nucleus

Suffolk Life Annuities Limited

Solvency and Financial Condition Report (SFCR) Year End 2024

Contents

Summary

The purpose of the Solvency Financial and Condition Report (SFCR) is to provide information about the capital position as at 31 December 2024 of Suffolk Life Annuities Limited (SLAL) based on the UK Solvency II requirements.

This report sets out different aspects of SLAL's business and performance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Business Performance

SLAL is a limited company incorporated and domiciled in the UK and is a subsidiary of Curtis Banks Group Limited. Curtis Banks Group Limited is a subsidiary of the Nucleus Clyde Acquisition Limited which is part of the Nucleus Financial Platforms Limited Group (the 'Group'), SLAL provides long-term linked life insurance products in the form of Self-Invested Personal Pensions (SIPPs) and other self-invested products.

For the year ended 31 December 2024 SLAL made a profit after tax of £359k (2023: £435k).

Systems of Governance

SLAL's system of governance encompasses the overall framework and structure adopted to ensure it meets the requirements of a robust risk management function. This section of the report provides details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to the SLAL Board.

Roles and responsibilities for risk management comprise of a three lines of defence model. The risk governance framework enables the various Boards (incorporating the SLAL Board alongside the other regulated entities within the Group) to be satisfied that the embedded risk culture is effectively dealing with risks to which the Group may be exposed. The key elements of the framework include:

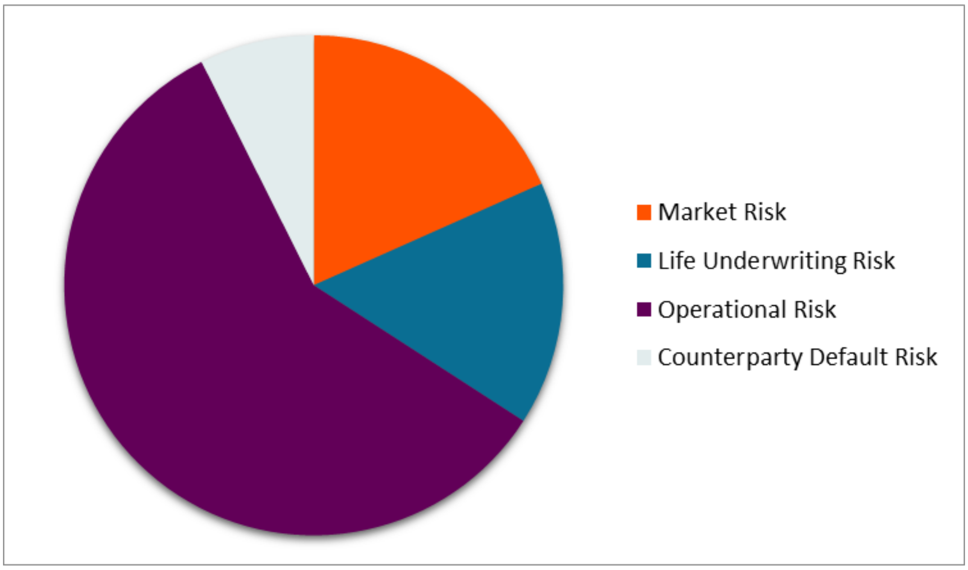
- Focused risk appetite statements
- Risk Management Framework, Policies and Procedures
- Regular analysis of material risk exposures via the robust governance structure

Further details on our Systems of Governance are detailed in Section B.

Risk Profile

SLAL is a unit-linked business that does not provide any guarantees on its products. The main sources of risk exposure for SLAL are operational risk and from the recognition of future profits on SLAL's UK Solvency II balance sheet which drive the Solvency Capital Requirement (SCR) risks.

The chart below sets out SLAL's risk profile, based on the Solvency Capital Requirement determined on a standard formula basis:



Valuation for Solvency Purposes

SLAL's UK Solvency II balance sheet is constructed under the UK Solvency II rules and guidance. The table below sets out the SLAL's UK Solvency II balance sheet as at 31 December 2024 and 31 December 2023:

£'000	31 Dec 2024	31 Dec 2023
Assets		
Assets held for index-linked and unit-linked contracts	3,599,933	3,460,226
Other Assets	9,826	9,173
Total Assets	**3,609,759**	**3,469,399**
Liabilities		
Technical provisions - index-linked and unit-linked	3,592,968	3,453,795
Other Liabilities	8,683	7,919
Total Liabilities	**3,601,651**	**3,461,714**
Own Funds	**8,109**	**7,685**

Capital Management

SLA's capital management strategy is to ensure that there are sufficient own funds to meet the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), whichever is the biting requirement. As at the 31 December 2024 the biting capital requirement was the MCR which was £3,500k (2023: £3,495k) and own funds totalled £8,109k (2023: £7,685k). This gives capital coverage of 232% (2023: 220%), well within SLAL's risk appetite. The SCR for SLAL as at the 31 December 2024 was £3,487k (2023: £3,102k) and own funds coverage of the SCR was 233% (2023: 248%).

SLAL monitors its capital coverage monthly as part of management's finance and risk review. During the period SLAL has maintained compliance with both the SCR and MCR and its target capital coverage.

SLAL's capital items are all classified as tier 1 capital.

Directors Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the UK Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the UK Solvency II Regulations as applicable to the insurer; and
b) It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

Director

For and on behalf of Suffolk Life Annuities Limited

Date:

Auditors Report

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF SUFFOLK LIFE ANNUITIES LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT PART OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2024:

the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2024, ('the Narrative Disclosures subject to audit'); and

Company templates IR.02.01.02, IR.12.01.02, IR.23.01.01, IR.25.04.21, IR.28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates IR.05.03.01

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the SFCR, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

Our evaluation of the directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- Assessing the key assumptions underpinning management's future forecasts. This included analysing their alignment with our independent understanding of the company's operations, market position, available industry data, and the anticipated macroeconomic environment.
- Performing a comparative analysis of historical forecasts against actual results. Evaluating the accuracy and potential biases inherent in management's forecasting methodologies.
- Inspecting the company's Own Risk and Solvency Assessment (ORSA) report to evaluate completeness of risks considered within going concern assessment.
- Evaluating the adequacy and appropriateness of disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the SFCR is authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A and the PRA Rulebook for Solvency II firms.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rulebook for Solvency II firms.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law.

We discussed among the audit engagement team, including relevant internal specialists such as actuarial, tax, property valuations and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance with the PRA and FCA.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Suffolk Life Annuities Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

This report is made solely to the Directors of Suffolk Life annuities in accordance with Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Stephen Williams

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

2 April 2025

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit Solo standard formula

The relevant elements of the SFCR that are not subject to audit comprise:

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

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Section A: Business and Performance

A1: Business

A1.1: Name and legal form of the undertaking

Suffolk Life Annuities Limited (SLAL)

A1.2: Name and contact details of the supervisory authority

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
E20 1JN

A1.3: Name and contact details of the external auditor

Deloitte LLP
9 Haymarket Square
Edinburgh
EH3 8RY

A1.4: Qualifying holdings in the undertaking

During the reporting period 100% of the voting rights of SLAL were held by Suffolk Life Group Limited. The voting rights of Suffolk Life Group Limited are held by Curtis Banks Group Limited.

A1.5: UK Solvency II reporting currency

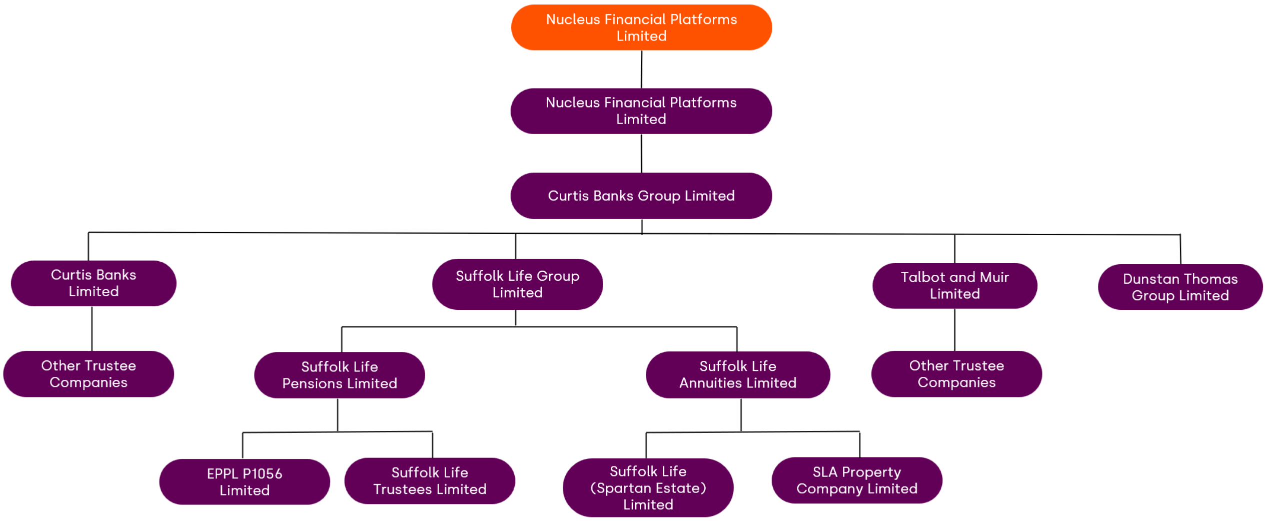
SLAL reports on a UK Solvency II basis in GBP.

A1.6 Reporting Period

This report covers the financial position as at 31 December 2024.

A1.7: SLAL position within the legal structure of the group

The corporate structure of the main UK operating entities is set out below:



A1.8: Any significant business or other events over the reporting period

There have not been any significant events during the reporting period.

A1.8.1: Product Range Changes

There have been no product changes during the year.

A1.8.1.1: New products

SLAL has not written any new products during the reporting period.

A1.8.1.2: Product design changes

The products that SLAL writes have not changed during the reporting period.

A1.8.2: Company structure and changes

The following changes in the Directors of SLAL occurred during the reporting period and up to the date on which the SFCR was signed:

Remained in office	Appointments	Resignations
A Clarkson (Chairman)	C Bousfield (Non-executive Director)	J Davidson (Non-executive Director)
P Docherty (Director)	C Riley (Non-executive Director)	
R Hoskins (Non-executive Director)		
M Regan (Director - CEO)		

A2: Underwriting performance

The following table sets out SLAL's underwriting performance (all activity relates to the UK) over the year:

£'000	31 Dec 2024	31 Dec 2023	Variance
Premiums Written			
Gross	174,557	155,475	19,082
Net	174,557	155,475	19,082
Claims Incurred			
Gross	313,026	273,246	39,780
Net	313,026	273,246	39,780
Expenses			
Overhead Expenses	12,580	13,007	(427)
Investment Management Expenses	38,188	38,251	(63)
Total Expenses	**50,768**	**51,258**	**(490)**

As SLAL's products are comprised of investment contracts held in pension wrappers the underwriting performance does not materially impact SLAL's income or risk profile. Income is generated from the charging of fixed annual and event-based fees. Please refer to Section C for the impact on the risk profile.

Premium income is received through:

- The payment of pension contributions.
- Transfers-in of existing self-invested personal pensions (SIPP) and similar self-invested products.
- New investments into trustee investment plan (TIP) contracts.

Claims result from:

- The drawing of retirement benefits.
- Dis-investments from TIPs.
- Transfers out to other pension products offered by other pension providers.
- Payment of pension death benefits.

Expenses for SLAL are split between the overhead expenses borne by SLAL and the investment management expenses which are paid by policyholders from the unit-linked fund.

A3: Investment performance

Assets held to cover technical provisions are selected by policyholders, or their appointed advisers, or where applicable, by asset managers selected by the policyholders and appointed for the purpose by SLAL. The assets are legally and beneficially owned by SLAL. SLAL is required to maintain assets to match its policyholder liabilities at all times.

The following assets are held to cover technical provisions for unit linked liabilities.

Assets held in unit linked policies (£'000)	31 Dec 2024	31 Dec 2023	Variance
Investment properties	1,118,765	1,075,300	1,075,300
Debt securities and other fixed interest securities	80,954	78,445	2,509
Quoted shares and other variable yield securities	2,154,929	2,048,003	106,926
Cash at Bank and in hand	98,921	112,296	(13,375)
Cash Equivalents	8,787	4,599	4,188
Term Deposits with Credit Institutions	179,214	182,184	(2,970)
Other Assets	9,553	13,777	(4,224)
Total Assets	**3,651,123**	**3,514,604**	**136,519**
Other payables	51,190	54,378	(3,188)
Net Assets	**3,599,933**	**3,460,226**	**139,707**

The following assets were held by SLAL for the shareholders:

Assets held by SLAL (£'000)	31 Dec 2024	31 Dec 2023	Variance
Deferred Tax	1	1	-
Cash at Bank and in hand	5,953	5,576	377
Other assets	3,872	3,597	275

A3.1: Information on income and expenses arising from investments over the reporting period

The following returns and expenses were incurred on the unit linked assets during the year:

Investments for the benefit of policyholders (£'000)	31 Dec 2024	31 Dec 2023	Variance
Rental income	80,850	83,841	(2,991)
Interest received	9,650	7,467	2,183
Investment income on equities and collective investments	40,497	36,746	3,751
Investment and administration expenses	(38,188)	(38,251)	63
Net realised (losses)/gains on investments	41,126	23,435	17,691
Net unrealised (losses)/gains on investments	144,243	76,866	67,377
Total net investment (losses)/return	**278,177**	**190,104**	**88,073**

A3.2: Information about any gains and losses recognised directly in equity over the reporting period

The following table sets out the changes in equity over the reporting period:

(£'000)	Share capital	Retained earnings	Total shareholders funds
Balance at 1 January 2023	1	334	335
Profit for the year	-	435	435
Dividend	-	-	-
Balance at 31 December 2023	1	769	770
Profit for the year	-	359	359
Dividend Paid	-	(400)	(400)
Balance at 31 December 2024	**1**	**728**	**729**

A3.3: Information about any investments in securitisation over the reporting period

SLAL was not exposed to any investments in securitisation over the period.

A4: Performance of other activities

The Company's only activity is that of a unit-linked insurer.

The following income arose from the insurance activities of SLAL:

(£'000)	31 Dec 2024	31 Dec 2023	Variance
Fees for the provision of SIPPS and similar self-invested products	7,582	7,374	208
Interest received	4,707	5,528	(821)
Commissions	674	586	88
Total income	12,963	13,488	(525)

The following expenses were incurred in SLAL performing insurance activities:

(£'000)	31 Dec 2024	31 Dec 2023	Variance
Fees for administration services	11,898	12,114	(216)
Regulatory Fees	191	306	(115)
Audit and actuarial fees	424	440	(16)
Other expenses	67	147	(80)
Total expenses	**12,580**	**13,007**	**(427)**

The fees for administrative services represent the fee paid to Suffolk Life Pensions Limited (SLP) for the provision of administration services. The contract between SLAL and SLP allows for the Regulatory Fees, Audit and actuarial fees in the above table to be deducted from the total administration services fee paid to SLP.

A5: Any other information

There are no other material aspects to disclose which are not covered in the above sections.

Section B: System of Governance

B1: General Information on the system of governance

SLAL's system of governance encompasses the overall framework and structure adopted to ensure it meets the requirements of a robust risk management function. This section of the report provides details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to the SLAL Board.

B1.1: Structure of the SLAL System of Governance

The Chief Executive Officer (SMF1) for SLAL (the Chief Commercial Officer for the Group) is responsible for running the business on a day-to-day basis, as authorised by the SLAL Board. Material decisions are discussed monthly by the Executive Committee (EXCO) and escalated to the SLAL Board when required. The SLAL Board meets as a minimum four times a year. During 2024, there were periods where regulatory approval was being sought for a new SMF1, SMF2 and SMF12. All Prescribed Responsibilities were vested with existing SMF holders for SLAL during the period of no SMF being in place, and a detailed handover was undertaken as part of the change in these role holders.

The EXCO is responsible for the governance of SLAL, SLP and other entities within the wider Group, and items affecting all areas of the business are discussed. These are then escalated to the relevant Board on a quarterly basis.

B1.2: SLAL System of Governance

A summary of the SLAL System of Governance is set out below. Further details are provided within the Group Management Responsibilities Map, which covers Systems of Governance for the Group.

The SLAL Board is committed to high standards of corporate governance. The SLAL Board has appointed an independent Actuarial Function Holder and completes an annual review of Governance and its committee structures or more frequently whenever there is a material change in the business which requires a change to the system of governance.

B1.2.1: SLAL Board of Directors

The following were members of the SLAL Board or held a SMF Function as at 31 December 2024 and up to the date on which the SFCR was signed. Further details on appointment changes during the period are set out in A1.8.2:

Name	SMF Role	Period Held*
James Keely	SMF4 Chief Risk Function	01/01/24 - 31/01/24
	SMF16 Compliance Oversight	01/01/24 - 31/01/24
	SMF17 Money Laundering Reporting Officer (MLRO)	01/01/24 - 31/01/24
Peter Docherty	SMF1 Chief Executive	01/01/24 - 19/02/24
	SMF3 Executive Director	Full period

	SMF4 Chief Risk Function	Full period
	SMF16 Compliance Oversight	Full period
	SMF17 Money Laundering Reporting Officer (MLRO)	01/02/24 - 29/07/24
Andrew Weller	SMF17 Money Laundering Reporting Officer (MLRO)	29/07/24 - Present
Mark Hastings	SMF2 Chief Finance	08/02/24 - 09/02/24
Alexander Filshie	SMF2 Chief Finance	14/08/24 - 20/12/24
	SMF7 Group Entity Senior Manager	19/03/24 - 20/12/24
Richard Rowney	SMF7 Group Entity Senior Manager	Full period
Mike Regan	SMF7 Group Entity Senior Manager	01/01/24 - 18/03/24
	SMF1 Chief Executive	08/03/24 - Present
Gordon Wilson	SMF7 Group Entity Senior Manager	Full period
	SMF13 Chair of the Nominations Committee	27/06/24 - Present
Alastair James Clarkson	SMF9 Chair	Full period
	SMF10 Chair of the Risk Committee	09/02/24 - 09/10/24
Richard Hoskins	SMF11 Chair of the Audit Committee	Full period
To be appointed	SMF14 Senior Independent Director	N/A
Alison Longbottom	SMF18 Other Overall Responsibility	Full period
Gordon Craig Wood	SMF20 Chief Actuary	Full period
Jenny Thorpe	SMF24 Chief Operations	01/07/24 - Present
Ross Allan	SMF24 Chief Operations	Full period
Judith Davidson	SMF12 Chair of the Remuneration Committee	01/01/24 - 09/05/24
Cathryn Riley	SMF12 Chair of the Remuneration Committee	26/07/24 - Present

Clare Bousfield	SMF10 Chair of the Risk Committee	09/10/24 - Present

* In the event of any time gaps between appointments, any Prescribed Responsibilities were temporarily held by existing SMFs

A number of individuals are also Certified by SLAL, and as part of this process undergo a Fitness & Propriety assessment. All appointed individuals are considered to have the skills, knowledge and expertise to discharge their duties as required by the SLAL Board.

B1.2.2: Roles and Duties of the SLAL Board

The SLAL Board meets quarterly with additional Board meetings being convened to meet business needs. The Board of Directors carries the responsibility for the oversight of the business and sets its strategy and risk appetite. SLAL has a schedule of agenda items which identifies the regular and standing items that are considered at each Board meeting.

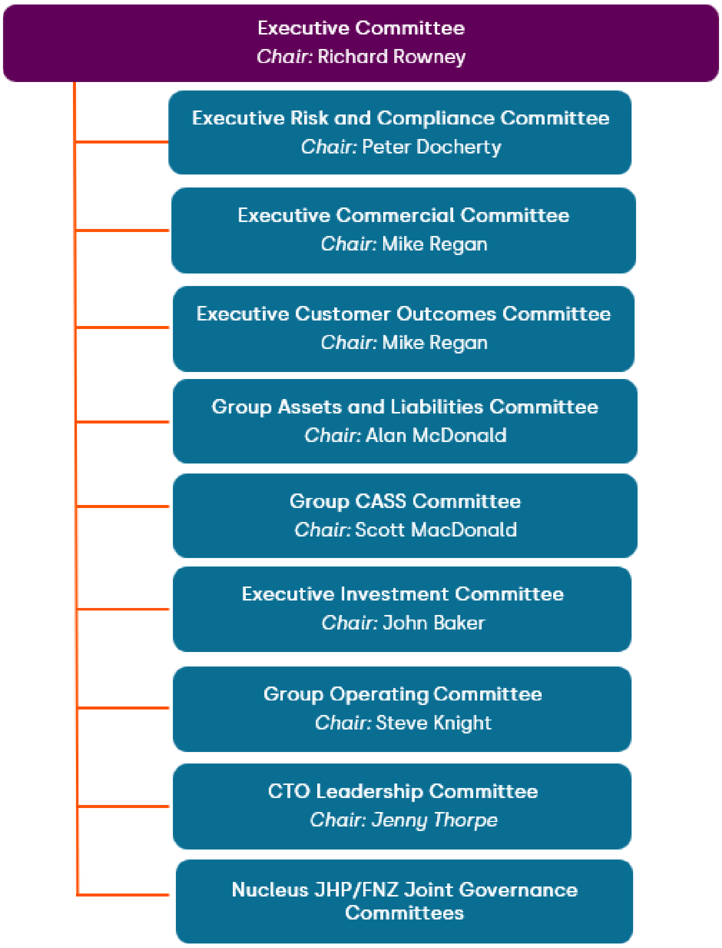
At each quarterly Board meeting the SLAL Board receives a business update from the Chief Executive, which contains key updates regarding Sales, Operational and Property administration performance, IT and HR. The Chief Financial Officer and the Chief Risk Officer also provide the Board with financial and risk & compliance reports.

The Executive Committee (EXCO) is delegated responsibility by the Group Board for the governance of the regulated entities of the Group, and items affecting all areas of the business are discussed. Items are escalated to the relevant Board on a quarterly basis. There is a defined schedule of matters reserved for the SLAL Board and those matters which are not reserved are delegated to the relevant Governance Committees across the wider group. The following are direct sub-committees of EXCO:

- Executive Risk & Compliance Committee
- Executive Commercial Committee
- Executive Customer Outcomes Committee
- Group Asset and Liability Committee
- Group CASS Committee
- Executive Investment Committee
- Group Operating Committee
- CTO Leadership Committee

B1.2.3: SLAL Board Committees

The Group committee structure as at year-end 2024 is outlined and detailed below:



Committee name	Role Overview
Executive Risk & Compliance Committee (ERCC)	The Committee is responsible for the monitoring and oversight of assurance, risk, compliance, financial crime, ICARA, ORSA, and internal audit, including reviewing the business' response to the outputs of these areas and ensuring that each element operates within appetite. It allows an opportunity for the Executive to have a more in-depth review of the risks they own and manage. It has a dotted line to the BRC.
Executive Commercial Committee	The Committee is responsible for reviewing new commercial deals, product proposals and strategic marketing projects and for reviewing the performance of existing pricing arrangements.

Executive Customer Outcomes Committee	The Committee is responsible for ensuring the Nucleus group is acting with good conduct in relation to our customers by focussing on great customer outcomes and positive customer experience and regularly assessing our products in terms of fair value and design.
Group Asset and Liability Committee	The Committees purpose is to review and assess the group's assets and liabilities, develop strategies to optimise them, and support the CFO in their oversight and management of Financial Risk (a Group Level 1 Risk), which includes capital, liquidity, credit and interest rate risk.
Group CASS Committee	The Committee is responsible for playing a pivotal role in promoting a positive CASS culture and awareness throughout the group. The committee monitors and oversees adherence to our group CASS framework, policies and processes.
Executive Investment Committee	The Committee is responsible for helping manage the risks associated with investment by customers in non-standard investments.
Group Operating Committee	The Committee is responsible for providing oversight and assurance that, across all regulated subsidiaries, the required outcomes are being effectively delivered in line with agreed group objectives.
CTO Leadership Committee	The Committee is responsible for providing oversight and to drive continuous improvement enabling the CTO to have confidence that the function is delivering on their responsibilities.

B1.2.4: Risk Management

The internal control system comprises a three lines of defence model, whereby first line manages risks, second line oversee and challenge the management of risk, and third line provide independent assurance that risks are effectively managed and there is appropriate oversight in place.

The risk governance framework enables the Group Board and subsidiary Boards to be satisfied that the risks to which the Group may be exposed are being appropriately identified and managed, and that the risks of significant financial loss or damage to our reputation are being minimised.

Compliance with the requirements is supported by the assurance that key elements of the risk environment are kept under review and that all matters arising are recorded and reported within the risk management framework. A groupwide Operational Risk Management System is fully embedded to support this.

B1.3: SLAL Governance changes over the period

Changes to SMF roles during the period are set out under B1.2.1.

** In the event of any time gaps between appointments, any Prescribed Responsibilities were temporarily held by existing SMFs

B1.4: Remuneration Committee and Policies

The Remuneration Committee, chaired by the SMF12 function holder, is responsible for the Remuneration Policy for SLAL and the wider Group.

The Remuneration Committee is a Committee of the Group Board responsible for ensuring that the overall reward philosophy for all employees is consistent with achievement of the Group's strategic objectives, aligned to the Group's purpose, values and risk appetite. It oversees, challenges and approves the Group's remuneration approach ensuring it is in the best interests of the Group and relevant stakeholders (including customers and shareholders).

The principal purposes of the Remuneration Committee are:

- To ensure that obligations are being met in terms of the setting and implementation of remuneration policy and practice.
- To ensure that directors and executive management are motivated and fairly rewarded for their individual contributions to the overall company performance and are encouraged to operate within Group risk appetite.
- To demonstrate that both remuneration policy and practice is set by a committee which has no personal interest in the outcome of its decisions and who will give due regard to the delivery of sustained growth in shareholder value and to the financial and commercial health of the Group.
- To ensure that the Remuneration Committee and Group Board have sufficient oversight and awareness of our people and reward strategy, culture and associated policies.
- To ensure that we can recruit and retain high calibre executive management through fair and attractive, but not excessive, remuneration packages.

The Group Remuneration policy plays a key role in supporting the delivery of sustained growth in shareholder value and to the financial and commercial health of the group by ensuring that our people within the scope of the policy are motivated and fairly rewarded for their individual contributions to our overall performance and are encouraged to operate within group risk appetite.

B1.5: Material transactions over the period

No material transactions during the period.

B1.6: Adequacy of systems of governance

The groupwide governance structure is reviewed on an annual basis.

The Terms of Reference are updated annually to reflect the apportionment of responsibility and ensure clear channels of decision making are in place.

B2: Policies and processes to ensure persons in the key functions are fit and proper

B2.1: Overview

SLAL maintains procedures for ensuring that Board members and individuals responsible for key governance functions are 'fit' (i.e. have appropriate qualifications, knowledge and experience) and 'proper' (i.e. they are of good repute and integrity).

B2.2: Determining an individual's Fitness and Propriety

SLAL has regard to a number of factors when assessing the fitness and propriety of its approved persons. The responsibilities placed on senior management are articulated under the Senior Managers & Certification Regime (SM&CR). The key considerations for SLAL are:

- Honesty, Integrity & Reputation
- Competence & Capability
- Financial Soundness

A defined policy and process is in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the Regulator is submitted for approval. The SLAL Board will not support an application for approval or a notification if it believes that the candidate fails to meet any element of the fit and proper test.

These criteria are also important when assessing the continuing fitness and propriety of approved persons and SMF function holders. From time to time, and at least annually, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status remains unchanged.

The group also employs the following procedures to assess fitness and propriety:

- Performance against internal policies and procedures;
- Annual vetting checks;
- Annual CPD completion requirements;
- Annual performance reviews and competency assessment, and
- Annual self-attestation, with sign-off by the employee's line manager.

B2.3: Outsourced Key Functions

The SLAL Board outsources certain functions where this can provide enhanced technical skill and greater expertise than if the function remained in-house. Details of the outsourced functions are detailed in section B7.

B3: Risk management system including own risk and solvency assessment

B3.1: Risk Management System Overview

Risk exposures are recorded on departmental Risk Registers and discussed within the appropriate forums. A regular assessment of key controls and mitigating risk factors is performed by business management. Key risks and mitigating actions are escalated to the Executive Risk & Compliance Committee if required. The risk framework helps manage the approach to risk based capital requirements.

B3.2: Risk Governance

The Risk Management Framework comprises of the following key sections. Further details are provided below:

1. Role of the Board and Executive Team
2. Risk Appetite
3. Policy Framework
4. Three Lines of Defence Model
5. Mandate of the Risk Team
6. Identification, Measurement & Control
7. Monitoring, Aggregation & Reporting
8. Culture
9. Resources & Capabilities

B3.3: Role of the Board and Executive Team

The Group Board, and in turn the SLAL Board, are responsible for ensuring maintenance of a sound system of internal control and risk management. This includes setting risk appetite, reviewing risk and control processes to support its strategy and objectives and, undertaking an annual assessment of these processes. Certain responsibilities for risk oversight are delegated to the Executive Committee or Executive Risk & Compliance Committee.

B3.4: Risk Appetite

SLAL adheres to the Risk Management Framework. SLAL has limited tolerance for significant operational losses due to the likely reputational damage and costs associated with these. The Risk Appetite Framework for the group outlines the primary risks applying to the Group, including SLA. The framework sets out acceptable and tolerable limits within which the group will operate with the aim of achieving its corporate objectives. This is reviewed and approved by the Group Board on an annual basis.

B3.5: Policy Framework

Our policies are an essential part of how we manage risk in our business and the risk appetite thresholds within which we should manage those risks. The Group Policy Framework provides a consistent set of standards that our policies should meet, aligned to our Board approved risks. The policy framework sets out how we create and maintain all our policies, how we communicate them across the business, and how we monitor that they are operating successfully.

B3.6: Three Lines of Defence Model

SLAL utilises the 'three lines of defence' model, whereby:

- First Line - Business management and front line staff manage risks. The systems, internal controls, overall control environment and business culture of SLAL is critical in anticipating and ensuring timely escalation of risks that arise or may arise. The business relies on the first line teams to have primary accountability for managing their own risks, and understand where tolerances may be breached.
- Second Line - The Risk Team and Governance Committees oversee and challenge the management of risk. This line provides the oversight and guidance where necessary, and maintains the tools used by the first line in managing their risks. The second line escalates risks via the group wide governance framework, supporting both the first line and the Senior Managers in understanding the key risks to the business.
- Third Line - Internal Audit provides assurance that risks are effectively managed and that there is appropriate oversight and information flow to the relevant Boards. This function is outsourced to a third party, who are responsible for internal audit for all regulated entities within the Group.

B3.7: Mandate of the Risk Team

Risk management is the responsibility of all business managers and directors. They are supported in this role by the Risk Team, who promote implementation of the Risk Management Framework in line with agreed risk appetite. Internal Audit will provide independent assurance to the Board on both the effectiveness of the Risk Management Framework, and the adherence to the framework by business divisions.

The Chief Risk Officer (CRO), supported by the Risk Team, is independent of the business line, with an independent reporting line to the Chief Executive Officer. The CRO leads the 'second line of defence', providing advice, oversight and challenge for all risks and is involved, where appropriate, in all material decisions to influence and provide objective challenge (e.g. Products, Pricing, Projects, Strategy etc.).

B3.8: Identification, Measurement & Control

A structured framework has been established to support the identification and assessment of risk. The Chief Risk Officer and Risk Team support the process of risk identification and assessment, and provide objective review and challenge.

Risks are assessed on an inherent basis (i.e. if no controls were in place to reduce the level of risk) initially and then taking account of the mitigating controls. The risk is assessed and scored with respect to the impact and likelihood that it will arise given the controls which have been put in place (the residual risk).

Risk assessments take into account many factors including previous risk experience, incident resolution and the results of investigations, legacy reviews and gap analysis. Likewise similar factors should be taken into account in assessing mitigating controls, which should also consider design and actual performance of the control. The residual risk is then reviewed against risk appetite.

Low impact/likelihood risks are monitored via the sub-committees within the governance structure. These only require escalation when certain thresholds are breached. This means department specific committees are able to focus on a number of the low level risks affecting their area, and are able to identify where these risks may combine to form a more significant risk. At such a point, the aggregate risk arising may be escalated to the ERCC.

B3.9: Monitoring, Aggregation & Reporting

When a risk has been identified and assessed, senior management must determine their response to it.

The Board expects that all significant risks and all those outside the appetite of the firm will have mitigating actions in place to deal with the risk in line with one of the courses of action detailed above.

Significant risks cannot be accepted except under very limited circumstances, and then only after Board approval to risk accept for a defined period, if unavoidable in the short-term. Where we determine that further actions are required to mitigate a risk, these must be recorded in the appropriate risk register. Actions should have an appropriate owner, be specific, realistic and have an action completion date or milestone to completion.

B3.10: Culture

For the framework to operate successfully, it must build on the culture and behaviours within the business. The risk aware culture in place within the group is based upon the following principles:

- There is openness and transparency in how decisions are made and risks managed.
- All significant business decisions should be aligned with the group strategy.
- Senior Managers with risk taking authorities are expected to act as a 'prudent person'. In making decisions, they should demonstrate clear consideration of the impact on the rest of the business.
- Business managers own the risks and risk management processes associated with the activities for which they are responsible. They must aim to manage these without errors in their processes.
- It is acknowledged that no system of control is fail-safe and that risk events will occur. Managers and employees must report these and address them in good time using the appropriate risk management system.
- Individuals are able to make decisions within delegated authorities. A robust governance structure enables decision makers to make informed decisions for complex matters.
- Risk oversight committees are forums for managers to review and challenge how key risks are identified and managed within the risk framework and agree extensions or limitations of risk appetite.

B3.11: Resources & Capabilities

One of the key considerations to ensure an effective risk framework is the knowledge and experience of the existing staff within the group. The CRO and Executive Team, supported by senior managers across the business, will ensure that each department has adequate capacity and understanding to fully embed an aligned risk culture across the business. The key elements of the overarching risk framework will highlight any deficiencies via the reporting of Risk, Risk Events or Control failures via the governance structure.

B4: Internal Control System

The SLAL Board has overall responsibility for ensuring that an adequate and effective system of internal control is maintained in the company. In practise the oversight and management of these systems involves participation of the Boards, Board Committees, Senior Managers, Risk, Finance and business managers.

The internal control system is designed to manage or mitigate, rather than eliminate the risk. The internal control system enables SLAL and the wider group to operate efficiently and respond to any significant or evolving risks that could prevent or limit the achievement of business objectives and strategy.

B4.1: Risk

The Risk function provides confidence to the SLAL Board that the business is effectively managing its day-to-day risk exposures.

The Risk function engages with the business to evaluate risks and then assists the SLAL Board in decisions of whether to terminate, treat, transfer or tolerate the given risk. This in turn protects customers, SLAL and the wider group from potential detriment that could be financial, reputational or outside of risk appetite.

The Chief Risk Officer (SMF4) is a member of EXCO and SLAL Board. A report is provided at each meeting confirming the status against newly crystallised risks, ongoing inherent risks, and any other items of note from a risk perspective. These are monitored to resolution, and if necessary provided to the Group Board for information.

Key risks of an agreed impact or likelihood are escalated to the ERCC from respective departmental committees, where they are discussed and management actions put in place, if necessary, to mitigate or eliminate the risk.

All staff within the group are responsible for notifying the Chief Risk Officer of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Chief Risk Officer discusses remedial actions with the business. Where material, further reporting is made to the ERCC and SLAL Board.

B4.2: Compliance

The Compliance Function is part of the group's overall corporate governance structure. It is responsible for the monitoring, managing and reporting of the compliance risks to which the Company is exposed. Reports are issued to the Board and the GRACC assessing the effectiveness and adequacy of compliance within the group.

B5: Internal Audit Function

The Internal Audit Function for 2024 was outsourced to BDO, who have delegated responsibility to ensure an effective internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with findings reported to the Board if necessary.

The scope for the internal audit reviews is determined by the business strategy as well as an ongoing assessment of the key risks facing the group and how well these risks are being managed. Outsourcing this role provides comfort to the SLAL Board that matters of audit focus are free from influence, including audit scoring and communication of results. Any conflicts of interest that may influence objectivity or independence are managed accordingly.

B6: Actuarial function

This function (SMF20) is outsourced to Grange Consultancy Management Limited, who provide actuarial support and challenge to both the quantitative and qualitative data that forms the UK Solvency II return and the underlying assumptions approved by the SLAL Board. This ensures the appropriate skill and expertise is applied to assist the SLAL Board in performing this key function.

The function reviews the calculation and methodology behind the Quantitative Reporting Template (QRT) data (e.g. Technical Provisions/SCR/MCR) and seeks evidence that data is calculated in line with UK Solvency II guidelines. The Chief Actuary ensures this by maintaining clear and regular communication with the SMF2 and SMF4 function holders, by attending the SLAL Board meetings, and regularly providing challenge and other expertise in relation to the SMF20 function where required.

B7: Outsourcing

The following functions were outsourced as at 31 December 2024:

- Pension scheme administration to Suffolk Life Pensions Limited (SLP), a sister company fully owned by Suffolk Life Group Limited. SLAL considers SLP to be providing a critical service as scheme administrator and as such consideration is given on an annual basis by the SLAL Board as to whether the 'Insourcing Agreement' remains current, appropriate and commercially viable. SLP operates from the same offices as SLA. On the 1 February 2024, SLP agreed to outsource all its back-office administration to FNZ (UK) Limited. SLA's primary administration agreement remains with SLP, however, the key risks noted for SLAL now consider this additional key third party involved in the administrational activities for SLAL policyholders.
- One of the Key Functions under UK Solvency II (the Chief Actuary role and actuarial function), is outsourced to Gordon Wood of Grange Consultancy Management Limited. The Chief Actuary works with the Chief Risk Officer to provide appropriate challenge to the models, assumptions and methodologies used under UK Solvency II reporting
- The Internal Audit Function for 2024 was outsourced to BDO. BDO have delegated responsibility to ensure an effective internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with

findings reported to the Board if necessary. There is no requirement for a firm of SLA's size to assign the specified SMF function to an individual at SLA.

B8: Any other information

There are no other material aspects of the system of governance which are not covered in the above sections.

B9: Own Risk and Solvency Assessment (ORSA)

SLAL completes an ORSA report as part of its annual reporting process. The ORSA report provides data that SLAL can use as part of its wider risk management strategy, primarily in the form of post-stress test capital position results. These results assist the SLAL Board in forming the key risks, and whether these fall within the defined risk appetite for the coming year. The results also promote Board level discussion of developments in the industry that SLAL operates within. These discussions in turn assist the SLAL Board in reviewing the key risks, thus adopting a pro-active approach to the risk appetite setting cycle.

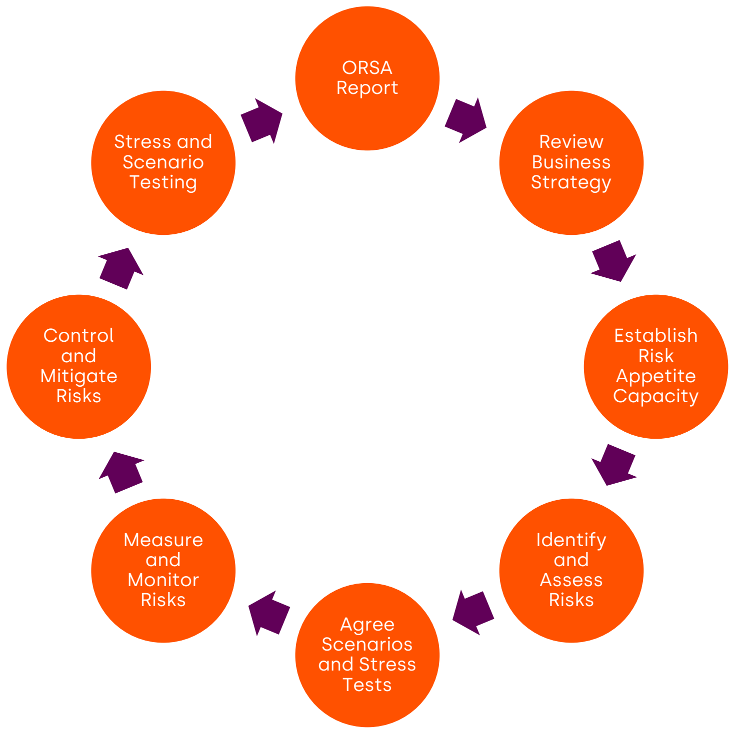
The ORSA assessment is forward-looking, in that it considers the current business and risk profile as well as any anticipated external influences. This ensures that SLAL can meet the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) on an ongoing basis, although this is assessed on a more frequent basis as part of the monthly capital monitoring undertaken within the Finance department. SLAL has a risk appetite to maintain a capital buffer above the biting requirement.

The ORSA also sets out details of how the SLAL Board decides on the appropriateness of the Standard Formula Model for the business that SLAL operates. The SLAL Board believes that the use of the Standard Formula appropriately fits the risk profile of the business that SLAL writes, being unit-linked funds (known as property-linked funds under Solvency I).

The ORSA process is aligned with the Risk Management Framework and is a fundamental tool in assessing the respective risks to strategy both now and in the future. It is a circular process that compliments the annual business strategy review, and it relies on the following elements of the business:

- Board strategy
- The UK Solvency II Pillar I Balance Sheet standard formula model results, and base assumptions used
- The Board who review, challenge and approve the test scenarios included in the ORSA output
- The Finance function who run the tests on the Balance Sheet, for capital adequacy and produce the resultant output
- The Risk & Compliance Function and Actuarial Function who assess the outputs and prepare the reports;
- The Board's assessment of the output and resultant capital. Strategy and risk appetite review,
- ORSA reporting to the Regulator

The diagram on the next page depicts the cycle adopted.


ORSA Report
Review Business Strategy
Establish Risk Appetite Capacity
Identify and Assess Risks
Agree Scenarios and Stress Tests
Measure and Monitor Risks
Control and Mitigate Risks
Stress and Scenario Testing

Section C: Risk Profile

SLAL operates in a low-risk environment. This is primarily driven from the business being unit linked, with no guarantees, with the investment risk being borne by the policyholder. The risk to SLAL is further reduced by income being generated from the policies via fixed monetary fees. As such income is not dependent on the value of the underlying assets held in the unit linked contracts.

For the calculation of the Solvency Capital Requirement, the Standard Formula Model has been assessed as being appropriate for the risk profile of SLAL. SLAL has a combined Standard Formula SCR of £3,487k. Pre-diversification and before taking an allowance for the loss-absorbing capacity of deferred taxes, the SCR is £5,377k.

£'000	31 Dec 2024	31 Dec 2023	Variance
SCR (before diversification)	5,377	4,436	941
less: Diversification Module - Market risk	-	-	-
less: Diversification Module - Life underwriting risk	(166)	(20)	(146)
less: Intra-module diversification	(562)	(280)	(282)
less: Allowance for LACDT	(1,162)	(1,034)	(128)
SLAL SCR	3,487	3,102	385

Risk profile and drivers

The risk profile for SLAL is comprised of the following risks:

1. Life Underwriting Risk
2. Market Risk
3. Credit Risk
4. Liquidity Risk
5. Operational Risk
6. Regulatory Risk

Each of these risks is considered in detail in the following sections.

Each of these risks is driven by a distinct factor. Policy numbers drive Life Underwriting Risk and Operational Risk. The Interest Rate Risk sub module within Market Risk is driven by changes in the risk-free rate.

Change in the risk profile over the period to the 31 December 2024
The table below details the risk profile for SLAL as at 31 December 2024.

£'000	31 Dec 2024	31 Dec 2023	Variance
Market risk SCR Module	986	679	307
Life underwriting risk SCR Module	683	128	555
Operational risk SCR Module	3,143	3,235	(92)
Counterparty default risk SCR Module	399	374	25
less: Diversification	(562)	(280)	(282)
less: Allowance for deferred tax liability offset	(1,162)	(1,034)	(128)
SLAL SCR	3,487	3,102	385

C1: Life Underwriting risk

As SLAL products are comprised of investment contracts held in pension wrappers the exposure to life underwriting risk is limited to the expense and lapse risk modules within the Standard Formula.

The exposure to expense risk for SLAL is driven by an unexpected increase in the costs incurred in the operation of the business. The administration of policies is outsourced to SLP. The costs incurred by SLAL under the administration agreement are linked to the policy fees charged by SLAL to policyholders which are of a fixed monetary value. The agreement does not allow for any unexpected changes and as such the administration fee is not exposed to the standard formula scenario. The remaining exposure to expense risk to SLAL is from the costs incurred from licensing fees, regulatory fees, audit fees and the fee for the outsourcing of the actuarial function. In the calculation of the SCR these are stressed in line with the standard formula calculation.

Exposure to lapse risk for SLAL occurs from either an unexpected increase to the lapse rate or a sudden mass lapse of policies. This reduces the policies in force resulting in a loss in future income, reducing the value in force which increases Technical Provisions. The agreement between SLAL and SLP includes a clause that allows the administration fee to be reduced in the event that SLAL experiences a lapse up or mass lapse event.

For SLAL the exposure to mortality risk occurs from an unexpected increase mortality rates of the policyholders. This reduces the policies in force resulting in a loss in future income, reducing the value in force which increases Technical Provisions. As an improvement to the modelling of the SCR mortality risk has been included as a specific item in the SCR. In previous years mortality was included in the lapse risk calculation.

SLAL has assessed its capital at risk to be nil (2023: nil). This is due to the specialist nature of the pension products written by SLAL. On the death of the policyholder SLAL offers the beneficiaries all the available options from a pension contract, including the option to continue taking an income from the policy. In the event of the death of all SLAL policyholders a number of the beneficiaries would continue taking benefits leaving the contract in place. SLAL would continue to receive fee income from these policies not placing any of the capital held by SLAL at risk.

C1.1: Life Underwriting risk as at 31 December 2024

The life underwriting risk for SLAL moved from £128k for the year ending 31 December 2023 to £683k for the year ending 31 December 2024.

C1.2: Change in the underwriting risk over the period to the 31 December 2024

The £555k increase in underwriting risk has been driven by an increase in lapse risk and the introduction of the mortality risk sub module.

C1.3: Risk appetite and tolerance statement

As mentioned in section C1, the policies written by SLAL are all unit-linked long-term contracts. SLAL has no appetite towards underwriting risk, and as such does not look to offer any guarantees on its current book of business. The future risk appetite is to avoid this type of risk, primarily because the SLAL Board does not see the risk being worth the potential benefits, and there are no plans to establish any new products comprising of this risk for SLAL in the short-term.

C2: Market Risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates. The products that SLAL writes are unit-linked, with the market risk arising from the assets held in these contracts being borne by the policyholder. As the income received from SLAL is based on a fixed fee, rather than a percentage of assets held in the unit-linked contracts, SLAL's income is not exposed to most market risk.

SLAL is primarily exposed to market risk from the movement in the risk-free rate used to model the value of in force business. Increases in the risk-free rate will result in future cash flows being discounted more heavily reducing the value in force.

C2.1: Market risk as at 31 December 2024

The £986k market risk requirement for SLAL is driven by interest rate risk. This has increased from £679k as at 31 December 2023.

C2.2: Change in the market risk over the period to 31 December 2024

The main change in the risk profile for the market risk module is due to an increase in risk-free rate used to calculate the non-unit linked best estimate of liabilities ('BEL') over the reporting period.

C2.3: Risk appetite and tolerance statement

All contracts and products offered by SLAL are unit-linked in nature, with any market risk being borne by the policyholder. The policyholder (and their financial adviser or asset manager, if applicable) make the investment choices and as such bear the loss or benefit from the gain in fund value.

The SLAL Board look to avoid risk regarding the investment of Shareholders assets. SLAL, as part of the wider group, generates bank interest from the deposit accounts Shareholder funds are held in. The SLAL Board does not view additional risk from holding investments other than cash in deposit accounts as sufficiently rewarding, given that the economic environment is still uncertain and volatile. Therefore, this appetite is unlikely to change in the short-term.

C3: Credit Risk

Credit risk is the risk that SLAL is exposed to lower returns or loss if another party fails to perform its financial obligations. SLAL is exposed to credit risk from the failure of the institutions that hold the cash reserves that make up Shareholders assets. Credit risk arising from the investments that makes up the unit-linked fund is borne by policyholders.

C3.1: Counterparty Default Risk

SLAL is exposed to Counterparty Default Risk from the depositing of Shareholder assets with a number of banking counterparties. The £399k (2023: £374k) of Counterparty Default Risk for SLAL is driven from £5,953k of cash (2023: £5,576k) being held in A rated credit institutions.

C3.2: Change in the counterparty Default risk over the period to 31 December 2024

There was an increase of £25k in counterparty default risk over the period to 31 December 2024 driven by the higher cash balances being held.

C3.3: Risk appetite and tolerance statement

All cash deposits held by SLAL are subject to pre-approval by the Group Asset & Liability Committee (GALCO). GALCO only consider holding deposits with Investment Grade institutions or higher.

The SLAL Board may consider using alternative banking institutions in the future, although this is dependent on the overall banking environment. If there is a limited pool of Investment Grade institutions, careful analysis and consideration would be undertaken regarding the use of alternative providers. These may be considered under a lower exposure limit.

C4: Liquidity Risk

SLAL takes no benefit from 'expected profit included in future premiums' as its charges are fixed and activity based, rather than on a premium or asset basis. Any monies paid into SIPPs by its policyholders become part of the unit-linked contract. SLAL therefore only has liquidity risk in relation to meeting its own short-term financial obligations.

C4.1: Risk appetite and tolerance statement

The SLAL Board has a balanced appetite towards liquidity risk. This is to ensure that the allocation of financial resources is optimised while ensuring there is a robust control environment in place to mitigate the risk of any breaches of regulatory requirements or failing to meet liabilities when they fall due. SLAL takes into account the regulatory capital that it is required to hold and the liquidity of the chosen investments. SLAL maintains funds (as mentioned in Section C3) in deposit accounts with banking institutions rated at Investment Grade and above.

Liquidity risk is assessed as part of a wider assessment of risks posed to the Own Funds of SLAL and managed accordingly. Should the available funds fall outside of SLAL's risk appetite, SLAL has in place management actions that can be implemented including:

- Postponing dividend payments to Suffolk Life Group Ltd
- Access to additional capital from the wider group.
- As part of the agreement with SLP in relation to the administration services SLP conducts on its behalf, there is a reduction in payments made to SLP if certain events were to impact SLAL (e.g. a mass lapse event).

C5: Operational Risk

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. For SLAL this risk is primarily driven from the outsourced administration performed by Suffolk life Pensions Limited (SLP).

The Operational Risk requirement for SLAL was £3,143k as at 31 December 2024. This requirement decreased over the period from £3,235k as at 31 December 2023 due to the increase in expenses.

C5.1: Risk appetite and tolerance statement

Operational Risk for SLAL is one of the major components of the SCR. As such, good control over losses arising from inadequate internal controls is of paramount importance to SLAL. The SLAL Board are comfortable with the low and stable level of Operational Risk taken as part of running the business, but are keen to avoid major stresses to the SCR that may impact its ability to maintain capital coverage. SLAL takes a balanced approach to managing operational risk. Our risk and control framework allows us to monitor the exposure to events that could lead to major business issues, negative customer outcomes, and/or significant financial loss, and to take remedial action where necessary.

This risk is also linked with Group Risk, given that the administration for SLAL's products is carried out by a fellow subsidiary company, SLP, which outsources to FNZ (UK) Limited. Given the nature of the company's business model, SLAL has to accept certain risks with the administrative services provided by SLP to SLAL. These risks are controlled through the group governance structure (see Section B1.2.3).

C6: Other material risks

Other risks that are not considered in the Standard Formula but are materially different in the ORSA are covered below.

C6.1: Regulatory Risk

SLAL operates in a highly regulated and specialist industry and therefore is susceptible to any significant regulatory or legislative policy changes from a variety of regulatory bodies. Any changes will influence the overall framework for the design, marketing and distribution of products, the acceptance and administration of business, and the regulatory capital that is required to be held. SLAL looks to avoid regulatory risk, reflecting the unwillingness of the business to be exposed to significant issues or disputes on associated matters.

The SLAL Board regards compliance with regulation as fundamentally important and is continuously monitoring regulatory changes and industry opinion to ensure that it meets its regulatory obligations now and in the future. The SLAL Board and wider group set aside a development budget at the start of each financial year to specifically address any regulatory changes that are on the horizon. Legislative updates are fully analysed and the business model adapted to meet any regulatory changes.

C6.2: Material Risk concentrations

SLAL is not exposed to any material risk concentrations.

C6.3: Stress Testing

As part of the annual ORSA cycle, scenario and stress tests are conducted on SLAL's Own Funds to ensure continued compliance with the SCR and MCR. The scenarios and stress tests are designed by the Group Audit Committee and are focussed on specific one-off business events which are related to key risks identified in the Committee's risk review. The following tests were conducted for the 2024 process:

1. Operational resilience is a priority for both the FCA and PRA. If SLP are not able to effectively administer the SLAL and Curtis Banks Limited (CBL) property book, regulatory sanctions may be imposed on SLAL Las the SIPP Operator for its own book of business. In failing to exercise due skill, care and diligence and for not taking reasonable care in organising and controlling its affairs responsibly, SLAL incurs regulatory fines of £1.5m.
2. Service levels for clients continue to deteriorate during 2024, and this drives an increased level of lapses from SLAL clients. SLAL is closed to new business, therefore this scenario considers the top 5 largest adviser firms (by policies in force) moving clients away to an alternative SIPP provider. There are no perceived changes to staffing levels as policies would move on a case-by-case basis as part of standard BAU procedures.
3. Administrational error results in a data breach that is not notified to impacted clients. SLA, as a Data Controller, is deemed as failing to fulfil its obligations to protect its customer's personal data and SLAL receives a fine proportionate to the level of the breach. The ICO can impose fines of up to 20 million Euros or 4% of group worldwide turnover. The fine is set at 4% of SLA's turnover for 2024.
4. Due to economic factors, commercial tenants of the property book may struggle to make rental payments, increasing SIPP rent debt levels. Where rental income is being used to service annual fees and loan repayments, these liabilities can no longer be met, resulting in a potential increase in property lapse rates, both through voluntary client activity and

through forced sales via SLA's order of disposal process. Approximately 30% of the property book is mortgaged, with 25% of these clients utilising the SIPP rental income to service loans and/or fees (7.5% of the total commercial property book). Lenders could take legal action for failing to service loans and may withdraw existing loans with other clients. This results in reputational damage and an increase in policy lapses of 4% per year.

The testing for each scenario was completed by adjusting the inputs into the balance sheet modelling by the impacts defined in the scenario.

The stress and scenario testing for the 2024 ORSA cycle has found that SLAL continues to meet its SCR and MCR requirements over the three-year planning horizon in all the completed tests.

C6.4: Adherence to the Prudent Person Principle

The nature of SLAL's products allows the policyholder to make their own investment decisions. To ensure the prudent person principle is adhered to, SLAL's contracts set out that policyholders can only invest in assets included on a list of allowable investments. The allowable investments are set by the Board.

The investments made by policyholders are monitored by SLP, with oversight delegated by the SLAL Board to the Group Investment Committee. Where the list of allowable investment is breached the policyholder is asked to sell the investment. If the policyholder fails to sell the investment then SLAL has the contractual right to force a sale of the investment.

C7: Any other information

C7.1: Standard formula appropriateness

An assessment has been undertaken that determined that the standard formula was appropriate for the calculation of SLAL's SCR.

Key points to note in the assessment of Standard Formula appropriateness are as follows:

- As the underlying principle of products that SLAL writes is to allow policyholders self-investment via a unit-linked fund, the majority of the insurance-based risk faced by SLAL is passed on to the policyholder
- The core risks to SLAL's financial stability are through the recognition of future profits on the balance sheet via the non-unit linked BEL (value in force). As the volatility of the inputs into the calculation of the non-unit linked BEL pose the greatest risk to the available own funds, it has been concluded that the Standard Formula calculation provides the best fit for quantifying these risks
- The Standard Formula output for operational risk shows the largest deviation from the internally calculated basis. In this case, the Standard Formula gives a higher requirement than the internal calculation. Although higher this is seen to be appropriate to use as an offset to some of the risks not covered within the Standard Formula.

There are currently no planned strategic changes, that the Board is aware of, that will affect the risk profile of SLAL over the medium term meaning the Standard Formula will remain appropriate for the calculation of SLAL's SCR over the current planning horizon.

Section D: Valuation for Solvency Purposes

The valuation of assets, Technical Provisions and other liabilities for UK Solvency II is broadly in line with the financial statements which are prepared by SLAL on an FRS 101 basis. The following sections set out the basis for valuation and differences between the UK Solvency II basis and the financial Statements. SLAL does not apply either the volatility adjustment or matching adjustment and no transitional measures are applied.

D1: Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of assets and the nature of differences with FRS 101 accounting policies

The table below provides details of all material classes of assets of SLAL and their value under both UK Solvency II and the financial statements.

£'000	UK Solvency II Basis	Financial Statement
Assets held for index-linked and unit-linked contracts		
Equities and Collective Investment Undertakings	2,154,929	2,154,929
Bonds	80,954	80,954
Property	1,118,765	1,118,765
Cash at Bank and in hand	98,921	98,921
Cash Equivalents	8,787	8,787
Term Deposits with Credit Institutions	179,212	179,212
Debtors	9,553	9,553
Creditors	(4,634)	(4,634)
Accruals	(12,610)	(12,610)
VAT	(1,860)	(1,860)
Bank Loans	(32,084)	(32,084)
Total Assets held for index-linked and unit-linked contracts	3,599,933	3,599,933
Investments (other than assets held for index-linked and unit-linked contracts)		
Deferred Tax	1	1
Property (other than for own use)	-	-
Receivables	3,872	3,917
Cash and Cash Equivalents	5,953	5,953
Total other Assets	9,826	9,871
Total Assets	3,609,759	3,609,806

The only difference between the valuation of assets on the UK Solvency II basis and the financial statements is that accrued fee income is not recognised on the UK Solvency II balance sheet. The accrual of future income is an FRS 101 accounting item only and has been included in receivables.

SLAL also has an interest in two dormant subsidiary companies which are non-trading entitles. The holdings in these entities are valued at £102 (2023: £102) which represents the adjusted equity basis of valuation.

The assets shown in the above table are valued using the following methodology:

Equities

SLAL determines the value of equities based on the observable market prices. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLAL does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or London Stock Exchange.

Collective Investments

SLAL determines the value of Collective Investments based on the observable market prices. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLAL does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or London Stock Exchange.

Bonds

SLAL determines the value of Bonds based on the observable market prices. Where a market price is not available the price of the assets will be set to zero following consideration by the Group Investment Committee. SLAL does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or London Stock Exchange. Bond values include accrued interest income under both the UK Solvency II and FRS 101 bases.

Property

Investment properties have been valued at the year-end using the most recent independent professional valuations. Where the most recent valuation has taken place before the year-end date, adjustments are made by applying an appropriate property index that reflects changes in value specific to the category and geographical location of each property. Independent professional valuations are conducted in response to specific events, such as changes in ownership or property transfers, leading to irregular timing. While the majority of properties have been professionally revalued within the last five years, a smaller portion of properties were last valued professionally over five years ago. The index compensates for changes in the value since the latest professional valuations, up to the year-end reporting date. The index applied is therefore a critical accounting estimate and judgement to the valuation of investment properties.

Cash and Debtors

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short term highly liquid investments with original maturities of three months or less. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

Term Deposits with Credit Institutions

Term Deposits with Credit Institutions are unbreakable fixed term deposits with a maturity date greater than 3 Months from the date of acquisition.

Trade payables

Trade and other payables are recognised and initially measured at cost, due to their short term nature, and subsequently measured at amortised cost. All of the Company's trade payables are non-interest bearing. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

Borrowings

All loans and borrowings are recognised initially at the fair value of the consideration received less attributable transaction costs. After initial recognition interest bearing loans and borrowings are subsequently measured at cost using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

Deferred Tax Asset

The deferred tax asset held by SLAL is in respect of the excess of depreciation over capital allowances for some fixed assets.

D2: Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of liabilities and the nature of differences with FRS 101 accounting policies

The value of the Technical Provisions corresponds to the amount that would have to be paid to transfer the insurance obligations immediately to another insurance undertaking. This value is calculated in line with UK Solvency II requirements as the sum of the Best Estimate Liability (BEL) and risk margin.

The BEL is calculated as the expected present value of all future cash flows associated with the insurance business based on market consistent economic assumptions and best estimate non-economic assumptions. The risk margin is calculated in line with the UK Solvency II requirements using the cost of capital method.

£'000	UK Solvency II Basis	Financial Statement
Index-linked and unit-linked Best Estimate	3,592,113	3,599,933
Risk margin	855	-
Total Technical Provisions	3,592,968	3,599,933

The key differences are:

- The inclusion of the future cash flow of £7,821k in the Index-linked and unit-linked Best Estimate for the UK Solvency II balance sheet reduces the insurance liabilities
- The inclusion of the risk margin of £855k in the UK Solvency II balance sheet

D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes

The assumptions and methodology for the best estimate liability and risk margin are set out in the following sections.

D2.1.1: Methodology applied in deriving the Technical Provisions

In accordance with section 2.4 of the Technical Provision part of the PRA handbook, the value of Technical Provisions shall be equal to the sum of a best estimate liability (BEL) and a risk margin.

For SLAL the BEL is comprised of two elements:

1. The liabilities from the unit-linked policies which match the assets held for the unit-linked contracts.
2. The value in force, calculated using the methodology in Section D2.1.1.1.

D2.1.1.1: Best Estimate of Liabilities valuation methodology

The best estimate liability of the value in force corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate.

The calculation of the future cash flows for best estimate is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.

For 31 December 2024 the projection period for future cash flows of each product line was moved from an assumption based on the mortality of the policyholders, to a calculation based on the point at which SLAL is not able to meet the expenses generated by the income in that product line. The cash flow projection ends in the year that this occurs.

The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. SLAL does not use any such reinsurance agreements.

D2.1.1.2: Guarantee and option valuation methodology

The products that SLAL writes are all investment-based contracts that do not offer any financial/non-financial guarantees or contractual options. SLA's remuneration is derived from a fixed monetary fee.

D2.1.2: Methodology applied in deriving the risk margin

The risk margin represents the amount that theoretically would have to be paid to another insurer (in addition to the best estimate of liability) to compensate them for taking on the insurance liabilities. It is based on the principle of allowing for the cost of holding capital to support risks which cannot be readily hedged. These include underwriting risks, credit risk related to reinsurance and special purpose vehicles and operational risk.

D2.1.2.1: Elements included in the SCR for Risk Margin projection

SLAL considers Lapse Risk, Expense Risk, Mortality Risk, Counterparty Default Risk and Operational Risk to be non-hedgeable. As such the SCR for these risks is included in the calculation of the risk margin.

D2.1.2.2: Steps in the risk margin calculation

The risk margin for SLAL is calculated using the following steps:

1. Calculate the non-hedgeable risks that are run-off by policies and the non-hedgeable risks that are not run off by policies.
2. The non-hedgeable risks that are run-off by policies are projected over the projection horizon reducing each year in line with the reduction in policies.
3. The non-hedgeable risks that are not run off by policies are projected over the projection horizon.
4. The projected non-hedgeable risks that are run-off by policies and the non-hedgeable that are not run off by policies are summed to give a total non-hedgeable SCR and a tapering factor Is applied as set out in PRA regulation.
5. 4% cost of capital is applied to the projected non-hedgeable SCR for each year which is then discounted using the risk-free rate.
6. The discounted cost of capital is then summed to give the total risk margin.

D2.1.2.3: The projection of the SCR

For the calculation of the risk margin the SCR projected in line with the policy numbers over the cash flow projection horizon for each product group

D2.1.3: Key assumptions in deriving the Technical Provisions

This section covers key assumptions used to derive the best estimate liability component of the Technical Provisions for SLAL. The assumptions used are set out in the following table.

Assumption	31 Dec 2024	31 Dec 2024
Lapses		
SIPPs	6.3%	7.4%
Protected Rights	7.5%	9.5%
Private Funds	9.1%	9.6%
Property TIPs	5.8%	6.3%
Average Fee Income per policy		
SIPPs	£1,220	£1,230
Protected Rights	£440	£470
Private Funds	£1,020	£1,000
Property TIPs	£410	£400
Expenses		
Total expenditure	£730,653	£693,151
Regulatory Fees	£231,317	£266,547
Long Term Assumption for FSCS	£52,000	£79,000
Regulatory Expenses	£431,720	£332,788
Licensing and Professional Fees	£15,616	£14,816
Economic Assumptions		
Expense Inflation	3.25%	3.5%
Fee inflation	4.25%	4.5%

D2.1.3.1: Relevant risk-free rate applied in deriving the Technical Provisions

The risk-free rate published by PRA is used to calculate the Technical Provisions. As at 31 December 2024 SLAL does not utilise volatility adjustments.

D2.1.3.2: Lapses

The lapse assumption is derived based on lapse experience analysis performed for each product group. The policy lapse experience analysis is based on the policy count numbers, i.e. lives basis rather than sum assured. Three years of experience data was used to determine the lapse assumption. The experience data was collected directly from the administration system where each type of lapse is recorded.

The types of policy termination considered in setting the lapse assumption were:

- Transfer to another pension provider including products offered by other members of the Nucleus group.
- Termination following the payment of a death benefit lump sum.
- Termination during cooling off period.
- Annuity purchase from another provider on retirement.
- Depletion of fund using pension freedoms.

D2.1.3.3: Expenses

The following expenses are included in the calculation of Technical Provisions:

External Audit Expenses (included in Regulatory Expense)

The expense incurred by SLAL from the annual external audit of the financial statements and the UK Solvency II requirements.

Internal Audit Expenses (included in Regulatory Expenses)

SLAL's share of the group's cost for the internal audit function performed by BDO.

Regulatory fees

The regulatory fees incurred by SLAL for operating as a regulated entity comprise fees from both the PRA and FCA. Regulatory fees include the fees and levies from the FCA, PRA, Financial Services Compensation Scheme (FSCS), Money Advice Service (MAS), Financial Ombudsman Service (FOS) and the Pension Guidance Service.

Actuarial Services (included in Regulatory Expenses)

The fees incurred from the outsourcing of the actuarial function.

Licensing fee

The fee incurred from the use of a data license from the London Stock Exchange.

SLP administration fee

The fee paid to SLP for the provision of administration services. In the cash flow projection this is 90% of annual fee income after the deduction of regulatory fee and regulatory expenses. This is reduced to 80% of fee income in the modelling of the mass lapse and lapse up standard formula scenario as per the agreement between SLAL and SLP.

The expense assumptions above are increased in line with the expense inflation assumption for each year in the cash flow projection.

D2.1.3.4 Mortality and morbidity assumptions

For the calculation of cash flows for the 31 December 2024 a mortality rate has been explicitly calculated rather than being included in the lapse rate in previous years. The mortality rate reduces the policy numbers in each year of the cash flow modelling.

The mortality rate is calculated using the CMI table S4 series mortality table. The average age of the policyholders in the below table is used as starting point of the calculation.

Product Line	Average Age
SIPPs	68
Protected Rights	65
Private Funds	59
Property TIPs	59

The following adjustment factors are applied to the mortality rates in the CMI table S4 series mortality table to more closely match policyholder behaviour.

Product Line	Mortality Factor
SIPPs	23.26%
Protected Rights	50.21%
Private Funds	67.10%
Property TIPs	30.82%

D2.2: Uncertainty associated with the value of Technical Provisions

Uncertainty in the valuation of technical provisions is most likely to be found in the modelling of the future cash flows which only impacts the value in force. The uncertainty will be driven from the methodology chosen to model the cash flows and the assumptions used in the cash flows. There is also a level of uncertainty in the methodology used for calculating the risk margin where the non-hedgeable SCR is apportioned across the product groups based on the product group's share of the future cash flows.

The uncertainty in assumptions is managed by comparing past assumptions with experience when deriving the assumption for the current reporting period.

D2.3: Differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for valuation in financial statements

The differences between the valuation of technical provisions under a UK Solvency II basis and FRS 101 basis have been outlined in Section D2.1 and E1.2.

D3: Bases, methods and main assumptions used for the valuation for solvency purposes for each material class of other liabilities and the nature of differences with FRS 101 accounting policies

The following table sets out the differences between the UK Solvency II balance sheet and the financial statements for other liabilities.

£'000	UK Solvency II Basis	Financial Statement
Deferred Tax Liabilities	2,461	-
Deferred and Accrued Fee Income	-	2,922
Payables	6,222	6,222
Total other liabilities	**8,683**	**9,144**

The key differences are:

- The recognition of a deferred tax liability on the UK Solvency II balance from the tax on the future cash flows and excluding the Deferred Income.
- Deferred and accrued fee Income of £2,922k, which is not recognised under the UK Solvency II requirements.

The deferred tax liability is included on the UK Solvency II balance sheet to recognise the amounts of income taxes payable in future periods in respect of taxable temporary differences between UK Solvency II and FRS 101 and from the tax impact of excluding the deferred and accrued income on the UK Solvency II balance sheet. The deferred tax liability is calculated by applying the current tax rate to the Risk Margin, the value in force and the deferred fee income and accrued income adjustments. The tax rate used as at 31 December 2024 was 25% (31 December 2023: 25%).

D3.1: Contingent liabilities

As at 31 December 2024 SLAL did not hold any contingent liabilities on its balance sheet.

D3.2: Provisions, other than Technical Provisions

As at 31 December 2024 SLAL did not hold any Provisions on its balance sheet.

D4: Alternative methods for valuation

For properties held in the unit-linked fund which are valued by independent valuers the property value is calculated by dividing the expected rental cash flows by an appropriate rental yield. Future cash flows are calculated based on the valuers' expectation of rental receipts during and after the current tenancy ends. This is typically based on an assessment of rents charged on comparable properties. Property indexation movements are obtained from a third-party property index and applied to the last purchase or valuation date. Valuation uncertainty has been assessed as higher for this asset class. There is no comparison performed against historical experience. This valuation method only impacts the value held in the unit linked fund and has no impact on the Solvency position of SLAL.

Other than the method of valuing property described no other alternative valuation methods are used by SLA.

D5: Any other information

No future management actions are used in the calculation of Technical Provisions.

Section E: Capital Management

E1: Own Funds

E1.1: Management of the Own Funds

The Company is owned by a single shareholder (SLG) and its shares are fully paid up. SLAL has no debt financing, nor does it have any plans to raise debt or issue new shares in the short or medium term.

The Company's Own Funds are invested in cash deposits in bank accounts. There is no intention to change the disposition of own fund items.

The medium-term capital management plan set by the Board is as follows:

- Own funds to be maintained at an acceptable level in excess of the SCR (or MCR where relevant).
- No capital is planned to be issued in the short or medium term.
- Own Fund items (other than the value arising from existing policies) are invested in bank deposits. .

SLAL has a simple capital structure with all capital items classified as tier 1, with the ability to cancel dividends on ordinary share capital. There are no restrictions on the availability of SLAL's own funds to support the SCR or MCR. The Reconciliation Reserve comprises retained profits and valuation differences between UK Solvency II and FRS 101 (see Section E1.2).

£'000	31 Dec 2024	31 Dec 2023	Variance
Called up share capital	1	1	-
Deferred Tax	1	1	-
Reconciliation Reserve	8,107	7,683	424
UK Solvency II Basic Own Funds	8,109	7,685	424

E1.2: Analysis of change from FRS 101 equity to Basic Own Funds

The following table sets out the difference between FRS 101 and UK Solvency II own funds. These items make up the reconciliation reserve.

£'000	31 Dec 2024
FRS 101 Net Assets	729
Adjustments for FRS 101 components	
Deferred Income	2,920
Accrued Income	(45)
Adjustments UK Solvency II components	
Risk Margin	(855)
Value in force	7,821
Deferred Tax Liability	(2,461)
UK Solvency II Own Funds	**8,109**

The key difference between FRS 101 net assets and Solvency II own funds are:

- Deferred and accrued fee income which is not recognised under the UK Solvency II requirements.
- The addition of the Risk Margin which is a UK Solvency II requirement.
- The addition of the value in force on the UK Solvency II balance sheet which reduces Technical Provisions. These are floored to zero on the FRS 101 balance sheet.
- The recognition of deferred tax liability on the UK Solvency II balance sheet from the tax on the future cash flows and exclusion of deferred income and accrued income on the UK Solvency II balance sheet.

E2: Solvency Capital Requirements and Minimum Capital Requirement
E2.1: Detail on the capital requirements for SLAL

(£'000)	Standard Formula or Internal Model	31 Dec 2024	31 Dec 2023	Variance
Available Own Funds		8,109	7,685	423
SCR				
Market risk SCR Module	Standard Formula	986	679	307
Life underwriting risk SCR Module	Standard Formula	849	148	701
Operational risk SCR Module	Standard Formula	3,143	3,235	(92)
Counterparty default risk SCR Module	Standard Formula	399	374	374
Diversification		(728)	(300)	(428)
Allowance for DTL offset		(1,162)	(1,034)	(128)
Total SCR		3,487	3,102	385
SCR Surplus		4,622	4,583	39
MCR		3,500	3,495	5
MCR Surplus		4,609	4,190	419

There has been an overall increase of £385k in the SCR from the 31 December 2023 position.

E2.2: Calculation of MCR

Under UK Solvency II regulations, the Minimum Capital Requirement is calculated as a linear function of a set or sub-set of the following variables:

- the technical provisions
- written premiums
- capital-at-risk
- deferred tax
- Administrative expenses

The variables used shall be measured net of reinsurance. The MCR requirement should not fall below 25% or exceed 45% of the SCR. There is an absolute floor to the MCR of £3,500k (2023: €4,000k).

SLAL is subject to the absolute floor of the MCR of £3,500K SLAL.

E2.3 Simplifications and parameters used in deriving the Solvency Capital Requirement

SLAL has not adopted any of the simplifications outlined in the UK Solvency II rules or used any entity specific parameters in calculating the SCR. Proportional modelling simplifications have been used in calculating the SCR and Risk margin considering the nature, scale and complexity of the underlying risks of SLAL.

E2.4: Disclosure of capital add-ons to SCR

SLAL is not subject to any capital add-ons.

E3: Duration based equity sub module

SLAL has not adopted the duration-based equity sub module.

E4: Differences between Standard Formula and any Internal Model used

SLAL does not use an internal model.

E5: Non-compliance with the MCR and non-compliance with the SCR

SLAL has maintained compliance with both the MCR and SCR during the reporting period.

E6: Any other information

There is no further material information.

APPENDIX 1 - QUANTITATIVE REPORTING TEMPLATES

All templates in £'000s –

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	1
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	3,599,933
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	3,872
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	5,953
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	3,609,759

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	3,592,968
R0510	*Technical provisions - non-life*	0
R0515	*Technical provisions - life*	3,592,968
R0542	Best estimate - total	3,592,113
R0544	*Best estimate - non-life*	
R0546	*Best estimate - life*	3,592,113
R0552	Risk margin - total	855
R0554	*Risk margin - non-life*	
R0556	*Risk margin - life*	855
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	2,461
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	6,222
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	3,601,651
R1000	**Excess of assets over liabilities**	8,109

IR.05.03.01
Life income and expenditure

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Income							
	Premiums written							
R0010	Gross direct business		174,557					174,557
R0020	Gross reinsurance accepted							0
R0030	Gross	0	174,557	0	0	0	0	174,557
R0040	Reinsurers' share							0
R0050	Net	0	174,557	0	0	0	0	174,557
	Investments and other income							
R0060	Investment income		130,997					130,997
R0070	Realised and unrealised gains / (losses)		185,369					185,369
R0080	Other income							13,301
R0090	Total income							504,223
	Expenditure							
	Claims incurred							
R0110	Gross direct business		313,026					313,026
R0120	Gross reinsurance accepted							0
R0130	Gross	0	313,026	0	0	0	0	313,026
R0140	Reinsurers' share							0
R0150	Net	0	313,026	0	0	0	0	313,026
	Expenses incurred							
R0160	Gross direct business		50,768					50,768
R0170	Gross reinsurance accepted							0
R0180	Gross	0	50,768	0	0	0	0	50,768
R0190	Reinsurers' share							0
R0200	Net	0	50,768	0	0	0	0	50,768
	Analysis of gross expenses incurred							
R0210	Acquisition commission							0
R0220	Acquisition costs - other							0
R0230	Renewal commission							0
R0240	Administrative expenses							0
R0250	Investment management expenses		38,188					38,188
R0260	Claims management expenses							0
R0270	Overhead expenses		12,580					12,580
R0280	Interest payable							
R0290	Taxation							24
R0300	Other expenses							
R0310	Total expenditure							363,819
	Transfers and dividends							
R0410	Business transfers-in							
R0420	Business transfers-out							
R0440	Dividends paid							400

IR.12.01.02
Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Best estimate							
R0025	Gross Best Estimate (direct business)		3,592,113					3,592,113
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	**Gross Best Estimate**	0	3,592,113	0	0	0	0	3,592,113
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	3,592,113	0	0	0	0	3,592,113
R0100	**Risk margin**		855					855
	Amount of the transitional on Technical Provisions							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	**Transitional Measure on Technical Provisions**	0	0	0	0	0	0	0
R0200	**Technical provisions - total**	0	3,592,968	0	0	0	0	3,592,968

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Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1	1		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	8,107	8,107			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1				1
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0290	**Total basic own funds after deductions**	8,109	8,108	0	0	1
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,109	8,108	0	0	1
R0510	Total available own funds to meet the MCR	8,108	8,108	0	0	
R0540	Total eligible own funds to meet the SCR	8,109	8,108	0	0	1
R0550	Total eligible own funds to meet the MCR	8,108	8,108	0	0	
R0580	**SCR**	3,487				
R0600	**MCR**	3,500				
R0620	**Ratio of Eligible own funds to SCR**	232.54%				
R0640	**Ratio of Eligible own funds to MCR**	231.66%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	8,109
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	2
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	8,107

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Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	986
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	0
R0110	Concentration risk	0
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	0
R0140	**Total Market risk**	986
	Counterparty default risk	
R0150	Type 1 exposures	399
R0160	Type 2 exposures	0
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	0
R0180	**Total Counterparty default risk**	399
	Life underwriting risk	
R0190	Mortality risk	97
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	229
R0230	Revision risk	0
R0240	Lapse risk	523
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	-166
R0270	**Total Life underwriting risk**	683
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
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	**Non-life underwriting risk**	0
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	3,143
R0424	Other risks	
R0430	**Total Operational and other risks**	3,143
R0432	**Total before all diversification**	5,378
R0434	Total before diversification between risk modules	5,212
R0436	Diversification between risk modules	-562
R0438	**Total after diversification**	4,649
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	-1,162
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	3,487
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	3,487
R0490	Biting interest rate scenario	increase
R0495	Biting life lapse scenario	mass

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
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		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	25,145

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations	3,592,113	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	25,145
R0310	SCR	3,487
R0320	MCR cap	1,569
R0330	MCR floor	872
R0340	Combined MCR	1,569
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	3,500