

SOLVENCY AND FINANCIAL CONDITION REPORT

PINNACLE INSURANCE LIMITED

Company Registration Number: 1007798

Financial Conduct Authority Firm reference number: 110866

At 31 December 2025

CONTENTS

Summary

Statement of Directors

Report of the independent external auditor to the Directors of Pinnacle Insurance Limited

A. Business and Performance

- A.1 Business
- A.2 Underwriting Performance
- A.3 Investment Performance
- A.4 Performance of other Activities
- A.5 Any Other Information

B. System of Governance

- B.1 General Information on the System of Governance
- B.2 Fit and proper requirements
- B.3 Risk Management System including the Own Risk and Solvency Assessment
- B.4 Internal Control System
- B.5 Internal Audit Function
- B.6 Actuarial Function
- B.7 Outsourcing
- B.8 Any Other Information

C. Risk Profile

- C.1 Underwriting Risk
- C.2 Market Risk
- C.3 Credit Risk
- C.4 Liquidity Risk
- C.5 Operational Risk
- C.6 Other Material Risks
- C.7 Any other information

D. Valuation for Solvency Purposes

- D.1 Assets
- D.2 Technical Provisions
- D.3 Other Liabilities
- D.4 Alternative Methods for Valuation
- D.5 Any other information

E. Capital Management

- E.1 Own Funds
- E.2 Solvency Capital Requirement and Minimum Capital Requirement
- E.3 Differences between the standard formula and any internal model used
- E.4 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
- E.5 Any other Information

ANNEX: Annual Quantitative Reporting Templates (QRTs)

SUMMARY

Pinnacle Insurance Limited (“the Company”) is a composite insurance company, with a clear ambition to be the UK's leading pet healthcare and insurance services partner. The company has a long term fund which is in run off.

The Company is a subsidiary of Pinnacle Pet Group Limited (“PPG”), which in turn is a subsidiary of Pinnacle Pet Holdings Limited (“PPH” or “the ultimate parent”), the company is part of the PPH Solvency UK Group. The ownership structure of PPH is split between JAB Holdings B.V. (owning 76.4%) and BNP Paribas Cardif (owning 23.6%).

Since 2021, all non-pet business has been fully reinsured to Darnell DAC (a wholly owned subsidiary of the BNP Paribas Group authorised by the Central Bank of Ireland), reflecting the decision of the Company to divest of the non-pet business and focus on pet insurance business. At the end of 2024 all non pet business with the exception of the long term fund was either terminated or disposed of by way of a Part VII transfer to EIFlow Insurance Limited. The long term fund continues to be fully reinsured to Darnell DAC.

The report covers the Solvency & Financial Condition Report (SFCR) of the Company as a Solo entity and provides information on its solvency i.e. the Company's ability to pay liabilities.

The information in this report is from the Company's most recent financial year, which is the year ended 31 December 2025.

The Company is authorised by the Prudential Regulation Authority (PRA) and jointly regulated by the Financial Conduct Authority (FCA) and the PRA.

The following is a high-level description of the contents of each section in this document.

A. Business and performance

This section describes the Company's performance and significant events during the year, legal structure, how the Company is regulated and who the Company auditors are.

B. System of governance

This section outlines the Company's system of governance and risk management, and how the Company is managed and controlled. It also describes the Company's remuneration practices, and its adherence to the 'Fit and Proper Requirements'.

C. Risk profile

This section describes the Company's risk profile, including risk exposures, concentrations, mitigation and sensitivity.

D. Valuation for solvency purposes

This section describes the bases and methods used for the valuation of the Company's assets, technical provisions and other liabilities with an explanation of any major differences in the bases and methods used for the valuations for solvency purposes, compared to the UK Generally Accepted Accounting Practice (UK GAAP) basis used for the 2025 Annual Report and Accounts.

E. Capital management

This section describes the Company's approach to capital management and includes information on the amount and quality of the Company's own funds.

Business performance

The Company reported a pre-tax profit of £14.0m (2024: loss of £28.2m). The 2024 loss was mainly as a result of increased costs relating to onboarding of a major partner coming onboard in 2025.

	2025 £'000s			2024 £'000s		
	Pet	Non Pet	Total	Pet	Non Pet	Total
Gross Written Premiums	780,971	(86)	780,885	199,206	1,773	200,979
Net Earned Premiums	272,663	-	272,663	84,922	-	84,922
Technical Result	67,745	175	67,920	20,806	5,873	26,679
Investment Income	6,182	-	6,182	6,545	-	6,545
Administration Expenses	(59,949)	(172)	(60,121)	(55,194)	(6,253)	(61,447)
Profit/(Loss) before tax	13,978	3	13,981	(27,843)	(380)	(28,223)

Investment Performance

Total net investment return for the year is a profit of £6.2m (2024: profit £6.5m) which comprises interest earned on investments of £5.3m (2024: £6.1m), realised loss on bonds of -£0.03m (2024: gain £0.1m) and unrealised profit of £0.9m (2024: profit £0.3m).

By assets class	2025 £'000s		2024 £'000s	
	Investments	Return on investments	Investments	Return on investments
Bonds	84,409	3,009	56,753	1,705
Deposits	5,378	1,331	46,766	3,217
Cash in bank	36,283	1,842	32,472	1,623
Total	126,070	6,182	135,991	6,545

System of governance

Pinnacle Insurance Limited is an insurance underwriter. The Board is comprised of three Independent Non-Executive Directors and six Directors. The Board has delegated the operational oversight and management to relevant sub-committees: Conduct and Customer Committee; Policy Approval Committee; Risk and Audit Committee; Legacy Committee; Animal Friends Insurance Binder Review Committee; Investment, Capital and ALM Committee; Reserve Committee; Underwriting and Credit Risk Committee; Operational Risk Committee and Local Outsourcing Control Committee.

Risk Profile and key risks identified

The Company activities are exposed to a number of key risks which have the potential to affect the company's ability to achieve its business objectives. The Board is responsible for ensuring that an appropriate structure for managing these risks is maintained.

The biggest risk the Company is exposed to is Insurance/Underwriting risk, which is accepted through insurance activities. The company is exposed to insurance risk through the insurance contracts that it issues where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The other risks of the company are Market, Liquidity, Strategic, Reserving, Conduct, Credit, and Operational risk.

Market risk of the Company exposure arises from interest rate, spread and concentration risk on the Bond Investment holdings.

Liquidity risk exposure arises from the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due.

Strategic Risk of the Company consists of reputational, business plan, strategic execution and Environmental Social Governance risk. The risk arises from the Board making poor business decisions, the substandard execution of decisions, inadequate resource allocation, or a failure to respond well to changes in the business environment.

Reserving Risk of the company is associated with insurance risk after the coverage is expired and it occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debts provisions. There is a possibility that the Company's management do not make sufficient provision for exposures which could affect the Company's earnings and capital.

Conduct risk relates to reputation, customer trust, and long-term sustainability. The risk arises from unethical behaviour, regulatory non-compliance, and actions that could harm stakeholders.

Credit risk of the company arises from its direct insurance trading activities, the exposure to the reinsurance it purchases and those of its investment activities. The risk arises from default of any of these counterparties in relation to these exposures.

Operational risk exposures arise from the day to day running of the company including risks such as Cyber risk, Third Party risk, Regulatory change risk, Data, IT & Systems, and Process Execution risk.

Valuation for Solvency Purposes

The Company reports its annual financial statements under UK GAAP whereas for regulatory reporting the company applies Solvency UK. Differences in valuation between the reporting methods for assets and liabilities are detailed within this document.

For solvency purposes, the Company has been prepared this document according to the Prudential Regulation Authority ("PRA") Rules. The basis of the preparation for Solvency UK purposes is outlined in Section D.

Capital Position

The Company targets the Ratio of eligible own funds to Solvency Capital Requirement (SCR) between 140% and 160%. The Company's capital position as at 31 December 2025 is as follows:

	2025	2024
	£'000	£'000
Eligible own funds to meet the SCR	91,680	125,706
Eligible own funds to meet the MCR	90,453	122,562
Solvency capital requirement (SCR)	61,119	47,171
Minimum capital requirement (MCR)	27,504	12,844
Capital Surplus	30,561	78,535
Ratio of eligible own funds to the SCR	150%	266%
Ratio of eligible own funds to the MCR	329%	954%

The Company has a strong capital position with solvency capital surplus of £30.6m (2024: £78.5m) in excess of its solvency capital requirement. The Eligible own funds decreased from £125.7m to £91.7m in 2025. The net decrease of £34.0m is mainly due to dividends paid of £33.5m and foreseeable dividends £32.3m offset by net differences in positive UK GAAP result and movement in Solvency UK differences.

The SCR increased from £47.2m in 2024 to £61.1m in 2025. This increase is due to the impact of future earned premiums due to business growth.

Basis of preparation

In line with the Company's previous SFCRs, this document is a Solo SFCR for the Company.

The figures disclosed in the Company's Solvency UK reporting, including this document, are prepared using the prescribed Standard Formula modified by Undertaking Specific Parameters (USP) for which permission was granted by the PRA on 18 December 2024. The Board considers that the Standard Formula with USP delivers an SCR that is prudent and appropriate for the Company having regard to the size and the complexity of the business.

The report makes reference to the Company's Annual Report and Accounts which can be accessed from the Company's website at <https://www.pinnaclepetuk.com/> under Pinnacle Insurance Limited information section. The Accounts are prepared in accordance with UK GAAP; whereas information in this report is governed by Solvency UK rules. Important differences include valuation methodologies for assets, technical provisions and other liabilities. Therefore, the numbers, including financial, in this report will not always correspond to those in the Annual Report and Accounts.



A M Wigg
Chief Executive Officer
9th April 2026

Statement of Directors

Directors

The Directors who held office throughout the year (unless stated otherwise) were:

S Wainwright * (appointed 24 March 2025) (Chairman 1 September 2025)
R A Hines * (Chairman) (Resigned 31 August 2025)
A M Wigg
M J Lorimer
S L P F Chevalet (Resigned 27 March 2025)
S M May
C A Scarr *
C A Iordache
D C L Beeckman
T O Cuiper *
S Suri

* Independent Non-Executive Director

Statements of Directors' Responsibilities

The Directors are responsible for preparing the Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with the financial reporting provisions of the PRA Rulebook.

The PRA Rulebook and policy materials provide the regulatory framework in which the Company operates. The PRA rules include, but are not limited to, requirements as to the recognition and measurement of the Company's assets and liabilities including technical provisions and risk margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency UK results.

Compliance with the Solvency UK framework

The Company has complied in all material respects with the requirements of the PRA Rules to the Company throughout the financial year 2025. The Company reasonably believes that it has complied with PRA rules subsequently and will continue to comply for the foreseeable future.

Audit

The Company is not exempt from the external audit requirement of the SFCR for the year ended 31 December 2025 based on its qualifying score being greater than 100. The calculations are based on the rules in the External Audit Part of the PRA Rulebook.

The Statement of Directors falls outside the scope of audit.

Approved by the Board on 9th April 2026 and signed on its behalf by:



S M May
Director

Report of the independent external auditor to the Directors of Pinnacle Insurance 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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2025:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2025 (**'the Narrative Disclosures subject to audit'**); and
- Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.23.01.01, IR.25.04.21 and IR.28.02.01 (**'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 Solvency and Financial Condition Report'**.

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 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' sections of the Solvency and Financial Condition Report;
- Company templates IR.05.02.01, IR.05.03.02, IR.05.04.02 and IR.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the Prudential Regulation Authority ('PRA') Rules as supplemented by the permissions made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)), including ISA (UK) 800 (*Revised*) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and 'ISA (UK) 805 (*Revised*) *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*'. 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 relevant elements of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included;

- Obtaining and reviewing management's going concern assessment approved by the Board, which is based on a detailed budget drawn up to 31 December 2027;
- Corroborating the information in the assessment where relevant to supporting documentation;
- Identifying the key assumptions used in the assessment and challenging whether the downside scenarios used by management were reasonable;
- Verifying the forecasts used in management's assessment to board approved forecasts;
- Recalculating the clerical accuracy of management's base case;
- Challenging and independently stressing the assumptions used in management's cashflow and solvency forecasts;
- Reviewing any correspondence with the PRA and assessing whether the Company will continue to comply with capital adequacy requirements;
- Performing enquiries of management and those charged with governance and reviewing minutes of meetings of the Board and its committees to identify risks or events that may impact the Company's ability to continue as a going concern; and
- Assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period ending 31 December 2027.

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

Emphasis of matter – basis of accounting and restriction on use

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Solvency and Financial Condition Report 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 Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report 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 Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules *which have been modified by the permissions made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000*.

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

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report 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 relevant elements of the Solvency and Financial Condition Report.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are law and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Solvency and Financial Condition Report included regulatory requirements of the PRA and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes.
- We assessed the susceptibility of the relevant elements of Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Where fraud risk, including the risk of management override, was considered to be higher, we performed audit procedures to address each identified risk. These procedures included:
 - Reviewing estimates for evidence of management bias. We considered management override risk to be higher within the valuation of gross technical provisions, specifically on actuarial assumptions as these involve significant judgments. Supported by our actuarial team, we assessed if there were any indicators of management bias in the valuation of these provisions by concluding whether the assumptions fall within a reasonable range;
 - Evaluating the business rationale for significant and/or unusual transactions;
 - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for those journals posted outside the normal course of business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of minutes of meeting and inquiries to senior management. The Company operates in the insurance industry which is a highly regulated environment. As such the Audit Engagement Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Other Matter – Undertaking Specific Parameters

During 2024, the PRA approved the use of Undertaking Specific Parameters by the Company for the purposes of determining its Solvency Capital Requirement, under Regulation 47 of the former Solvency 2 Regulations. Under transitional provisions, this approval continues in force as a permission under s138BA of the Financial Services and Markets Act 2000 notwithstanding the subsequent revocation of those Regulations.

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 Company'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 this regard.

Ernst & Young LLP

Ernst & Young LLP
Bristol
09 April 2026

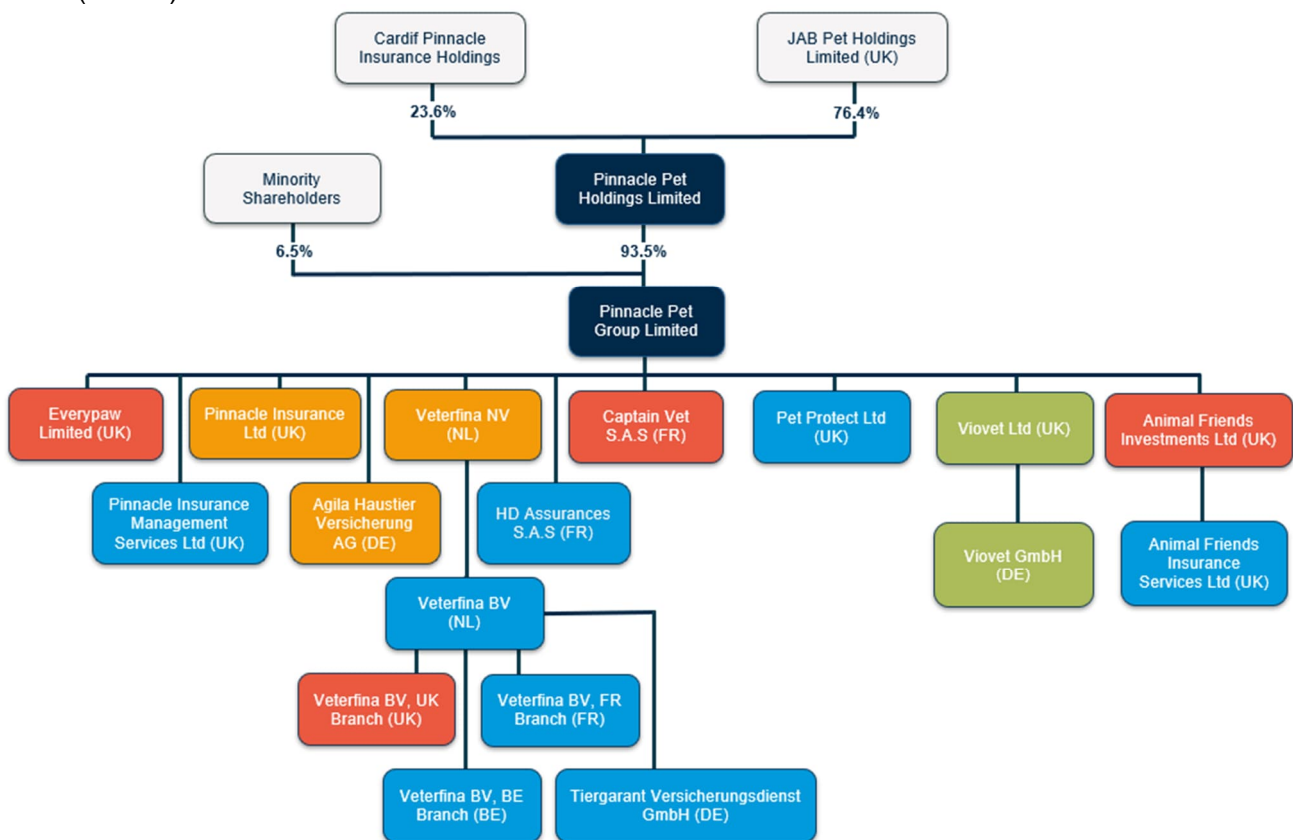
A. BUSINESS AND PERFORMANCE

A.1 Business

Pinnacle Insurance is a limited company incorporated in 1971 in the United Kingdom. The registered address of the Company is 4th Floor Limelight, Elstree Way, Borehamwood, Hertfordshire, United Kingdom, WD6 1JH. On 7th April 2025, the company re-registered from a Public Limited Company to Private Limited Company changing its name from Pinnacle Insurance plc to Pinnacle Insurance Limited.

Group structure of the Company

The ownership structure of Pinnacle Pet Holdings Limited is split between JAB (76.4%) and BNP Paribas (23.6%)



The Solvency UK Group to which the Company belongs also includes the following entities:

- Pinnacle Pet Holdings Limited (“PPH”) (13626409), a holding company focused on shareholder matters. This entity has no regulated activities, employees or business activities located in the United Kingdom;
- Pinnacle Pet Group Limited (“PPG”) (13626694), an intermediate holding company at which the operational group board sits located in the United Kingdom.

Pinnacle Pet Holdings Limited, a holding company, is the head of the insurance group for solvency purposes and therefore results of the Company are also consolidated in the insurance group SFCR.

Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

The Group operating companies under Pinnacle Pet Group Limited are as follows:

Group Companies	Description	Acquisition Date	Country of Incorporation
Animal Friends Investments Limited ("AFI")	The holding company of AFIS.	31/08/2023	UK
Animal Friends Insurance Services Limited ("AFIS")	A UK based Managing General Agent distributing insurance products, with historic insurance products underwritten by Red Sands Insurance Company (Europe) Limited and new insurance products underwritten by PIC.	31/08/2023	UK
Pinnacle Insurance Limited ("PIC")	A UK based underwriter, underwriting and distributing pet insurance products in the UK, supported by PIMS as a service company.	30/06/2022	UK
Pinnacle Insurance Management Service Limited ("PIMS")	A service company providing the staff and assets necessary to support the operational requirements of PIC.	30/06/2022	UK
Every paw Limited	A dormant company retained to protect the name which is a trading name of PIC and PIMS	30/06/2022	UK
Pet Protect Limited ("PP")	A UK based insurance intermediary, with historic insurance products underwritten by New Line and reinsured by PIC and distributing new insurance products underwritten by PIC.	31/10/2022	UK
VioVet Limited ("VV")	An e-commerce platform focusing on pet pharma distribution and selling other pet-related products (e.g., food and toys).	31/10/2022	UK
VioVet GmbH ("VV GmbH")	Viovet GmbH is a non-operational entity which was purchased as part of the acquisition of VV.	31/10/2022	Germany
CaptainVet SAS ("CV")	A French vet appointment booking platform.	20/04/2023	France
HD Assurances SAS ("HDA")	A French based insurance intermediary, distributing insurance products underwritten by Swiss Life (3rd party insurance carrier and sole capacity provider to HD Assurances SA) in France, as well as in Italy through EU passporting of its licence.	27/04/2023	France
Agila Haustierversicherung AG ("Agila")	A Germany based underwriter, underwriting and distributing pet insurance products for German customers, as well as Austrian, French, Dutch and Belgian customers through EU passporting of its licence.	31/05/2023	Germany
Veterfina Verzekeringsmaatschappij N.V. ("Veterfina")	A Netherlands based underwriter, underwriting pet insurance products for Dutch customers, as well as Belgian and German customers through EU passporting of its licence.	19/07/2023	Netherlands
Veterfina B.V. ("Veterfina")	A Netherlands based insurance intermediary, distributing insurance products underwritten by Veterfina N.V. in the Netherlands.	19/07/2023	Netherlands
Tiergarant GmbH ("TG")	A Germany based insurance intermediary, distributing insurance products in Germany underwritten by Veterfina N.V. in the Netherlands.	19/07/2023	Germany

Supervision and External Audit

Pinnacle Insurance Limited is authorised by the Prudential Regulation Authority (PRA) and supervised by the PRA and by the Financial Conduct Authority (FCA). Pinnacle Pet Holdings is supervised by the PRA on a group basis.

The websites for the PRA and FCA are as follows:

www.bankofengland.co.uk/pr
www.fca.org.uk

The Company's statutory annual financial statements are audited by Ernst & Young LLP who can be contacted as follows: Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1, 6BX.

A.2 Underwriting performance

The Company reported a pre-tax profit of £14.0m (2024: loss of £28.2m). The Technical Result increased by £41.2m as a result of onboarding a new partner and the underwriting of the Animal Friends book.

Key Performance Indicators (KPI's) are measures by which the performance or position of the Company can be assessed effectively. The Company's management monitor the progress of the Company's pet business by reference to the following KPIs.

	2025 £'000s			2024 £'000s		
	Pet	Non Pet	Total	Pet	Non Pet	Total
Gross Written Premiums	780,971	(86)	780,885	199,206	1,773	200,979
Net Earned Premiums	272,663	-	272,663	84,922	-	84,922
Technical Result*	67,745	175	67,920	20,806	5,873	26,679
Investment Income	6,182	-	6,182	6,545	-	6,545
Administration Expenses	(59,949)	(172)	(60,121)	(55,194)	(6,253)	(61,447)
Profit/(Loss) before tax	13,978	3	13,981	(27,843)	(380)	(28,223)
				Restated***		
Claims	62%			65%		
Acquisition costs ratio **	13%			10%		
Gross margin	25%			25%		

* Excluding investment return and administration expenses.

** The acquisition cost ratio is calculated as net earned acquisition costs divided by net earned premium, both measured net of reinsurance.

*** Restated to align with the 2025 presentation, with figures shown net of reinsurance

In the table above, Gross Written Premium is reported on a statutory basis, which recognises future premium on annual policies paid monthly upfront at the policy inception. The Gross Written Premium reported in the Solvency UK Quantitative Reporting Templates for IR.05 and IR.28 is reported on a solvency basis, which recognises each premium in the month when it is due to be paid.

Gross Written Premiums (GWP): represents the total premiums written in a given year before deductions of reinsurance and is analysed as:

GWP by line of business	2025	2024	Change
	£'000	£'000	Increase/ (decrease)
Pet	584,959	170,292	414,667
Inward reinsurance Pet	196,012	28,914	167,098
	780,971	199,206	581,765
Creditor, Warranty and MGA	(86)	1,773	(1,859)
	780,885	200,979	579,906
Long-term business	-	-	-
Gross written premiums	780,885	200,979	579,906

Pet

Gross written premium for pet business increased to £781.0m (2024: £199.2m), £413.6m of this increase came from underwriting the new Animal Friends book. The remainder of the growth came from own brands and partnership arrangements, due to an increase in policies covered as well as premium increases. Part of the increase from Animal Friends pet book, was a significant inward Reinsurance transfer from Red Sands Insurance Company (Europe) Limited, in respect of policies incepting prior to 27th February 2025.

Net Earned Premiums (NEP): represents the portion of the policy's premium net of reinsurance that applies to the expired period of the policy. NEP increased by £187.8m during the year, due to the growth of the pet business.

Technical Result: represents the balance of earned income less incurred claims, commission and profit share payments, net of associated reinsurance balances. The increase in the technical result of £41.2m due to the reduction in the claims ratio and the increased business written in the year.

The Company's business entirely relates to one geographical market (United Kingdom).

Claims Ratio: relates to pet business only and is calculated as claims incurred net of reinsurance recoveries expressed as a percentage of NEP. The claims ratio in 2025 decreased to 62% (2024 restated: 65%).

Acquisition Cost Ratio: relates to pet business only and is calculated as a percentage of NEP. The ratio in 2025 increased to 13% (2024 restated: 10%).

Gross Margin: reflects the profitability of the pet business before direct and indirect costs and is calculated as net earned premium (NEP) net of acquisition costs and incurred claims expressed as a percentage of NEP. The ratio stayed consistent with the prior year at 25%.

A.3 Investment performance

Investment income represents income arising from the Company's investment portfolio including the impact of marked to market revaluations and realised losses on investments. Total net investment return for the year is a profit of £6.2m (2024: profit £6.5m) which comprises interest earned on investments of £5.3m (2024: £6.1m), realised loss on bonds of £0.03m (2024: gain £0.1m) and unrealised profit of £0.9m (2024: profit £0.3m).

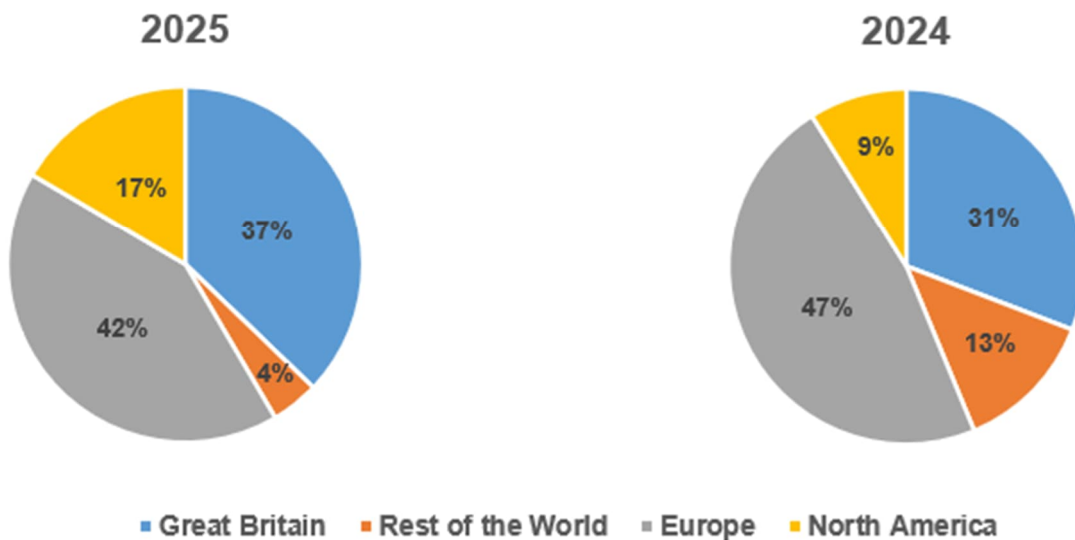
Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

The investment portfolio comprises of bonds, cash and term deposits of high credit quality. The total portfolio was valued at £126.1m (2024: £136.0m) of which 67% (2024: 42%) was held in bonds, 4% (2024: 34%) in term-deposits with credit institutions and 29% (2024: 24%) in cash and cash equivalents. The overall reduction in investments, from £136.0m to £126.1m, primarily reflects the £33.5m dividend paid in July 2025, partially offset by positive net operational inflows. Accrued interest is excluded.

Deposit holdings decreased by £41.4m, from £46.8m in 2024 to £5.4m in 2025, following the outsourcing of the Company's investment portfolio to BlackRock Asset Management on 4th April 2025; Blackrock's mandate does not include investment in deposits. As existing deposits matured, the proceeds were transferred to BlackRock and reinvested into bonds. As a result, bond holdings increased by £27.7m, from £56.8m in 2024 to £84.4m in 2025.

By assets class	2025 £'000s		2024 £'000s	
	Investments	Return on investments	Investments	Return on investments
Bonds	84,409	3,009	56,753	1,705
Deposits	5,378	1,331	46,766	3,217
Cash in bank	36,283	1,842	32,472	1,623
Total	126,070	6,182	135,991	6,545

The chart below provides geographical split of the investments as follows:



A.4 Performance of other activities

Administration Expenses: represent those operating expenses incurred by the Company, which are not classified as either acquisition or claims handling costs. Administration costs in 2025 have decreased by £1.3m to £60.1m (2024: 61.4m), compared to the previous year. This reduction is mainly because 2024 included £20.7m in non-recurring expenses for building a platform for a new white label partnership. However, there were increases owing to software cost recharge, as well as additional costs from inflation, new partner development, and expanded IT infrastructure.

A.5 Any other information

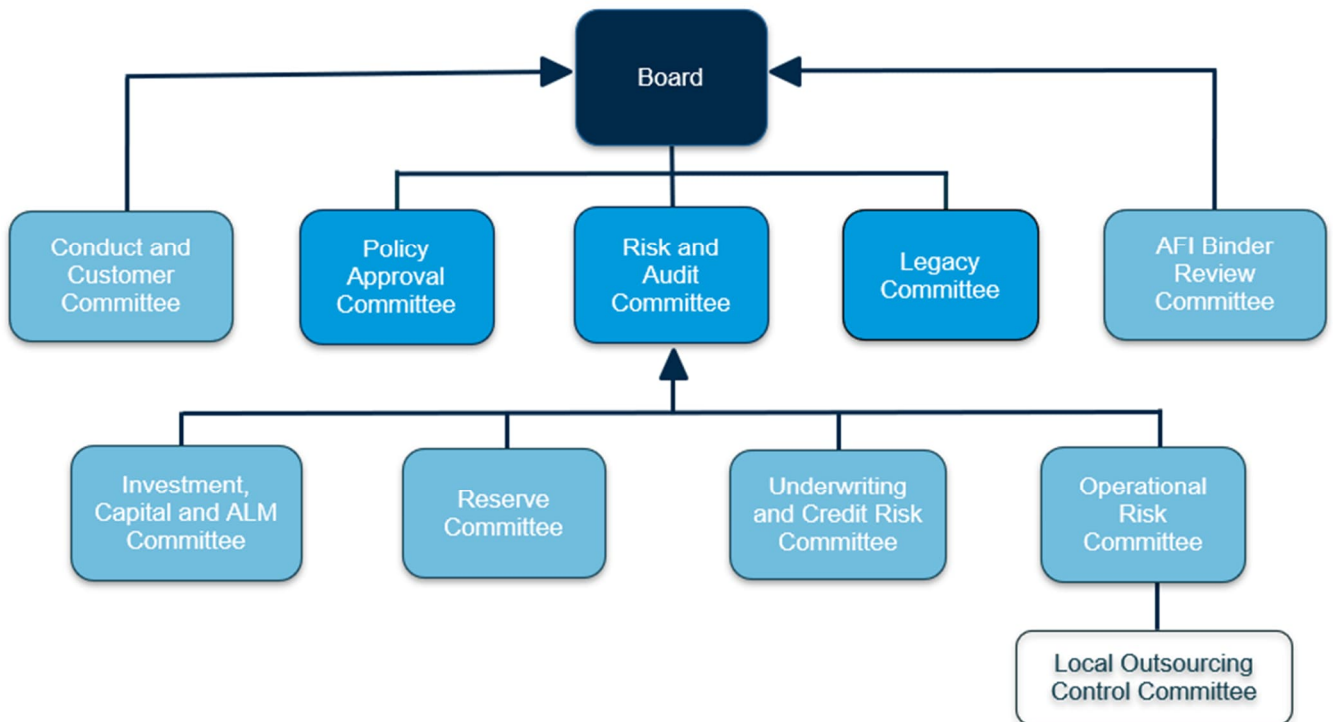
None

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

The Company’s Board comprises Directors and Non-Executive Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and achieves its objectives. The Board met eight times in 2025 to determine the Company’s strategic direction, review operating and financial performance, and to ensure that the Company is adequately resourced and effectively controlled.

The Company’s governance regime is summarised as follows:



Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

The following Board and Executive team members were the holders of significant management functions during the year (unless stated otherwise):

Name	Function	Description of a controlled function
Andrew Wigg	SMF 1	Chief Executive Officer
	SMF 3	Executive Director
Carmen Andreea Iordache	SMF 3	Executive Director
	SMF 20	Chief Actuary (Life)
	SMF 23	Chief Underwriting Officer
Oleksii Kovalchuk	SMF 20	Chief Actuary (Non-Life)
Aaron Hester-Lowe	SMF 16	Compliance Oversight
	SMF 17	Money Laundering Reporting Officer (MRLO)
Sophie May	SMF 2	Chief Finance Officer
	SMF 3	Executive Director
Simon Wainwright *	SMF 9	Chair of Governing Body
Craig Scarr *	SMF 10	Chair of the Risk Committee
	SMF 11	Chair of the Audit Committee
Dirk Beeckman	SMF 7	Group Entity Senior Manager
Christopher Bernau	SMF 4	Chief Risk Officer
Simon Costello	SMF 24	Chief Operations (Ops)
Dan Simms (Resigned 30 January 2026)	SMF 24	Chief Operations (IT)
Matthew Lorimer	SMF 3	Executive Director
Louisa Doswell	SMF 7	Group Entity Senior Manager
Caroline Coleman	SMF 18	Other Overall Responsibility
Sanchit Suri	NED	Notified NED
Thae Olav Cupier *	NED	Notified NED
* Independent non-Executive Director		

Remuneration Practices

The Company's remuneration practices are structured to align with its business strategy, culture, and values by rewarding behaviours and outcomes that deliver long-term growth, customer value, and sustainable performance, while discouraging excessive risk-taking. As an FCA-regulated entity, the Company adheres to regulatory requirements, including the Consumer Duty, ensuring that pay and reward structures promote good outcomes for customers and uphold the integrity of insurance distribution. This approach reflects the Company's commitment to its long-term financial health and solvency, while meeting the FCA's expectations.

Remuneration within the company is determined to ensure a fair, transparent, and performance-driven approach to attract and retain talent while supporting organisational success. Policies are designed to prevent excessive risk-taking, conflicts of interest, our regulatory requirements and overall financial stability.

1. **Individual Fixed Basic Pay** is determined based on the requirements of the role, defined by market data, ensuring compliance with legal minimums, and may consider factors like:
 - competence and expertise
 - qualifications and skills
 - scope of responsibility/accountability
 - degree of independence
 - performance
 - current or future potential as an employee.

The level of fixed basic pay ensures that employees are fairly compensated while taking into account the Company's financial sustainability and solvency requirements.

2. **Variable remuneration** is designed to reward short-term performance aligned with individual contribution, business strategy, and financial results. It is reviewed annually, approved by the Remuneration Committee, and is discretionary and non-contractual.

Key principles include:

- It is not an entitlement; applies only to eligible employees.
 - It is designed to encourage behaviours that support long-term financial health and regulatory compliance.
 - It is structured to reflect business performance and risk management objectives.
3. **Long-Term Incentive Plans (LTIP)** Variable compensation may be further supplemented by medium or long-term incentive schemes, including stock options, restricted stock units, performance shares, or other instruments designed to retain and motivate key employees. These plans are structured to:
 - align employee interests with the long-term growth and value creation of the Company;
 - ensure compliance with regulatory requirements; and
 - avoid conflicts of interest and ensure employees act in the best interests of the Company, the Group, and its customers.

All payments under LTIPs are awarded with careful consideration of the Company's solvency, financial position, and long-term sustainability, and are designed to support compliance with the FCA's governance expectations, including the protection of consumer interests.

Risk and Audit Committee (RAC)

The Risk and Audit Committee (RAC) is a Board committee responsible for providing oversight and advice to the Board on the effectiveness of the Company's risk management framework, internal control system, compliance arrangements, and internal audit function.

- The RAC oversees the consolidated risk profile of the Company, including material risks. The committee reviews the adequacy and effectiveness of risk management processes, and monitors material changes in the Company's risk profile;
- The Committee reviews on behalf of the Board, the Company's risk appetite and tolerances and assesses alignment between the Company's strategy, capital position and risk profile. The RAC oversees the Company's Own Risk and Solvency Assessment (ORSA) process, including review of its scope, methodology, key assumptions and stress and scenario analysis. The Committee also reviews the final Company ORSA report prior to its approval by the Board;
- The RAC receives regular reporting from the Risk, Compliance and Internal Audit functions, including regular reporting on material matters arising and any significant regulatory interactions. The key functions have direct access to the Committee and may escalate matters independently of management where appropriate;
- The committee oversees the effectiveness and independence of the Internal Audit Function, reviews the outcome of internal audit work and monitors the implementation of management actions.
- The committee oversees the integrity of the Company's financial reporting, including significant judgements and estimates, and the effectiveness of the external audit process, including relationship with the external auditors; and
- Where appropriate the RAC escalates significant matters to the Board for consideration and decision.

Policy Approval Committee (PAC)

This Committee is chaired by the General Counsel and reports into the Board. The Committee meets quarterly, and the sole purpose is to oversee the timely review and approval of all policies and other documents assigned to the Board.

The main responsibilities are to:

- ensure all policies are reviewed and approved annually, have sufficient discussion and debate and delegate to management; and
- ensure all approved policies are communicated to and adopted by the relevant business areas.

Legacy Business Committee

This committee is chaired by the General Counsel and reports into the Board.

This committee was established in July 2022 by the Board following the joint business venture of JAB Holding Company and BNP Paribas Cardif.

The committee's purpose is to oversee and control the performance and operational management of all non-pet business and policies, until the date on which the Legacy Business portfolio transfer has been completed or all non-pet business is otherwise closed.

This committee meets quarterly, its main responsibilities are to:

- monitor and make decisions in respect of the Legacy Business Reinsurance Agreement;
- monitor and make decisions in respect of the Legacy Business Portfolio Transfer;

- make decisions in respect of engagement and costs of third-party service providers or professional advisors for the purposes of the Legacy Business Reinsurance Agreement and/or Legacy Business Portfolio Transfer;
- monitor and manage the financial performance and prospects of Legacy Business including expenditure against the Legacy Business budget and costs relating to individual projects;
- monitor the cost allocation, expenditure and time recording relating to the Legacy Business for the purposes of the Profit and Loss Adjustment Mechanism;
- monitor the operation and implementation of the foregoing to ensure compliance with Group companies' regulatory obligations (including the requirement to deliver good outcomes to Customers); and
- make decisions in respect of any disputes relating to Legacy Business.

Investment, Capital and ALM Committee

The Committee is chaired by an Executive Director and reports to the RAC. It meets on a quarterly basis, and its main responsibilities are to:

- ensure asset exposures do not exceed the limits set in the investment policy;
- maximise investment return within the risk framework of the investment policy and regulatory requirements;
- agree investment returns to be used for future investments, new product types, constraints of asset duration, constraints on credit rating, counterparties and removal of counterparties' restrictions;
- monitor the investment impacts on solvency capital requirements of market and counterparty default risks;
- manage investments within the tolerances provided by the ALM policy of managing and matching the assets with liabilities while complying with financial objectives, risk appetite and regulatory constraints;
- review the investment guidelines and ALM management procedures; and
- review investment and ALM policies at least once a year and make proposal of change to the RAC.
- to oversee and review the performance, compliance, and effectiveness of the outsourced asset management arrangement, including the appointment, evaluation, and, where appropriate, the termination of external managers.
- to ensure such the outsourced asset management arrangements align with the investment policy and risk appetite of the organisation.

Underwriting and Credit Risk Committee (UCR)

This Committee is chaired by the Chief Actuary and reports to the RAC. The Underwriting and Credit Risk Committee meets quarterly. The Committee's main responsibilities are to:

- provide effective risk monitoring & risk follow up for all the key underwriting & credit risk and provide an escalation process (alert system);
- review the underwriting and credit risk exposure and the related risk mitigation technique and the related risk map;
- review the new products that could lead to a material change of the company's risk profile;
- review the adequacy of the reinsurance programme as part of the risk mitigation techniques; and
- review the underwriting and credit risk management procedures and the underwriting policy at least once a year and make proposals of change to the RAC.

Conduct and Customer Committee (CCC)

The Committee is chaired by the Customer Service & Operations Director and reports to the Board.

It provides oversight of Conduct Risk within PIC and adherence by members of PIC with Conduct Risk and Consumer Duty principles and guidance.

There are a number of operational forums that sit under the CCC for which the Committee provides oversight. These are the Product Approval Group (PRAG), the Customer Outcome Review Group (CORG) and the Root Cause Analysis Forum (RCA). The CCC manages the operation and outputs from these respective groups and ensures that any items of note or potential foreseeable harm are discussed at the CCC and are raised at the Board in a timely manner. In addition:

- it identifies, assesses and reports on key Conduct Risks faced by PIC;
- it promotes and encourages a culture to ensure the recognition of Conduct Risk, the delivery of good outcomes for customers and adherence to Consumer Duty requirements;
- it implements a regular two-way communication programme that demonstrates a positive attitude and company-wide commitment to meeting the requirements of the Consumer Duty;
- it encourages the development, analysis and use of further Conduct Risk Indicators (CRIs) or other management information to measure and ensure good outcomes for customers by ensuring that the results are acted upon;
- it ensures that staff appropriately record Conduct Risk issues including the findings and resulting outcome using an agreed process or system such as (but not limited to) the Incident Reporting, Root Cause Analysis (“RCA”); and
- it reviews issues brought to the CCC and makes recommendations that are in the best interests of all customers.

Operational Risk Control Committee (ORC)

The Operational Risk Committee (ORC) is chaired by the Chief Financial Officer and includes the Chief Risk Officer and Operations Director within its members; it provides oversight of the Company's operational risk profile and internal control environment. The ORC supports the effective management of operational risks and considers strategic risks relevant to the Company.

The ORC reviews key operational risk exposures through key risk indicators and other risk metrics, control issues, incidents, emerging risks, and considers the adequacy of mitigating actions. It also reviews reports from the Risk and Compliance functions, including outputs from the risk assessment and internal control processes, and monitors development on the regulatory environment relevant to the Company.

The committee is a formal sub-committee of the RAC and escalates significant matters of operational risk to the RAC and supports the RAC and the Board in ensuring that operational risks and internal controls are managed effectively and in line with the Company's risk management framework

Outsourcing Control Committee (OCC)

This Committee is chaired by an Executive Director. It reports into the ORC which reports to the RAC. The Committee's main responsibilities are to:

- review the risk position of the outsourcing;
- ensure that any proposed outsourcing delivers benefits that outweigh risks;
- review potentially severe incidents on outsourced running activities;
- review all inputs relating to the supervision of outsourced activity;
- oversee the invocation of exit plans; and
- ensure relevant controls are in place.

Animal Friends Insurance (AFI) Binder Review Committee (AFI BR)

The Committee is chaired by the Chief Risk Officer and reports to the Board.

The Committee's main responsibilities are to:

- Evaluate the adequacy of AFI's fulfilment of its obligations as outlined in the Binder including any KPIs or service level commitments contained with the Binder;
- Review and evaluate the performance of the relationship between the Parties under the Binder with regard to financial, underwriting, operational or conduct risks and identify and escalate as required any non-performance or under-performance;
- Challenge and escalate issues relating to oversight controls, performance measurement reporting, or service level deficiencies, or any other associated form of non-compliance with provisions set out in the Binder;
- Recommend to the AFI and the PIC executive management any remedial actions or amendments for consideration in relation to changes that may, from time to time, be required to be made to the Binder or otherwise relating to the oversight approach; and
- Document findings and decisions for audit and regulatory transparency.

Reserve Committee (RC)

The Committee is chaired by the Chief Actuary and reports to the RAC.

The Committee's main responsibilities are to:

- review and challenge reserve estimates and underlying assumptions;
- ensure compliance with internal policies, regulatory standards, and audit requirements;
- assess reserving risks and material movements in reserves; and
- recommend reserve levels for RAC approval.

B.2 Fit and proper requirements

The Company applies the "Fit and Proper Requirements" criteria laid down by the FCA and PRA in the appointment of controlled function holders including those individuals encompassed in the Senior Managers & Certification Regime (SMCR).

The Company assesses individuals' fitness and propriety at the time of their appointment and on an ongoing basis, by giving consideration to their:

- financial soundness;
- honesty, integrity and reputation; and
- competence and capability.

The Company employs the following procedures to assess “fit and proper”:

- no conduct issues have been identified for the individual in respect of the PRA Conducts Standards and FCA Conduct Rules;
- compliance with internal policies and procedures;
- disclosure and barring service (DBS) checks;
- financial checks on the individual;
- annual performance reviews and assessments;
- checks to ensure that allocated training has been undertaken;
- self-attestation annually; and
- references completed by a candidate’s previous employer (including regulatory references, where appropriate).

B.3 Risk management system including the own risk and solvency assessment (ORSA)

The Board has overall responsibility for the company’s risk management system and framework. The RAC has delegated authority from the Board to oversee how management monitors compliance with risk management policies and procedures and to review the adequacy of the risk management framework. The company operates a Risk Management Framework which brings together risk appetite, policies and procedures, a common risk taxonomy and defined processes for identifying, measuring, monitoring and reporting risks across the business. The Risk Management Framework supports risk-based decision making across the business, including underwriting, pricing, operations, financial planning and capital management.

The RAC is assisted in its oversight role by both the second line (Risk and Compliance) and the third line (Internal Audit) assurance functions, which undertake both regular and ad-hoc reviews the results of which are reported to the RAC. Assurance coverage is scheduled and tracked through the Assurance Matrix, which is reviewed and approved annually by the RAC to ensure sufficient coverage of key risks across the business.

The company operates a Three Lines of Defence model, with management in the first line owning the risks, the Risk and Compliance function providing second line oversight and challenge, and Internal Audit providing independent third line assurance to the RAC and Board.

Management is responsible for identifying and assessing risks both existing and emerging faced by the Company, setting appropriate risk appetites and limits, and ensuring that risks are managed within Board-approved tolerances.

Risk management policies and systems are reviewed at least annually to ensure that they remain effective, proportionate and appropriate for the Company’s risk profile.

The Company’s internal standards and procedures support this framework and are designed to ensure that risk management responsibilities are clearly defined and understood by all employees involved in managing the company’s risks.

The annual Own Risk and Solvency Assessment (“ORSA”) is prepared based on the latest available capital position and three-year forward-looking financial forecasts and business plan. The conclusions of the assessment are taken into consideration in assessing the company’s risk and capital position related to the strategic and approved by the Board.

Own Risk and Solvency Assessment (ORSA)

The Own Risk & Solvency Assessment (“ORSA”) is a continuous and forward-looking assessment of the Company’s overall solvency needs, taking into account its risk profile, business strategy and capital position over the planning horizon.

The ORSA is performed at least annually and may also be undertaken outside of the regular cycle where there is a material change in the Company’s risk profile. The ORSA supports Board decision making in relation to risk management and capital planning.

The Board retains responsibility for the ORSA framework and for approval of the ORSA report. The RAC oversees the ORSA process, including review of its scope, methodology, key assumptions and stress and scenario analysis. The RAC reviews the final ORSA report prior to submission to the Board for approval.

The Company has an established ORSA policy which sets out the roles, responsibilities and governance arrangements for the production, review and approval of the ORSA.

B.4 Internal control systems

The Board has overall responsibility for maintaining an effective internal control system across the Company and for monitoring its effectiveness. The implementation and operation of internal control systems is the responsibility of senior management.

The Company’s internal control system operates within its governance framework and is designed to manage the risk of failure to achieve business objectives. It provides reasonable assurance regarding the reliability of financial reporting, the safeguarding of assets, compliance with applicable legislation and regulation and the effective and controlled operation of the business across all jurisdictions in which the Company operates.

The Company has established a governance framework which includes clearly defined terms of reference for the Board and its Committees, a defined organisational structure with delegated authorities, and the approval of major transactions. Policies and standards set out the key processes and control requirements applicable across underwriting, claims, finance, data management, regulatory compliance and outsourced arrangements.

The Group operates a Three Lines of Defence model. Management in the first line is responsible for designing and operating controls to manage risks within the business. The Risk and Compliance functions provide second line oversight and challenge over the effectiveness of risk management and internal controls. The Internal Audit function provides independent third line assurance on the adequacy of effectiveness of the internal control framework and reports its findings to the RAC and Board.

Key procedures supporting the internal control system include risk identification and assessment processes, risk mitigation and acceptance processes, risk tolerance and key risk indicator reporting, incident management and escalation processes and structured risk reporting to management, the RAC and the Board.

The Company has a Compliance function that reports to the SMF responsible for Compliance Oversight to identify relevant legislative, regulatory and Group requirements. The Compliance function is responsible for ensuring the Company implements the necessary arrangements, systems and controls so as to facilitate adherence to these obligations.

The RAC agrees the annual Compliance monitoring schedule and all findings from the periodic reviews

are reported to the RAC. The findings may contain recommendations which are agreed by management and then monitored and closed by the Compliance function.

The ESG governance is covered in section C7.

B.5 Internal Audit function

The Company has outsourced its Internal Audit function to Grant Thornton UK LLP. Internal Audit provides independent assurance to the RAC and the Board on the adequacy and effectiveness of the Company's internal control system, risk management processes and other elements of the governance framework.

Internal Audit operates independently from the first and second lines of defence and has unrestricted access to records, systems, personnel and information necessary to perform its work. Internal Audit reports its findings to the RAC and the Board as appropriate and makes recommendations for improvement as appropriate. Findings may contain agreed actions for closure that are deemed necessary to address identified issues. Progress against actions is monitored and reported to the RAC until closure.

The RAC agrees the Internal Audit plan and audit schedule each year in consultation with Internal Audit and the second line functions. Where required, the schedule may be adjusted to address new or emerging risks and regulations or to respond to specific requests from the RAC or Board. This enables Internal Audit to provide timely assurance over areas of relevance to the Company's operations and risk profile.

B.6 Actuarial function

The Company has an in-house Actuarial team which carries out a day-to-day actuarial role, including claims reserving. The formal role of the Actuarial function under Rule 6 PRA Rulebook/Conditions Governing Business includes the responsibility for the preparation of the Technical provisions and for providing an opinion to the Board on the underwriting policy and on the adequacy of reinsurance arrangements.

B.7 Outsourcing

This section of the report details the outsourcing arrangements for the Company's material outsourced and material third party activities.

The outsourcing role is carried out by one full-time employee. However, Subject Matter Experts are drawn from across all functions.

Before a material / significant activity is outsourced, Board approval is sought for the 'direction of travel'. The Company then conducts a comprehensive pre-outsourcing assessment of the potential outsource provider in line with its procedures and the Board approved Policy. This is performed by staff from the key areas of the business. Each assessment is specific to both the activities being outsourced and the potential outsource provider.

The results of the pre-outsourcing assessment are reviewed by senior management to assess the balance between risk and reward in respect of the potential outsourcing as well as determining the likely effectiveness of the control of those activities, once outsourced.

Material outsourcing arrangements are presented to the Board for approval to ensure alignment with our strategic objectives and risk management framework. Once approved, appropriate notifications are made to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in compliance with regulatory requirements.

Once an activity has been outsourced, the Company applies post-outsourcing controls and governance in order to ensure that the outsource provider remains suitable and that all risks associated with that outsourcing are managed effectively.

A number of critical activities are outsourced across a number of schemes, including, IT, third party loss claim handling, outgoing print and Internal Audit.

B.8 Any other information

None.

C. RISK PROFILE

The Company's activities expose the business to a number of key risks, which have the potential to affect the Company's ability to achieve its business objectives. The Board is responsible for ensuring that an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below:

C.1 Underwriting risk

The non-life underwriting risk is the main component of the Company's risk profile, representing 70% of the solvency capital requirement at the end of 2025 (2024: 76%).

Non-life underwriting risks mainly relate to the premium and reserve risk accounting for 63% after diversification (2024: 68%) and the catastrophe risk representing 17% (2024: 26%), the remaining 20% arising from lapse risk (2024: 6%).

The premium and reserve risk arises from the premium exposure and the development of outstanding unsettled claims at year end.

The gross of reinsurance non-life exposure relates to:

- primarily the Miscellaneous Financial Loss line of business with 98% of the non-life exposure (2024: 99%) comprising primarily pet health insurance risks and run-off of the unemployment risk claims reserves.
- the general liability line of business with 2% of exposure (2024: 1%).

Since the introduction of a quota-share reinsurance treaty with Darnell DAC on 31 December 2021, the Company retains no net of reinsurance non-life exposure on any non-pet product line, meaning that the Miscellaneous financial loss line of business covers almost 100% of the net non-life risks.

Catastrophe risk arises from infrequent shock events that give rise to large numbers of claims or large individual claims and relates to the pet insurance only after reinsurance.

Lapse risk quantifies the impact of policyholders terminating their contracts earlier than expected. This risk remains relatively small for the Company due to the short-term nature of the products it currently underwrites (most of which being annual policies), which limits the period over which adverse changes in customer behaviours can apply.

The Company's exposure to underwriting risk on pet health insurance cover has increased as business is projected to continue to grow in 2026. Quota share reinsurance for Pet health risk was introduced from 1 January 2024.

The non-pet business consists of a life book which is consisting mostly of in payment annuities (exposed to longevity risk) and of relatively small claims run off of creditor business.

The Company's annuity and assurance book is in run-off leading to a continuously decreasing exposure to longevity risk.

The Company adopts the following to mitigate these risks:

- underwriting policy, risk tolerance and pricing and reserving procedures;
- reinsurance;
- re-pricing when deemed necessary; and
- risk monitoring dashboards and risk monitoring committee.

C.2 Market risk

Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from market movements.

The Company is mainly exposed to interest rate risk, concentration risk and spread risk. Concentration risk arises with exposures on the same counterparty over a certain threshold and spread risk arises from the change in credit spread over the risk-free interest rate term structure.

The Company is exposed to interest rate risk. This risk exists for all investment assets, best estimate liability and best estimate ceded reinsurance liability which are sensitive to changes in term structure of interest rate.

The Company has a low-risk appetite for market risk, which has been translated into a policy allowing the Company to invest predominantly in short-term and intermediate-term bonds to match the short-tail nature of most of its claims. The risk is managed by the Investment Committee.

C.3 Credit risk

The Company's exposure to credit risk arises from its direct insurance trading activities, the exposure to the reinsurance it purchases and those of its investment activities. The risk is the risk of default arising from any of these exposures.

The primary source of credit risk for the Company is:

- Investments portfolio including deposits, cash and cash equivalents;
- Amounts due from reinsurers; and
- Amounts due from insurance intermediaries and receivables (trade not insurance).

Investment activities

The Company, through the Board and the Investment, Capital and ALM Committee, seeks to limit, as far as is practical, exposure to credit risk from its investment activities. The investment credit risk is managed through established guidelines and procedures. The Company's investment policy prescribes the investments limits and credit quality of the investments, which are monitored and reviewed by the Investment, Capital and ALM Committee on a quarterly basis.

Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

The Company maintains a low risk, high quality investment portfolio with exposure concentrated in bonds, bank deposits and cash. The table below provides UK GAAP investment portfolio by credit quality:

<i>Investment portfolio by credit quality</i>	2025		2024	
	£'000	%	£'000	%
AAA	57,284	45%	22,948	17%
AA+	908	1%	-	-
AA-	7,735	6%	-	-
A+	23,843	19%	28,063	21%
A	7,124	6%	73,536	54%
A-	7,573	6%	11,240	8%
BBB+	17,562	14%	204	0%
BBB	4,041	3%	-	-
	126,070	100%	135,991	100%

Concentration of credit risk exists where the Company has significant exposure to an individual counterparty or a group of counterparties. As at 31 December 2025, the Company has £24.4m (2024: £20.2m) investment with a single issuer with a credit rating of "AAA" (2024: AAA) with a duration of 0 months (2024: 0 months). The single party exposure is within the Company's prescribed investment policy limit.

Reinsurance risk

The Company manages the risk through the use of preferred reinsurers. No reinsurance counterparty has a rating lower than BBB+.

The highest exposure to single reinsurance counterparty is £13.3m (2024: £11.8m) rated A (2024: AA-).

The technical provisions ceded as at 31 December 2025 under a UK GAAP basis are £205.0m (2024: £74.9m), and £11.3m on Solvency UK basis (2024: £15.3m). See section D2 (d) for details on the valuation differences.

Receivables

The Company regularly reviews receivables, the collectability of these receivables and adequacy of associated impairment. Outstanding premiums receivables balances are monitored by the business operations team on a monthly basis, as a minimum. Credit risk is also monitored for large partners/brokers. The Company's standard credit policy is 30 days after the amount becomes due.

The carrying value of the insurance & intermediaries, reinsurance and receivable (trade, not insurance) at 31 December 2025 is £419.9m (2024: £126.3m) net of bad debts provisions of £nil (2024: £nil). The value of these receivables for solvency purposes is £34.89m (2024: £31.7m). See section D.1 (b) & (c) for detail on the valuation differences.

The Company mitigates its credit risk and risk concentration as follows:

- individual counter-party risk assessment using second worst of Standard & Poor, Moody's and Fitch credit rating assigned to each counterparty;
- credit and concentration risk limits relating to cash, short term deposits and bond investments are defined in the Investment Policy. The Company has a very low risk appetite for any default by counterparties with whom deposits are placed and will not place funds with counterparties whose S&P credit rating is lower than BBB- or lower rated investments;
- monies held in trust accounts (or in segregated accounts); and
- contractual audit rights and rights to terminate contracts due to the failure of counterparties to perform agreed duties including the right to set-off.

C.4 Liquidity risk

Liquidity risk is the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company mitigates liquidity risk in the following ways:

- the Company maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, call accounts and readily tradable corporate bonds; and
- the Company prepares forecasts to predict the required level of liquidity levels both for short-term and medium-term and adjusts the assets accordingly.

The table below analyses the liquid resources available to meet Company's liabilities as they fall due:

As at 31 December 2025	2025	1 Year	2-3 Years	4-5 Years	Over 5 Years	2024
Highly liquid resources	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments	89,787	21,828	24,226	40,352	3,381	103,519
Cash & cash equivalents	36,283	36,283	-	-	-	32,472
Debtors	351,217	351,217	-	-	-	108,094
	477,287	409,328	24,226	40,352	3,381	244,085
Expected liabilities						
Gross insurance liabilities	68,478	47,041	6,948	4,027	10,462	36,263
Other payables	318,777	318,777	-	-	-	103,346
	387,255	365,818	6,948	4,027	10,462	139,609
Surplus funds	90,032	43,510	17,278	36,325	(7,081)	104,477

The table above shows the Company has surplus funds of £90.0m (2024: £104.4m). The apparent deficit of funds for the period greater than 5 years is due to the table representing the current maturity profile of investments. As investments mature, they are reinvested which will rectify the greater than 5 years negative position.

C.5 Operational risk

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

The Company is exposed to operational risks arising from the delivery of its insurance activities. These risks are managed through the Company's risk management framework, which includes defined policies and standards, a Three Lines of Defence model, and oversight by the Board and relevant committees.

Management in the first line is responsible for identifying, assessing and managing operational risks within their areas of accountability. The Risk and Compliance functions provide second line oversight and challenge. Independent assurance is provided by Internal Audit as part of the third line of defence. Significant operational matters are escalated to the Risk and Audit Committee and the Board where appropriate.

Operational risks are monitored through a combination of risk and control self-assessments, incident reporting, key risk indicators and regular risk reporting. Emerging operational risks and relevant external developments are considered as part of the Company's ongoing risk monitoring and ORSA processes.

The principal operational risks faced by the Company include:

Model risk

Models used within pricing, underwriting and actuarial processes may be subject to error, limitation or inappropriate use. Governance, validation and oversight arrangements are in place to ensure models remain appropriate and fit for purpose across the Company.

Regulatory and compliance risk

The Company is required to comply with applicable prudential, conduct and data protection requirements. Failure to comply with regulatory obligations or to respond appropriately to regulatory change could result in financial loss, sanction or reputational damage.

Data and information risk

The accuracy, completeness, availability and security of data are critical to underwriting, claims management, financial reporting and regulatory compliance. Inaccurate or compromised data could impact decision-making and regulatory reporting.

Cyber security and IT resilience risk

The Company recognises the importance of security and resilience, and during 2025 delivered several key initiatives to strengthen its cyber capabilities. This included introduction of standardised threat detection and incident response processes, and the formal elevation of Cyber to a Level 2 Risk. To support these changes, a dedicated IT Risk Management function has been established. This function is embedding a unified Cyber & IT Risk Interconnect aligned with the Group Risk Management Framework and will coordinate the governance of Cyber and IT risk acceptance and issues management through the GRC platform. Standardised metrics have been introduced to provide clearer visibility of the Company's security posture, with further planned enhancements including a refined Cyber Level 3 Risk Taxonomy, strengthened risk registers, and improved KPI/KRI reporting.

Significant capital investment has been made through 2025 in the security technologies deployed. This will further drive up the Group's NIST scores and complement the drive to successfully implement an

industry good-practice Information Security Management System (“ISMS”) based on International Standard Organisation (“ISO”) 27001:2022.

People risk

The ability to attract, develop and retain appropriately skilled colleagues, particularly in specialist areas such as actuarial, risk and technology, is important to the effective operation of the Company. Insufficient capability or capacity could impact operational performance and control effectiveness.

Through its governance framework, policies and oversight arrangements, the Company seeks to ensure operational risks are identified, monitored and managed within the Board-approved risk appetite. The adequacy and effectiveness of operational risk management and internal controls are subject to ongoing second line oversight and independent assurance.

Risk mitigation

The Company manages operational risk through the framework supported by robust systems and controls which include:

- internal committees reviewing and reporting material operational risks;
- incident reporting system: This is used by staff for reporting any operational incidents which are reviewed by the Business Risk Team (“BRT”) placing appropriate preventive and corrective actions in place;
- RCSA: A risk and controls assessment is conducted quarterly to identify key risks and controls and assess these to form a view on the Company’s risk and control environment. Operational risks are included in these assessments which are conducted by the business with BRT support;
- corporate level risk register: As part of the risk identification process with the business, key risks are captured on the group’s risk register; and
- risk reports are sent to the RAC, which in turn reports to the entity Board. Reports are regularly submitted across all risk areas within the business.

C.6 . Other material risks

Strategic risk

Strategic risk is the risk that the Company’s strategy, or the execution of that strategy, does not achieve the intended business objectives. This may arise from changes in the external environment, competitive pressures, regulatory developments, or from the Company not responding effectively to market conditions.

Strategic risk is managed through the Company’s governance framework, including Board oversight of strategy, regular business planning, monitoring of external developments and the ORSA process, which assesses the impact of strategic risks on the business model and capital position.

Conduct risk

Conduct risk arises from actions or decisions that result in poor outcomes for customers, regulatory non-compliance, or behaviour that could undermine confidence in the Company by its stakeholders, including customers, regulators, business partners and investors. The Company recognises that conduct risk can have a material impact on its reputation, customer trust and long-term sustainability.

The Company manages conduct risk through its risk management framework, including defined policies, staff training, product oversight and governance processes. Conduct risk is monitored through customer outcome metrics, complaints analysis, regulatory developments and oversight from the Risk and Compliance functions. Significant matters are escalated to the ORC and the RAC as appropriate.

The Company's appetite for conduct risk is conservative, reflecting its commitment to fair customer outcomes and compliance with applicable regulations, including Consumer Duty.

Through ongoing training, product governance, and a focus on transparency and accountability, the Company seeks to identify, manage and mitigate conduct risk within its business operations.

C.7 Any other information

Risk sensitivities

The Company has identified the following stress scenarios and assessed the impact of these scenarios on its solvency position:

Scenario 1: Default of Company's largest reinsurance exposure at 31 December with a credit rating of AA or lower, where exposure is based on BEL reinsurance including risk mitigation.

This stress scenario would not materially affect the Company's net BEL. This scenario would trigger a £23.8m increase in SCR due to the loss of risk mitigation from the defaulting reinsurer. In this scenario, management will take an action to secure an alternative capacity that is expected to be available on the market.

Scenario 2: New variants of feline leukaemia virus (Cats) and canine distemper virus (Dogs) emerge, for which current vaccines are not effective. The diseases spread in certain regions in the UK (e.g. London) affecting 5% of pets in those regions. The viruses contaminate 1% of the total cats and dogs insured by the Company in the UK, at an average cost per treatment of £420 per pet.

The stress scenario would trigger an estimated £1.9m increase in BEL slightly mitigated by profit share, a £1.4m reduction in Own Funds and no SCR movement.

The above scenario will only apply to policies that do not exclude epidemic claims.

Scenario 3: Adverse loss ratio deterioration of 3.5% for pet veterinary expenses.

This results in an increase in the net BEL of £10.7m mitigated by profit share, a reduction in own funds of £8.0m and no material SCR movement.

Under these scenarios, the Company's solvency ratio is expected to remain within the risk appetite.

Emerging Risks

The Company defines emerging risks as developing risks with the potential to have a significant business impact that is not sufficiently understood or accounted for. The Company identifies and monitors emerging risks through horizon scanning and review of external developments. Emerging risks are assessed for potential impact and, where relevant, incorporated into the ORSA. Current areas of focus include technology developments, veterinary healthcare trends and regulatory change.

Environmental, Social and Governance Including climate change

Due to the increasing impact of climate change and broader Environmental, Social and Governance (ESG) activities, the Company implemented the ESG roadmap in 2025. The governance of ESG is overseen by the PPG ESG Committee. This committee includes PIC representation from the first- and second-line teams, with reporting requirements as defined under the roadmap. This roadmap was a ground up review and included a materiality assessment of all ESG related factors relating to our business model. The Environmental considerations include the impact of our business, suppliers and customers on the planet as well as how climate change will impact our business model over time. The roadmap outlines a series of governance and reporting metrics over the material activities, tracking our progress towards a sustainable future. This includes linkage to the three categories of climate risk as outlined by the PRA. Future climate change analysis and includes the impact on our operations, supply chain, as well as the impact on different breeds and the resulting pricing and claims implications. The roadmap also looks to report on the benefits of our ESG activities to our business and customers, as well as identifying and capitalising on opportunities that may arise.

The Executive Management and subject matter experts use the Risk Register review process to review climate related risks to the Company. In view of the business model, the climate related exposure is currently deemed non-material within all three risk categories of climate risk identified by the PRA in the Periodic Summary Meeting (PSM) letter dated 01 April 2022 sent by the Bank of England. This is determined by the following:

Physical risk

The impact on claims liabilities as a result of first order effects of climate change e.g. more natural disasters, is considered immaterial. Note: This is supported by quantitative analysis of historic pet claims data during UK flooding events (2014 and 2015).

The Company currently operates in line with Operational Resilience regulatory guidelines, including and annual self-assessment report over important business services. Operational resilience is rated low with no material impact from climate and weather-related events (through disruption to the work environment, third party contracts or disruption to supply chains).

Any new outsourced processes are assessed under the procurement framework, including approval from the Local Outsourcing Control Committee. Performance of existing arrangements are also reported through the Vendor Risk Management Forum.

Transition risk

Financial risks from climate change are only likely to arise as transition risks i.e. asset devaluation as a consequence of climate change factors. The company monitors exposure to climate change factors through the application of JAB policies relating to SRI (Social Responsible Investments) and ESG (Environmental, Social & Governance). This is reviewed by the Investment and Capital Committee (a sub-committee of the RAC). In order to assess Transition Risk, a climate related Market risk stress scenario was included in the last Own Risk Solvency Assessment (ORSA), with no material impact to the Company or the solvency of the Company caused by a reduction in investment income from the modelled climate impact.

Liability risk

As a result of first order physical impacts related to climate change, or the second order transition impacts, climate liability risks can arise from injured parties seeking compensation for those impacts. The Company does not have liability insurance exposed to this risk.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Total Assets	Notes	2025 Solvency UK £'000	Differences In Classification £'000	Differences in Valuation £'000	2025 UK GAAP £'000	2024 Solvency UK £'000
Investments	D.1 (a)	119,144	(29,357)	-	89,787	124,318
Reinsurance recoverable	D.2	11,290	-	193,696	204,986	15,255
Reinsurance receivable	D.1.(b)	524	-	55,691	56,215	3,572
Insurance and intermediaries receivable	D.1.(c)	23,419	-	327,798	351,217	24,663
Receivables (trade not insurance)	D.1.(c)	10,922	1,514	-	12,436	5,105
Cash and cash equivalents	D.1 (d)	8,440	27,843	-	36,283	12,472
Deferred acquisition Costs	D.1 (e)	-	-	67,016	67,016	-
Deferred tax asset	D.1 (f)	1,227	-	5,983	7,210	3,144
Total Assets		174,966	-	650,184	825,150	188,528

The valuation for solvency purposes of material assets classes is described below.

D.1 (a) Investments:

The Company's investments comprise bonds and term-deposits which are analysed below:

Investments	2025 Solvency UK £'000	Difference in classification £'000	Difference in Valuation	2025 UK GAAP £'000	2024 Solvency UK £'000
Corporate bonds	63,699	(1,205)	-	62,494	26,015
Government bonds	22,140	(225)	-	21,915	31,440
Collective Investment Undertakings	27,927	(27,927)	-	-	20,097
Deposits other than cash equivalents	5,378	-	-	5,378	46,766
Total	119,144	(29,357)	-	89,787	124,318

Corporate and Government Bonds

As at 31 December 2025, the Company had £63.7m invested directly in corporate debt, £22.1m in UK issued government bonds (gilts and Treasury Bills) and foreign supranational/government bonds.

The corporate debt and government bonds are traded in active markets for same asset. As these are actively traded securities, the market price represents fair value under Solvency UK. These investments are valued at the amount they could be traded in an arm's length transaction.

The valuation bases used is the market value are provided by BlackRock, on the last day of the month. There are no differences in the valuation of the assets for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the valuation bases during the reporting period. The corresponding accrued interest for corporate and government bonds (£1.4m) is treated differently in Solvency UK Balance sheet to UK GAAP financial statements. The accrued interest is included in the investment values for Solvency UK whereas, accrued interest is treated separately on the financial statements in receivables (trade not insurance).

Collective Investments Undertakings (CIU)

As at 31 December 2025, the company had £27.9m invested in collective investments undertakings.

All collective investments undertakings are traded in active markets for same assets. As these are actively traded securities, the market price represents fair value under Solvency UK. These investments are valued at the amount they could be traded in an arm's length transaction.

The value of all collective investment undertakings in the financial statements is the same as for Solvency UK. The valuation bases used is the market value, received from external fund manager, on a quarterly basis on the last day of the month.

The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the valuation bases during the reporting period. The corresponding accrued interest for CIU (£0.1m) is treated differently in the Solvency UK Balance sheet to UK GAAP financial statements. The accrued interest is included in the investment values for Solvency UK whereas, accrued interest is treated separately on the financial statements in receivables (trade not insurance).

Deposits other than cash equivalents

As at 31 December 2025, the company had £5.4m in deposits other than cash equivalents. These are invested in certificate in deposits and fixed deposits which are valued at amortised cost which is deemed materially equivalent to fair value. There are no differences in the valuation of the assets for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

D.1 (b) Reinsurance receivables

Reinsurance receivables represent recoverables on settled claims and profit share. The reinsurance receivable is valued at amortised cost, which is materially equivalent to fair value for receivables, after allowing for defaults. The Solvency UK value as at the year-end is £0.5m (2024: £3.6m) whereas £56.2m (2024: £15.9m) under UK GAAP. Solvency UK valuation difference of £55.7m is relating to future reinsurance commission not recognised.

D.1 (c) Insurance and Receivables (trade not insurance)

Insurance and intermediaries receivables: represents premium receivables and is valued at fair value due to the short-term nature of the premium receivables due.

The Solvency UK value as at the year-end is £23.4m (2024: £24.7m) under Solvency UK and £351.2m (2024: £108.1m) under UK GAAP. The total differences in valuation of Insurance receivables is £327.8m (2024: £83.4m).

In accordance with Solvency UK guidelines, premium cash flows falling due after the valuation date are recognised (net of future commissions due) as a reduction of technical provisions, and premiums due at the valuation date are recognised as an asset.

The Company's Solvency UK accounting policy changed during the year to include Insurance Premium Tax as a cash inflow and outflow relating to future premium. This has resulted in amounts previously recorded in insurance receivables (and trade payables) now being shown in Technical Provisions with net nil impact on own funds.

Receivables (trade, not insurance): includes amounts due from group undertakings £10.2m and which is considered a close approximation to the fair value due to the short-term nature.

The Solvency UK value at year end 2025 is £10.9m (2024: £5.1m).

There is no valuation difference on (trade, not insurance).

D.1 (d) Cash and cash equivalents:

Cash and cash equivalents comprise notes, coins and bank accounts and subject to no significant risk of a change in value.

The Solvency UK value at year end 2025 is £8.4m (2024: £12.5m).

Cash and cash equivalents are valued at amortised cost which is deemed materially equivalent to fair value. There are no differences in the valuation of the assets for solvency purposes and those used for the valuation in financial statements. There was a difference in classification of a Collective Investment Undertakings (£27.8m) from the financial statements to Collective Investment Undertakings on Solvency UK Balance sheet.

D.1 (e) Deferred acquisition costs (DAC):

There is no deferred acquisition cost (DAC) recognised on the Solvency UK balance sheet, whereas under UK GAAP the DAC of £67.0m (2024: £14.2m) is reported as a separate asset.

D.1 (f) Deferred taxes

Under UK GAAP, £7.2m of deferred tax assets have been recognised on profit of £14.0m at the year end 2025 on the basis of future taxable profit projections.

On a Solvency UK basis, deferred tax assets and liabilities emerge from temporary differences between the UK GAAP and Solvency UK carrying values. There is a £6.0m net deferred tax liability booked on these temporary differences. Consideration is given to the tax regulatory requirements on loss utilisation.

The recoverability of deferred tax assets is reassessed at each closing balance sheet date.

There is an unrecognised deferred tax asset in respect of trading losses of £1.4m (2024: £6.8m), this is not recognised as the amount is not considered recoverable based on future taxable profit projections of the company.

D.2 Technical provisions

The gross technical provisions as at 31 December 2025 by Solvency UK lines of business are set out in the table below:

Balance Sheet Extracts – Technical provisions As at 31 December 2025	2025			2024		
	Best estimate	Risk margin	Total	Best estimate	Risk margin	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income protection	1	-	1	170	7	177
General liability	4,897	188	5,085	2,070	72	2,142
Miscellaneous financial loss	(16,537)	2,121	(14,416)	11,082	1,774	12,856
Non-life	(11,639)	2,309	(9,330)	13,322	1,853	15,174
Annuities	14,699	927	15,626	14,904	646	15,550
Other life	-	-	-	4	-	4
Life	14,699	927	15,626	14,908	646	15,554
TOTAL TECHNICAL PROVISIONS	3,060	3,236	6,296	28,229	2,499	30,728
TECHNICAL PROVISIONS UK GAAP Balance Sheet			400,370			131,924

In the above table:

- The gross BEL for Miscellaneous financial loss line of business is -£16.5m (2024: £11.1m), comprising pet and creditor unemployment risks, this is driven by increasing exposure and onboarding of a profitable new partner. The negative BEL is driven by premium provisions as the projected future premium inflows, net of cancellations, exceed the projected outflows, including claims, expenses, and profit share.
- The gross BEL for the General liability line is £4.9m (2024: £2.1m) and relates to third-party liability cover on pet dog policies.
- The lifelong term fund BEL is £14.7m (2024: £14.9m).

D.2 (a) Description of technical provision assessment

Methodology

Technical provisions are valued in accordance with Solvency UK as adopted in the PRA rule book which states that the value of technical provisions shall be equal to the sum of a Best Estimate Liabilities (BEL) and the risk margin.

The BEL is the sum of the claims provision BEL (valuation of outstanding claims reserves run-off under Solvency UK) and the premium provision BEL (arising from future events).

The aim in setting technical provisions is to maintain consistency between how the claims are settled and the approach to setting the reserves. The estimate of future claims reserves generally assumes that there will be no material changes to legal and regulatory environment.

The estimate of claims reserve is calculated on a best estimate basis using relevant actuarial and statistical methods. Therefore, there is no margin in the reserve amounts.

The BEL cash flow projections are assessed using deterministic methods and best estimate assumptions.

For annuities and assurances products, the projections are made for each individual policy in line with the financial statement methodology but ignoring any margins. For the other lines of business (Non-life and Health), the projections are made by homogeneous risk groups. The cash flows taken into account for the purpose of the projections are:

- future premiums arising from existing contracts at the projection start date;
- claims payable (arising from outstanding claim reserve, unearned exposure and future premium on existing contracts);
- commissions and profit share payable to intermediaries; and
- overheads (including claims management cost and administration costs); and
- reinsurance premiums and recoveries are not included in the gross Best Estimate Liabilities and are recognised separately as reinsurance recoverables, in accordance with Solvency UK requirements.

Details on key assumptions

The key assumptions used in the projection are the following:

- future loss ratios;
- future retention;
- discount rate;
- best estimate mortality table; and
- overheads projected.

Overheads

The overheads are projected using two main components: administration costs and claims management expenses. The overheads projections are based on the detailed analysis of 2025 costs structure taking into account expected future inflation.

Loss ratio

The loss ratio used for the purpose of BEL premium assessment is calibrated using a tailor-made study for most material homogeneous risk group and based on past months experience for others.

Assessment of Risk Margin

The risk margin is assessed as the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance obligations over their lifetime. It is calculated as 4% of the present value of the projected SCR at the end of each year. The SCR is projected based on year-end position using drivers for each component based on the runoff risk profile of the portfolio.

D.2 (b) Uncertainty associated with the amount of technical provisions

There is uncertainty arising from the projection method (deterministic approach).

For non-life projections, there is uncertainty related to the grouping of insurance and reinsurance obligations on a limited number of homogeneous risk groups for liabilities arising from future premiums. However, this risk is limited due to the short projection horizon of future premium.

There are a number of other potential sources of uncertainty, such as:

- interest rate developments (in long-tail lines such as liability);
- development of major losses in liability;
- occurrence of late claims;
- new types of claims (e.g. epidemic);
- development of external claims settlement costs; and
- socio-economic conditions such as inflation.

This means that actual estimates can deviate from expected estimates. However, the reinsurance programmes help reduce volatility e.g. in large liability claims.

D.2 (c) Material differences with financial statements valuation

For the purpose of the valuation of the BEL claims, the valuation approach between Solvency UK and the statutory accounts are aligned. The differences include the exclusion of margins under Solvency UK best estimate basis, the application of a risk-free discount rate, the introduction of Events Not In Data (ENID), the inclusion of Business Bound but Not Incepted (BBNI) within Solvency UK Technical Provisions and the exclusion of deferral mechanisms (such as deferred acquisition costs including for advance commissions in statutory accounting) accelerating recognition in line with cashflow timing under the Solvency UK basis.

With the exception of annuities and assurance products, the future claims payments are estimated using a loss ratio approach applied to the premium exposure.

Solvency UK Technical Provisions against UK GAAP Technical Provisions:

The difference of £394.1m (2024: difference of £101.2m) from £6.3m under Solvency UK Technical Provisions to £400.4m under UK GAAP Technical Provisions is driven by the following main factors:

- the accounting of future premium income from annual policies payable monthly (inflow for the Company) as a reduction to the Solvency UK Technical Provisions, whilst this income is included in the annualised UK GAAP Technical Provision, £327.8m (including IPT).
- differences in commission allowance mainly from the exclusion from Solvency UK Technical Provisions of the element of the unearned commission that is paid on an upfront basis, £48.8m;
- the recognition of the margin included in the Company's UK GAAP claims provisions, premium provisions, and mathematical reserves, £27.6m;

- allowance for non-incepted policies that are not accounted for within GAAP Technical Provisions but are included under Solvency UK, £9.6m; and
- allowance for risk-free discounting of expected future cashflows under Solvency UK, £1.3m.

This is partially offset by an increase of £2.3m due to the inclusion of an allowance for ENID, a £3.2m increase due to Risk Margin and £15.3m due to IPT on future premiums now being shown in Technical Provisions.

D.2 (d) Reinsurance recoverable:

Methodology

Assessment of the reinsurance recoverable

The best estimates are calculated gross of reinsurance and without deduction of amounts recoverable from reinsurance contracts.

The amounts recoverable are calculated separately, following the same principles as presented for the best estimate and consistent with the contract liability term of the underlying policies covered and the reinsurance contract term. The result is then adjusted to take account of expected losses due to default of the counterparty. This adjustment is based on the probability of default of the reinsurance counterparty based on its rating.

The above adjustment is applicable only on pet business. This is because all non-pet business is already 100% reinsured, with collateral and profitability protection mechanism.

Reinsurance recoverable on claims are only considered if the relevant claims are in the gross amount.

Reinsurance Recoverable Results

The Solvency UK value at year end 2025 is £11.3m whereas UK GAAP is £205.0m resulting in a £193.7m valuation for solvency purposes difference (2024: £59.7m).

The table below provides the difference between the Solvency UK and UK GAAP carrying values:

Reinsurance Assets	2025 Solvency UK	Difference In classification	Difference in Valuation	2025 UK GAAP	2024 Solvency UK
	£'000	£'000	£'000	£'000	£'000
Non-life including health	(3,409)	-	(193,156)	189,747	348
Life including health	14,699	-	(540)	15,239	14,907
Total Reinsurance Assets	11,290	-	(193,696)	204,986	15,255

The difference of £193.7m (2024: difference of £59.7m) from £11.3m under Reinsurance Solvency UK to £205.0m under Reinsurance UK GAAP is driven by the following main factors:

- allowance for Pet veterinary fees reinsurance in place, for which the quota share reinsurance unearned premium provision is annualised under GAAP, £193.5m;

- margin ceded to reinsurance, £0.9m; and
- bad debt ceded to reinsurance and allowance for risk-free discounting of expected future cashflows under Solvency UK, £0.3m.

This is partially offset by ENID ceded to reinsurance, £1.0m.

Net Solvency UK technical provisions against net UK GAAP technical provisions:

The net movement is the difference between the gross and reinsurance movements detailed above.

D.2 (e) Gross Solvency UK technical provision against prior year:

The technical provisions before reinsurance decreased by £24.4m from £30.7m in 2024 to £6.3m in 2025. This is explained by:

- best estimate claims provisions: increased by £31.2m from £17.0m to £48.2m due to business growth including the integrating of new books.
- best estimate premium provisions (for unexpired risks): decreased by £56.4m from £11.2m to (£45.2m), mainly driven by business growth and economies of scale resulting in a negative provision representing a more profitable portfolio overall.
- risk margin: The risk margin calculated is £3.2m (2024: £2.5m) which increase reflects the business growth aligns with SCR increase.

D.3 Other liabilities

D.3 The Table below details the Other liabilities as of 31 December 2025 of £44.7m.

Other Liabilities	Notes	2025 Solvency UK	Difference in Classification	Difference in Valuation	2025 UK GAAP	2024 Solvency UK
		£'000	£'000	£'000	£'000	£'000
Insurance & intermediaries payables	D.3 (a)	11,972	-	16,246	28,218	8,871
Reinsurance payables	D.3 (a)	2,309	-	242,458	244,767	1,126
Payables (trade, not insurance)	D.3 (a)	10,725	-	-	10,725	16,728
Any other liabilities	D.3 (a)	19,712	-	15,355	35,067	5,369
Other Liabilities		44,718	-	274,059	318,777	32,094

The valuation for solvency purposes of material liability classes is described below.

D.3 (a)

Insurance and intermediaries' payables represents profit share and claims payable of £12.0m, measured at fair value.

Reinsurance payables represents ceded premium written £2.3m, measured at fair value.

Payables (trade, not insurance) represent amounts owed to group undertakings, which are short term intercompany liabilities valued at amortised cost. The carrying value of £10.7m which is subject to 30 days credit terms deemed to be fair value as at the year-end for Solvency UK.

Any other liabilities includes Corporation Tax £2.2m and Insurance Premium Tax (IPT) £17.5m payable to HM Revenue & Customs (HMRC). The IPT is a financial liability valued as fair value due to the short-term settlement time after the reporting date.

PIC has no lease liabilities and right of use assets. Any leases are recognised in Pinnacle Insurance Management Services (PIMS), the service company, rather than PIC, however PIMS has no leases in 2025.

D.3 (b) Differences between Solvency UK valuation and UK GAAP valuation by material class of other liabilities

There are the following valuation differences between UK GAAP carrying value and Solvency UK basis.

- insurance payable and intermediaries £16.2m relates to the de-recognition of annualised commission payables; and
- reinsurance payables £242.5m, relates to reinsurance deferred acquisition cost £55.7m not recognised under Solvency UK, claims fund payable £22.7m not recognised as not yet due and the future reinsurance premium not recognised £164.1m.

D.4 Alternative methods for valuation

No alternative valuation methods are used.

D.5 Any other information

The Company does not apply the:

- matching adjustment referred to in Reporting Rule 3.4 of PRA Rulebook;
- volatility adjustment referred to in Reporting Rule 3.4 of PRA Rulebook;
- transitional risk-free interest rate-term structure referred to in Reporting Rule 3.4 A(2)(d) of PRA Rulebook; and
- transitional deduction referred to in Reporting Rule 3.4 A(2)(d) of PRA Rulebook.

E. CAPITAL MANAGEMENT

Under the Solvency UK regime, the company is required to hold sufficient own funds to cover its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Company targets the Ratio of Eligible own funds to SCR between 140% and 160%.

The company's main goal of the capital management process is to fund profitable growth in line with the business strategy defined by the board of directors, protect the viability and profitability of the company and determine the dividend payment capacity or need for a capital increase. This approach must balance the needs and requirements of stakeholders including shareholders, regulators, rating agencies, employees and customers.

Capital Planning exercises are undertaken to ensure that the capital requirements of the company satisfied and provide management with a comprehensive picture of the adequacy of the projected capital requirement with the projected capital position and structure. The capital planning process is performed

Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

in consistency with the three year Budget process and in accordance with the Own Risk and Solvency Assessment (ORSA).

E.1 Own funds

E.1.1 Own funds eligible to meet the SCR and MCR as of 31 December 2025 and 31 December 2024

<i>Own Funds</i>	2025	Tier 1	Tier 2	Tier 3
	£'000	£'000	£'000	£'000
Ordinary share capital	71,232	71,232	-	-
Share premium	-	-	-	-
Reconciliation reserve	51,492	51,492	-	-
An amount equal to the value of net deferred tax assets	1,227	-	-	1,227
Total basic own funds	123,951	122,724	-	1,227
Foreseeable dividends	(32,271)	(32,271)	-	-
Own funds eligible to meet SCR	91,680	90,453	-	1,227
An amount equal to the value of net deferred tax assets	(1,227)	-	-	(1,227)
Own funds eligible to meet MCR	90,453	90,453	-	-

<i>Own Funds</i>	2024	Tier 1	Tier 2	Tier 3
	£'000	£'000	£'000	£'000
Ordinary share capital	151,557	151,557	-	-
Share premium	23,323	23,323	-	-
Reconciliation reserve	(52,318)	(52,318)	-	-
An amount equal to the value of net deferred tax assets	3,144	-	-	3,144
Total basic own funds	125,706	122,562	-	3,144
Own funds eligible to meet SCR	125,706	122,562	-	3,144
An amount equal to the value of net deferred tax assets	(3,144)	-	-	(3,144)
Own funds eligible to meet MCR	122,562	122,562	-	-

The Company classifies its own funds as Tier 1, Tier 2 or Tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. All the Company's own funds items fall under Tier 1-unrestricted category except the net deferred tax asset classified as Tier 3 capital.

The Board approved a resolution to decrease the share capital of the Company from £151.6m to £71.2m, reducing the capital of the company by £80.4m. The entire share premium account of the company totalling £23.3m was cancelled on 10 June 2025, and the combined amount of £103.7m being credited to the retained earnings.

E.1.2 Own funds position as at year end 31 December 2025

<i>Solvency Position</i>	2025	2024
	£'000	£'000
Eligible own funds to meet the SCR	91,680	125,706
Eligible own funds to meet the MCR	90,453	122,562
Solvency capital requirement	61,119	47,171
Minimum capital requirement	27,504	12,844
Capital Surplus	30,561	78,535
Ratio of Eligible own funds to the SCR	150%	266%
Ratio of Eligible own funds to the MCR	329%	954%

The Company has a strong capital position with solvency capital surplus of £30.6m (2024: £78.5m) in excess of its solvency capital requirement. The Eligible own funds decreased from £125.7m to £91.7m in 2025. The net decrease of £34.0m is mainly due to dividends paid of £33.5m and foreseeable dividends £32.3m offset by net differences in positive UK GAAP result and movement in Solvency UK differences.

The Company's Solvency capital ratio of 150%, with own funds comprising unrestricted Tier 1 and Tier 3 assets. The Company has a SCR of £61.1m (2024: £47.2m) and MCR of £27.5m (2024: £12.8m). The SCR increase is due to future earned premiums due business growth.

None of the Company's own funds are subject to transitional arrangements as at 31 December 2025.

The foreseeable dividends for 2025 are £32.3m (2024 £0.0m). This dividend was proposed after the reporting date. The dividend will be presented for approval by shareholders at the forthcoming annual general meeting.

There are no ring fenced funds.

E.1.3 Reconciliation from UK GAAP to Solvency UK

The reconciliation from the UK GAAP equity to Solvency UK excess of assets over liabilities is analysed as:

<i>Reconciliation</i>	<i>Notes</i>	2025	2024
		£000's	£000's
UK GAAP Equity		(106,003)	(123,587)
-reinsurance share of technical provisions	D.2(d)	(193,696)	(59,674)
-gross technical provisions liability	D.2	394,074	101,196
-net premium receivables	D.1(b&c)	(277,898)	(93,760)
-net ceded premiums payable	D.3 (a)	186,767	71,255
-de-recognition of deferred acquisition costs	D.1(e)	(67,016)	(14,191)
-de-recognition Insurance premium tax	D.1(c)	(18,299)	-
-deferred tax liability	D.1(f)	(5,983)	(706)
Less: Solvency UK valuation differences		17,948	2,119
Add: Foreseeable dividends		32,271	-
Solvency UK excess assets over liabilities		(91,680)	(125,706)

The Company has no ancillary own funds as of 31 December 2025.

E.1.4 Deferred Tax

Deferred tax assets form part of Tier 3 Own Funds and are subject for restriction in considering eligible own funds. The amount of deferred tax assets within the company is £1.2m, being recognised as eligible own funds for solvency capital requirement. No deferred tax assets are considered eligible to cover the minimum capital requirement.

In arriving at the valuation of deferred tax assets, the company takes into consideration the assessment of the likelihood of future taxable profits to realise the deferred tax assets. Where projections are made, it allows for the degree of uncertainty that stems from forward looking projections.

The Solvency UK deferred tax liability arising from Solvency valuation differences amounts to £6.0m which is netted off against the UK GAAP deferred tax of £7.2m.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Since regulatory approval from the PRA in 2024 the Company uses the Undertaking-Specific Parameters (USPs) in the determination of the non-life module of the SCR. The USPs are used for premium risk and reserve risk calculations for Pet Medical Expenses.

The Company's SCR as at 31 December 2025 is £61.1m (2024: £47.2m). The Company's MCR as at 31 December 2025 is £27.5m (2024: £12.8m). The SCR of the Company is the aggregation of the market, counterparty and underwriting risks, less a credit for diversification and an additional charge to represent the operational risks faced by the Company. The company uses the Standard Formula with Undertaking Specific Parameters (USP) in 2025. The SCR is adjusted for loss-absorbing capacity of deferred tax and includes no simplifications or capital add-on.

The table below provides the breakdown of the SCR by risk:

Solvency Capital requirement by risk	2025	2024
	£'000	£'000
Market risk (diversified)	4,557	2,214
Counterparty default risk	7,763	8,472
Non-life underwriting risk	42,961	35,712
Diversification	(6,540)	(5,125)
Basic Solvency Capital Requirement	48,741	41,273
Operational risk	14,623	5,898
Loss absorbing capacity of deferred tax	(2,245)	-
Solvency Capital Requirement	61,119	47,171

Non-life underwriting risk remained the main component of the SCR.

Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

Market Risk: a component of the SCR is driven by the risks inherent within the Company's assets and liabilities portfolio and the details of the changes over the reporting period are as follows:

<i>Solvency Capital Requirement</i>	2025	2024
	£'000	£'000
Interest rate risk	3,573	1,956
Spread risk	2,768	631
Concentration risk	583	823
	6,924	3,411
Less: Diversification effect	(2,367)	(1,196)
Market risk	4,557	2,214

The Market risk SCR net of diversification is £4.6m (2024: £2.2m). The Market Risk arises from:

Interest rate risk: driven by changes in assets and liabilities of the Company due to changes in term structure of interest rates. Interest rate risk relates to Company's bond holdings and increased to £3.6m (2024: £2.0m). This increase reflects the growth in bond portfolio as maturing deposits were reinvested into bonds, as well as higher cashflows from new partners. The impact was partially offset by lower risk-free interest rates during the year.

Spread risk: results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate structure. The spread risk applies to the Company's holdings in corporate bonds. The spread risk increased at £2.8m (2024: £0.7m) driven by higher investment in lower-rated bonds and overall growth of bond portfolio.

Concentration risk: arises from large investments in individual counterparties and single name exposure. It applies to investment holdings in excess of a specified threshold, and is based on exposure, rating and total assets held. The concentration risk applies to the Company's holdings in corporate bonds. The concentration risk decreased to £0.6m (2024: £0.8m) due to the increased bond portfolio which allowed for greater diversification across counterparties.

Currency risk: arises from changes in the level or volatility of currency exchange rates which the company is not exposed to, hence no SCR required.

Diversification effect: between the sub-risks of Market SCR increased to £2.4m (2024: £1.2m).

Counterparty default risk: £7.8m (2024: £8.5m) arises from risk of default on reinsurance recoverable, cash at bank and deposits and receivables from intermediaries. The table below provides a breakdown by each asset class:

	2025	2024
	£'000	£'000
<i>Type 1 – rated</i>		
Reinsurance recoverable	2,251	1,895
Cash at bank and deposits	776	2,392
<i>Type 2 – unrated</i>		
Receivables from intermediaries	5,230	4,768
Diversification	(494)	(583)
Counterparty default risk	7,763	8,472

Pinnacle Insurance Limited
Solvency & Financial Condition Report
For the year ended 31 December 2025

- receivables from intermediaries increased to £5.2m (2024: £4.8m) due to the growth in pet policies impacting premium receivable;
- cash at bank and deposits decreased to £0.8m (2024: £2.4m) due to the reduction of deposits holdings, as future strategy is to focus on holding bonds and Collective Undertaking investments only;
- reinsurance recoverable increased to £2.3m (2024: £1.8m) due to a growing exposure to risk of default of reinsurers sharing some of the Company's pet insurance risk. The impact is predominantly due to risk mitigation effect charge; and
- the Diversification effect decreased to £0.5m (2024: £0.6m).

Non-life underwriting risk:

Permission was granted by the PRA to use the prescribed Standard Formula modified by Undertaking Specific Parameters (USP).

Undertaking Specific Parameters (USP) have been implemented in the calculation of the SCR for non-life underwriting risk. The USP apply to the standard deviation for non-life gross premium risk for the Miscellaneous financial loss line of business and the standard deviation for non-life reserve risk for the Miscellaneous financial loss line of business.

SCR risk module comprises:

	2025	2024
	£'000	£'000
Non-life Premium & Reserve	37,588	30,866
Non-life Lapse	12,036	2,890
Non-life Catastrophe	10,000	11,620
Diversification	(16,663)	(9,664)
Non-life underwriting risk	42,961	35,712

The non-life underwriting risk SCR arises from:

- premium and reserve risks of £37.6m (2024: £30.9m), increasing in line with business growth;
- catastrophe exposure of £10.0m (2024: £11.6m); and
- lapse risk of £12.0m (2024: £2.9m), increasing in line with business growth and with economies of scales materialising into an increase in lapse risk from more profitable business.

Operational risk: of £14.6m (2024: £5.9m) is driven by non-life gross earned premium and subject to a cap equal to 30% of the Basic Solvency Capital Requirement.

Solvency Capital requirement	2025	2024
	£'000	£'000
Premium component		
-Gross earned premium non-life x3%	16,342	5,346
-Gross earned premium non-life less (Gross earned premium Non life Year -1*120%) x 3%	9,928	551
-Gross earned premium life x 4%	-	1
Basic Operational Risk	26,270	5,898
Operational Risk Cap (30%* Basic Solvency Capital Requirement)	14,623	12,382
Operational risk	14,623	5,898

Loss absorbing capacity of deferred taxes

The adjustment for the loss absorbing capacity of deferred tax ("LACDT") reflects the extent to which the Company's current tax liability position, deferred tax position or future taxable profits are expected to absorb losses arising under SCR stress. In the current year, the amount of LACDT recognised is restricted to the reversal of current tax liabilities, via notional loss carry-back, rather than supported by deferred tax liabilities (the Solvency UK balance sheet is in a deferred tax asset position) or future taxable profit recoverability assessment. LACDT is calculated in accordance with Solvency UK Standard Formula. The LACDT in 2025 is £2.2m (2024: Nil).

E.3 Differences between the standard formula and any internal model used

No internal model has been used for the purposes of calculating the SCR.

E.4 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There was no breach of the Solvency Capital Requirement or the Minimum Capital Requirement over the reporting period.

E.5 Any other information

None.

ANNEX - QUANTITATIVE REPORTING TEMPLATES

The following templates form part of the published SFCR report.

Templates

IR.02.01.02	Balance Sheet
IR.05.02.01	Premiums, claims and expenses by country: Non-Life
IR.05.02.01	Premiums, claims and expenses by country: Life
IR.05.03.02	Life income and expenditure
IR.05.04.02	Non-life income and expenditure: reporting period
IR.12.01.02	Life technical provisions
IR.17.01.02	Non-Life Technical provisions
IR.19.01.21	Non-Life insurance claims
IR.23.01.01	Own funds
IR.25.04.21	Solvency Capital Requirement
IR.28.02.01	Minimum Capital Requirement - Both life and non-life insurance activity