



## Sovereign Health Care

Solvency and Financial Condition Report  
for the year ending 31 December 2025

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**COMPANY DETAILS**

|                        |   |
|------------------------|---|
| Company Number:        | 00085588  |
| Firm Reference Number: | 202818  |
| Registered Office:     | The Waterfront<br>2 <sup>nd</sup> Floor, West Wing<br>Salts Mill Road<br>Shipley<br>BD17 7EZ  |
| Registered Auditors:   | BDO<br>55 Baker Street<br>London<br>W1U 7EU   |
| Bankers:               | Handelsbanken plc<br>1 <sup>st</sup> Floor<br>Centre of Excellence<br>Hope Park<br>Bradford<br>BD5 8HH  |
| Solicitors:            | Gordons LLP<br>1 New Augustus Street<br>Bradford<br>BD1 5LL   |
| Investment Managers:   | Torevell & Partners<br>5 Oxford Court<br>Manchester<br>M2 3WQ   |
| Internal Audit:        | Azets<br>Carlton House<br>Grammar School Street<br>Bradford<br>BD1 4NS  |
| Regulators:            | Prudential Regulation Authority<br>20 Moorgate<br>London<br>EC2R 6DA<br><br>Financial Conduct Authority<br>12 Endeavour Square<br>London<br>E20 1JN |

## DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority (PRA) rules and Solvency UK regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report and Accounts, confirm that, to the best of their knowledge:

1. Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
2. It is reasonable to believe that, as at the date of the publication of the SFCR, the Company continues to comply and will continue so to comply in future.

By Order of the Board on 31<sup>st</sup> March 2026.



Neil McCallum  
**Chief Executive**

## A. BUSINESS AND PERFORMANCE

### A.1 About Sovereign Health Care

Sovereign Health Care was founded in 1873 as the Bradford and District Hospital Fund with the purpose of raising funds for local hospitals. Whilst it has evolved over the years, we remain a not for profit provider of health care cash plans to around 65,000 individuals. The range of health cash plans are low cost, monthly renewable policies with the purpose of financially supporting our customers when they incur everyday health care costs.

In addition to the provision of cash plans to individuals, Sovereign has signed key strategic partnerships with carefully selected third party providers of complementary products in order to expand the benefit offering to the current and future customer base.

The businesses, UK only, core operations remain firmly based in cash plans. Sovereign Health Care offers a number of products which generally fall into two types of schemes which are either funded by individuals from their own means or provided by employers.

Depending on the product, the cash plan provides access to more than 20 different types of benefits, with dental and optical treatment being the most popular options. In every situation, the individual receiving policy benefits is considered the policyholder, regardless of who pays the premium. Policyholders activate their plan by arranging and undergoing everyday health care treatments, paying for those services, and, if covered by the cash plan, submitting a receipt and claim form for reimbursement. The percentage reimbursed depends on the product and ranges from 50% to 100%, up to the applicable coverage limit.

Previously, our individual health cash plans followed a unitised pricing model. With the introduction of the Consumer Duty, we undertook a comprehensive review of our equitable pricing strategy to ensure fair value throughout our product offerings. As of 1 January 2024, plans are now priced on a community basis, reflecting actual usage patterns. Age and medical history do not influence premiums; all customers pay the same rate, determined solely by their chosen product and level of cover. We encourage the utilisation of health cash plans, and over the past three years, have paid out an annual average of more than £8.1 million in benefits to our customers.

Sovereign Health Care has an established tradition of charitable giving, facilitated by its status as a not-for-profit organisation without shareholders. Provided sufficient capital funds and investment income are available, the company endeavours to contribute £500,000 annually to community or charitable initiatives that promote health and wellbeing.

We have always been based in the Bradford District, rich in history and culture but one with areas of serious deprivation and structural health inequalities, as highlighted in national public health reports over many years.

#### A.1.1 Strategy aligned to our purpose, vision and values

We believe better health is for everyone, and our purpose is to help people achieve this. Sovereign Health Care has been part of improving health care for over 150 years. Our vision, which is purpose linked, is to sustainably grow our importance in driving better health care in our local communities and for customers

in our chosen markets for the long term. Our values create a shared sense of purpose and strengthens our company culture which shapes our identity, drives success and creates a workplace where our people feel they can contribute and make a difference.

## We believe better health is for everyone and our purpose is to help people achieve this

|  |   |   |   |
|--|---|---|---|
| <b>Business Focus</b><br><br>We believe in<br>Sovereign<br>Health Care | <b>Customer Focus</b><br><br>Above all, we are customer focused |   |   |
|  | <b>Team Focus</b><br><br>We work hard<br>for each other         | <b>Personal Focus</b><br><br>We do the right<br>thing | <b>Future Focus</b><br><br>We are always<br>improving |

**Above all we are customer focused** - We respect our customers’ decision to buy from us and strive to meet their expectations. We care about our customers and stakeholders and want to help them achieve their health goals.

**We believe in Sovereign Health Care** - We believe better health is for everyone and that we have an important role to play in making this happen. We are passionate about the purpose of this business, and our impact on the lives of customers and the community. We are proud to call Bradford and West Yorkshire our home and value this area as the backbone of our success.

**We work hard for each other** - We hold ourselves and others accountable for the quality of our work and challenge each other to make the team better. We share our knowledge and expertise and welcome new ideas. We motivate each other to achieve our potential and deliver the purpose of Sovereign Health Care.

**We do the right thing** - We take responsibility for the work we do. We have the confidence to think for ourselves, ask questions, seek feedback, and enable colleagues to do the same. We trust each other and challenge ourselves to do the right thing.

**We are always improving** - We value looking ahead, preparing for the future and striving to be better. We are curious to learn, improve our skills, solve problems, and overcome challenges, and we suggest ideas to make our work, service, and culture better.

Our purpose, vision and values provide the foundation for how we operate today and shape the decisions we take to secure the long-term future of Sovereign Health Care. Our long-term strategy translates this purpose into action, setting out how we will deliver long term value while remaining financially resilient and true to our purpose. It is designed to balance sustainable growth, prudent stewardship and positive social impact in a changing external environment.

At its core, the strategy focuses on strengthening the foundations of the organisation so that future decisions are affordable, well governed and aligned to long term objectives.

During the year the Board have agreed the following principles remain core to the business:

- Ensure the insurance business is financially strong, resilient and able to support its objectives over the long term
- Grow the business in way that is controlled, resilient and aligned to our purpose and values
- Build an organisation that is operationally robust, digitally capable and fit for the future
- Deliver consistent value to customers, reflecting changing needs and expectations
- Generating meaningful positive impact on local communities whilst remaining financially responsible

### Financial sustainability

Financial sustainability is a core element of the strategy. The Board has maintained close oversight of performance, with a strong emphasis on cost control, operational efficiency and prudent financial management. While the organisation continues to operate in a challenging environment, progress has been made in improving performance against budget and strengthening financial discipline. We are focused on maintaining a strong and resilient financial position. This includes disciplined cost control, improved operational efficiency and careful management of capital and liquidity. Investment decisions are made within a clearly defined risk appetite, prioritising long term stability over short term returns.

### Sustainable growth

A measured approach is taken to growth, recognising the need to balance ambition with affordability and risk. Rather than prioritising rapid expansion, the Board has focused on strengthening the foundations required for long term sustainability. This includes improving operational efficiency, building internal capability, and ensuring that commercial development is supported by appropriate systems, governance and leadership capacity. Decisions are evidence led and informed by market insight, ensuring growth remains aligned with our purpose and values.

### Modern and resilient operations

Modern systems and processes are essential enablers of sustainability and growth. A phased digital and operational transformation programme is underway, designed to improve resilience, efficiency and the quality of data and insight available to the organisation.

The Board has been clear that transformation must be carefully governed and delivered in stages, balancing the benefits of modernisation with the risks associated with large scale change. This disciplined approach supports our mission by ensuring that investment in capability strengthens the organisation over the long term.

### Customer value

Understanding and responding to the needs of customers remains central to our approach. Commercial development and product decisions are guided by insight, data and feedback, rather than short term opportunity. By strengthening systems, processes and internal capability, the organisation is better positioned to enhance service quality, improve the customer experience and ensure that offerings remain relevant and sustainable over time.

### Social and community impact

Delivering positive outcomes for communities remains central to the organisation's identity and purpose. Our approach to community funding is structured and transparent, ensuring that resources are targeted where they can make a meaningful difference while remaining affordable and aligned to our overall financial position. We are committed to carefully evaluating requests for funding that contribute to health and well-being and improvement of local communities.

#### A.1.2 Executive summary on 2025 performance

The table below summarises Sovereign Health Care's consolidated financial results for the year as reported in the Group financial statements:

|  | 2025           | 2024           |
|--|----------------|----------------|
|  | £000's         | £000's         |
| <b>Earned income</b>                     |                |                |
| Net earned premiums                      | 11,120         | 10,981         |
| Net commissions received                 | 58             | 61             |
| <b>Claims incurred</b>                   | (8,475)        | (8,477)        |
| <b>Operational expenses</b>              | (3,935)        | (4,122)        |
| <b>Underwriting result</b>               | <b>(1,232)</b> | <b>(1,558)</b> |
| Investment income - net of fees          | 2,244          | 2,677          |
| Interest payable                         | -              | -              |
| Realised gain/(loss) on investments      | 2,120          | 1,153          |
| Revaluation of land and buildings        | (817)          | (290)          |
| Unrealised gain/(loss) on investments    | 4,604          | 2,004          |
| Charitable donations and other charges   | (1,283)        | (822)          |
| <b>Surplus/(deficit) before taxation</b> | <b>5,636</b>   | <b>3,164</b>   |

Sovereign Health Care continued to uphold its commitment and promise in supporting our customers' health and wellbeing through our health care cash plans and charitable donations to our wider community.

During the year ended 31 December 2025, the Group continued to make progress towards its strategic objective of improving the trading position, while operating in a challenging commercial and economic environment. Despite reporting a net underwriting loss for the year, financial performance was ahead of both budget and forecast and an improved position on prior year, reflecting disciplined cost control, targeted commercial actions and improved underwriting outcomes across products. The Board remained focused on margin improvement, sustainability of income and maintaining capital strength while continuing to invest selectively in systems, people and product capability in support of the Group's long-term strategy.

The Group was focused on developing its digital transformation programme, which is a core enabler of our long term strategy and route to improved operational sustainability. Key activity during 2025 focused on detailed planning, governance and supplier engagement, including the development of a phased delivery roadmap, the preparation of supporting business cases, and the selection of strategic platform partners. This work has provided the Board with increased confidence in the scope, sequencing and affordability of the programme, and positions the Group to move into controlled delivery phases from 2026, supporting improved efficiency, scalability and customer experience over the medium term.

Despite the focus on digital transformation, the Group consistently served its customers, processing claims efficiently and maintaining service standards. Operational performance stayed strong amid organisational change and rising claims volumes, with claims experience meeting expectations and the loss ratio improving on prior year. Operational costs were managed well, ensuring reliable claims handling and continued access to healthcare benefits.

During the year we experienced a small drop in policyholder numbers as the Group undertook a review of its commercial and sales capability to ensure it is appropriately structured to deliver the next phase of the Group's strategy. This included changes within the corporate sales function and a continued focus on ensuring the appropriate leadership and resources are in place to support sustainable growth. While this had a short-term impact on new business activity, the Board believes these actions strengthen the Group's ability to deliver improved commercial performance over the medium to long term.

The Group maintained its focus on investing for medium to long-term growth, while continuing to generate stable investment income. By year-end, our investment portfolio comprised of collective funds and property, reaching £77.4m (2024: £69m), alongside cash equivalents and short-term deposits totalling £8.5m (2024: £11.1m). These resources play a key role in supporting our consistently strong capital position. Dividend income equated to £1.9m (2024: £2.0m), continuing to play an integral role in our longstanding commitment to charitable giving. This financial support enables our community programme to invest in initiatives focused on health and wellbeing. Sovereign Health Care remains rooted in the Bradford district, a region renowned for its history and culture, yet facing significant deprivation and structural health inequalities. In the current year, we contributed £0.5m (2024: £0.48m) to support local health initiatives, charities, and community projects. The Group completed a detailed review of its community funding approach, refining the Community Programme strategy to ensure clearer focus, stronger alignment with the Group's wider objectives and structured framework for future funding decisions.

### A.1.3 Business – legal form

Sovereign Health Care is a not for profit health insurance company, founded in 1873. The company is limited by guarantee and has no shareholders.

The Board of Directors are deemed Members of the Company, and the ethos being, the Board Members are custodians of the Company, supervising and strengthening the performance of the business for the next generation of custodians.

No individual member is considered to hold undue influence or controlling interest. The memorandum and articles of association of the company determine the operating model of control.

### A.2 Underwriting Performance

In recent years, underwriting performance has been affected by wider economic conditions. Pressures such as inflation and rising living costs have influenced both the affordability of health care cover and customer demand, with some customers choosing to reduce or discontinue cover, while others have sought protection against increasing medical costs. At the same time, higher health care costs have contributed to increased claims experience across the sector.

Against this backdrop, the Board remains committed to delivering good value for our customers while safeguarding the long-term future of the business. Our strategic business plan is focused on improving our trading performance in a measured and controlled way, aligned to our purpose and our not-for-profit status.

The strength of our balance sheet provides resilience as we work through this period, allowing us to absorb short-term pressures while maintaining a strong solvency position. This financial strength underpins our confidence in delivering our strategic priorities and supports our balanced approach to addressing near-term challenges while positioning the business for sustainable long-term success

Please see the table below for the key business performance indicators linked to our underwriting performance:

|  | 2025   | 2024   |
|--|--------|--------|
| <b>Earned income (including commissions)</b> | 11,178 | 11,042 |
| <b>Claims loss ratio</b>                     | 74%    | 75%    |
| <b>Operational expense ratio</b>             | 35%    | 37%    |
| <b>Combined ratio</b>                        | 111%   | 114%   |

#### Earned premium

Net earned premiums amounted to £11.1m (2024: £11m), surpassing our financial plan following a business-to-business pricing review designed to maintain equitable pricing and fair value in corporate-paid products. Additionally, the Group concluded a time limited targeted consumer acquisition campaign

for customers impacted by changes in the broader healthcare cash plan market, which contributed to both new business activity and retention during the period.

#### Claims loss ratio

Claims loss ratio indicated the proportion of earned member premiums which are paid out in claims, over the 12 month reporting period. The claims paid value used does not include any accounting provisions for claims not yet reported or claims handling expenses.

Typically, we target claim loss ratios between 65-75%, the claims loss ratio has decreased from prior years position to 74% (2024: 75%). We continue to track claim loss ratios as a key indicator for our underwriting performance which continue to be monitored closely through the governance structures set out in the Board subgroups.

#### Operational expense ratio

Operating expense ratio is calculated by taking the net operating expenses over net earned premium, showing the proportion of premiums which are used in running the insurance business.

Operating expense ratio is calculated by taking the net operating expenses over net earned premium, showing the proportion of premiums which are used in running the insurance business. Our year end position of 35% (2024: 37%) was within our agreed target range, and within our operational expenses were one-off costs relating to project works to further develop our product and service offering. A key priority throughout the whole business is to reduce our operational expense ratio through digital transformation, operational efficiency, process improvement and scaling up the business through a growth strategy.

### A.3 Investment Performance

We remain focused on our strategy to invest for the medium to long term whilst realising a steady stream of investment income. By year-end, our investment portfolio comprised of collective funds and property reaching £77.4m (2024: £69.0m), alongside cash equivalents and short-term deposits totalling £8.5m (2024: £11.1m). These resources play a key role in supporting our consistently strong capital position. Dividend income received of £1.9m (2024: £2.0m) whilst the investment property, The Waterfront, generated £0.45m (2024: £0.68m) of rental income.

The property listed on our Solvency UK balance sheet, has been split between property owned for own use and investment property. The property owned for own use relates to the space occupied by Sovereign Health Care in The Waterfront to carry on day to day operations. The valuation under investment property relates to other units at The Waterfront, leased to other commercial tenants, with the view to realise rental income.

The Waterfront was professionally valued by Eddisons, Chartered Surveyors, on 22 January 2026. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The Board are in agreement to continue investing in good quality equities through collective funds for the medium to long term, alongside a more defensive element provided by lower risk investments such as cash and fixed income assets.

The table below sets out the investment performance from our group financial statements:

|   | 2025    | 2024   |
|---|---------|--------|
|   | £000's  | £000's |
| <b>Investment Income - Net of fees</b>        | 2,244   | 2,677  |
| <b>Interest Payable</b>                       | -       | -      |
| <b>Realised gain/(loss) on investments</b>    | 2,120   | 1,303  |
| <b>Revaluation of investment property</b>     | (817)   | (290)  |
| <b>Unrealised gain/(loss) on investments</b>  | 4,604   | 2,004  |
| <b>Charitable donations and other charges</b> | (1,283) | (972)  |
| <b>Net investment return</b>                  | 6,868   | 4,722  |

The dividend income is used to fund our charitable donations therefore is included in the above table.

## B. SYSTEM OF GOVERNANCE

### B.1 General governance arrangements

The Board is the governing body of the Company and establishes, monitors and controls a framework of prudential controls to advance the Company in its objectives. Generally, the Board ensures that the Company acts in accordance with prudent commercial principles, high ethical standards and otherwise strives to meet stakeholder expectations through maximising long-term value. The Board has delegated authority for the day to day operational management of the Company to the Executive team.

Sovereign Health Care continues to adopt the AFM Corporate Governance Code in an appropriate manner for the size and complexity of our organisation. The Board are of the opinion, all principles set out below were met:

- **Purpose and Leadership** - An effective board promotes the purpose of an organisation, and ensured that its values, strategy and culture align with that purpose.
- **Board Composition** - Effective board composition required an effective chair and a balance of skills, background, experience and knowledge with individual directors having sufficient capacity to make valuable contribution. The size of a board should be guided by the scales and complexity of the organisation.
- **Director Responsibilities** - The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
- **Opportunity And Risk** - A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risks.
- **Remuneration** - A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.
- **Stakeholder Relations and Engage** - Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The responsibilities and functions of the Board include:

- Input into, and final approval of, the corporate strategy, including setting performance objectives and approving business plans and budgets
- Reviewing and guiding systems of risk management, internal control, ethical practice and legal compliance
- Monitoring both corporate performance and implementation of strategies and policies
- Approving major capital expenditure, leases, acquisitions, divestitures and monitoring capital management
- Ensuring suitability and integrity of both financial and all other reporting
- Ensuring suitability of policies and processes in important areas, including occupational safety and health, environment and legal compliance

- Enhancing and protecting the reputation of the Company

Matters which are specifically reserved for the Board include:

- Appointment and remuneration of the Chair
- Appointment and remuneration of Directors
- Establishment of Board subgroups and determining their membership and delegated authorities

To support Board effectiveness and efficiency, the Board has established the following subgroup:

- Commercial subgroup
- Remuneration subgroup
- Audit, Risk and Compliance subgroup
- Transformation Programme subgroup
- Community Programme subgroup

The Terms of Reference of each subgroup and their membership are reviewed periodically by the Board.

### Board Remuneration

Executive Board members remuneration is determined by their individual contracts of employment. In response to the issuance of guidance on the relative levels of senior individuals within the Companies relative levels of fixed and/or variable remuneration the Company adjusted the bonus scheme and annual salaries of the appropriate employees in order that the variable element would be in line with the appropriate guidance.

The Company operates a flat rate of remuneration for all non-executive Board members with no variable element. The flat rate relative to non-executive directors provides simplicity and clarity on the levels of remuneration for the business. The standard rate of remuneration is augmented for specific duties undertaken by non-executive members of the Board and the list of these additional duties eligible for remuneration may vary from time to time. A flat rate allowance for duties outside of the scope of individual roles and responsibilities has been agreed and is operated on a per day basis. Any variation would be subject to review and agreement by the Remuneration subgroup for presentation to the Board as a whole.

Periodically, external consultancy is sought to benchmark pay for both executive and non-executive directors, as well as all job roles within the company. A benchmarking activity is currently ongoing and the aim of this is to ensure remuneration structures are sufficient to attract the right calibre of individual for key roles.

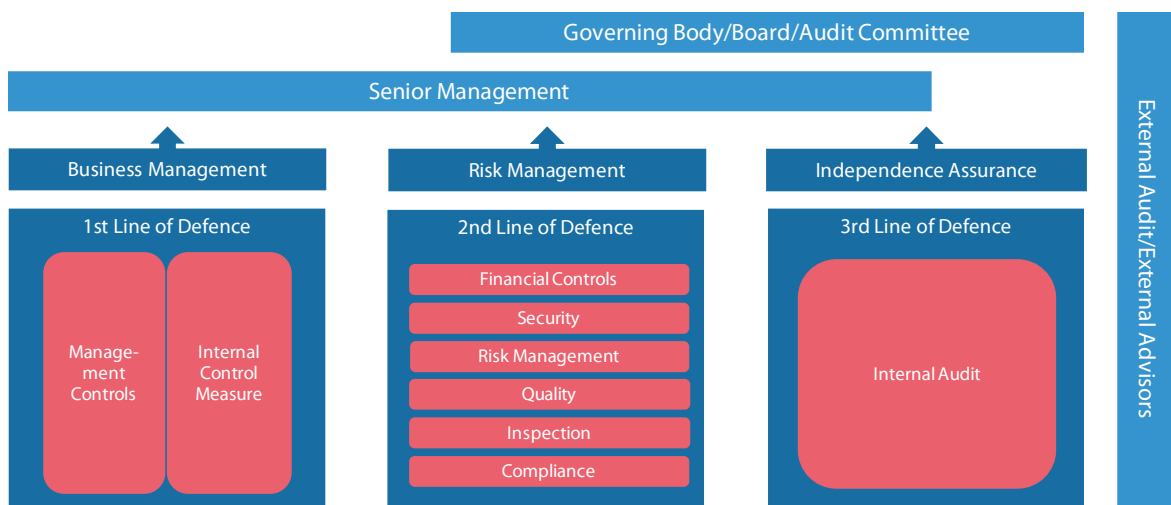
### B.2 Fit and proper requirements

The 'Fit and proper' requirement is the standard required by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) when appointing controlled function holders. Sovereign applies the same requirements when appointing those who effectively run the undertaking or have other key functions. The Company is satisfied that compliance with the framework is sufficient to ensure that individuals fulfilling controlled functions meet all relevant regulatory requirements. The framework is regularly reviewed to ensure it will meet all the requirements of the Senior Managers and Certification Regime (SM&CR) and any subsequent changes in the regulatory requirements.

The Compliance function adopts appropriate systems and controls in the registration of individuals across the Company ensuring that identified individuals meet the regulators’ fit and proper criteria at the point of registration and subsequently, including but not limited to external verification process and internal assessment. In addition, registered and notified individuals are required to complete an annual attestation confirming that the Fit and Proper Requirements have been maintained and that they continue to adhere to the Conduct Standards.

**B.3 Risk management**

As illustrated in the diagram below, Sovereign utilises the three lines of defence model in the management of its risks.



The model comprises primary risk owners (first line), independent risk management and control functions (second line) and an independent internal audit and assurance group (third line).

First line: The vast majority of employees comprise the first line of defence. Examples include service manager, technology teams supporting the business platforms, client servicing teams and servicing client enquiries.

Second line: A smaller group of employees comprise the second line of defence. These employees have duties within the Risk & Control functions and provide independent oversight of the activities performed within the first line.

Third line: The reporting from this function is direct to the chairs of both the Audit, Risk and Compliance subgroups.

The Risk Management function reports to the Sovereign Board via the Audit, Risk and Compliance subgroup.

**Subgroup responsibilities**

In addition to the Audit, Risk and Compliance subgroups, the Board of Sovereign has delegated responsibilities to the Commercial subgroup, the Transformation Programme subgroup, the

Remuneration subgroup, and the Community Programme subgroup. Each of these groups have terms of reference which are risk focussed and each play a part in more formal upwards risk reporting on a quarterly basis.

The formal consideration and risk reporting of the subgroups is coordinated by the risk management function.

### Risk and Capital Assessment

The risk management framework is designed to provide management with the information it requires to maximise up-side risk, whilst acknowledging downside risks, by identifying where capital should be held.

The Risk Management function will work closely with the actuarial function to ensure that assessment of risk is integral to the ORSA process and that management are provided with clear information regarding the capital impact of the current risk profile. By doing so management will be able to determine where capital is being best deployed and will have a tool to support business decisions in relation to the utilisation of capital.

The Board recognises the importance of maintaining strong capital adequacy to ensure the on-going sustainability of Sovereign Health Care. The Board has agreed to hold a minimum of 200% of its Solvency Capital Requirement, and should any adverse scenario trigger this point, management actions are in place to re-evaluate, assess and consider the investment portfolio to maintain sufficient capital.

### Own Risk and Solvency Assessment (ORSA)

The ORSA document provides a key pillar to the overall control and understanding of the business from the perspective of the Board.

The ORSA is updated on an annual basis, for approval in the first half of the year following the period into which it refers, i.e. the 31 December 2025 ORSA will be reviewed and approved by the Board prior to 31 July 2026.

The ORSA process will act as a trigger for management actions which the Board will review and authorise as required. Where risks are identified that are beyond the company's risk appetite, actions should be undertaken to bring these back within the defined acceptable levels. It is recognised that additional capital will not reduce the risk, it will only provide a financial buffer while management actions are sought to deal with the risks identified. Sovereign's risk management framework continues to evolve through enhanced modelling, monitoring and feedback and provides the basis for the Boards calculation of its own capital requirements within the business.

Ongoing monitoring of the key items highlighted within the ORSA forms part of Sovereign's Board meetings. However, it should be noted that the monitoring of risk and the management of the risks is built into the operations of the Company. Any deficiencies highlighted through this continual monitoring will be brought to the attention of the Executives for action and where required the Board will be informed and/or asked to approve any resulting action where this falls outside of the current levels of delegated authority.

#### B.4 Internal control

The Board view an effective system of internal control as a key mechanism by which they discharge their fiduciary responsibilities.

Sovereign believes that a sound system of internal control helps safeguard Sovereign's assets by facilitating safe, reliable and efficient operations, by assisting us to comply with applicable laws and regulations, and by helping us ensure the reliability of our internal and external reporting.

All members of Sovereign's staff have a responsibility to ensure the effective application of internal controls in their areas of responsibility and to act in a way that safeguards our assets from loss, inappropriate use and fraud.

In addition, Article 46 of the directive requires:

“Insurance and reinsurance undertakings shall have in place an effective internal control system. This system shall at least include administrative and accounting procedures, an internal control framework, and appropriate reporting arrangements at all levels of the undertaking and a compliance function. “

The Board believes that sound internal control and corporate governance is best achieved by processes firmly embedded within Sovereign's operations. Reviewing the effectiveness of internal control is an essential part of the Board's responsibilities while management is accountable to the Board for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so.

The Board has agreed that aspects of its internal control review work shall be delegated to the Commercial subgroup, the Audit, Risk and Compliance subgroup and Transformation Programme subgroup. Each subgroup shall report back to the Board who will decide on the adequacy of the subgroup's review. It is the Board's responsibility to establish the terms of reference of each subgroup.

In determining the Sovereign Policies and Procedures and thereby providing what constitutes Sovereign's system of internal control the Board considers the following factors:

- The Business Principles and related objectives
- The nature and extent of the risks facing the Company
- The extent and categories of risk which it regards as acceptable to bear
- The likelihood of the risks concerned materialising
- Sovereign's ability to reduce the incidence and impact on the business of risks that do materialise
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks

The Company retain the services of an internal audit function in order that an independent third party view on the operation of key controls and the oversight of key service providers is maintained with the necessary levels of rigour. The internal audit function report on a day to day basis to the Finance Director, however they provide the formal reporting through to the Audit, Risk and Compliance subgroup to ensure appropriate segregation and governance is maintained.

### **B.5 Internal audit**

Sovereign develops an annual audit plan. It will be derived by the Internal Auditor and the Audit, Risk and Compliance subgroup with input from senior management and the Risk Management function. The internal audit program is then approved by the appropriate subgroup with timescales and prioritisation guidance being provided.

The audit approach is cyclical, risk based and ensures that all high-risk areas are identified and prioritised during the course of the ORSA process and internal risk mapping exercise. This ensures that the entire risk and audit universes are considered over time, unless there are appropriate and agreed reasons for them not being so. In practice this is achieved by reviewing the risk universe against the current audit plan and to highlight those areas of the risk universe that are either not covered, or where additional audit may be appropriate. This will be presented annually to the Audit, Risk and Compliance subgroup, and more frequently if required. As either the audit plan or risk universe is updated, the Risk Management function will be responsible for highlighting any material risks which are not covered by the current audit plan.

Due to the size of the business the internal audit process is outsourced to an appropriately qualified third party.

In order to maintain the appropriate level of independence Internal audit reporting is undertaken with a direct line of responsibility to the Chair of the Audit subgroup. The use of third parties in undertaking the work ensures an appropriate degree of separation from the day to day activity of the senior team within the business to ensure objectivity.

### **B.6 Actuarial function**

The actuarial function is outsourced to a third party actuarial consulting practice along with the SMF20, Chief Actuarial Function. The actuarial function will present annually to the Audit, Risk and Compliance subgroup to ensure the Solvency UK calculations and underwriting policies are adequate and appropriate for Sovereign Health Care. Oversight of the requirements and deliverables is appointed to the Finance Director.

### **B.7 Outsourcing**

Due to the size of the business a number of key functions have been outsourced in order that the business is able to benefit from appropriate current expertise without incurring the additional overhead that would be required to fulfil the function in house. All current outsourced service providers are located within the United Kingdom.

Outsourcing is considered appropriate where the business:

- does not have the required knowledge, resources and/or experience to fulfil a specific function from its own staff
- requires additional short term resource
- deems it is cost effective to outsource a specific service
- deems it is risk effective to outsource a specific service
- deems it is a legally or regulatory required arrangement
- deems it is to achieve a tangible quality outcome with regards a specific project

Where applicable, the following checks are undertaken when appointing any new outsourced partner;

- Financial health check
- Trade body
- References
- Legal review of contracts

Outsourced partners are reviewed periodically to ensure the arrangement continues to serve the best interests of the company and its customers. All key outsourced arrangements are subject to a formal contract and signed by at least one executive director. Where appropriate when the outsource arrangement is deemed material, the Board will approve.

The Board of the company are keen to remain focused on the areas where the company has expertise and not expand beyond our knowledge or capability, as such Sovereign will continue to focus on the provision of good value, simple, easy to use cash plans within the UK market.

## C. RISK PROFILE

### C.1 Underwriting risk

As a general insurer Sovereign Health Care writes short term monthly renewable contracts. These contracts individually and collectively present a relatively small financial risk when compared to the other key risks. However, as an insurer we do review, calculate and manage our potential insurance exposures and ensure that we hold sufficient capital in available cash in a mixture of immediately available, short term or longer term maturity deposits to ensure that sufficient cash will be available to meet the requirements of 12 months claims as they fall due.

Plans are priced on a community basis, utilising historical performance and claims data, with a number of additional assumptions built in the models. If policyholder behaviour, healthcare costs or any of the other underlying base assumptions change there is a risk that premiums will not be sufficient to meet the claims made.

The following measures are used to assess underwriting risks:

- **Claims modelling and experience** – based on experience, budgets are prepared for each product including expected claiming ratios. Product performance is monitored against this target claims ratio and deviations are investigated.
- **Market monitoring and tracking of claims trends** – cash plan claims are driven by behavioural factors. Claim trends, purchasing behaviours and other signs from the broader healthcare market are all monitored for indications that customer behaviours may deviate from the underwriting assumptions.
- **Monitoring of operational expenditure** – expenses are factored into the pricing strategy and underwriting assumptions. Variations in our operating expenses are monitored through management information and targeted through operational expense ratios.
- **Solvency UK capital requirements** – under Solvency UK we are required to assess and quantify the underwriting risk exposure through a mass accident and pandemic scenario.

The principal risk faced by the company is that actual claims and benefit payments exceed the premiums received for the insurance cover. This could occur because the frequency and severity of claims are greater than anticipated. Claim events for certain benefits can be random and the actual volume of claims received, and value of these claims could vary year on year.

All the Sovereign Health Care cash plan products are monthly renewable policies, required premium increase can be implemented with a short timescale, 30 days' notice, enabling the risk that premiums are insufficient to cover claims and expenses to be controlled.

#### Concentration risk – key customers

The Company also acknowledges the risk of reliance on a small number of large volume clients and works closely with the relevant customer group to ensure that the offering available continues to meet the requirements. In addition, there is an active renewal of supply contract process which serves to highlight potential issues and ensure these are addressed in a timely and appropriate manner.

As a business, the risk created due to the success of the product is not one which we would seek to move away from or limit on a single customer basis. Mitigation is sought through increasing the depth and breadth of the customer base to ensure that a single customer or small group of customers does not represent an unduly large proportion of the forecast income generation plans.

#### Insurance Premium Tax

As a general insurer, the premiums we charge for our products including Insurance Premium Tax (IPT). This indirect tax is then passed on to HMRC. In 1994, the introductory standard rate of IPT was just 2.5%. But over the years IPT has increased, to 6% in 2015, then 9.5% in November 2015, and in October 2016 it rose to 10%. Now the current rate of IPT is 12%. Some of the past increases have not been passed on to the end consumer, however with the more recent increases, we had no other option but to pass this on to our customers otherwise it would have had a detrimental impact on our operating profit.

We have lobbied regulators and the government through our trade association to highlight the consequences if they continue to raise the IPT rates. This risk is also included on our risk register.

### C.2 Market risk

#### Investment Risk

Sovereign Health Care holds investments in collective funds, as 31 December 2025 these assets are held at fair value of £72m (2024: £62.7m). These investments are traded on regulated financial markets, both in the UK and abroad. Our investments are managed by an external specialist investment manager who are listed on the Financial Services Register and authorised and regulated by the FCA. Management of the investments is undertaken utilising the advice of third party wealth management professionals on a recommendation basis. Movements in the regulated markets can drive volatility within the valuation of these assets.

Under Solvency UK, our investments are stressed on interest rate risk, equity risk, currency risk and concentration risk. The capital requirement relating to market risk equates to £29.2m (2024: £24.6m) and the Board are of the opinion we hold sufficient capital reserves to cover this risk charge as demonstrated by our Solvency UK coverage ratio.

The Board recognises the significant influence of the valuation of the Company's investment portfolio on the SCR coverage levels, currently at 247% (2024: 294%). The Board will continue to review and consider the solvency position and coverage levels on a periodic basis, should the ratio drop to 200%, this would trigger the board to consider crystallisation of investment assets in order that the company maintain sufficient liquidity to meet 12 months cost of claims and operational expenses as they fall due.

With regard to the balance of the Company's investment reserves, the Board have set investment objectives that aim to ensure the long term sustainability of the business by achieving capital growth and strong income returns over the medium to long term through the careful management of our investments.

The Board recognises that the allocation of portfolio assets across broadly defined financial asset and sub-asset categories (a mixture of cash and fixed interest investments and investment funds) with varying degrees of risk and return is the most significant determinant of long-term investment returns and portfolio

asset value stability. Diversification across and within asset classes is the primary means by which the Board expects the portfolio to avoid undue risk of large losses over long time periods.

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying returns earned on its investments in different asset classes. In the view of the Board, Sovereign is an investor with a long term investment horizon and can tolerate the attached short term investment risk to the portfolio.

The Board accepts the risk that actual returns may vary from objective across short periods of time. The investment manager shall act within a reasonable period of time to evaluate any variations and make recommendations to rebalance the portfolio.

On a periodic basis, independent investment management professionals are approached for current market trends, views on holdings and to act as a sense check and benchmark of the current advisers.

The Company recognises that the investment market is expected to remain volatile during this period. Nevertheless, our portfolio maintains a balanced, providing stability through challenging conditions. Our medium- to long-term investment strategy enables us to withstand market fluctuations, as previously outlined. Additionally, maintaining adequate liquidity supports the protection of the Company's strong capital position.

#### Financial Risks of Climate Change

Our investment strategy is focussed on delivering medium to long term growth whilst creating sufficient dividend income to fund the community funding programme. The Board accept there is an element of financial risk relating to climate change, specifically transition risk associated with investing into collective funds. Our collective funds, valued at £72m, present the largest risk. The Board have opted for an engagement strategy with asset managers, and our investment advisers are in continuous talks with the fund managers to discuss environmental, social and governance (ESG) consideration as well as performance.

Through the Commercial sub-group and the Board, our investment advisers present ESG ratings for each collective fund including the following measures:

- Peer rank
- Global rank
- % of "green" revenue
- % of "brown" revenue
- Carbon intensity figure
- Carbon intensity figure (CIF) band
- Overall ESG rating

Of our current portfolio, 1% of the underlying companies held by each fund, are rated B or below, using the MSCI ESG data. 52% of the portfolio's companies are rated ESG leaders, with ratings of AA to AAA. ESG leaders are defined by MSCI as "a company leading its industry in management the most significant ESG risks and opportunities". The weighted rating of all our collective funds is AA (2024: AA). With active engagement from the asset managers, rather than an exclusion mandate, the focus is on evaluating and

monitoring effective risk management of climate change.

The appropriate director has been allocated the responsibility of managing the financial risks of climate change and their statement of responsibilities have been updated accordingly. These risks identified will be continually monitored across multiple subgroups including:

- Commercial
- Audit, Risk and Compliance

Having regard to the nature of our strategic plans, the Board acknowledges climate change to be a risk in regard to our investment portfolio, however these risks are actively managed through the engagement of professional fund managers who integrate ESG considerations into their investment strategies.

The Group continues to monitor climate change developments to ensure understanding of the impacts are appropriately reflected in our strategic plans and ORSA, if considered as a material risk.

### C.3 Credit Risk

The company's exposure to credit risk is not limited to the balances identified in the liquidity risk section but also covers the carrying value of certain other financial assets, namely contributors' premiums due but not received (included within debtors) of £502k (2024: £571k).

The Board adopts a low risk appetite by holding an amount of readily available funds through our cash balances.

Cash is held in a variety of instant access, term and notice accounts in order to achieve the correct balance of liquidity needs and desired investment returns. Cash investments are also used as a hedge against insurance/operational risk and for liquidity needs or to facilitate a planned programme of investments in either or both equity and fixed income assets.

Debt instruments held with credit institutions, including term cash deposits are managed internally. Balances are placed on deposit for periods of up to 12 months in such a manner to ensure that sufficient funds are always available to meet the short term operational expenditure, investment decisions and any other liabilities as they fall due. On the Solvency UK balance sheet, total deposits and cash equivalents of £7.5m (2024: £10.4m) are held with a number of counterparties and different terms.

The company is therefore exposed to risk in relation to the counterparties availability of funds to meet the terms of the deposits as they fall due. This risk is managed through the careful selection of counterparties, due diligence and the operation of the counterparty risk policy within the business, limiting the exposure to any specific party and the overall risk at each level of credit rating.

Credit ratings for credit institutions who are deemed as material counterparties are rated between A and B and are consistent with the Solvency UK reporting requirements in calculating the Solvency Capital Requirement.

#### C.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company is exposed to liquidity risk in meeting operating costs as represented by other creditors within the group statement of financial position totalling £1.7m (2024: £1m), and in meeting policyholder claims, represented by the provision for outstanding claims totalling £0.65m (2024: £0.7m). Both of these exposures are due within 12 months of the statement of financial position date, and in particular the large majority of claims represented by the technical provisions are generally settled within 3 months.

The Company seeks to mitigate liquidity risk by holding cash reserves which at any one time enable financial liabilities to be met for at least a month. Details on the cash reserves have been outlined in the credit risk section.

#### C.5 Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failing internal processes, people and systems or from external events such as natural disaster or terrorist attacks.

Operational disruptions can cause wide reaching harm to our customers and to the Company. Operational resilience remains a key focus for Sovereign Health Care that is deemed an evolutionary process involving continuous learning and development of our response to disruptions. Operational risks are recorded on Sovereign Health Care's risk register. The material areas of risk are highlighted below:

- Systems and Infrastructure
- Cyber security
- Outsourcing arrangements
- People

##### Systems and Infrastructure

Significant time and expense have been incurred over the years to strengthen our core IT infrastructure. Our IT infrastructure is located across three sites, including a specialised co-located data centre and utilisation of a cloud-based service to add extra resilience. Our infrastructure is regularly reviewed and tested, including the testing of backups and recovery of data. Our computer servers that support our systems and applications are hosted at an ISO-27001 co-location datacentre, where they are protected by uninterruptable battery/generator backup power supplier, monitoring cooling and fire systems.

User access to the systems is provided by a technology called Remote Desktop Services. This allows Sovereign Health Care to control and manage our systems. The remote desktop can be accessed from the office or from home, with a secure internet connection. The system is also protected by controlling access through Multi-Factor Authentication (MFA). Our systems are also protected by real-time threats using anti-virus software, firewall technologies and systems monitoring.

Our telephony system is provided by a close service provider and allows access from any location. This allows for calls to be made and received without having the need to be in the office.

Previously, we also had a contract for workplace recovery site, should for any reason, our registered office was out of use, however in light of the pandemic and ability to work from home, this recovery site is no longer contracted as operations can run remotely with little or no impact on our customers.

All our systems are protected by daily backups, giving the Company four copies of our production data in at last three locations. Our production servers are also replicated, using a cloud based datacentre, every 10 minutes. Maintaining cloud backups allows the Company to restore our live environment in the event of complete server or co-location site failure.

#### Cyber security and data security

We recognise that information and personal data are critical assets and maintains a robust information security framework designed to protect the confidentiality, integrity and availability of information. This framework is supported by policies and procedures, including the Information Security Policy and Data Protection Policy, and is aligned with applicable legal and regulatory requirements, including UK GDPR. Oversight of information security is provided by senior management and the Board, with responsibility shared across the organisation.

A range of technical and organisational controls are in place to manage information security risks, including role-based access controls, secure system configurations and monitoring arrangements. These controls are supported by staff training, incident management processes and business continuity arrangements to help ensure the secure and uninterrupted operation of the business.

The Company also makes use of independent external specialists to perform periodic security testing, including third-party penetration testing, to provide additional assurance over the effectiveness of key controls. The outcomes of this testing, together with internal reviews and oversight of third-party service providers, are used to inform ongoing improvements to the information security framework.

#### Outsourcing arrangements

We value all our business relationship and have contracts with our key suppliers and outsourcing arrangements. Through strong and actively engaged relationships we can ensure our operational activities work efficiently and effectively, with no or little operational disruption.

#### People

Inevitably, as a small insurer, a degree of reliance exists on key personnel, whose departure from the Company could increase the risk of processes operating effectively. There can be key person dependency in areas where experience and/or knowledge is very difficult to replace in the short term. This means loss of key personnel is recorded on our Company risk register. This risk is mitigated by staff development programmes and succession planning. Core processes are documented across areas, so other staff members can perform the processes if necessary.

## D. VALUATION FOR SOLVENCY UK PURPOSES

Solvency UK requires assets and liabilities to be valued on market-consistent basis, whilst Sovereign Health Care's financial statements are prepared on the basis of UK GAAP. Whilst the two reporting regimes are very similar, there are some inconsistencies, therefore certain adjustments are required to comply with the requirements of Solvency UK.

The assumptions and basis of valuation of each material category of business is considered separately where they differ from the statutory reporting valuation processes. As a general principle the value of a balance sheet item should reflect the amount at which the assets and liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction.

All valuations should be made on a going concern principle, rather than a "fire sale" or insolvency valuation which by the very nature of the approach would deliver higher liability and lower asset values.

The table below identifies the changes in valuation that move the Company from its reported UK GAAP Report and Accounts Retained Earning to the Solvency UK Own Funds.

|  | 2025        |           |                   | 2024        |           |                   |
|--|-------------|-----------|-------------------|-------------|-----------|-------------------|
|  | £           | £         | £                 | £           | £         | £                 |
| <b>UK Statutory Retained Earnings</b>          |             |           | <b>84,981,871</b> |             |           | <b>79,915,514</b> |
| Property, for own use valuation change         | 334,330     |           |                   | 288,744     |           |                   |
| Transfer to property investment                | 5,406,591   |           |                   | 6,223,949   |           |                   |
| Participations                                 | 230,956     |           |                   | 318,376     |           |                   |
| Transfer out of cash and cash equivalents      | (5,464)     |           |                   | (22,520)    |           |                   |
| Change in valuation basis of other assets      | (6,611,761) |           |                   | (7,554,925) |           |                   |
| <b>Change in assets</b>                        |             | (645,348) |                   |             | (746,376) |                   |
| Removal to technical provisions                | 1,014,470   |           |                   | 1,093,413   |           |                   |
| Best estimate liabilities                      | (854,319)   |           |                   | (883,883)   |           |                   |
| Risk margin                                    | (133,577)   |           |                   | (134,863)   |           |                   |
| Change in valuation basis of other liabilities | (547,442)   |           |                   | (21,598)    |           |                   |
| Deferred tax liabilities                       | -           |           |                   | -           |           |                   |
| <b>Change in liabilities</b>                   |             | (520,868) |                   |             | 53,069    |                   |
| <b>Net change</b>                              |             |           | (1,166,214)       |             |           | (693,306)         |
| <b>Solvency II Own Funds</b>                   |             |           | <b>83,815,656</b> |             |           | <b>79,222,208</b> |

The full Solvency UK balance sheet is presented in the template IR.02.01 in the Appendix.

## D.1 Assets

The table below details the assets of the UK GAAP balance sheet prepared under FRS 102 and how the valuation methodology differs under the valuation basis for the preparation of the Solvency UK balance sheet.

| Category of Asset  | SII Valuation Basis  |
|--|--|
| <b>Deferred Tax Asset</b>  | A deferred tax asset or liability arises on the temporary difference between the valuation of assets and liabilities (including technical provisions) for the statutory financial statements. The deferred tax asset reflects the associated reduction in tax liability that would arise on the results for the company should the higher Solvency UK best estimate of liability (over the statutory technical provisions) ever be realised.   |
| <b>Intangible Assets</b>   | Write down any value to £Nil to reflect estimated fair market value  |
| <b>Property, Plant and Equipment</b>   | Property value adjusted to reflect fair market value. Plant and Equipment write down any value to £Nil.  |
| <b>Holdings in related undertakings, including participations</b>            | All participations will be held an adjusted equity valuation on a Solvency UK basis. No adjustments are made to arrive at the adjusted equity valuation from the UK statutory accounts valuation of participations for Sovereign Health Care as the assets and liabilities of the subsidiaries are either fair value or deemed to be fair value and no inadmissible assets are held.   |
| <b>Investment property, collective investments undertakings and equities</b> | <p>This includes all financial investments except subsidiaries (these are brought in through participations). All investments are measured at fair value with adjustments through the profit and loss. The methodologies applied to determination of fair value holdings are:</p> <ol style="list-style-type: none"> <li>1. Listed/quoted investments are carried at market bid value;</li> <li>2. Where no quoted market price or suitable proxy is available, alternative valuation methods are used in accordance with Article 10 of the Delegated Regulation 2015/35.</li> </ol> <p>The vast majority of the assets held are valued using methodology 1.</p> |
| <b>Financial Receivables inc. Insurance Receivables</b>                      | <p>This covers:</p> <ul style="list-style-type: none"> <li>• Amounts owed from policyholders.</li> <li>• Debtors are reflected at book value which is deemed equivalent to fair value equivalent due to short duration of the assets held.</li> </ul> <p>The company operates a provision mechanism for debts in excess of 3 months.</p>   |
| <b>Cash and cash equivalents and deposits other than cash equivalents</b>    | No change in valuation methodology. The presentation under cash and cash equivalents or deposits other than cash equivalents is determined by the ability to withdraw balances within twenty four hours without incurring a penalty (instant access).  |
| <b>Any other assets, not elsewhere shown</b>                                 | Assets are held at fair value or equivalent due to short duration of the assets held.  |

The table below sets out, by material asset class, the valuation of each category under both Solvency UK and UK GAAP statutory account reported balances:

|  | 2025              | 2025              |
|--|-------------------|-------------------|
|  | Solvency II       | Statutory         |
|  | £                 | £                 |
| Property, plant & equipment held for own use               | 893,409           | 559,079           |
| Holdings in related undertakings, including participations | 241,156           | 10,200            |
| Property investment  | 5,406,591         | -                 |
| Equities - unlisted  | 2,519             | 2,519             |
| Collective fund investments                                | 71,960,196        | 71,960,196        |
| Deposits other than cash equivalents                       | -                 | -                 |
| Insurance and intermediaries receivables                   | 618,091           | 618,091           |
| Receivables (not insurance)                                | 759,689           | 7,084,400         |
| Cash and cash equivalents                                  | 7,547,675         | 7,553,139         |
| Any other assets, not elsewhere shown                      | 165,821           | 452,871           |
| <b>Total assets</b>  | <b>87,595,147</b> | <b>88,240,493</b> |

## D.2 Technical provisions

The technical provisions comprise two elements the best estimate of current liabilities and a Solvency UK risk margin. The balances of the technical provisions under both Solvency UK and UK GAAP statutory account reported balances are as follows:

|                                   | 2025           | 2025             |
|-----------------------------------|----------------|------------------|
|                                   | Solvency II    | Statutory        |
|                                   | £              | £                |
| Claims provision                  | 694,179        | 669,716          |
| Premium provision                 | 160,140        | 344,753          |
| Risk Margin                       | 133,577        | -                |
| <b>Total technical provisions</b> | <b>987,896</b> | <b>1,014,469</b> |

The liabilities valued in the technical provisions are those associated with existing contracts as at 31 December 2025. Under Solvency UK, contracts must be valued if there is a legal obligation to provide cover even if the commencement date of the policy is after the valuation date.

The Solvency UK technical provisions are designed to reflect the amount a third-party insurer would be paid to accept the liabilities at the valuation date. The technical provisions are calculated as the sum of the best estimate and the risk margin. The best estimate is the sum of the premium provision and claims provision. The premium provision and claims provision are calculated separately.

The premium provision is established in respect of unearned exposure (i.e. exposure after the valuation date) and the claims provision is established in respect of earned exposure (i.e. claims which have

occurred prior to the valuation date). Within the premium provision, future premium income can be offset against future claim and expense outgo as the calculations are performed on a cash-flow basis. If future cash inflows are expected to be greater than future cash outflows the premium provision will be negative.

The unearned exposure used in the premium provision calculation includes those policies for which an unearned premium reserve is held as at 31 December 2025. This reserve relates to those policies which have paid their premium in advance in return for cover over a longer period than one month.

The premium provision also assumes there is, on average, one month of premium earnings outstanding at the valuation date. This is a reasonable assumption, given that most of the policies in force are monthly renewable and the company has the right to reprice and cancel the cover. This additional one month of cover and one month's additional premium has been included in the calculation to reflect the fact that the company must give the policyholder 30 days' notice of cancellation.

The expected claim cash flow used in the premium provision is calculated by applying a loss ratio to the future earnings which reflects the expected losses incurred in the month after the valuation date. Given the short timescales, it is appropriate to use a loss ratio calculated using recent company history. An allocation of expenses is applied which reflects the cost of handling the future claim payments associated with the unearned exposure at the valuation date.

The claims provision calculation uses outputs from the audited year-end Incurred But Not Reported (IBNR) process to project the expected future claim payments for claims which have occurred prior to the valuation date. The expected future claims payments are set equal to the claims provision in the financial statements as this represents the firm's best estimate of future claim cash flow. The claims provision is the sum of the expected claim payments and the associated claims handling expenses. The cash flows are not discounted currently since the average duration of the payments is less than 3 months after the valuation date.

The Risk Margin is calculated as the cost of capital the third party insurer would require taking on the liabilities and is calculated as 4% of the SCR for existing business.

Both the best estimate technical provision and risk margin contain an in built level of uncertainty within the calculation of the balance due to the estimated nature of the potential future liabilities of the business. Given the relatively small value of the best estimate technical provisions within the context of the total SCR and the volume of historical data available, the levels of uncertainty within the balance are deemed to be low.

In the calculation of the Best Estimate of the liabilities no allowance has been made for any of the transitional adjustments set out in the Delegated acts. We have made no adjustment for matching or volatility in the risk free rate or any transitional adjustments to overall technical provisions.

When viewing the difference between the UK Statutory Balance sheet value and the Solvency UK technical provisions the key differences relate to:

- Replacement of unearned premium reserve with best estimate of future premium income;
- Solvency UK Risk Margin; and
- Requirement to hold reserves to meet the costs of processing claims in the subsequent period

When considering the overall value of the technical provisions the business has viewed any events that may fall outside of the standard modelling of our required provisions to meet future insurance liabilities and concluded that these values are immaterial.

The Board consider the calculation of the technical provisions to be in line with the requirements of the Solvency UK Regulations.

### D.3 Other liabilities

The table below details other liabilities, other than technical provisions, of the UK GAAP balance sheet prepared under FRS 102 and how the valuation methodology differs under the valuation basis for the preparation of the Solvency UK balance sheet.

| Category of Liabilities | SII Valuation Basis  |
|-------------------------|--|
| Contingent Liabilities  | The balance represents the excess of liabilities over assets of a wholly owned subsidiary that has a negative net asset value.                                       |
| Other Provisions        | Other provisions represent amounts expected to be paid and are held at fair value.   |
| Payables (trade)        | Amounts expected to be paid (including taxation), liabilities are reflected at book value which is deemed equivalent to fair value equivalent due to short duration. |
| Other Liabilities       | Amounts expected to be paid not shown elsewhere, liabilities are reflected at book value which is deemed equivalent to fair value equivalent due to short duration.  |

The table below sets out, by material liability class, the valuation of each category under both Solvency UK and UK GAAP statutory account reported balances:

|  | 2025             | 2025             |
|--|------------------|------------------|
|  | Solvency II      | Statutory        |
|  | £                | £                |
| Contingent liabilities                     | 547,442          | -                |
| Provisions other than technical provisions | 114,458          | 114,458          |
| Deferred tax liabilities                   | 116,550          | 116,550          |
| Insurance & intermediaries payables        | 30,360           | 30,360           |
| Payables (trade, not insurance)            | 132,683          | 132,683          |
| Any other liabilities, not elsewhere shown | 1,850,102        | 1,850,102        |
| <b>Total other liabilities</b>             | <b>2,791,595</b> | <b>2,244,153</b> |

## E. CAPITAL MANAGEMENT

Capital management focuses on two main elements:

- Ensuring that the company holds sufficient capital to ensure coverage of regulatory capital requirements (Minimum Capital Requirement (MCR) and SCR) over the foreseeable planning horizon (currently a 3 yearly cycle); and
- Optimisation of the quality of capital available (as all capital currently held is historical retained earnings, other than deferred tax assets, this is the highest quality available under Solvency UK)

### E.1 Own funds

Sovereign Health Care has no shareholders and therefore our capital originates from retained earnings. Own Funds remain a combination the historical retained earnings. The excess of assets over liabilities on the Solvency UK balance sheet forms the reconciliation reserve:

|                                   | 2025       | 2024       |
|-----------------------------------|------------|------------|
|                                   | £          | £          |
| Excess of assets over liabilities | 83,815,656 | 79,222,208 |
| Other basic own fund items        | -          | -          |
| Reconciliation reserve            | 83,815,656 | 76,213,768 |

Under Solvency UK, own funds are classified into three tiers according to their ability to absorb losses, and only a limited proportion of own funds from the lower tiers can be used to cover the Solvency Capital Requirement or Minimum Capital Requirement.

All of Sovereign Health Care's capital in the Solvency UK Balance sheet is classed as Tier 1, this highest quality of capital. This is eligible to cover both the SCR and MCR. As at 31 December 2025, Sovereign Health Care has no deferred tax assets, which would be classed as Tier 3 capital, the lowest quality capital.

### E.2 MCR and SCR

Sovereign Health Care fully complies with the Standard Formula in the calculation of both the MCR and SCR. No material simplified methods or undertaking specific parameters have been used in the calculation of either the MCR or SCR. A detailed review of the assumptions within the model were undertaken and these were found to be appropriate for the firm. Set out below is a summary of our Retained Earnings/Own Funds, the MCR and SCR together with coverage ratios:

| As at 31 December 2025       | Solvency II<br>£ | UK GAAP<br>£ | Appendix<br>Reference |
|------------------------------|------------------|--------------|-----------------------|
| Own Funds/Retained Earnings  | 83,815,656       | 84,981,871   | IR.23.01              |
| Minimum Capital Requirement  | 8,474,072        | -            | IR.23.01              |
| Solvency Capital Requirement | 33,896,290       | -            | IR.23.01/IR.25.04     |
| SCR coverage ratio           | 247%             | -            | IR.23.01              |

The MCR, calculated using the standard formula, is detailed below:

| Overall MCR calculation            | 2025<br>£        | 2024<br>£        | Appendix<br>Reference |
|------------------------------------|------------------|------------------|-----------------------|
| Linear MCR                         | 561,486          | 558,592          | IR.28.01              |
| SCR                                | 33,896,290       | 26,917,400       | IR.28.01              |
| MCR cap                            | 15,253,330       | 12,112,830       | IR.28.01              |
| MCR floor                          | 8,474,072        | 6,729,350        | IR.28.01              |
| Combined MCR                       | 8,474,072        | 6,729,350        | IR.28.01              |
| Absolute floor of the MCR          | 2,400,000        | 2,400,000        | IR.28.01              |
| <b>Minimum Capital Requirement</b> | <b>8,474,072</b> | <b>6,672,384</b> |                       |

The SCR, calculated using the standard formula, detailed below:

|                                     | 31-Dec-25            | 31-Dec-24            |
|-------------------------------------|----------------------|----------------------|
| Risk Component                      | Capital Requirements | Capital Requirements |
| Basic Operational Risk Charge       | 333,589              | 329,433              |
| Interest Rate Risk                  | 350,106              | 191,589              |
| Equity Risk                         | 20,425,587           | 17,130,456           |
| Property Risk                       | 1,163,774            | 1,357,920            |
| Spread Risk                         | 1,828,402            | 1,123,201            |
| Currency Risk                       | 5,473,734            | 4,799,323            |
| Concentration Risk                  | -                    | 311                  |
| Market Risk                         | 29,241,603           | 24,602,801           |
| Counterparty Risk                   | 8,794,156            | 3,249,009            |
| Health Underwriting Risk            | 2,976,600            | 3,016,100            |
| Overall Diversification             | (7,449,658)          | (4,279,942)          |
| <b>Solvency Capital Requirement</b> | <b>33,896,290</b>    | <b>26,917,400</b>    |

### Risk Sensitivity and Solvency UK impact

We are strongly capitalised with a Solvency UK capital surplus of £49.9m (2024: £52.3m) representing a solvency cover ratio of 247% (2024: 294%).

|                                    | 2025       | 2024       |
|------------------------------------|------------|------------|
| Own Funds                          | 83,815,656 | 79,222,208 |
| Solvency Capital Requirement (SCR) | 33,896,290 | 26,917,400 |
| Solvency II Capital Surplus        | 49,919,367 | 52,304,808 |
| Solvency Capital Ratio             | 247%       | 294%       |

The SCR of £33.9m would change by an amount equal or opposite to 12% or less following a:

- 20% rise or fall in equities (surplus would increase by £5.4m/decrease by £5.5m respectively), or
- 100% rise in the volume of insurance underwritten (surplus would reduce by less than £715k)

The equity risk component of the Solvency Capital Requirement is £20.4m (2024: £17.1m). In performing sensitivity analysis, a 20% fall in the equity market would result in a £9.3m reduction in own funds and our Solvency UK coverage ratio would increase slightly to 248% whereas a 20% increase in the equity market would decrease our Solvency UK coverage ratio by 1% to 246%.

| Equity stress sensitivity | 20% decrease | 20% increase |
|---------------------------|--------------|--------------|
| SCR                       | 30,048,053   | 37,867,375   |
| Own Funds                 | 74,466,985   | 93,164,328   |
| Surplus                   | 44,418,932   | 55,296,953   |
| Solvency Capital Ratio    | 248%         | 246%         |
| Movement in surplus       | (5,500,434)  | 5,377,586    |
| Movement in SCR           | -11%         | 12%          |

### E.3 Other disclosures

#### Use of Duration based Equity Risk Sub module in the calculation of the SCR

The duration based equity risk sub module has not been used in the calculation of the SCR.

#### Difference between Standard Formula and any Internal Model used

No internal or partial internal model has been used in the calculation of the SCR.

#### Non Compliance with MCR and SCR

The company has maintained Own Funds in excess of the MCR and the SCR throughout the reporting period.

**APPENDIX – QUANTITATIVE REPORTING TEMPLATES**

# Sovereign Health Care

## Solvency and Financial Condition Report

### Disclosures

31 December

**2025**

(Monetary amounts in GBP thousands)

## General information

|   |   |
|---|---|
| Entity name   | Sovereign Health Care   |
| Entity identification code and type of code         | LEI/213800PGKJQYRABOJQ62                                      |
| Type of undertaking                                 | Non-life undertakings   |
| Country of incorporation                            | GB  |
| Language of reporting                               | en  |
| Reporting reference date                            | 31 December 2025  |
| Currency used for reporting                         | GBP   |
| Accounting standards                                | Local GAAP  |
| Method of Calculation of the SCR                    | Standard formula  |
| Matching adjustment                                 | No use of matching adjustment                                 |
| Volatility adjustment                               | No use of volatility adjustment                               |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions        | No use of transitional measure on technical provisions        |

## List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life obligations

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02

**Balance sheet**

|               |  | Solvency II<br>value |
|---------------|--|----------------------|
|               |  | C0010                |
| <b>Assets</b> |  |                      |
| R0030         | Intangible assets  |                      |
| R0040         | Deferred tax assets  |                      |
| R0050         | Pension benefit surplus  |                      |
| R0060         | Property, plant & equipment held for own use   | 893                  |
| R0070         | Investments (other than assets held for index-linked and unit-linked contracts)        | 77,610               |
| R0080         | <i>Property (other than for own use)</i>   | 5,407                |
| R0090         | <i>Holdings in related undertakings, including participations</i>                      | 241                  |
| R0100         | <i>Equities</i>  | 3                    |
| R0110         | <i>Equities - listed</i>   |                      |
| R0120         | <i>Equities - unlisted</i>   | 3                    |
| R0130         | <i>Bonds</i>   | 0                    |
| R0140         | <i>Government Bonds</i>  | 0                    |
| R0150         | <i>Corporate Bonds</i>   | 0                    |
| R0160         | <i>Structured notes</i>  | 0                    |
| R0170         | <i>Collateralised securities</i>   | 0                    |
| R0180         | <i>Collective Investments Undertakings</i>   | 71,960               |
| R0190         | <i>Derivatives</i>   |                      |
| R0200         | <i>Deposits other than cash equivalents</i>  | 0                    |
| R0210         | <i>Other investments</i>   | 0                    |
| R0220         | Assets held for index-linked and unit-linked contracts                                 |                      |
| R0230         | Loans and mortgages  | 0                    |
| R0240         | <i>Loans on policies</i>   | 0                    |
| R0250         | <i>Loans and mortgages to individuals</i>  |                      |
| R0260         | <i>Other loans and mortgages</i>   |                      |
| R0270         | Reinsurance recoverables from:   | 0                    |
| R0280         | <i>Non-life and health similar to non-life</i>   | 0                    |
| R0315         | <i>Life and health similar to life, excluding index-linked and unit-linked</i>         |                      |
| R0340         | <i>Life index-linked and unit-linked</i>   |                      |
| R0350         | Deposits to cedants  | 0                    |
| R0360         | Insurance and intermediaries receivables   | 618                  |
| R0370         | Reinsurance receivables  |                      |
| R0380         | Receivables (trade, not insurance)   | 760                  |
| R0390         | Own shares (held directly)   |                      |
| R0400         | Amounts due in respect of own fund items or initial fund called up but not yet paid in | 0                    |
| R0410         | Cash and cash equivalents  | 7,548                |
| R0420         | Any other assets, not elsewhere shown  | 166                  |
| R0500         | <b>Total assets</b>  | <b>87,595</b>        |

|                    |  | <b>Solvency II<br/>value</b> |
|--------------------|--|------------------------------|
|                    |  | C0010                        |
| <b>Liabilities</b> |  |                              |
| R0505              | Technical provisions - total                                       | 988                          |
| R0510              | <i>Technical provisions - non-life</i>                             | 988                          |
| R0515              | <i>Technical provisions - life</i>                                 | 0                            |
| R0542              | Best estimate - total  | 854                          |
| R0544              | <i>Best estimate - non-life</i>                                    | 854                          |
| R0546              | <i>Best estimate - life</i>  |                              |
| R0552              | Risk margin - total  | 134                          |
| R0554              | <i>Risk margin - non-life</i>                                      | 134                          |
| R0556              | <i>Risk margin - life</i>  |                              |
| R0565              | Transitional (TMTP) - life   |                              |
| R0740              | Contingent liabilities   | 547                          |
| R0750              | Provisions other than technical provisions                         | 114                          |
| R0760              | Pension benefit obligations  |                              |
| R0770              | Deposits from reinsurers   |                              |
| R0780              | Deferred tax liabilities   | 117                          |
| R0790              | Derivatives  |                              |
| R0800              | Debts owed to credit institutions                                  |                              |
| R0810              | Financial liabilities other than debts owed to credit institutions |                              |
| R0820              | Insurance & intermediaries payables                                | 30                           |
| R0830              | Reinsurance payables   |                              |
| R0840              | Payables (trade, not insurance)                                    | 133                          |
| R0850              | Subordinated liabilities   | 0                            |
| R0860              | <i>Subordinated liabilities not in Basic Own Funds</i>             |                              |
| R0870              | <i>Subordinated liabilities in Basic Own Funds</i>                 | 0                            |
| R0880              | Any other liabilities, not elsewhere shown                         | 1,850                        |
| R0900              | <b>Total liabilities</b>   | <b>3,779</b>                 |
| R1000              | <b>Excess of assets over liabilities</b>                           | <b>83,816</b>                |

IR.05.02.01

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

|                         | C0010   | C0020   | C0030 | C0040 | C0050 | C0060 | C0070                        |
|-------------------------|---|---|-------|-------|-------|-------|------------------------------|
|                         | Home Country                                  | Top 5 countries (by amount of gross premiums written) |       |       |       |       | Total Top 5 and home country |
| R0010                   | C0080   | C0090   | C0100 | C0110 | C0120 | C0130 | C0140                        |
| <b>Premiums written</b> |   |   |       |       |       |       |                              |
| R0110                   | Gross - Direct Business                       | 11,092  |       |       |       |       | 11,092                       |
| R0120                   | Gross - Proportional reinsurance accepted     |   |       |       |       |       | 0                            |
| R0130                   | Gross - Non-proportional reinsurance accepted |   |       |       |       |       | 0                            |
| R0140                   | Reinsurers' share                             |   |       |       |       |       | 0                            |
| R0200                   | Net   | 11,092  |       |       |       |       | 11,092                       |
| <b>Premiums earned</b>  |   |   |       |       |       |       |                              |
| R0210                   | Gross - Direct Business                       | 11,120  |       |       |       |       | 11,120                       |
| R0220                   | Gross - Proportional reinsurance accepted     |   |       |       |       |       | 0                            |
| R0230                   | Gross - Non-proportional reinsurance accepted |   |       |       |       |       | 0                            |
| R0240                   | Reinsurers' share                             |   |       |       |       |       | 0                            |
| R0300                   | Net   | 11,120  |       |       |       |       | 11,120                       |
| <b>Claims incurred</b>  |   |   |       |       |       |       |                              |
| R0310                   | Gross - Direct Business                       | 11,120  |       |       |       |       | 11,120                       |
| R0320                   | Gross - Proportional reinsurance accepted     |   |       |       |       |       | 0                            |
| R0330                   | Gross - Non-proportional reinsurance accepted |   |       |       |       |       | 0                            |
| R0340                   | Reinsurers' share                             |   |       |       |       |       | 0                            |
| R0400                   | Net   | 11,120  |       |       |       |       | 11,120                       |
| R0550                   | <b>Net expenses incurred</b>                  | 3,930   |       |       |       |       | 3,930                        |



IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

| Gross Claims Paid (non-cumulative) |       |       |       |       |                  |   |       |       |       |       |         |                 |                           |  |
|------------------------------------|-------|-------|-------|-------|------------------|---|-------|-------|-------|-------|---------|-----------------|---------------------------|--|
| (absolute amount)                  |       |       |       |       |                  |   |       |       |       |       |         |                 |                           |  |
| Year                               | C0010 | C0020 | C0030 | C0040 | Development year |   | C0070 | C0080 | C0090 | C0100 | C0110   | C0170           | C0180                     |  |
|                                    | 0     | 1     | 2     | 3     | 4                | 5 | 6     | 7     | 8     | 9     | 10 ft + | In Current year | Sum of years (cumulative) |  |
| Prior                              |       |       |       |       |                  |   |       |       |       |       |         | 0               | 0                         |  |
| R0160 -9                           | 6,535 | 704   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 7,240                     |  |
| R0170 -8                           | 6,520 | 625   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 7,145                     |  |
| R0180 -7                           | 6,627 | 641   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 7,268                     |  |
| R0190 -6                           | 7,011 | 652   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 7,663                     |  |
| R0200 -5                           | 4,862 | 508   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 5,371                     |  |
| R0210 -4                           | 6,197 | 624   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 6,821                     |  |
| R0220 -3                           | 6,231 | 662   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 6,893                     |  |
| R0230 -2                           | 7,082 | 695   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0               | 7,778                     |  |
| R0240 -1                           | 7,534 | 572   | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 572             | 8,106                     |  |
| R0250 0                            | 7,715 |       |       |       |                  |   |       |       |       |       |         | 7,715           | 7,715                     |  |
| R0260                              |       |       |       |       |                  |   |       |       |       |       |         | <b>Total</b>    | <b>8,287</b>              |  |
|                                    |       |       |       |       |                  |   |       |       |       |       |         |                 | <b>71,999</b>             |  |

| Gross Undiscounted Best Estimate Claims Provisions |       |       |       |       |                  |   |       |       |       |       |         |                            |
|--|-------|-------|-------|-------|------------------|---|-------|-------|-------|-------|---------|----------------------------|
| (absolute amount)                                  |       |       |       |       |                  |   |       |       |       |       |         |                            |
| Year   | C0200 | C0210 | C0220 | C0230 | Development year |   | C0260 | C0270 | C0280 | C0290 | C0300   | C0360                      |
|  | 0     | 1     | 2     | 3     | 4                | 5 | 6     | 7     | 8     | 9     | 10 ft + | Year end (discounted data) |
| Prior  |       |       |       |       |                  |   |       |       |       |       |         | 0                          |
| R0160 -9   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0170 -8   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0180 -7   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0190 -6   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0200 -5   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0210 -4   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0220 -3   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0230 -2   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0240 -1   | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0250 0  | 0     | 0     | 0     | 0     | 0                | 0 | 0     | 0     | 0     | 0     | 0       | 0                          |
| R0260  |       |       |       |       |                  |   |       |       |       |       |         | <b>Total</b>               |
|  |       |       |       |       |                  |   |       |       |       |       |         | <b>0</b>                   |

| Gross premium |  |   |   |
|---------------|--|---|---|
|               | C0570  | C0580                                   |   |
|               | Gross earned premium at reporting reference date | Estimate of future gross earned premium |   |
| R0160         | N-9  | 10,605                                  | 0 |
| R0170         | N-8  | 10,764                                  | 0 |
| R0180         | N-7  | 10,978                                  | 0 |
| R0190         | N-6  | 10,911                                  | 0 |
| R0200         | N-5  | 10,677                                  | 0 |
| R0210         | N-4  | 10,210                                  | 0 |
| R0220         | N-3  | 9,983                                   | 0 |
| R0230         | N-2  | 9,984                                   | 0 |
| R0240         | N-1  | 10,981                                  | 0 |
| R0250         | N  | 11,120                                  | 0 |



IR.25.04.21

**Solvency Capital Requirement**

**Net of loss absorbing capacity of technical provisions**

|                                    |  | C0010         |
|------------------------------------|--|---------------|
| <b>Market risk</b>                 |  |               |
| R0070                              | Interest rate risk   | 2,216         |
| R0080                              | Equity risk  | 21,885        |
| R0090                              | Property risk  | 1,575         |
| R0100                              | Spread risk  | 2,427         |
| R0110                              | Concentration risk   | 0             |
| R0120                              | Currency risk  | 9,617         |
| R0125                              | Other market risk  |               |
| R0130                              | Diversification within market risk                                       | -8,479        |
| R0140                              | <b>Total Market risk</b>   | <b>29,242</b> |
| <b>Counterparty default risk</b>   |  |               |
| R0150                              | Type 1 exposures   | 8,712         |
| R0160                              | Type 2 exposures   | 109           |
| R0165                              | Other counterparty risk  |               |
| R0170                              | Diversification within counterparty default risk                         | -27           |
| R0180                              | <b>Total Counterparty default risk</b>                                   | <b>8,794</b>  |
| <b>Life underwriting risk</b>      |  |               |
| R0190                              | Mortality risk   |               |
| R0200                              | Longevity risk   |               |
| R0210                              | Disability-Morbidity risk  |               |
| R0220                              | Life-expense risk  |               |
| R0230                              | Revision risk  |               |
| R0240                              | Lapse risk   |               |
| R0250                              | Life catastrophe risk  |               |
| R0255                              | Other life underwriting risk   |               |
| R0260                              | Diversification within life underwriting risk                            |               |
| R0270                              | <b>Total Life underwriting risk</b>                                      | <b>0</b>      |
| <b>Health underwriting risk</b>    |  |               |
| R0280                              | Health SLT risk  | 0             |
| R0290                              | Health non SLT risk  | 1,730         |
| R0300                              | Health catastrophe risk  | 2,028         |
| R0305                              | Other health underwriting risk   |               |
| R0310                              | Diversification within health underwriting risk                          | -781          |
| R0320                              | <b>Total Health underwriting risk</b>                                    | <b>2,977</b>  |
| <b>Non-life underwriting risk</b>  |  |               |
| R0330                              | Non-life premium and reserve risk (ex catastrophe risk)                  |               |
| R0340                              | Non-life catastrophe risk  |               |
| R0350                              | Lapse risk   |               |
| R0355                              | Other non-life underwriting risk   |               |
| R0360                              | Diversification within non-life underwriting risk                        |               |
| R0370                              | <b>Non-life underwriting risk</b>  | <b>0</b>      |
| R0400                              | <b>Intangible asset risk</b>   |               |
| <b>Operational and other risks</b> |  |               |
| R0422                              | Operational risk   | 334           |
| R0424                              | Other risks  |               |
| R0430                              | <b>Total Operational and other risks</b>                                 | <b>334</b>    |
| R0432                              | <b>Total before all diversification</b>                                  | <b>50,633</b> |
| R0434                              | Total before diversification between risk modules                        | 41,346        |
| R0436                              | Diversification between risk modules                                     | -7,450        |
| R0438                              | <b>Total after diversification</b>                                       | <b>33,896</b> |
| R0440                              | Loss absorbing capacity of technical provisions                          |               |
| R0450                              | Loss absorbing capacity of deferred tax                                  |               |
| R0455                              | Other adjustments  |               |
| R0460                              | <b>Solvency capital requirement including undisclosed capital add-on</b> | <b>33,896</b> |
| R0472                              | Disclosed capital add-on - excluding residual model limitation           |               |
| R0474                              | Disclosed capital add-on - residual model limitation                     |               |
| R0480                              | <b>Solvency capital requirement including capital add-on</b>             | <b>33,896</b> |
| R0490                              | Biting interest rate scenario  |               |
| R0495                              | Biting life lapse scenario   |               |

IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

|       |     |
|-------|-----|
| C0010 | 561 |
|-------|-----|

| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|
|---|---|

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

| C0020 | C0030  |
|-------|--------|
| 854   | 11,092 |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |
| 0     |        |

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

|       |   |
|-------|---|
| C0040 | 0 |
|-------|---|

| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|--|
|---|--|

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

| C0050 | C0060 |
|-------|-------|
|       |       |
|       |       |
|       |       |
|       |       |

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

|       |        |
|-------|--------|
| C0070 | 561    |
|       | 33,896 |
|       | 15,253 |
|       | 8,474  |
|       | 8,474  |
|       | 2,400  |
|       | 8,474  |