteriorate by 5% | High |
| 1b | | ULR's deteriorate by 10% | Medium |
| 2a | Catastrophe Risk | 1 Cat Storm up to RI Retention plus 50% plus reinstatement cover | Medium |
| 2b | | 1 further cat Storm up to RI Retention, plus 50% plus reinstatement cover | Low |
| 2c | | 1 further Storm at top end of the cover available plus reinstatement cover | Very Low |
| 3 | Reserve Risk | Outstanding reserve strengthening of 10% | High |
| 4a | Market Risk | 0% return on cash, other investments reduce to BOE base rate plus 0.5% (5.25%) | Medium |
| 4b | | Real-estate asset-backed lending fall by 25% * | High |
| 5 | Inflation 5% more than expected | Assume inflation is as a result of a sudden shock and therefore that Tradex respond quickly by increasing premiums. This reduces the impact on the LR by 50%. Reserve risk deteriorates 5%, loss ratios deteriorate 2.5%, expenses increase by 5%. | Medium |
| 6 | Cyber Risk | Cyber Risk, Fine of £5,000k in 2024 | Medium |
| 7a | Credit Risk | Credit rating downgrade of the top 2 reinsurers | High |
| 7b | | Failure of the top reinsurer, 75% recovery | Low |
| 7c | | Failure of the top reinsurer, 75% recovery, with replacement reinsurer | Very low |
| | Reverse stress | Combination of the above possibly including catastrophic failure of Markerstudy Group | |

* At Dec 2023 Tradex did not have an real-estate asset backed lending but has included this stress as it is appropriate for Group consolidation.

| Probabilities | Return Period |
|---|---|
| High | 1 in 20 years or more |
| Medium | 1 in 20 to 1 in 100 |
| Low | 1 in 100 to 1 in 200 |
| Very Low | 1 in 200 years or less |

## Sensitivity Testing

The table below shows the expected materiality to the income statement of the various sensitivities, where an impact is "material" if it is 2% of the net assets.

| Return Period | Impact on future P&L |
|---|---|
| Reserves +/-10% | Material impact |
| Loss Ratio +/-10% | Material impact |
| Net Premiums +/-10% | Material impact |
| Investment returns +/-10% | Low impact |
| Expense base +/-10% | Low impact |

## D. Valuation for Solvency Purpose

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

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

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

| Valuation of assets and liabilities | UK GAAP | Reclass-ifications | Restate-ments | Solvency II |
|---|---|---|---|---|
| | **£000** | £000 | £000 | **£000** |
| **Assets** | | | | |
| Equities Property | 10,774 | 0 | 0 | 10,774 |
| Equities (other than participations) - Unlisted | 3,633 | 0 | 0 | 3,633 |
| Government bonds | 17,682 | 0 | 0 | 17,682 |
| Deposits other than cash equivalents | 55,776 | 0 | 0 | 55,776 |
| Reinsurance Unearned premium reserve | 68,269 | 0 | (68,269) | 0 |
| Reinsurance recoverable | 124,252 | (3) | (4,962) | 119,287 |
| Insurance and intermediaries receivables | 146,932 | (140,205) | (3,863) | 2,864 |
| Other Debtors | 3,238 | 0 | 0 | 3,238 |
| Deferred Tax asset | 5,740 | 0 | 1,257 | 6,998 |
| Fixed Assets | 1,352 | 0 | (1,337) | 15 |
| Cash | 22,832 | 0 | 0 | 22,832 |
| Deferred Acquisition Costs | 19,389 | 0 | (19,389) | 0 |
| Prepayments | 2,180 | 0 | (2,180) | 0 |
| Total assets | **482,049** | **(140,208)** | **(98,743)** | **243,099** |
| **Liabilities** | | | | |
| Unearned premium reserve | 128,893 | 0 | (128,893) | 0 |
| Outstanding claims | 183,200 | (124,720) | 64,684 | 123,164 |
| Reinsurance payables | 49,779 | 0 | (27,740) | 22,039 |
| Payables (trade, not insurance) | 39,316 | (15,488) | 599 | 24,427 |
| Accruals | 900 | 0 | 0 | 900 |
| Reinsurance Deferred acquisition Costs | 7,345 | 0 | (7,345) | 0 |
| Total liabilities | **409,433** | **(140,208)** | **(98,695)** | **170,530** |
| **Excess of assets over liabilities** | **72,617** | **0** | **(48)** | **72,569** |

## D.1 Assets

### D.1.1 Valuation Bases and Assumptions

#### Recognition of future profits and reinsurance commissions

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

### Deferred Acquisition Costs

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

### Investments

Tradex holds a portfolio of investments, being holdings in government bonds, equities and real-estate. Investments are denominated in sterling, US dollars and Polish zloty. There is relatively modest exposure to currency risk, however the Investment Committee have approved a hedging policy which is effective from April 2024 to mitigate foreign exchange fluctuations.

#### Government bonds

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

Subsequent valuation is at fair value. Fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) as found in Note 28 to Tradex's Annual Report and Accounts. Where there is evidence of impairment, the extent of any impairment loss is recognised. No impairment loss has been recognised during the year.

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

#### Equities and real-estate

Initial measurement is at fair value, being purchase price on the date on which Tradex 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 in gains less losses within the income statement in the period in which they arise. Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques.

### Deferred Tax Assets and Liabilities

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

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

- there are appropriate deferred tax liabilities against which the asset can be netted off or
- it is considered probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The assessment as to whether future taxable profits are available uses future profits from the Company's Strategic Plan as its basis. Based on forecast profits, the Company recognises the element of the deferred tax asset that it believes will be utilised within the planning horizon. At 31 December 2022 the Company had UK GAAP unused losses of £24,311k.

Deferred tax asset on the Solvency II balance sheet is comprised as shown in the table below:

| Deferred tax asset | 2023 |
|---|---|
| | £000 |
| UK GAAP Deferred tax asset | 5,740 |
| Additional Deferred tax allowable | 1,850 |
| Discounting | (593) |
| **Total** | **6,998** |

### Reinsurance Recoverable

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

The reinsurance recoveries balance is the amounts recoverable from reinsurers, estimated based upon the gross provisions, having due regard to collectability .

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

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

### Insurance and Intermediary Receivables

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

### Other Debtors

This category includes any non-insurance amounts that are receivable from business partners, including intergroup balances. Intergroup loans bear interest at market rates and for Solvency II purposes fair value is deemed to be aligned to the UK GAAP valuation, as these receivables are short term in nature.

### Cash and Cash Equivalents

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

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

There are no changes to the recognition and valuation bases used or estimations from the previous period to report.

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

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

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

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

- The value of investments under Solvency II includes the value of interest earned but not received (accrued interest). Under UK GAAP the valuation of accrued interest is the same but this is categorised under 'receivables (trade, not insurance)'.
- Deferred tax is recognised under both UK GAAP and Solvency II, however the value of the balance is different owing to the differences in values of the assets and liabilities to which the deferred tax balance relates. Deferred tax is calculated on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II (or UK GAAP for Financial Reporting purposes) and the values ascribed to assets and liabilities as recognised and valued for tax purposes (see Section D.1.1).
- Insurance and intermediaries receivables recognised on an accruals basis under UK GAAP, are not recognisable as assets under Solvency II. The balance is replaced, within Technical Provisions, by future premiums receivable calculated on a cash flow basis, relating to amounts not yet due at the balance sheet date.

## D.2 Technical Provisions

### D.2.1 Value of Technical Provisions

Technical Provisions represent the sum of Best Estimate liabilities and Risk Margin.

The value of Best Estimate liabilities equates to the estimated net outwards cash flows in respect of business earned to date (Claim Provisions) and business to be earned in future but for which Tradex has entered into a legal obligation with the customer (Premium Provisions).

The Risk Margin is an additional provision prescribed by the regulator which insurance companies are required to hold in addition to the Best Estimate liabilities.

The table below shows a summary of the level of TPs by line of business at the end of 2023;

| TPs | Motor | Fire & Other damage | General Liability | Non-life annuities | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Best estimate liabilities (net) | (2,579) | 557 | 636 | 1,719 | 333 |
| Risk margin | 3,242 | 225 | 21 | 56 | 3,544 |
| Total technical provision (net) | 663 | 782 | 657 | 1,775 | 3,877 |
| Reinsurance recoverables | 112,361 | (565) | 37 | 7,453 | 119,287 |
| Total technical provision (gross) | 113,025 | 217 | 695 | 9,228 | 123,164 |

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

#### D.2.1.1 Claims Provisions

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

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

These techniques include:

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

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

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

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

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

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

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

ENID – There is a possibility that claims could arise in future from causes which are not yet known about. Tradex consider possible events when calculating an allowance.

High-level assumptions underlying the Claims Provisions are agreed and at 31 December 2023 are reviewed by the external outsourced actuarial provider. In 2024 the high-level assumptions will be signed off by senior management.

These include:

- In respect of existing Periodic Payment Order (PPO) cases, it is assumed that care costs will increase in line with expected earnings or price inflation as appropriate for each case and that an individual’s life expectancy is in line with expert opinions (or the general population where these are not available). In addition, allowance is made for possible future PPO cases by assessing which claims are likely to result in PPO settlement and what would be the associated costs. Such costs are then discounted at the Risk Free Rate in line with known PPO claims. The assumed probability of settling on a PPO basis makes allowance for the level of the Ogden discount rate.
- Inflation – in respect of calculating Gross Reserves, judgement is required as to whether future inflation of claims costs is in line with that implicit in the base data. Any difference is allowed for explicitly in the calculation of the undiscounted reserves. Likewise, explicit inflation is allowed for in deriving the reinsurance recoveries for Motor claims by indexing both the claims cost and reinsurance retention until settlement.
- Expenses – The level of expenses to be incurred in respect of the business included within the Claims Provisions needs to be allowed for until all such liabilities have been settled.

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

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

### D.2.1.2 Premium Provisions

Premium provisions relate to claims events occurring after the financial year end date in relation to the remaining in-force coverage period of policies. The projections comprise all future claims payments and claims management expenses arising from those events. These projections are based on rating and other models used for current business to determine the likely level of ultimate claims to be incurred. For UK GAAP an unearned premium provision is made for this business.

Premium provisions are reduced by the amount of expected future premium cash inflows, including premiums not yet due on incepted business.

### D.2.1.3 Risk Margin

Risk Margin is the additional amount of provision prescribed by the regulator which insurers are required to hold over and above the value of the Best Estimate liabilities.

## D.2.2 Simplifications

A simplified approach has been taken to the calculation of the Risk Margin. The Company makes use of the 'modified duration' approach detailed in this guideline.

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

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

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

## D.2.3 Uncertainty

The uncertainty existing within TPs is primarily due to the random nature of how claims develop and is impacted by both external and internal factors. For example, inflation may be higher or lower than expected or claims may be settled more quickly or slowly than anticipated.

Assessment of the uncertainty of key assumptions through sensitivity testing of plausible alternative views gives management a clearer understanding of the key risks and provides an indication of the level of confidence in the reported reserves. Sensitivity analysis is performed to understand the effect of key inputs which include the most material assumptions.

The results of the sensitivity analysis on the value of the TPs are shown below:

| Uncertainty | Alternative view | Impact |
|---|---|---|
| | | £000 |
| Loss ratio | 2023 loss ratio 2.5% points higher than assumed. | 4,460 |
| Inflation | Increase in Motor Liability Claims Provisions by 5% due to higher inflation | 2,466 |

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

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

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

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

Net UK GAAP reserves (£58,947k) are the UK GAAP Gross Insurer Contract Liabilities, as shown in the balance sheet at the beginning of Section D (£183,200k), less reinsurance recoverables (£124,252k). The following table shows the movement from UK GAAP Insurer Contract Liabilities to Net UK GAAP reserves, then the adjustments made to move to SII basis net technical provisions.

| Waterfall of technical provisions | Motor | Non-Motor | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| UK GAAP Insurer Contract Liabilities | 166,492 | 16,708 | 183,200 |
| Reinsurance recoverables | (112,953) | (11,300) | (124,252) |
| **UK GAAP Net TPs** | **53,539** | **5,408** | **58,947** |
| | | | |
| Remove GAAP discounting | (5,858) | (958) | (6,816) |
| Expenses in outstanding claims | 84 | 21 | 105 |
| Expenses in future premiums | 2,275 | 57 | 2,331 |
| Claims in future premium | 40,898 | 5,479 | 46,377 |
| Contract bound / committed premium | (103) | (48) | (151) |
| Outstanding premiums | (94,264) | (7,087) | (101,351) |
| ENID | 799 | 36 | 835 |
| RI Bad Debt | 52 | 3 | 55 |
| Risk Margin | 3,242 | 302 | 3,544 |
| **Solvency II Net TPs** | **663** | **3,214** | **3,877** |

The Solvency II Net TPs are as shown in Section D.2.1.

### D.2.5 Matching Adjustment

Tradex does not apply a Matching Adjustment.

### D.2.6 Volatility Adjustment

Tradex does not apply a Volatility Adjustment.

### D.2.7 Transitional Interest Rate

Tradex has not applied the transitional risk-free interest rate.

### D.2.8 Transitional Deduction

Tradex has not applied the transitional deduction to the TPs.

### D.2.9 Impact of Reinsurance and Special Purpose Vehicles

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

- The Motor Excess of Loss (XoL) Risk programme covers large individual motor losses.
- There are quota share arrangements whereby a proportion of the net premium earned during 2008-2023 on the Motor business is ceded. The quota share arrangements apply after other reinsurance covers. The commercial Liability and Property businesses were quota shared for the years 2012-2018.
- The Catastrophe XoL Risk programme covers large individual Home losses.

Tradex does not use Special Purpose Vehicles.

## D.2.10 Material Changes in Assumptions from Previous Reporting Period

There are no material changes in assumptions from the calculation of Technical Provisions as at 31 December 2022.

## D.3 Other Liabilities

### D.3.1 Valuation Bases and Assumptions

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

#### Contingent Liabilities

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

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

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

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

#### Insurance and Intermediaries Payable

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

#### Reinsurance Payables

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

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

#### Payables (Trade, not Insurance)

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

#### Deferred Tax Liabilities

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

### Other Liabilities not shown elsewhere

This is a category for all liabilities not captured elsewhere. The balance is predominantly UK GAAP expense accruals, which are short term in nature and therefore reflect a market price valuation in line with the Solvency II valuation hierarchy. These balances relate to taxes and social security.

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

There are no changes to the recognition and valuation bases used or estimations from the previous period to report.

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

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

### D.3.4 Expected Timing of any Outflows of Economic Benefits

The expected timing of cash outflows relating to contingent liabilities is unknown, owing to their nature. However, there are currently no material contingent liabilities. Debts owed to credit institutions, insurance and intermediaries payable and other liabilities are settled throughout the year with all such balances due in less than one year.

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

A quantitative view of material differences between the valuation of other liabilities on a Financial Reporting basis and valuation on a Solvency II basis is shown in the balance sheet at the beginning of Section D.

## D.4 Alternative Methods for Valuation

There are no alternative methods for valuation from the previous period to report.

## D.5 Any Other Information

### Going concern

The SFCR is prepared on a going-concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the SFCR up to 31 December 2025.

# E. Capital Management

## E.1 Own Funds

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

#### E.1.1.1 Background and Objectives

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

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

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

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

#### E.1.1.2 Policies and Processes

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

Tradex has maintained capital above all its regulatory requirements throughout the period. The company has also maintained sufficient capital to meet the Board's capital Risk Appetite that was in force.

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

### E.1.2 Analysis of Own Funds by Tier

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

The table below shows Own Funds by tier.

| Own funds by tier | 2023 Total | Tier 1 unrestricted | Tier 3 | 2022 Total | Movement |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Ordinary share capital | 12,138 | 12,138 | | 12,138 | 0 |
| Share premium account | 66,775 | 66,775 | | 10,080 | 56,695 |
| Reconciliation reserve | (13,341) | (13,341) | | (7,650) | (5,692) |
| Subordinated liabilities | 0 | | | 5,000 | (5,000) |
| Net deferred tax assets | 6,998 | | 6,998 | 2,847 | 4,150 |
| **Total basic own funds after deductions** | **72,569** | | | **22,415** | **50,154** |

### E.1.2.1 Tier 1

#### Share Capital

All the shares constitute a single class of ordinary share.

#### Reconciliation Reserve

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

The reconciliation reserve is calculated as follows:

| Calculation of reconciliation reserve | 2023 |
|---|---|
| | £000 |
| Excess of assets over liabilities | 72,569 |
| Less: | |
| Share capital | (12,138) |
| Share premium | (66,775) |
| Net deferred tax assets | (6,998) |
| **Reconciliation reserve** | **(13,341)** |

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

### E.1.2.2 Tier 2

At 31 December 2023 Tradex does not have any Tier 2 capital.

### E.1.2.3 Tier 3

#### Deferred Tax

A deferred tax asset is recognised when future taxable profits are deemed available within the planning horizon to utilise the asset. The deferred tax asset recognised by Tradex is detailed in Section D.1.

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

| Changes in Own Funds by Tier Over the Reporting Period | Total | Tier 1 unrestricted | Tier 2 | Tier 3 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Prior year | 22,415,091 | 14,567,858 | 5,000,000 | 2,847,233 |
| Movement in Ordinary share capital | | 1 | | |
| Capital injection on acquisition | 56,695,090 | 56,695,090 | | |
| Movement in reconciliation reserve | (5,691,857) | (5,691,857) | | |
| Sub debt redemption | (5,000,000) | | (5,000,000) | |
| Change in net deferred tax | 4,150,297 | - | | 4,150,297 |
| **Current year** | **72,568,622** | **65,571,092** | **-** | **6,997,530** |

Tradex's available own funds have increased by £50,153k since 31 December 2022 reflecting the capital injection at acquisition in July 2023. At this time the subordinate debt was also redeemed.

We issued a £1 nominal ordinary share for the £56,695k capital injection at the acquisition.

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

### E.1.3.1 Loss Absorbency Mechanisms

Tradex does not have any Own Funds relating to paid-in subordinated mutual member accounts, paid-in preference shares and the related share premium account or paid-in subordinated liabilities included in Tier 1 capital, and therefore disclosure of loss absorbency mechanisms to comply with Article 71 (1)(e) of the Solvency II Delegated Regulation is not relevant.

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

| Equity valuation | 2023 |
|---|---|
| | £000 |
| Total Equity per Annual Report and Accounts | 72,617 |
| Difference in valuation of assets and liabilities for Solvency II | (48) |
| **Basic Own Funds under Solvency II** | **72,569** |

Differences in valuation of assets and liabilities between UK GAAP and Solvency II are described in Sections D.1.4 (Assets) and D.2.4 (Technical Provisions). The adjustments described have the effect of increasing the value of Own Funds by the same value as the reduction in net assets, being £48k.

### E.1.3.3 Transitional Arrangements

Transitional arrangements, lasting a maximum of ten years from 1 January 2016, have been introduced to the Solvency II regime to provide a smooth transition between Solvency I and Solvency II requirements. The Company does not have any Basic Own Fund items that are subject to transitional arrangements.

### E.1.3.4 Ancillary Own Funds

The Company does not have any Ancillary Own Funds.

### E.1.3.5 Items Deducted from Own Funds

No items have been deducted from Own Funds.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

Under the Solvency II regime, an insurance company is required to hold sufficient capital to cover unexpected losses. These additional funds held reduce the chance of insurers running out of funds, thus protecting policyholders. There are two capital requirements: the Solvency Capital Requirement and the Minimum Capital Requirement.

### E.2.1 Minimum SCR (MCR)

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

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

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

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

| Solvency Capital Requirement | 31 Dec 2023 | 31 Dec 2022 | Movement |
|---|---|---|---|
| | £000 | £000 | £000 |
| Premium and Reserve Risk | 35,113 | 11,158 | 23,954 |
| Catastrophe Risk | 5,245 | 2,195 | 3,050 |
| Diversification | (3,581) | (1,455) | (2,127) |
| **Diversified Non-life underwriting risk** | **36,776** | **11,898** | **24,878** |
| | | | |
| Market risk | 7,368 | 1,982 | 5,386 |
| Counterparty default risk | 6,815 | 3,393 | 3,422 |
| Operational risk | 3,832 | 3,551 | 281 |
| Diversification | (7,780) | (2,695) | (5,085) |
| | | | |
| **SCR** | **47,011** | **18,130** | **28,882** |

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

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

At the end of the reporting period, Tradex's SCR is £47,011k (2022: £18,130k), an increase of £28,882k since 31 December 2022, reflecting the growth trajectory Tradex is undergoing. More detailed explanations of the change in SCR over the year are described below.

At the end of the reporting period, Tradex's MCR is £11,753k (2022: £4,532k), an increase of £7,220k since 31 December 2022.

#### E.2.3.1 Premium Risk

Premium risk relates to policies that will be earned over the coming 12 months.

#### E.2.3.2 Reserve Risk

Reserve risk arises from losses from the past. Insurers hold reserves to cover these losses (claims provisions), but the amount that claims will eventually settle for, and how many more claims are still to be reported, are uncertain. The risk is that claims payments exceed the current level of reserves, so the claims provisions (net of reinsurance) are used as a key input for the reserve risk.

#### E.2.3.3 Catastrophe Risk

Catastrophe risk arises from extreme events such as major windstorms and large fires. It is divided into natural and man-made catastrophe risks:

- Natural catastrophe events such as windstorms which result in home damage and floods which cause both home and motor damage.
- Man-made catastrophe events arise from motor liability and fire risks.

#### E.2.3.4 Lapse Risk

Lapse risk is the risk that the Company makes less profit because of customers cancelling existing policies or not taking out policies that the Company has committed to write.

#### E.2.3.5 Market Risk

The Company is exposed to the following Standard Formula market risks based on the portfolio at end 2023:

- Interest rate risk, which is the risk that the value of an asset or liability will change owing to a change in interest rates. Interest rate risk is calculated by determining the impact on the balance sheet of either increasing or decreasing interest rates. The higher of the two impacts is the interest rate risk.
- Spread risk, which is the risk that a widening of credit-spreads reduces the value of assets.
- Concentration risk, which is the risk of exposure to individual investment counterparties.
- Equity risk, which arises from the level of volatility of market prices for equities.

The Company's investment mandate will during 2024 see investment focused on higher-rated corporate bonds, gilts and cash. However, it does invest in some higher rate higher return assets. Investments are denominated in sterling, US dollars and Polish zloty, with minimal exposure to currency risk, however the Investment Committee have approved a hedging policy which is effective from April 2024 to mitigate foreign exchange fluctuations.

#### E.2.3.6 Counterparty Default Risk

Counterparty default risk relates to the losses arising when reinsurers and other debtors (counterparties) fail to pay what they owe (default). These counterparties include reinsurers, banks with which cash is deposited and trade receivables.

#### E.2.3.7 Operational Risk

Operational risk is the risk of loss arising from inadequate and failed internal processes, or from people and systems, or from external events. This is basically the risk of operating a company. Operational risk is based on gross TPs and gross earned premiums in the last 24 months. These are used to measure the size of the business because the greater the size of the business, the more operational risk it is exposed to.

#### E.2.3.8 Loss-absorbing Capacity of Deferred Tax

As Tradex has no deferred tax liabilities, there is no adjustment made for the loss-absorbing capacity of deferred tax.

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

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

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

### E.2.5 Capital Add-ons

The Company does not have any capital add-ons at either 31 December 2023 or 31 December 2022.

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

The PRA does not permit the use of this module.

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

The Company uses the Standard Formula to calculate the SCR.

## E.5 Non-compliance with the MCR and Non-compliance with the SCR

### E.5.1 Non-compliance with the MCR

Non-compliance with the MCR occurs when the value of eligible Own Funds falls below the MCR. There has been no period of non-compliance with the MCR during 2023.

### E.5.2 Non-compliance with the SCR

Non-compliance with the SCR occurs when the value of eligible own funds falls below the SCR. There has been no period of non-compliance with the SCR during 2023.

## E.6 Any Other Information

No additional information is required to be disclosed.

## Appendix 1: Quantitative Reporting Templates (QRTs)

# Tradex Insurance

## Solvency and Financial Condition Report

## Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

## General information

| | |
|---|---|
| Undertaking name | Tradex Insurance Company Limited |
| Undertaking identification code | 21380092HRNZ2H8HOH96 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | GB |
| Language of reporting | en |
| Reporting reference date | 31 December 2023 |
| Currency used for reporting | GBP |
| Accounting standards | Local GAAP |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

## List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations
S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations
S.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
S.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | 0 |
| R0040 | Deferred tax assets | 6,998 |
| R0050 | Pension benefit surplus | 0 |
| R0060 | Property, plant & equipment held for own use | 15 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 87,865 |
| R0080 | *Property (other than for own use)* | 10,774 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 3,633 |
| R0110 | *Equities - listed* | 0 |
| R0120 | *Equities - unlisted* | 3,633 |
| R0130 | *Bonds* | 17,682 |
| R0140 | *Government Bonds* | 17,682 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 0 |
| R0190 | *Derivatives* | 0 |
| R0200 | *Deposits other than cash equivalents* | 55,776 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | 0 |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | 0 |
| R0260 | *Other loans and mortgages* | 0 |
| R0270 | Reinsurance recoverables from: | 119,287 |
| R0280 | *Non-life and health similar to non-life* | 111,834 |
| R0290 | *Non-life excluding health* | 111,834 |
| R0300 | *Health similar to non-life* | 0 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 7,453 |
| R0320 | *Health similar to life* | 0 |
| R0330 | *Life excluding health and index-linked and unit-linked* | 7,453 |
| R0340 | *Life index-linked and unit-linked* | 0 |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 0 |
| R0370 | Reinsurance receivables | 2,864 |
| R0380 | Receivables (trade, not insurance) | 3,238 |
| R0390 | Own shares (held directly) | 0 |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0 |
| R0410 | Cash and cash equivalents | 22,832 |
| R0420 | Any other assets, not elsewhere shown | 0 |
| R0500 | **Total assets** | 243,099 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 113,936 |
| R0520 | *Technical provisions - non-life (excluding health)* | 113,936 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 110,448 |
| R0550 | *Risk margin* | 3,488 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 0 |
| R0590 | *Risk margin* | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 9,228 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | 0 |
| R0630 | *Best Estimate* | 0 |
| R0640 | *Risk margin* | 0 |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 9,228 |
| R0660 | *TP calculated as a whole* | 0 |
| R0670 | *Best Estimate* | 9,172 |
| R0680 | *Risk margin* | 56 |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | 0 |
| R0710 | *Best Estimate* | 0 |
| R0720 | *Risk margin* | 0 |
| R0740 | Contingent liabilities | 0 |
| R0750 | Provisions other than technical provisions | 0 |
| R0760 | Pension benefit obligations | 0 |
| R0770 | Deposits from reinsurers | 0 |
| R0780 | Deferred tax liabilities | 0 |
| R0790 | Derivatives | 0 |
| R0800 | Debts owed to credit institutions | 0 |
| R0810 | Financial liabilities other than debts owed to credit institutions | 0 |
| R0820 | Insurance & intermediaries payables | 0 |
| R0830 | Reinsurance payables | 22,039 |
| R0840 | Payables (trade, not insurance) | 24,427 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | 0 |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 900 |
| R0900 | **Total liabilities** | 170,530 |
| | | |
| R1000 | **Excess of assets over liabilities** | 72,569 |

S.05.01.02

**Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations**

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Misc. financial loss | Health | Casualty | Marine, aviation and transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| | **Premiums written** | | | | | | | | | | | | | | | | | |
| R0110 | Gross - Direct Business | | | | 136,221 | 47,261 | | 14,046 | 712 | | 0 | | | | | | | 198,239 |
| R0120 | Gross - Proportional reinsurance accepted | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0140 | Reinsurers' share | | | | 79,563 | 27,603 | | 1,628 | 153 | | 0 | | | | | | | 108,948 |
| R0200 | Net | | | | 56,658 | 19,657 | | 12,418 | 558 | | 0 | | | | | | | 89,292 |
| | **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 | Gross - Direct Business | | | | 78,779 | 24,098 | | 4,004 | 735 | | 0 | | | | | | | 107,616 |
| R0220 | Gross - Proportional reinsurance accepted | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0240 | Reinsurers' share | | | | 49,550 | 15,519 | | 373 | 142 | | 0 | | | | | | | 65,584 |
| R0300 | Net | | | | 29,229 | 8,580 | | 3,631 | 593 | | 0 | | | | | | | 42,033 |
| | **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 | Gross - Direct Business | | | | 76,115 | 10,045 | | 2,997 | -458 | | 0 | | | | | | | 88,699 |
| R0320 | Gross - Proportional reinsurance accepted | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0340 | Reinsurers' share | | | | 46,715 | 6,130 | | 97 | -28 | | 0 | | | | | | | 52,913 |
| R0400 | Net | | | | 29,400 | 3,915 | | 2,900 | -430 | | 0 | | | | | | | 35,785 |
| | **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 | Gross - Direct Business | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0500 | Net | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0550 | **Expenses incurred** | | | | 17,136 | 5,072 | | 2,050 | 197 | | 0 | | | | | | | 24,455 |
| R1200 | **Other expenses** | | | | | | | | | | | | | | | | | -10,853 |
| R1300 | **Total expenses** | | | | | | | | | | | | | | | | | 13,603 |

S.05.01.02

## Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations

| | | Line of Business for: life insurance obligations | | | | | | Life reinsurance obligations | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| | **Premiums written** | | | | | | | | | |
| R1410 | Gross | | | | | | 0 | | 0 | 0 |
| R1420 | Reinsurers' share | | | | | | 0 | | 0 | 0 |
| R1500 | Net | | | | | | 0 | | 0 | 0 |
| | **Premiums earned** | | | | | | | | | |
| R1510 | Gross | | | | | | 0 | | 0 | 0 |
| R1520 | Reinsurers' share | | | | | | 0 | | 0 | 0 |
| R1600 | Net | | | | | | 0 | | 0 | 0 |
| | **Claims incurred** | | | | | | | | | |
| R1610 | Gross | | | | | | 15,889 | | 0 | 15,889 |
| R1620 | Reinsurers' share | | | | | | 14,792 | | 0 | 14,792 |
| R1700 | Net | | | | | | 1,096 | | 0 | 1,096 |
| | **Changes in other technical provisions** | | | | | | | | | |
| R1710 | Gross | | | | | | 0 | | 0 | 0 |
| R1720 | Reinsurers' share | | | | | | 0 | | 0 | 0 |
| R1800 | Net | | | | | | 0 | | 0 | 0 |
| R1900 | **Expenses incurred** | | | | | | 0 | | 0 | 0 |
| R2500 | **Other expenses** | | | | | | | | | 0 |
| R2600 | **Total expenses** | | | | | | | | | 0 |

S.05.02.01

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

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | Top 5 countries (by amount of gross premiums written) - non-life obligations | | Total Top 5 and home country |
| R0010 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 198,239 | | | | | | 198,239 |
| R0120 | Gross - Proportional reinsurance accepted | 0 | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | 0 | | | | | | 0 |
| R0140 | Reinsurers' share | 108,948 | | | | | | 108,948 |
| R0200 | Net | 89,292 | | | | | | 89,292 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 107,616 | | | | | | 107,616 |
| R0220 | Gross - Proportional reinsurance accepted | 0 | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | 0 | | | | | | 0 |
| R0240 | Reinsurers' share | 65,584 | | | | | | 65,584 |
| R0300 | Net | 42,033 | | | | | | 42,033 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 88,699 | | | | | | 88,699 |
| R0320 | Gross - Proportional reinsurance accepted | 0 | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | 0 | | | | | | 0 |
| R0340 | Reinsurers' share | 52,913 | | | | | | 52,913 |
| R0400 | Net | 35,785 | | | | | | 35,785 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | 0 | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | 0 | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | 0 | | | | | | 0 |
| R0440 | Reinsurers' share | 0 | | | | | | 0 |
| R0500 | Net | 0 | | | | | | 0 |
| R0550 | **Expenses incurred** | 24,455 | | | | | | 24,455 |
| R1200 | **Other expenses** | | | | | | | -10,853 |
| R1300 | **Total expenses** | | | | | | | 13,603 |

**S.05.02.01**

## Premiums, claims and expenses by country: Life insurance and reinsurance obligations

| | | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
|---|---|---|---|---|---|---|---|---|
| | | Home Country | Top 5 countries (by amount of gross premiums written) - life obligations | | | Top 5 countries (by amount of gross premiums written) - life obligations | | Total Top 5 and home country |
| R1400 | | | | | | | | |
| | | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 |
| | **Premiums written** | | | | | | | |
| R1410 | Gross | 0 | | | | | | 0 |
| R1420 | Reinsurers' share | 0 | | | | | | 0 |
| R1500 | Net | 0 | | | | | | 0 |
| | **Premiums earned** | | | | | | | |
| R1510 | Gross | 0 | | | | | | 0 |
| R1520 | Reinsurers' share | 0 | | | | | | 0 |
| R1600 | Net | 0 | | | | | | 0 |
| | **Claims incurred** | | | | | | | |
| R1610 | Gross | 15,889 | | | | | | 15,889 |
| R1620 | Reinsurers' share | 14,792 | | | | | | 14,792 |
| R1700 | Net | 1,096 | | | | | | 1,096 |
| | **Changes in other technical provisions** | | | | | | | |
| R1710 | Gross | 0 | | | | | | 0 |
| R1720 | Reinsurers' share | 0 | | | | | | 0 |
| R1800 | Net | 0 | | | | | | 0 |
| R1900 | **Expenses incurred** | 0 | | | | | | 0 |
| R2500 | **Other expenses** | | | | | | | 0 |
| R2600 | **Total expenses** | | | | | | | 0 |

S.12.01.02

## Life and Health SLT Technical Provisions

| | | Insurance with profit participation | Index-linked and unit-linked insurance | | | Other life insurance | | | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | Total (Life other than health insurance, including Unit-Linked) | Health insurance (direct business) | | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | Total (Health similar to life insurance) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Contracts without options and guarantees | Contracts with options or guarantees | | Contracts without options and guarantees | Contracts with options or guarantees | | | | | Contracts without options and guarantees | Contracts with options or guarantees | | | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| R0010 | **Technical provisions calculated as a whole** | | | | | | | | 0 | | 0 | | | | | | |
| R0020 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | | 0 | | 0 | | | | | | |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | |
| R0030 | **Gross Best Estimate** | | | | | | | | 9,172 | | 9,172 | | | | | | |
| R0080 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | 7,453 | | 7,453 | | | | | | |
| R0090 | Best estimate minus recoverables from reinsurance/SPV and Finite Re | | | | | | | | 1,719 | | 1,719 | | | | | | |
| R0100 | **Risk margin** | | | | | | | | 56 | | 56 | | | | | | |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | |
| R0110 | Technical Provisions calculated as a whole | | | | | | | | 0 | | 0 | | | | | | |
| R0120 | Best estimate | | | | | | | | 0 | | 0 | | | | | | |
| R0130 | Risk margin | | | | | | | | 0 | | 0 | | | | | | |
| R0200 | **Technical provisions - total** | | | | | | | | 9,228 | | 9,228 | | | | | | |

S.17.01.02

## Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | | | | | | | |
| R0060 | Gross | | | | -30,121 | -8,230 | | -2,576 | 72 | | 0 | | | | | | | -40,855 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | 10,383 | 1,610 | | -943 | 0 | | 0 | | | | | | | 11,051 |
| R0150 | **Net Best Estimate of Premium Provisions** | | | | -40,504 | -9,840 | | -1,633 | 72 | | 0 | | | | | | | -51,906 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | 130,131 | 18,002 | | 2,568 | 602 | | 0 | | | | | | | 151,303 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | 86,955 | 13,413 | | 378 | 38 | | 0 | | | | | | | 100,783 |
| R0250 | **Net Best Estimate of Claims Provisions** | | | | 43,177 | 4,588 | | 2,190 | 564 | | 0 | | | | | | | 50,520 |
| R0260 | **Total best estimate - gross** | | | | 100,010 | 9,772 | | -8 | 674 | | 0 | | | | | | | 110,448 |
| R0270 | **Total best estimate - net** | | | | 2,672 | -5,251 | | 557 | 636 | | 0 | | | | | | | -1,386 |
| R0280 | **Risk margin** | | | | 2,620 | 622 | | 225 | 21 | | 0 | | | | | | | 3,488 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0300 | Best estimate | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0310 | Risk margin | | | | 0 | 0 | | 0 | 0 | | 0 | | | | | | | 0 |
| R0320 | **Technical provisions - total** | | | | 102,631 | 10,394 | | 217 | 695 | | 0 | | | | | | | 113,936 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | | | | 97,338 | 15,023 | | -565 | 37 | | 0 | | | | | | | 111,834 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | | | | 5,293 | -4,630 | | 782 | 657 | | 0 | | | | | | | 2,102 |

**S.19.01.21**

## Non-Life insurance claims

### Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

**Gross Claims Paid (non-cumulative)**

(absolute amount)

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Development year | | | | | | | | | | | In Current year | Sum of years (cumulative) |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | Prior | | | | | | | | | | | 413 | 413 | 413 |
| R0160 | -9 | 6,812 | 25,248 | 12,553 | 4,875 | 4,199 | 4,005 | 9,480 | 875 | 1,210 | 390 | | 390 | 69,646 |
| R0170 | -8 | 8,296 | 27,972 | 11,823 | 6,134 | 5,375 | 6,757 | 3,199 | 1,934 | 437 | | | 437 | 71,928 |
| R0180 | -7 | 8,699 | 27,744 | 12,480 | 7,029 | 4,695 | 12,284 | 3,899 | 5,823 | | | | 5,823 | 82,654 |
| R0190 | -6 | 6,693 | 20,443 | 11,315 | 4,748 | 4,726 | 5,462 | 4,933 | | | | | 4,933 | 58,321 |
| R0200 | -5 | 5,298 | 13,168 | 5,517 | 3,266 | 2,619 | 1,836 | | | | | | 1,836 | 31,704 |
| R0210 | -4 | 3,779 | 10,745 | 4,542 | 2,079 | 3,084 | | | | | | | 3,084 | 24,228 |
| R0220 | -3 | 3,386 | 13,559 | 6,827 | 2,799 | | | | | | | | 2,799 | 26,573 |
| R0230 | -2 | 3,628 | 13,968 | 5,609 | | | | | | | | | 5,609 | 23,204 |
| R0240 | -1 | 5,112 | 17,202 | | | | | | | | | | 17,202 | 22,314 |
| R0250 | 0 | 10,428 | | | | | | | | | | | 10,428 | 10,428 |
| R0260 | | | | | | | | | | | | Total | 52,953 | 421,413 |

**Gross Undiscounted Best Estimate Claims Provisions**

(absolute amount)

| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Development year | | | | | | | | | | | Year end (discounted data) |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | |
| R0100 | Prior | | | | | | | | | | | 3,554 | 3,141 |
| R0160 | -9 | 15,118 | 22,115 | 11,405 | 11,605 | 11,456 | 5,676 | 1,256 | 1,678 | 822 | 345 | | 303 |
| R0170 | -8 | 17,676 | 20,347 | 16,320 | 14,365 | 9,899 | 3,732 | 2,571 | 935 | 673 | | | 594 |
| R0180 | -7 | 16,307 | 28,693 | 20,339 | 27,161 | 24,738 | 19,133 | 17,360 | 22,875 | | | | 20,199 |
| R0190 | -6 | 20,665 | 32,230 | 23,024 | 17,301 | 13,648 | 22,734 | 5,130 | | | | | 4,496 |
| R0200 | -5 | 15,040 | 18,212 | 14,441 | 15,783 | 11,819 | 9,478 | | | | | | 8,378 |
| R0210 | -4 | 13,782 | 17,642 | 13,016 | 10,843 | 13,488 | | | | | | | 11,933 |
| R0220 | -3 | 13,002 | 21,592 | 15,021 | 12,305 | | | | | | | | 10,917 |
| R0230 | -2 | 16,901 | 23,647 | 18,366 | | | | | | | | | 16,286 |
| R0240 | -1 | 19,379 | 29,901 | | | | | | | | | | 26,698 |
| R0250 | 0 | 45,207 | | | | | | | | | | | 48,356 |
| R0260 | | | | | | | | | | | | Total | 151,303 |

**S.23.01.01**

## Own Funds

| | Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 12,138 | 12,138 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 66,775 | 66,775 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | -13,341 | -13,341 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 6,998 | | | | 6,998 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0220 | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | 0 | | | | |
| R0230 | **Deductions for participations in financial and credit institutions** | 0 | 0 | 0 | 0 | 0 |
| R0290 | **Total basic own funds after deductions** | 72,569 | 65,571 | 0 | 0 | 6,998 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | 0 | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | 0 | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | 0 | 0 |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | 0 | 0 |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | 0 | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | 0 | 0 |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | 0 | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | 0 | 0 |
| R0390 | Other ancillary own funds | 0 | | | 0 | 0 |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 72,569 | 65,571 | 0 | 0 | 6,998 |
| R0510 | Total available own funds to meet the MCR | 65,571 | 65,571 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 72,569 | 65,571 | 0 | 0 | 6,998 |
| R0550 | Total eligible own funds to meet the MCR | 65,571 | 65,571 | 0 | 0 | |
| R0580 | **SCR** | 47,011 | | | | |
| R0600 | **MCR** | 11,753 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 154.36% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 557.92% | | | | |

| | **Reconcilliation reserve** | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 72,569 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | 0 |
| R0730 | Other basic own fund items | 85,910 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | -13,341 |
| | **Expected profits** | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | 0 |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | -873 |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | -873 |

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 7,368 | | |
| R0020 | Counterparty default risk | 6,815 | | |
| R0030 | Life underwriting risk | 0 | | |
| R0040 | Health underwriting risk | 0 | | |
| R0050 | Non-life underwriting risk | 36,776 | | |
| R0060 | Diversification | -7,780 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 43,180 | | |

USP Key

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

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

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

| | **Calculation of Solvency Capital Requirement** | C0100 |
|---|---|---|
| R0130 | Operational risk | 3,832 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 47,011 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 47,011 |
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 0 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 0 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

| | **Approach to tax rate** | C0109 |
|---|---|---|
| R0590 | Approach based on average tax rate | 0 |

| | **Calculation of loss absorbing capacity of deferred taxes** | LAC DT |
|---|---|---|
| | | C0130 |
| R0640 | LAC DT | |
| R0650 | LAC DT justified by reversion of deferred tax liabilities | 0 |
| R0660 | LAC DT justified by reference to probable future taxable economic profit | 0 |
| R0670 | LAC DT justified by carry back, current year | 0 |
| R0680 | LAC DT justified by carry back, future years | 0 |
| R0690 | Maximum LAC DT | 0 |

**S.28.01.01**

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

| | **Linear formula component for non-life insurance and reinsurance obligations** | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 8,150 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| R0020 | Medical expense insurance and proportional reinsurance | 0 | 0 |
| R0030 | Income protection insurance and proportional reinsurance | 0 | 0 |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | 0 |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 2,672 | 56,658 |
| R0060 | Other motor insurance and proportional reinsurance | 0 | 19,657 |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 0 | 0 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 557 | 12,418 |
| R0090 | General liability insurance and proportional reinsurance | 636 | 558 |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | 0 |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | 0 |
| R0120 | Assistance and proportional reinsurance | 0 | 0 |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 0 | 0 |
| R0140 | Non-proportional health reinsurance | 0 | 0 |
| R0150 | Non-proportional casualty reinsurance | 0 | 0 |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | 0 |
| R0170 | Non-proportional property reinsurance | 0 | 0 |

| | **Linear formula component for life insurance and reinsurance obligations** | C0040 |
|---|---|---|
| R0200 | $MCR_{L}$ Result | 37 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|
| | | C0050 | C0060 |
| R0210 | Obligations with profit participation - guaranteed benefits | | |
| R0220 | Obligations with profit participation - future discretionary benefits | | |
| R0230 | Index-linked and unit-linked insurance obligations | | |
| R0240 | Other life (re)insurance and health (re)insurance obligations | 1,775 | |
| R0250 | Total capital at risk for all life (re)insurance obligations | | |

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 8,187 |
| R0310 | SCR | 47,011 |
| R0320 | MCR cap | 21,155 |
| R0330 | MCR floor | 11,753 |
| R0340 | Combined MCR | 11,753 |
| R0350 | Absolute floor of the MCR | 3,495 |
| R0400 | **Minimum Capital Requirement** | 11,753 |