

**CHURCHILL INSURANCE COMPANY LIMITED**

**SOLVENCY AND FINANCIAL CONDITION  
REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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## INTRODUCTION

The Solvency II regulatory framework, which governed industry regulation and prudential capital requirements within the European Union, became effective on 1 January 2016. Following the UK's withdrawal from the EU, the Prudential Regulation Authority ("**PRA**") has introduced the Solvency UK regime through the PRA Rulebook for applicable Solvency II Firms ("**PRA Rulebook**"), effective from 31 December 2024. This updated framework reflects the UK's tailored approach to solvency regulation, while maintaining high standards of policyholder protection and market stability.

The purpose of this Solvency and Financial Condition Report ("**SFCR**") is to provide information required under the Solvency UK regulatory framework as at 31 December 2025. This report outlines key aspects of the Churchill Insurance Company Limited (the "**Company**")'s business and performance, system of governance, risk profile, valuation methods for solvency purposes, and capital management practices. The SFCR has been prepared in accordance with the relevant sections of the PRA Rulebook.

Throughout this document, we continue to refer to Solvency II rather than Solvency UK in line with PS15/24, where the PRA expects to change the name of the regime in its policy material in the future. Naming conventions in the SFCR will be updated when this change is confirmed.

From 1 July 2025, the Company has been a member of Aviva Group (the "**Group**") whose ultimate parent company is Aviva plc ("**Aviva**"). Prior to this date the ultimate parent company was Direct Line Insurance Group plc ("**DLIG**"). The Company is managed by an ("**aligned Board**") with Aviva Insurance Limited ("**AIL**"), the parent company of DLIG.

## EXECUTIVE SUMMARY

### SECTION A – Business and performance summary

#### Solvency II lines of business

The Company's Solvency II line of business is annuities stemming from non-life insurance contracts.

#### Business performance in 2025

The Company is a private limited company registered in England and Wales.

From 1 July 2025, the Company has been a member of the Group whose ultimate parent company is Aviva. Prior to this date the ultimate parent company was DLIIG.

The principal activity of the Company during the year continued to be the provision of general insurance, in so far as it relates to the handling and final settlement of outstanding motor claims. The Company ceased underwriting activities on 10 December 2011. Once all motor claim liabilities have been settled, the Company will cease trading activities.

The loss before tax for the year was £2,047,000 (2024: profit of £3,206,000). The remaining claims to be settled by the Company are large bodily injury claims, which are subject to volatility, due to the complex nature and timescales over which such claims are handled. The Company's outstanding claims are reinsured and are settled by means of court-awarded periodic payment orders ("**PPOs**").

The Company's investment return of £866,000 (2024: £963,000) shows a reduction in income from investments compared to 2024 following reductions in interest rates available on the Company's cash and cash equivalents.

At the end of the year, the statement of financial position showed total assets of £46,641,000 (2024: £40,205,000), including cash and cash equivalents of £21,278,000 (2024: £19,055,000). Total capital and reserves were £15,165,000 (2024: £16,700,000). There have been no other significant business or other events during the year which have a material effect on the Company.

Section A of the SFCR has more information on the Company's business and performance in 2025: see pages 4 to 7 of this report.

#### Dividends

The aligned Board has not declared a dividend for the year ended 31 December 2025.

### SECTION B – System of governance summary

The Company is managed by an ("**aligned' Board**") with Aviva Insurance Limited ("**AIL**"). The aligned Board oversees the system of governance in operation throughout the Company. This includes an effective Enterprise Risk Management Framework and system of internal control. The aligned Board has established a risk management model that separates the Company's risk management responsibilities into three lines of defence.

The aligned Board has delegated responsibilities to management to assist in its oversight of risk management and the approach to internal controls.

The Company has four key control functions: Risk Management, Actuarial, Compliance and Internal Audit.

The Company has a remuneration policy, skills requirements and procedures for assessing the fitness and propriety of senior management and key function holders.

The Company's Risk Management Framework sets out the risk strategy, appetite and framework, its approach to risk and solvency and its risk policies and business standards.

Section B of the SFCR has more information on the Company's system of governance: see pages 8 to 14 of this report.

### SECTION C – Risk profile summary

The Company's solvency capital requirement ("**SCR**") of £1,755,000 as at 31 December 2025 is calculated using the standard formula ("**SF**").

The types of risk to which the Company is exposed have not changed significantly over the year and remain market risk, life underwriting risk, counterparty default risk and operational risk. There is no non-life underwriting risk.

For those risk types managed through the holding of capital, the Company measures and monitors its risk profile on the basis of the SCR. Some categories of risk are not measured and managed solely by holding capital, principally liquidity risk, which is measured through the quantum of certain liquid assets.

Section C of the SFCR has more information on the Company's risk profile: see pages 15 to 20 of this report.

### SECTION D – Valuation for solvency purposes summary

In accordance with the PRA Rulebook, the Company values all assets and liabilities on the balance sheet at fair value, which represents an amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

An analysis of the Solvency II material classes of assets and liabilities is provided in sections D.1 and D.3 respectively. Section D details the recognition and valuations bases, the judgements and any assumptions made, including sources of estimation uncertainty applied for Solvency II, and compares these with judgements and assumptions made in the preparation of International Financial Reporting Standards ("**IFRS**") financial statements.

Section D.2 describes the bases, methods and assumptions for the valuation of Solvency II technical provisions, including the estimation uncertainty, and compares these with the bases, methods and assumptions used in the preparation of the IFRS financial statements.

## EXECUTIVE SUMMARY continued

A summary of the Solvency II balance sheet for the Company is set out in section D of the SFCR. These numbers are in line with the balance sheet insurance return template and are before any tiering restrictions to own funds.

As at 31 December 2025, the Company's excess of assets over liabilities was £14,880,000 (2024: £15,961,000) on a Solvency II basis. The decrease is driven by strengthening of the Company's PPO claim provisions.

Section D of the SFCR has more information on the Company's valuation for solvency purposes: see pages 21 to 26 of this report.

### SECTION E – Capital management summary

The SCR was as follows:

	2025	2024
<b>As at As at 31 December</b>	<b>£'000</b>	<b>£'000</b>
Solvency capital requirement	<b>1,755</b>	1,391
Capital surplus above solvency capital requirement	<b>13,125</b>	14,570
Minimum capital requirement	<b>3,500</b>	3,500
Capital surplus above minimum capital requirement	<b>11,285</b>	12,214
Solvency capital ratio (%)	<b>848%</b>	<b>1145%</b>
Minimum Capital requirement ratio (%)	<b>422%</b>	<b>449%</b>

Excess of assets over liabilities of £14,880,000 are equal to eligible own funds.

Section E of the SFCR has more information on the Company's capital management: see pages 27 to 29 of this report.

#### Material changes

There have been no material changes to the objectives, policies or processes of the Company for managing its Own Funds during the year.

## A. BUSINESS AND PERFORMANCE

### SECTION A: BUSINESS AND PERFORMANCE

In this section:

- A.1 Business
- A.2 Underwriting performance
- A.3 Investment performance
- A.4 Performance of other activities
- A.5 Any other information

**A. BUSINESS AND PERFORMANCE** continued

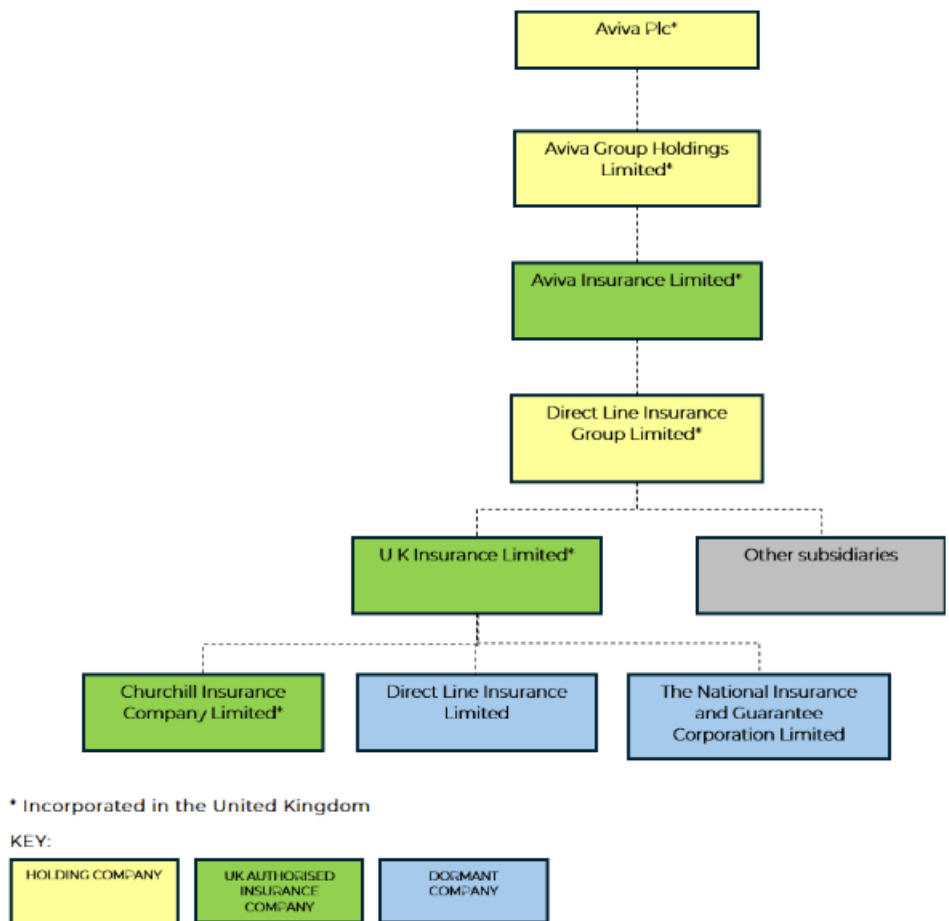
**A.1. Business**

**A.1.1. Business overview**

Churchill Insurance Company Limited is a private limited company, registered in England and Wales, and is a member of the Aviva plc group of companies. The Company operates in the UK. The 'Business and performance' section of this report outlines the Company's business structure, key operations and financial performance over the reporting period.

**A.1.2. Organisational structure**

The Company's position within the structure of Aviva Group as at 31 December 2025 is shown in the chart below:



The Company is a wholly owned subsidiary of U K Insurance Limited ("UKI"), which is registered in England and Wales. Aviva is the ultimate controlling parent entity registered in England. Related parties of the Company are included in Note 14 of the Company's 2025 Annual Report and Financial Statements.

**A.1.3. Significant business or other events**

On 1 July 2025, Aviva successfully acquired Direct Line Insurance Group Limited which was the ultimate parent company of the Company. Following the acquisition, the Company's ultimate parent company is Aviva plc.

**A.1.4. Other information**

**Name and legal form**

The Company is a private limited company incorporated in England and Wales.

**Supervision**

The Company's supervisory authorities responsible for financial supervision are:

Prudential Regulation Authority ("PRA")

Bank of England

20 Moorgate

London

EC2R 6DA

Switchboard: +44 (0)20 3461 7000

Email: PRA.FirmEnquiries@bankofengland.co.uk

## A. BUSINESS AND PERFORMANCE continued

Financial Conduct Authority ("FCA")  
12 Endeavour Square  
London  
E20 1JN  
Phone: +44 (0)20 7066 1000  
Email: firm.queries@fca.org.uk

### Auditor

External Auditor:  
Ernst & Young LLP ("EY")  
25 Churchill Place  
London  
E14 5EY  
Phone: +44 (0)20 7951 2000

### Qualifying holdings

The Company's shares and the associated voting rights are solely held by its immediate parent U K Insurance Limited, and indirectly owned by Aviva Insurance Limited, both of which are qualifying holdings in the Company. Aviva plc is the ultimate controlling parent entity registered in England.

## A.2. Underwriting performance

### A.2.1. Overall performance

A summary of key financial information for 2025 and prior year, for the Company, can be found below:

For year ended	2025 £'000	2024 £'000
<b>Underwriting result on a discounted basis</b>		
<b>Income</b>		
Net earned premium	—	—
<b>Expenditure</b>		
Net (discounted) claims incurred	2,914	(1,570)
<b>Underwriting (loss)/profit (Discounted basis)</b>	<b>(2,914)</b>	<b>1,570</b>

There is no difference between the discounted underwriting profit on a Solvency II basis and insurance service result on an IFRS basis.

### Underwriting performance

The Company generated an underwriting loss of £2,913,900 (2024: underwriting profit of £1,570,167) which is primarily due to the strengthening of the Company's PPO claim provisions following updates to the Company's estimates and judgements to align views with those of the Group on long-tailed claims, illiquidity premium, PPO mortality, future inflation and risk adjustment.

### A.2.2. Underwriting performance by line of business

The following table provides a description of the Solvency II lines of business of the Company:

Lines of business	Description
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	The Company's personal and commercial insurance products include motor vehicle and general liability insurance. These are settled by PPOs awarded by a court under the Courts Act 2003. As the Company does not offer non-life insurance contracts related to health insurance, all references in this document to 'Annuities from non-life' apply only to those unrelated to health insurance.

All the underwriting result is in annuities stemming from non-life insurance contracts line of business.

## A. BUSINESS AND PERFORMANCE continued

### A.3. Investment performance

<b>For the year ended 31 December</b>	<b>2025 £'000</b>	<b>2024 £'000</b>
<b>Interest income calculated using effective interest rate method:</b>		
Cash and cash equivalents	<b>866</b>	963
<b>Total interest income calculated using effective interest rate method</b>	<b>866</b>	963
<b>Investment return recognised in profit or loss</b>	<b>866</b>	963

Net investment income decreased by £97,000 to £866,000 driven by a reducing interest rate environment.

#### Investment in securitised credit

The Company does not hold any securitised credit assets within its investment portfolio.

### A.4. Performance of other activities

There were no other material income or expenses for the Company.

### A.5. Any other information

There is no other information.

#### Events after the reporting period

There have been no events after the reporting period.

## **SECTION B: SYSTEM OF GOVERNANCE**

In this section:

- B.1 Assessment of the adequacy of the Company's system of governance
- B.2 General information on the system of governance
- B.3 Fit and proper requirements
- B.4 Risk management system, including the Own Risk and Solvency Assessment
- B.5.1 Internal control system
- B.5.2 Compliance function
- B.6 Internal audit function
- B.7 Actuarial function
- B.8 Outsourcing
- B.9 Any other information

## B. SYSTEM OF GOVERNANCE continued

This section provides information regarding the system of governance of the Company.

### B.1. Assessment of the adequacy of the Company's system of governance

The aligned Board oversees the system of governance in operation throughout the Company. This includes an effective Enterprise Risk Management Framework and system of internal control. The aligned Board has established a risk management model that separates the Company's risk management responsibilities into three lines of defence.

The Company's governance framework is detailed in the Systems of Governance document. This document also details how the Company meets Solvency II requirements, as modified by the PRA 2024 reforms, and the PRA requirements to identify key functions, and to have and maintain a Responsibilities Map in respect of the PRA and FCA's Senior Managers and Certification Regime requirements. The aligned Board reviews this document annually.

The core elements of the governance framework are the:

- Matters Reserved for the aligned Board and the aligned Board Committees' Terms of Reference;
- Systems of Governance document;
- Risk appetite statements;
- Enterprise Risk Management Strategy & Framework and Internal Control Framework;
- Company policies, which address specific risk areas, are aligned to the risk appetite, and inform the business on how it needs to conduct its activities to remain within risk appetite; and
- Minimum Control Standards, which interpret the Company's policies into a set of requirements that can be implemented throughout.

### B.2. General information on the system of governance

#### B.2.1. The Board

The aligned Board is responsible for promoting the long-term success of the Company and for setting the strategy. The aligned Board sets the risk appetite and monitors financial controls and risk management systems to ensure they are robust. A strong system of governance throughout the Company aids effective decision-making to support the Company's objectives for the benefit of policyholders and the shareholder.

The duties of the aligned Board are set out in its matters reserved, which lists items specifically reserved for decision by the aligned Board and matters that must be reported to the aligned Board. The aligned Board is composed of Executive and Non-Executive Directors.

The aligned Board has delegated responsibilities to management to assist in its oversight of risk management and the approach to internal controls.

#### The 'three lines of defence model'

A 'three lines of defence' model is in place to assist with the management and mitigation of risk.

First line (The Business): Accountable for the management of all risks relevant to the business of the Company. Management is responsible for integrating risk management into the Company's operations and change processes, and provides clear reporting of risks and management actions. Senior Management Function ("**SMF**") holders assist the aligned Board in fulfilling their risk and control responsibilities.

Second line: the Risk Function comprises the key functions of Risk Management and Compliance. Risk Management is accountable for providing independent objective quantitative and qualitative challenge and oversight and challenge of the identification, measurement, management, monitoring and reporting of material risks and for developing the Risk Management Framework ("**RMF**"). Additionally the Compliance Function is accountable for supporting and advising the business on the identification, measurement and management of its regulatory and conduct risks and for monitoring and reporting on the Company's compliance risk profile.

Third line: the Internal Audit function provides an independent and objective assessment of the adequacy and effectiveness of risk management framework and the appropriateness of internal controls to the aligned Board.

Sections B.4, B.5.2, and B.6 detail the roles, responsibilities, authority, resources, independence and reporting lines of the Risk Management, Compliance, and Internal Audit Functions respectively, and how their independence is ensured.

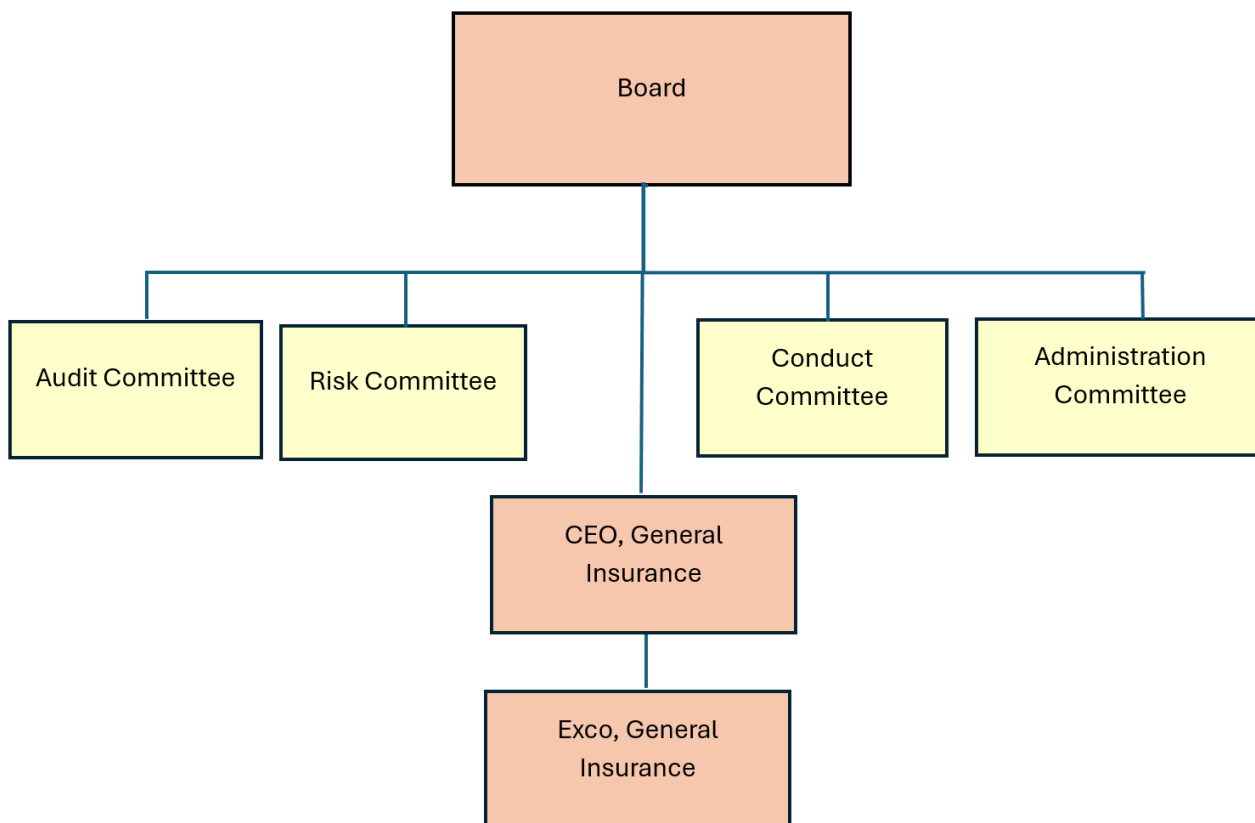
#### B.2.2. Structure of the Board, Board Committees and executive management

The aligned Board discharges some of its responsibilities through its Committees, each of which expands the work of the aligned Board and enables deeper focus on particular areas. Each Board Committee has written Terms of Reference defining its role and responsibilities. The Terms of Reference for each of the Board Committees can be found on our corporate website.

## B. SYSTEM OF GOVERNANCE continued

### B.2.3. Key Functions

Set out below is a diagram highlighting the day to day reporting lines of the Key Functions



Further information on the authority, resources and the independence of the four Key Functions identified above is set out in sections B.3 to B.6 of this report.

Those working in the Key Functions are subject to the provisions of the Regulatory Accountabilities minimum standard covering the Fit and Proper requirements (see section B.2) which requires them to have the necessary skills, knowledge and experience to fulfil their position. This is assessed both on initial appointment and through annual performance appraisals.

### B.2.4. Material changes in the system of governance

From 1 July 2025, the Company has been a member of Aviva Group (the "Group") whose ultimate parent company is Aviva plc ("Aviva"). Prior to this date the ultimate parent company was Direct Line Insurance Group plc. Following this date, new statutory directors were appointed to the Company's Board.

### B.2.5. Information on remuneration policy and practices

All staff are employed by a fellow subsidiary of Aviva, Direct Line Insurance Services Limited ("DLIS") and Aviva Employment Services Limited ("AES"). All staff acting on behalf of the Company are subject to the Group's remuneration policy, which is designed to incentivise and reward employees for achieving business goals in a manner that is consistent with the Group's strategy, business plans, values and behaviours, sound and effective risk management and good governance. Further information is available in the Aviva SFCR report which can be obtained through the Group's website at [www.aviva.com](http://www.aviva.com).

### Supplementary pension or early retirement schemes

There were no supplementary pension or early retirement schemes in place for the Board or other Key Function Holders during the reporting period.

### Material transactions

There were no other material transactions other than those reported in section A.5.

## **B. SYSTEM OF GOVERNANCE continued**

### **B.3. Fit and proper requirements**

#### **B.3.1. Skills, knowledge and expertise of the persons who run the Company or Key Functions**

The individuals were appointed to their roles following due diligence with the objective of ensuring that they had the necessary competence and were fit and proper to fulfil their positions. In making these assessments of competence due consideration was given to the individuals:

- professional qualifications, knowledge and experience to enable sound and prudent management (fit);
- character, in that they were of good repute and integrity (proper); and
- appearance on the public financial services register, where the person is a Senior Manager.

To support effective operation of this requirement, the Company requires Senior Managers, Certification Functions and Key Function Holders to:

- comply with the PRA Insurance Conduct Standards and FCA Conduct Rules, in respect of roles undertaken for the Company;
- comply with the requirements expected of Senior Managers, Certification Functions and Key Function Holders to meet as set out in the Company's Regulatory Compliance Risk policy, Regulatory Accountabilities minimum control standard and Interaction with Regulators minimum control standard;
- manage risks and controls that are reflected in their role profiles in accordance with the Enterprise Risk Management Strategy and Framework and as set out in the System of Governance Framework document (the Company's Management Responsibility Map); and
- continue to pass the fit and proper self-assessment as part of the annual declaration process.

#### **B.3.2. Process for assessing fitness and propriety of Approved Persons**

The individuals are subject to the Company's Regulatory Compliance Risk policy which has its own specific minimum control standard on Regulatory Accountabilities which contains requirements relating to the fitness and propriety of those persons who hold regulatory accountabilities. The minimum control standard requires that individuals should notify their own line manager and the Chief Conduct and Compliance Officer, if there is any matter that may impact directly or create a perception of impacting on their ongoing fitness and propriety. The Risk function will then notify the regulator if there is information that would be expected to be material to the assessment of their fitness and propriety.

As well as being subject to ongoing formal reviews of their performance in their role, the individuals are also subject to the Company's annual self-declaration assessment of fitness and propriety. To support effective operation of this requirement, the Company:

- ensures that all Senior Managers, Certification Functions and Key Function Holders have an up-to-date role profile which is signed by both the individual and their line manager;
- ensures that role profiles for all Senior Managers, Certification Functions and Key Function Holders correctly reflect the regulatory accountabilities they hold, and includes an up-to-date structure chart; and
- ensures that all individuals who have been a Senior Manager, Certification Function or Key Function Holder for the Company for more than six months have submitted to the Risk function their return from the last annual declaration of fitness and propriety.

### **B.4. Risk management system, including the Own Risk and Solvency Assessment**

The Company has established an on-going process for assessing the principal risks that it faces, as well as monitoring the effectiveness of the Company's risk management systems. The aligned Board sets and monitors adherence to strategy, risk appetite and the Enterprise Risk Management framework.

This is defined in the Enterprise Risk Management Framework which, at a high level, outlines the Company's approach to setting risk strategy and managing risks to the strategic objectives and day-to-day operations of the business. It is aligned to the three lines of defence model and provides a comprehensive approach for managing all principal risks across the Company. A central component of the Enterprise Risk Management Framework is the Risk Policy and Minimum Control Standard suite.

The aligned Board has a strong understanding of the nature and extent of the risks involved in pursuing the Company strategy in order to mitigate those risks and achieve our goals. Strategy development is the responsibility of management, and ultimately the CEO, in consultation with, and under the guidance and authority of, the aligned Board. The Strategic Planning Process aims to ensure that the Company has developed a clear set of objectives and targets that are consistent with the Company's vision, purpose and strategic objectives.

## B. SYSTEM OF GOVERNANCE continued

Risk objective	Risk appetite statement
Overarching risk objective	The company's appetite is for general insurance risk, focusing on personal lines insurance in the UK. The Company has appetite for non-insurance risks, as appropriate, to enable and assist it to undertake its primary activity of insurance.
Maintain capital adequacy	The company seeks to hold own funds with a green threshold of 200% of the Minimum Capital Requirement and an amber range of 130% - 200% of the MCR.
Stable and efficient access to funding and liquidity	The company aims to meet both planned and unexpected cash outflow requirements, including those requirements that arise following a 1-in-200 years insurance, market or credit risk event
Maintain stakeholder confidence	The company has no appetite for material risks resulting in reputational damage, regulatory or legal censure, poor customer outcomes, fines or prosecutions, and other types of non-budgeted operational risk losses associated with its conduct and activities. The Company's objective is to maintain a robust and proportionate internal control environment.

### B.4.1. Risk Function

The Risk function is a second line of defence function, responsible for providing subject matter expert advice, challenge, and objective opinions on risk matters to the Company. The function works with the Executive Risk Committee, Board Risk Committee and aligned Board to define the Enterprise Risk Management Framework and undertakes regular monitoring of key risk indicators and risk profiles, as well as providing assurance in certain areas agreed as part of its annual plan, to determine the level of compliance with relevant regulatory requirements. The Risk function provides an objective view to the aligned Board, via the Board Risk Committee, on whether it considers that the Company is operating within or outside its risk appetite.

### B.4.2. Risk Management Process

The Company operates several risk management processes which enable it to manage risk in a structured and consistent way, some of which are outlined below:

- **Risk and Control Self-Assessment ("RCSA")**: is a systematic approach for the assessment of risks and the controls in place to mitigate risks.
- **Emerging Risks**: to identify newly developing or changing threats or opportunities.
- **Stress and Scenario Testing**: to assess the potential effects of adverse circumstances on the Company by considering changes in both individual and combined factors.
- **The Own Risk and Solvency Assessment ("ORSA")** is an integral part of the Company's risk management framework, using it to assess material risks, capital needs and forward-looking solvency in line with its strategy. The process is embedded within governance and informs key decisions on risk appetite, planning, investments and reinsurance. The Board reviews and approves the ORSA at least annually, and additionally when the risk profile materially changes. The Firm determines its own solvency needs by evaluating its risk profile, applying stress testing and linking its capital planning closely to its risk management processes.

### B.4.3. Implementation and integration of risk management system into the organisational structure and decision-making processes

Clear risk governance helps the Company with its objective of ensuring that risk management arrangements are effective. The aligned Board delegates authority for risk management to the Chief Executive Officer, who then further delegates to the members of the PL Executive Committee. The PL Risk Director, who chairs the Executive Risk Committee, has accountability for providing risk oversight.

## B.5. Internal Control

### B.5.1. Internal control system

The aligned Board has established a management structure with defined lines of responsibility and clear delegation of authority. This is combined with a structured system of internal policies, control activities, control assurance, as well as a wider control environment, that manages the risks associated with the successful achievement of the Company's key strategic objectives.

The Internal Control Framework ("**ICF**") supports the Company in achieving its core strategic objectives through the process of internal control, such that controls play an important part in managing the inherent risk associated with those objectives to an acceptable level. The ICF cascades through the business units and central functions, detailing clear responsibilities to ensure operations have appropriate controls. This includes controls relating to the financial reporting process.

The aligned Board, with the assistance of the Board Risk Committee and the Audit Committee as appropriate, monitors the internal control systems that have been in place throughout the year, and reviews their effectiveness. This monitoring and review covers all key controls, including financial, operational and compliance controls.

The Audit function supports the aligned Board by providing an independent and objective assurance of the adequacy and effectiveness of the control environment. It brings a systematic and disciplined approach to evaluating the effectiveness of its risk management, control and governance frameworks and processes.

The aligned Board acknowledges that any internal control system can manage, but not eliminate, the risk of not achieving business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or financial loss.

## B. SYSTEM OF GOVERNANCE continued

The aligned Board's oversight is also supported by its review of the effectiveness of the risk management and internal control systems in place and compliance with Provision 29 of the UK Corporate Governance Code.

### Key procedures of the internal control system

The Company has established a number of tools to support effective implementation of the internal control system. These include:

- regular, at least annual, review of the the company's risk appetite statements;
- detailed Risk Policies and Minimum Control Standards which articulate the key outcomes and control objectives to operate within stated risk appetite
- provision of advice and guidance by Minimum Control Standard Owners to the first line of defence to support in adherence to the requirements set out in these documents.
- the RCSA process which is a systematic approach for the assessment of risks and the controls in place to mitigate risks
- formal risk management reporting to the Executive Risk Committee and Board Risk Committee as well as regular risk reporting at other risk forums across the business
- assessment and ongoing review of Emerging Risks
- a range of processes carried out throughout the year that comprise the annual Own Risk & Solvency Assessment.

### B.5.2. Compliance function

The Compliance function is a second line of defence function, which is responsible for providing advice and guidance to the Company regarding compliance with relevant regulatory requirements. The Chief Conduct and Compliance Officer, who is approved as a Senior Manager is responsible for the Compliance function. The Compliance function works with colleagues from across the Risk function and management throughout the business to fulfil this responsibility.

The Regulatory Compliance Risk policy and associated minimum control standards outline the role of the function. These policies, approved by the aligned Board, provide the high-level requirements to ensure that the Company remains compliant with supporting minimum control standards. Other areas of compliance risk are covered by a number of separate policies and minimum control standards on specific topics. All employees are required to undertake annual online training of relevant subject areas.

In addition to the policies and minimum control standards, the Compliance team undertakes the following with the objective of ensuring compliance with regulatory requirements:

- attendance at and/or chairmanship of governance forums; for example, the Financial Crime Steering Committee, Operational Risk Committee, Customer and Conduct Forum, Executive Risk Committee and Board Risk Committee;
- monitor regulatory developments and report areas of interest to management and the Boards;
- monitor adherence to risk appetite through the tracking of key risk indicators;
- support with incidents as they arise;
- provide advice and guidance;
- provide training;
- contribute to Risk and Control Assessments ("RCSAs");
- provide assurance and effectiveness reviews undertaken by the Compliance Monitoring team; and
- support regulatory reviews, including thematic reviews.

### B.6. Internal audit function

The Internal Audit function supports the aligned Board and Executive Management ("**the Executive**") in their aim to: (i) achieve their strategic and operational objectives; (ii) protect the assets, reputation and sustainability of the Company; and (iii) discharge their corporate governance responsibilities.

This is achieved by:

- providing independent assurance that the risk management processes and controls established by management are adequate, effective and sustainable to manage key business risks, including reviewing any lessons learned analysis if a significant event has occurred;
- assessing whether all significant risks are identified by management and the Risk function and reported to the aligned Board and the Executive;
- challenging the Executive to improve governance, risk management and control activities;
- challenging the effectiveness and efficiency of processes and controls that support strategic and operational decision making and assessing the appropriateness and reliability of management information presented to the aligned Board and the Executive;
- providing a Company-wide view of specific risk and control themes emerging from Internal Audit work, including considering current and emerging factors and how business processes support a customer focus and compliance with conduct requirements;
- in conjunction with the Risk function, offering an assessment of management's risk behaviours and attitudes;
- when considered appropriate or on request – providing independent assurance over key corporate events, such as new products and services, outsourcing, acquisitions or divestments;
- when considered appropriate – providing independent, objective assurance and opinion-based activities designed to add value and to improve the risk and control performance of the organisation; and
- being available to the aligned Board, as required, to provide an independent investigations service, for example in those circumstances where it would be inappropriate for the Risk function to undertake an investigation.

Internal Audit presents a quarterly report to the Audit Committee summarising the results and analysis of audit activity in the preceding quarter. On an annual basis, Internal Audit presents a report which provides an independent assessment of the overall effectiveness of the governance, and risk and control framework of the Company, together with an analysis of themes and trends emerging from Internal Audit work and their impact on the Company's risk profile.

## B. SYSTEM OF GOVERNANCE continued

Internal Audit are not part of the system of risk control or compliance. Internal Audit do not:

- take accountability for the Risk Management Framework and processes;
- represent the Executive's assurance on risks; or
- take decisions on risk mitigation or implement risk mitigation actions on behalf of the Executive.

### B.6.1. Independence and objectivity of internal audit

Internal Audit must always be independent from management in order to be effective in performing its activities. The arrangements to protect the independence of internal audit are set out below:

- In accordance with the internal audit charter, the internal audit team is led by the AIL Chief Audit Officer (“CAO”) who reports directly to the Group CAO, forms part of Aviva Group internal audit and has a dotted reporting line to the local Audit Committee Chair. Board Audit Committees for business units have a duty to recommend the appointment or dismissal of the business unit CAOs to the respective business unit Board and to participate, jointly with the Group CAO or designee, in the determination of the objectives of the business unit CAO and the evaluation of their levels of achievement, including consultation with the business unit CEO.
- The AIL Chief Audit Officer delegates day to day leadership of the DL Audit team to the DL Head of Audit. Both the AIL CAO and Head of Audit also have direct and unlimited access to the Chair of the aligned board, the Chair of the Audit Committee and the Chair of the Risk Committee.
- The Head of Quality Assurance (“QA”) monitors and evaluates the function's adherence to all relevant internal audit standards of practice and Internal Audit methodology and has direct access to the Audit Committee Chair. An independent external assessment of the Internal Audit function is performed every three years.
- Independence and objectivity is confirmed through a declaration form signed annually by all members of internal audit staff. Staff working in internal audit have no direct responsibility or authority over any operational activities reviewed and should not relieve others of such responsibilities, and internal audit manage a staff rotation process to ensure that independence is maintained.
- Internal audit staff who previously worked in the Company, but outside of internal audit, will not perform or manage reviews in the business area for which they were previously responsible for a period of at least one year after the end of their role within the business. Internal auditors on rotation from a business unit will not perform or manage reviews in the business area for which they were previously responsible.

### B.6.2. Rights and authorities

Internal Audit's scope is unrestricted and covers all activities undertaken by, and on behalf of, the Company. Internal Audit has the right of access to:

- Non-Executive Directors and the Executive, including those of all;
- the Audit Committee, Board Risk Committee, Executive Committee, and any other relevant committee, either through attendance or receipt of papers and minutes in relation to meetings; and
- all operations of the Company, third parties and joint ventures, including unlimited access to all organisational activities, data, records, people and physical properties needed to perform Internal Audit activities.

Internal Audit also has the right to be informed promptly of a major potential or actual risk management or control failure and any major acquisition, re-organisation or disposal that may have a material impact on the risk management and control environment.

## B.7. Actuarial function

The Actuarial function for the Company forms part of the first line of defence which is the responsibility of a single Actuarial function holder.

The Actuarial function co-ordinates and performs the calculation of technical provisions and conducts actuarial risk management, including opinions on underwriting and reinsurance. The Actuarial Director is the chief actuary who fulfils these responsibilities.

The Actuarial function meets the PRA Rulebook requirements with the following activities undertaken during the reporting period:

- co-ordinating and performing the calculation of technical provisions:
  - ensuring the appropriateness of methodologies used in the calculation of technical provisions;
  - assessing the sufficiency and quality of data used in the calculation of technical provisions;
  - comparing best estimates against experience; and
  - informing management of the reliability and adequacy of technical provisions;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the ORSA.

The function is sufficiently composed of qualified actuaries to meet the skilled persons' requirement of actuarial functions. The activities of the Actuarial function are documented in the Actuarial Function report and submitted annually to the aligned Board.

## B.8. Outsourcing

The Supplier Management and Outsourcing Policy ensures the Company undertakes a consistent approach to the management of risks from the sourcing and appointment of external suppliers of goods and services in line with the risk appetite set by the aligned Board. The policy provides a framework within which the Company manages its outsourcing and external supplier risk exposure where external supplier risk is defined as the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of external suppliers, outsourced service providers and intragroup relationships.

## **B. SYSTEM OF GOVERNANCE continued**

This framework details the defined sourcing approach when procuring the services and providing regular oversight of the performance of third parties in relation to key contractual requirements. This is particularly with respect to external suppliers that are deemed to provide a material, critical and important service to the Company and therefore, ultimately, to its customers. These are services of such importance that weaknesses or failure of those services would cast doubt upon the Company's ability to comply with its key regulatory obligations or deliver its services to policyholders and as such processes and activities undertaken within sourcing and contract management have been refined to include requirements specific to these outsourced services. The first line of defence identifies, assesses, manages and monitors all types of outsourcing and external supplier risks in line with the Enterprise Risk Management Strategy and Framework. Where additional guidance is required in respect of outsourcing and external supplier risk, the Procurement & Supply Chain function is consulted.

The Company outsources several critical or important activities to various third parties. The Company maintains, manages and provides oversight of these activities in line with the Supplier Management and Outsourcing minimum standard. Service providers for these activities are mostly based in the UK, with the exception of a wide range of back office services across claims, customer operations, commercial and finance that are provided from third parties in India and South Africa.

### **B.9. Any other information**

There is no other information.

## **Section C: RISK PROFILE**

In this section:

Introduction: Prudent person principle and management of invested assets

- C.1 Underwriting risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risk
- C.7 Any other information

## C. RISK PROFILE continued

The risk management process outlined in B.4 aims to enable the Company to manage risk in a structured and consistent way and ensure continued effectiveness of the Company's risk mitigation techniques.

The Company's risk profile has remained broadly unchanged over the year.

### Prudent person principle and management of invested assets

The prudent person principle defined in the PRA Rulebook includes provisions on how undertakings should develop and maintain investment strategy, manage risks arising from investments and maintain internal governance within the Investment Management and Treasury function.

Prudence is evidenced in the manner through which investment strategies are developed (with reference to the Company's liabilities and capital), implemented and monitored and the guidance and oversight provided by the Asset and Liability Committee and the aligned Board.

The Investment Management and Treasury function is responsible for ensuring that the Company only invests in assets and instruments where the risks can be properly identified, assessed, managed, monitored, controlled and reported in accordance with the Enterprise Risk Management Strategy and Framework and, in particular, the Investment Risk policy. All assets are invested taking into consideration the aggregate security, liquidity, quality and profitability parameters for the investment portfolio.

Assets are invested in an appropriate manner with the objective of ensuring their nature and duration match technical provisions to mitigate a loss which could arise from the imperfect matching of the timing and size of the cash flows from the investments and those linked to liabilities. The Investment Management minimum standard requires the Investment Management and Treasury function to perform an asset and liability matching exercise at least annually for each material regulated entity and recommend any changes to asset classes, strategic asset benchmarks or the use of derivatives to improve, inter alia, the matching of cash flows.

The framework ensuring assets are invested in a prudent manner and subject to effective ongoing monitoring is characterised by the following points:

- limiting investment in assets not admitted to trading on a regulated financial market;
- ensuring investment benchmarks for cash, gilts and other high-quality liquid assets are calibrated to be consistent with the analysis of liquidity requirements in stressed scenarios;
- diversifying exposure using benchmarks and limits to avoid excessive reliance on any particular asset class, issuer, group of companies, industry or geographic area;
- ensuring detailed credit assessments are undertaken prior to investing in any asset or transaction and such assessments are updated at suitable intervals;
- measuring and monitoring risk exposure across the entire portfolio on a daily basis;
- reviewing the performance of all asset classes against market conditions and investment guidelines set; and
- providing senior management and the Risk function with comprehensive monthly management information reporting.

## C.1. Underwriting risk

This is the risk of loss due to fluctuations in the timings, amount, frequency and severity of an insured event relative to the expectations at the time of underwriting. There have been no material changes in underwriting risk during the reporting period.

### C.1.1 Underwriting risk

The company predominantly underwrites personal lines insurance. The Company also underwrites commercial risks directly, primarily for low-to-medium risk trades within the small to medium-sized enterprises market. The company ceased underwriting new business in December 2011.

The PRA Rulebook definition of underwriting risk includes catastrophe risk, and the risk of loss, or the adverse change in the value of the insurance liabilities resulting from significant uncertainty of pricing, underwriting and provisioning assumptions related to extreme or exceptional circumstances.

#### **Underwriting risk**

Underwriting risk in run-off is the risk that the future claims experience arising from the remaining in-force portfolio differs materially from expectations, creating adverse financial outcomes. Although no new business is written, the legacy book can still generate variability in current-year results. Key drivers include:

- catastrophe and weather-related claims that may still trigger claims under policies written prior to run-off, potentially leading to material current-year losses;
- Higher-than-expected claims inflation, including general, social, or judicial inflation, which can increase the cost of claims arising on existing exposures; and
- Higher claims frequency than anticipated on the remaining open exposure, for example, due to emerging trends, behavioural changes, or late-reported claims on existing policy years.

### C.1.2 Reserve risk

This is the risk of understatement or overstatement of reserves arising from:

- the uncertain nature of claims, in particular large bodily injury claims;
- unexpected future impact of socioeconomic trends or regulatory changes, for example potential future changes to the Ogden discount rate;
- data issues and changes to the claims reporting process; and
- operational failures.

## C. RISK PROFILE continued

### C.1.3 Risk concentrations

The Company is subject to concentration risk in a variety of forms, including:

- geographic concentration risk – the Company's business is written in the UK general insurance market.

It is important to note that none of these risk categories are independent of the others and that giving due consideration to the relationship between these risks is an important aspect of the effective management of insurance risk.

### C.1.4 Management and mitigation

Reinsurance is the main risk mitigation technique purchased in order to:

- protect the underwriting result against low-frequency, high-severity losses through the transfer of catastrophe claims volatility to reinsurers;
- protect the underwriting result against unforeseen volumes of, or adverse trends in, large individual claims in order to reduce volatility, control the Company's capital requirements and improve stability of earnings; and /or;
- transfer risk that is not within the Company's current risk appetite.

Reserve risk is managed through a range of processes and controls:

- regular reviews of the claims in line with the PRA Rulebook for the main classes of business by the internal actuarial team;
- the use of external actuaries to review periodically the actuarial best estimate reserves produced internally, either through peer review or through provision of independent reserve estimates;
- accompanying all reserve reviews with actuarial assessment of the uncertainties through a variety of techniques including scenario analysis;
- use of reinsurance programmes;
- oversight of the reserving process by relevant senior management and the aligned Board;
- regular reconciliation of the data used in the actuarial reviews against general ledger data and reconciliation of the claims data history against the equivalent data from prior reviews; and
- regular assessment of the uncertainty in the reserves to help the aligned Board set management best estimate reserves.

### C.1.5 Risk sensitivity methods, assumptions, stress testing and sensitivity analysis

#### ***Ogden discount rate and PPOs***

The Company's reserves are subject to the risk of retrospective changes in judicial conditions such as the change in the Ogden discount rate from -0.25% to 0.5% in England and Wales which took effect from 11 January 2025 under the Civil Liability Act 2018. This rate is set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases. In September 2024 the Ogden discount rate for Scotland and Northern Ireland changed to 0.5%.

Uncertainty in claims reserves estimation is larger for claims such as PPOs for which annually indexed payments are made typically over the lifetime of the injured party. Under IFRS17 all claims reserves are held on a discounted basis and so are sensitive to changes in the discount rate, however this sensitivity tends to be more significant to the Company's PPO reserves given their longer duration.

#### ***Climate change***

The Company recognises that the effects of climate change are wide-ranging, and reflects the effects of climate change in the drivers of those risks which are defined in its Risk Taxonomy. This has the effect of embedding the management of climate related risks in the normal risk management processes for managing risks across the Company's risk profile e.g. through underwriting risk or market risk. In addition, the Company's Risk Taxonomy includes an ESG Risk that provides coverage of the operational and strategic aspects of climate change that are not addressed within other core risk types.

## C.2. Market risk

This is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. There have been no material changes in the market risk profile during the reporting period.

### C.2.1 Net interest rate risk

This is the risk of loss from changes in the term structure of interest rates or rate volatility which impact assets and liabilities. The Company's interest rate risk arises mainly from its debt, floating interest rate investments and assets and liabilities exposed to fixed interest rates.

### C.2.2 Risk concentrations

The Company holds cash like instruments via liquidity funds held in Collective Investment Undertakings. It is exposed to any concentration in individual names within these funds.

### C.2.3 Management and mitigation

The Company manages investment risk through strategic asset allocation overseen by ALCo, diversification and credit limits, and selective hedging of currency and interest-rate exposures. Annual ALM studies assess interest-rate mitigation, liability matching, asset suitability and expected returns. Investment mandates and operating controls ensure asset quality, security, monitoring and performance measurement.

## C. RISK PROFILE continued

### C.2.4 Risk sensitivity methods, assumptions, and stress testing and sensitivities

The Finance function is responsible for monitoring the regulatory capital requirement to support the investment strategy. To support this, stress testing is performed with agreed management actions in place should such stresses occur.

Additional review of the stress testing and scenario analysis is carried out by the Risk function. Losses may arise from:

- the sensitivity of the value of assets to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure;
- assets and liabilities for which the net asset value is sensitive to changes in the term structure of interest rates or interest rate volatility;
- the imperfect matching of the timing and size of the cash flows from the investments and those linked to the liabilities; and
- the sensitivity of assets to the level or volatility of market prices of property.

The company's solvency coverage ratio is relatively high, at 422%, meaning a very significant event would be required to reduce its solvency ratio to at or below 100%. The likelihood of such an event is considered to be extremely remote.

## C.3. Credit risk

This is the risk of loss resulting from defaults in obligations due from and/or changes in credit standing of either issuers of securities, counterparties or any debtors to which the Company is exposed. The Company is mainly exposed to counterparty default risk. There have been no material changes in the credit risk profile during the reporting period.

### C.3.1 Counterparty default risk

This is the risk of loss from unexpected default or deterioration in the credit standing of the counterparties and debtors of Company undertakings and is monitored at Company level. The main sources of counterparty default risk for the Company are:

- Investments: this arises from the investment of funds in a range of investment vehicles permitted by the Investment policy; and
- Reinsurance recoveries: this arises in respect of reinsurance claims against which a reinsurance bad debt provision is assessed. PPOs have the potential to increase the ultimate value of a claim and to increase significantly the length of time to reach final payment. This can increase reinsurance counterparty default risk in terms of both amount and longevity.

### C.3.2 Risk concentrations

Concentration risk arises from inadequately diversified exposure to creditors, in particular, large exposures to individual assets.

### C.3.3 Management and mitigation

Credit limits are set for reinsurers and the Company actively monitors those credit exposures. Reinsurance is purchased by the Company only from reinsurers that hold a credit rating of at least A+ or above.

### C.3.4 Risk sensitivity methods, assumptions, and stress testing and sensitivity analysis

The Finance function monitors the regulatory capital requirement to support the business strategy employed.

## C.4. Liquidity risk

Liquidity risk is the risk of being unable to access cash from the sale of investments or other assets in order to settle financial obligations when they fall due.

Liquidity risk is considered to be immaterial to the SCR for the Company.

### C.4.1 Management and mitigation

The Company manages liquidity risk through annual liquidity studies, ALCo-approved liquidity plans, and monitoring against policy and PRA requirements. Liquidity is supported through assets being in cash only.

### C.4.2 Risk sensitivity methods, assumptions, and stress testing and sensitivity analysis

The Liquidity Risk minimum standard requires the Investment and Treasury function to maintain short-term cash flow forecasts to ensure ongoing operational liquidity requirements are met. The function is also required to hold minimum levels of liquidity to meet stressed requirements on an overnight basis, within 5 days and within three months.

## C. RISK PROFILE continued

### C.5. Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes or systems, human error or from external events. There have been no material changes in the operational risk profile during the reporting period.

The Company's Operational Risk profile includes the following risks, which are assessed through the RCSA process:

- Technology and infrastructure: the risk of disruption to technology services due to poorly designed, implemented and maintained technology, resulting in customer, financial, reputational and/or regulatory impact.
- Change risk: the risk of failing to manage the change portfolio and associated change initiatives, within desired scope, time, cost, quality and risk appetite, leading to a failure to deliver strategic benefits, good customer outcomes and possibly causing business disruption.
- Cyber risk: the risk of loss or corruption of company and/or customer data, intellectual property or failure of business critical systems resulting in reputational damage, regulatory censure, supervisory fines and/or loss of competitive advantage.
- Operational disruption risk: the risk of failing to deliver products and services at an acceptable predefined level following disruptive events.
- Financial reporting risk: the risk of material misstatement, misrepresentation or untimely delivery of external or internal financial information, including regulatory financial information, resulting in inappropriate movements in share price, reputational damage, poor decision making / planning in relation to finance, tax, investment, strategy and capital or regulatory fines.
- People risk: the risk of the Company not having the right number of capable and engaged people supported by appropriate employment practices to deliver the strategic plan and to ensure consistent delivery of good customer outcomes.
- Supplier management and outsourcing risk: the risk of failing to implement a robust framework for the sourcing, appointment and ongoing management of suppliers, outsourcers and intra-group relationships.

#### C.5.1 Risk concentrations

The Company is subject to concentration in its operational risk profile. For example, the Company's IT infrastructure and change initiatives can expose it to the risk of losses in several scenarios such as system outages and data security breaches. There is a dedicated resilience framework in place across the company to identify and mitigate Operational Risk concentrations.

#### C.5.2 Management and mitigation

The Company proactively manages its operational risks to mitigate potential customer harm, regulatory or legal censure, financial and reputational impacts. The Company has in place an Operational Risk policy that defines the key outcomes and a supporting suite of underlying Operational Risk Minimum Control Standards ("MCSs"), that set out the standards, roles and responsibilities for delivery of the defined control objectives. Key controls are maintained across the Company's operational processes.

The Company operates a Risk and Control Self-Assessment ("RCSA") process which drives a culture of continuous assessment and informed decision-making. The RCSA process, together with testing of key controls, supports the aligned Board in making the annual assessment of the Company's risk management and internal control systems.

The Company's risk management framework is continually enhanced to capture complete and consistent risk information, enabling proactive trend and root cause analysis, cross-risk insights, early warnings, and a learning-oriented risk culture. The performance and management of outsourced activities is also actively monitored.

### C.6. Other material risk

#### C.6.1 Regulatory and conduct risks

The Company sees its obligations to deliver good customer outcomes as a priority area of focus. Its approach is to act promptly to identify and address the risk of failing to deliver good customer outcomes.

The introduction of the Consumer Duty in July 2023 represented a significant shift in the FCA's expectations of firms and applies to all the Company's regulated products. The FCA has been clear that the Duty is not a "once and done" exercise and firms must ensure they are learning and improving continuously. The aligned Board approved the Annual Consumer Duty Report in July 2025, which includes areas of focus to deliver improvements over the next 12 months, with work underway.

The outlook for regulatory compliance risk is stable as financial institutions continue to embed multiple regulatory changes, alongside the challenging external environment referred to in Strategic Risk and Insurance Risk. Further, regulators are increasingly expecting financial institutions to balance commercial and societal outcomes in decision-making, as they seek to meet the needs of different stakeholders (for example, relating to climate change).

The Company has continued to engage with industry bodies, regulators and HM Treasury regarding the future regulatory framework within the UK.

#### C.6.2 Reputational risks

Reputational risk is not considered a material risk in its own right within the Company; however, its impact is considered during the assessment of all risks. For example, a significant cyber breach, service outage, or reduction in solvency coverage could have major reputational consequences requiring mitigation.

To remain within appetite, the Company addresses underlying risks and maintains mitigation plans to respond directly to reputational threats as they arise, such as through proactive stakeholder engagement and communication strategies.

## C. RISK PROFILE continued

### C.7. Any other information

#### Emerging risks

Emerging risks are defined by the Company as 'newly developing or changing threats or opportunities that are subject to a high degree of uncertainty but have the potential to materially impact the Company over the long-term.

The Company has an emerging risks process in place to:

- identify, assess and prioritise a wide range of potential emerging risks using both internal expertise and external intelligence sources; and
- mitigate the impact of emerging risks which could impact the delivery of the Plan.

The process leverages subject matter expertise across the Company, external horizon scanning and external industry data. Emerging risks are regularly reviewed and reported to the Company's Risk Management committees.

## **SECTION D: VALUATION FOR SOLVENCY PURPOSES**

In this section:

Overview

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods of valuation
- D.5 Any other information

## D. VALUATION FOR SOLVENCY PURPOSES

### Overview

The valuation for solvency purposes section of this report provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset and liability class.

The tables below set out a summarised balance sheet as at 31 December 2025, comparing assets and liabilities as reported in the Company's IFRS financial statements (column (a)) with the Solvency II balance sheet (column (e)). Presentational and reclassification adjustments required to align the IFRS statement of financial position to the prescribed format of the Solvency II balance sheet in the insurance return template ("IR") are given in column (b).

Assets and liabilities have been valued according to the PRA Rulebook requirements.

The basis of the Solvency II valuation principle, which remains in line with the previously reported Solvency II valuation principle, is the amount for which the assets or liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction.

### Balance Sheet – IFRS and Solvency II

As at 31 December 2025 (£'000)	Notes to the financial statements	IFRS (a)	Reclassifications (b)	IFRS reclassified (c) = (a) + (b)	SFCR note	Solvency II (d)	Valuation difference (e) = (d – c)
<b>Assets</b>							
Deferred tax assets		—	—	—	D.1.1	95	95
Collective investments undertakings <sup>1</sup>		—	21,270	21,270	D.1.2	21,270	—
Reinsurance recoverables <sup>2</sup>	5	24,779	(190)	24,589	D.1.3	22,915	(1,674)
<b>Receivables</b>	6, 7	<b>584</b>	<b>190</b>	<b>774</b>		<b>774</b>	<b>—</b>
Reinsurance receivables		—	190	190	D.1.4	190	—
Trade, not insurance	6, 7	584	—	584	D.1.4	584	—
Cash and cash equivalents	8	21,278	(21,270)	8	D.1.5	8	—
<b>Total assets</b>		<b>46,641</b>	<b>—</b>	<b>46,641</b>		<b>45,062</b>	<b>(1,579)</b>
<b>Liabilities</b>							
Technical provisions <sup>3</sup>	5	29,884	—	29,884	D.2	28,590	(1,294)
Financial liabilities other than debts owed to credit institutions		—	1,592	1,592	D.3.1	1,592	—
Payables (trade, not insurance)	10	1,592	(1,592)	—	D.3.2	—	—
<b>Total liabilities</b>		<b>31,476</b>	<b>—</b>	<b>31,476</b>		<b>30,182</b>	<b>(1,294)</b>
<b>Excess of assets over liabilities</b>		<b>15,165</b>	<b>—</b>	<b>15,165</b>		<b>14,880</b>	<b>(285)</b>

1. Other presentational and reclassification adjustments have been made to align to IFRS and Solvency presentation.

2. This represents reinsurance contract assets as classified in IFRS.

3. This represents insurance contract liabilities as classified in IFRS.

### D.1. Assets

The Company's assets have been valued according to the requirements of the PRA Rulebook. The basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. When fair value is not readily available because the market is not deeply liquid, an alternative method of valuation is required. Assets that require the use of an alternative method of valuation are covered in section D.4 Alternative methods of valuation. Asset recognition and valuation bases have been applied consistently during the reporting period.

#### D.1.1. Deferred tax assets and liabilities

Deferred tax for Solvency II valuation purposes is determined in accordance with IAS 12 'Income Taxes' principles on temporary differences arising between the economic value of assets or liabilities in the Solvency II balance sheet and their tax base.

The deferred tax balances in the Company's Solvency II balance sheet differ from those already recognised in the IFRS statement of financial position as a result of the differences between the IFRS and Solvency II balance sheet valuation and consequential impact on recognition of deferred tax assets or liabilities. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Recovery of deferred tax is dependent on future taxable profits, which are expected to arise in future years. Probability of recovery has been assessed based on the Company's forecasts for the next 4 years, and it is assumed that sufficient profits will continue to be realized in subsequent years for offset of the remaining future tax deductions.

The largest impacts arise from the derecognition of intangible assets and the revaluation of technical provisions on which net deferred tax assets and liabilities arise respectively.

As at 31 December 2025	£'000
Deferred tax assets	95
Deferred tax liabilities	—

## D. VALUATION FOR SOLVENCY PURPOSES continued

### D.1.2. Collective investments undertakings

Collective investment schemes of £21,270,000 are valued at fair value in both the Solvency II balance sheet and IFRS financial statements. These primarily consist of money market funds and are measured based on published quotes in active markets.

### D.1.3. Reinsurance recoverables

Under IFRS, the Company's reinsurance recoverables are measured based on contractual cash flows, adjusted for impairment losses and discounting.

Per the PRA Rulebook, reinsurance recoverables are calculated as the probability-weighted average of discounted future cash flows relating to reinsurance contracts using principles similar to those in section D.2 Technical provisions, adjusted for the expected losses due to counterparty default.

The reinsurance recoverable is calculated consistently with the boundary of the underlying contract to which the recoveries relate.

### D.1.4. Receivables (insurance intermediaries, reinsurance and trade, not insurance)

Insurance and other receivables are valued at fair value in the Solvency II balance sheet and the IFRS financial statements. Fair value is derived from discounting expected future cash flows by a risk-adjusted discount rate. Where the time value of associated cash flows is not significant, cash flows are not discounted.

### D.1.5. Cash and cash equivalents

Cash and cash equivalents are valued at fair value in the Solvency II balance sheet, and at amortised cost in the IFRS financial statements, which is materially consistent with fair value. These assets comprise cash in hand, on-demand deposits with banks, and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

## D. VALUATION FOR SOLVENCY PURPOSES continued

### D.2. Technical provisions

The information in this section relates to Solvency II technical provisions by lines of business, valuation methodologies, and uncertainties in relation to reserving.

#### D.2.1. Overview

Technical provisions have been valued in accordance with the Technical Provisions Part of the PRA Rulebook to ensure that the provisions reflect the amount an insurer would need to meet its future obligations in a manner that is consistent with market conditions and risk-based principles. The valuation determines the present value of future cash flows that will arise from insurance contracts.

The technical provisions are composed of two main elements:

- Best estimate of liabilities ("BEL"); and
- Risk margin

The Company estimates the technical provisions using a range of actuarial and statistical techniques to calculate all cash flows (both inwards and outwards) which arise from fulfilment of obligations under binding contracts of insurance.

The Company has only life insurance obligations in the UK in relation to annuities stemming from non-life insurance contracts (PPOs). PPOs are classified as Technical provisions - life (excluding health and index-linked and unit-linked), within the prescribed format of the Solvency II balance sheet.

The following table shows the technical provisions on an aggregated Solvency II lines of business basis for the Company.

#### Net technical provisions

As at 31 December 2025	Net best estimates £'000	Risk margin £'000	Total net technical provisions £'000
<b>Life lines of business</b>			
Annuities from non-life	5,400	275	<b>5,675</b>
<b>Total lines of business</b>	<b>5,400</b>	<b>275</b>	<b>5,675</b>

#### D.2.2. Valuation methodology

The Company's BEL is valued based on the present value of future cash flows discounted using relevant risk-free interest rates adjusted for the PRA prescribed volatility adjustment (see section D.2.4) at the valuation date.

The BEL comprises a claims provision, as the Company ceased writing new business a number of years ago there is no premium provision.

- The claims provision includes cash flows relating to events that occurred before the valuation date, whether reported or not. The cash flows include premiums, net claims costs and expenses.

#### Differences in valuation IFRS and Solvency II methodologies

The differences in the valuation of claims provisions best estimates from IFRS 17 'Insurance Contracts' reporting to a Solvency II basis break down into a number of discrete adjustments to the net IFRS 17 insurance liabilities comprising claims reserves and other technical provisions. The net IFRS 17 insurance liabilities include the liability for remaining coverage per the IFRS financial statements. These differ in materiality depending on the nature of the cash flows associated with each line of business.

For the claims provisions, differences to IFRS 17 are as follows:

- explicit allowances are made for additional expenses other than claims handling, such as investment management expenses on the earned claims reserves and profit share payments due on partnership arrangements; and
- all cash flows are discounted for Solvency II purposes using the risk-free yield curve provided by the PRA with volatility adjustment as appropriate. The discount benefit is different under IFRS 17 reporting where the discounting curve is based on the risk-free yield curve plus illiquidity premium.

For the risk margin, under Solvency II a prescribed method for calculating the risk margin above the best estimate technical provisions is applied as opposed to the IFRS 17 risk adjustment, which is calculated using a Group-specific methodology.

The risk margin is based on a standard formula calculation. No additional diversification is allowed for between the entities in the Group level risk margin.

#### D.2.3. Movement from IFRS net insurance liabilities to Solvency II net technical provisions

As at 31 December 2025	IFRS net insurance liabilities £'000	Solvency II adjustments £'000	Solvency II net technical provisions £'000
<b>Life lines of business</b>			
Annuities from non-life <sup>1</sup>	5,105	570	<b>5,675</b>
<b>Total</b>	<b>5,105</b>	<b>570</b>	<b>5,675</b>

#### Note:

1. The IFRS net insurance liabilities above for annuities from non-life are different from the net approved PPO claims provision in the corresponding IFRS financial statements, which excludes an allocation of reinsurance bad debt but does include both lump sum payments and annuities.

## D. VALUATION FOR SOLVENCY PURPOSES continued

### D.2.4. Economic assumptions

#### Basic risk-free interest rates

The risk-free rate curves used to value the technical provisions at 31 December 2025 are stated in the table below:

Risk-free rate	1 year	5 years	10 years
As at 31 December 2025	3.5	3.7	4.0
As at 31 December 2024	4.5	4.0	4.0

#### Volatility adjustment ("VA")

The VA is intended to reflect temporary distortions in spreads caused by illiquidity in the market or extreme widening of credit spreads. VAs are prescribed by the PRA and are published along with the basic risk-free interest rate curves on their website. The application of the VA has been approved by the PRA for the company.

The volatility-adjusted risk-free discount rate is used to discount reserve cash flows for the non-life annuity classes of business.

The impact of long-term guarantees and transitional measures is disclosed in IR.22.01.21 (see section G.1) using a step-by-step approach. The impact of setting the VA to zero is set out below:

As at 31 December 2025	Impact of removing VA £'000
Technical provisions	1,568
Basic own funds	(182)
Eligible own funds to meet SCR	(182)
SCR	124
Eligible own funds to meet MCR	(242)
MCR	—

### D.2.5 Recoverables from reinsurance contracts and special purpose vehicles

The company is protected by a motor risk excess of loss program with Winterthur XL. The company and U K Insurance Limited ("UKI") have agreed that UKI will indemnify the company against the possibility that the Winterthur XL reinsurance agreements do not respond in respect of the company's policies. Motor risk excess of loss in past years has been on a risk attaching basis.

There are currently no special purpose vehicles in place for the company's reinsurance.

### D.2.6 Changes in assumptions relating to the calculation of technical provisions

There have been no key changes in assumptions relating to the calculation of technical provisions since last year.

The following represent parameter updates made to the calculation of technical provisions over the same period. For these parameter updates, the underlying methodology remains unchanged.

- the claims BEL, allowance for expenses, allowance for reinsurer counterparty default and cash flow patterns are updated throughout the year for all lines of business to allow for IFRS reserve movements and changes in the data underlying all assumptions;
- the claims provision assumes an Ogden discount rate of 0.50% for England and Wales, Scotland and Northern Ireland;
- the events not in data model has been updated for the latest volatility parameters and scenarios; and
- the risk margin reflects an updated view of the best estimate provisions.

### D.2.7 Uncertainty associated with technical provisions

Insurance is inherently uncertain with respect to the amount and timing of future cash flows, requiring the use of judgement in estimating these cash flows. Reserving risk is a significant risk to the Group and consists predominantly of bodily injury claims from the Motor business. Some of the factors that are considered when assessing the level of technical provisions include the class of business, timeliness of notification of claims, validity of claims made against a policy and validity of the amount of the claim. At any time there is a range of possible outcomes at which the technical provisions could ultimately settle and, as time passes, the uncertainty surrounding likely claims settlement for past accident periods reduces. The uncertainty is greater for bodily injury claims due to the time it takes for these claims to settle. This is particularly true for PPOs awarded to settle some of the large bodily injury claims, in which annually indexed payments are made over the lifetime of the injured party.

### D.2.8 Risk margin methodology and assumptions

The calculation of the risk margin is defined as the product of the cost of capital rate and the SCR in respect of non-hedgeable risks at each future year, discounted using the risk-free rate. The cost of capital rate is the cost in excess of the risk-free rate, to the third party taking over the liabilities, of raising and holding capital to support the non-hedgeable risks over the lifetime of the business. The cost of capital, rate of 4% and the tapering applied to PPO reserves is set by the PRA.

#### Discount rate

As the SCR in the risk margin calculation takes into account non-hedgeable risks only, the rate used to discount the projected non-hedgeable SCR is the basic risk-free rate with no allowance for Volatility Adjustment.

## D. VALUATION FOR SOLVENCY PURPOSES continued

### Non-hedgeable risks

The risk margin calculation takes the following risks into account:

- Non-life underwriting risk (including PPOs);
- Market risk<sup>1</sup>;
- Counterparty default risk with respect to reinsurance contracts and arrangements with non-reinsurance debtors and any other material exposures which are closely related to the insurance obligations; and
- Operational risk

### Projection of the non-hedgeable risk SCR

In order to project the non-hedgeable SCR which underpins the risk margin, simplifications are applied from the hierarchy set out by the PRA to ensure that the risk margin calculation remains proportionate to the nature, scale and complexity of the business. The projected risks are then aggregated using a correlation matrix approach at each future time period.

#### Note:

1. Market risk arising from technical provisions is included, allowing for elements of both interest rate risk and inflation risk. No market risk from the assets on the opening balance sheet is included, as it is assumed the asset portfolio can be completely de-risked immediately after the hypothetical own funds transfer. However, due to some unavoidable market risks on the liability side, risk margin includes interest rate risk for all loss types. Unavoidable market risk exists mainly for PPO claims (ASHE Inflation), so this approach is accepted to be prudent.

## D.3. Other liabilities

### Valuation methodology

The company values all liabilities at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. There have been no changes to the bases used for recognition, valuation and estimation of other liabilities during the reporting period. The assumptions and judgements do not include any assumptions about the future or additional sources of estimation other than those noted.

The tables in D.1 summarise and compare the value of the company's Solvency II liabilities with those contained in the company's IFRS financial statements.

#### D.3.1. Financial liabilities other than debts owed to credit institution

This category also contains intercompany balances.

#### D.3.2. Payables (Insurance, reinsurance and others)

Insurance and other payables are valued at fair values in both, Solvency II balance sheet and the IFRS financial statements.

Fair value is derived from discounting expected future payments by a risk-adjusted discount rate. Where the time value of associated payments is not significant, cash flows are not discounted.

## D.4. Alternative methods of valuation

The Company has not used any alternative methods of valuation.

## D.5. Any other information

The Company has a 100% quota share reinsurance treaty with UKI to recover insurance liabilities that are not satisfied by third-party reinsurers. As at 31 December 2025, the amount of the reinsurance recoverable from UKI was £800,000.

## **SECTION E: CAPITAL MANAGEMENT**

In this section:

- E.1 Own funds
- E.2 Solvency capital requirement and minimum capital requirement
- E.3 Use of the internal model
- E.4 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement
- E.5 Any other information

## E. CAPITAL MANAGEMENT continued

### E.1. Own funds

#### Objective, policies and processes for managing own funds

The Company aims to manage its capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, and policyholder requirements.

Where the aligned Board believes that the Company has capital which is expected to be surplus to requirements for a prolonged period, it would intend to return any surplus to shareholders.

In the normal course of events the aligned Board will consider whether or not it is appropriate to distribute any surplus capital to shareholders.

#### Capital forecasting

The Company's strategic plan includes a capital plan that projects solvency capital requirements and coverage ratios for the next four financial periods.

#### Adverse capital movement

A regular review of the capital adequacy of the Company is undertaken to ensure no deterioration below the solvency capital requirement or agreed risk appetite ranges, including review of the forecast capital position and the quality of capital within own.

#### Management of dividend governance

Dividends paid by the Company are considered and approved by the aligned Board. The Company, has the right to cancel (or defer) their own dividend payments or other distributions after declaration if the undertakings cease to hold capital resources equal to or in excess of their solvency capital requirement.

There have been no other material changes to the objectives, policies and processes for managing own funds over the reporting period.

The Company's ordinary share capital and reconciliation reserve are available to absorb losses and have the Tier 1 features of permanence and subordination. As the Company's Articles of Association do not contain any restriction on the right of the Company to cancel dividends or other distributions at any time before they are paid, the Company's ordinary share capital is classified as unrestricted Tier 1.

Tier 1 own funds comprise Ordinary Share capital of £100 (2024: £100) and the reconciliation reserve of £14,785,000 (2024: £15,714,000). The reconciliation reserve consists of Solvency II excess of assets over liabilities of £14,880,000 (2024: £15,961,000) less other basic own funds including Tier 3 deferred tax assets of £95,000 (2024: £247,000) and Ordinary Share capital of £100 (2024: £100).

The movement in the excess of assets over liabilities represents the net profits generated by the Company. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities can be found in section C.2.4.

#### Eligible own funds by tier to cover the solvency capital requirement and minimum capital requirement

As at 31 December 2025, the Company's SCR was £1,755,000 and the MCR was £3,500,000. The Company remains within its quantitative eligibility limits for tiers 1, 2 and 3.

#### Reconciliation of IFRS equity and Solvency II excess of assets over liabilities (eligible Tier 1)

As at 31 December 2025	£'000
Total equity	15,165
Change in valuation of technical provisions	(380)
Other asset and liability adjustments	95
<b>Excess of assets over liabilities (eligible Tier 1)</b>	<b>14,880</b>

The Company did not have any items deducted from own funds or any restrictions that would affect the availability and transferability of own funds within the undertakings.

## E. CAPITAL MANAGEMENT continued

### E.2. Solvency capital requirement and minimum capital requirement

#### Solvency capital requirement and minimum capital requirement at the end of the reporting period

As at 31 December 2025	SCR £'000	MCR £'000
Churchill Insurance Company Limited	1,755	3,500

The calculation of the SCR for the Company using the standard formula uses the parameters as referred to in the PRA Rulebook.

There are no significant restrictions to the fungibility and transferability of own funds eligible for covering the Company SCR.

#### SCR split by risk type

	2025 £'000	2024 £'000
Market risk	1,235	991
Counterparty default risk	487	525
Non-Life Underwriting risk	—	—
Life Underwriting risk	463	116
Health risk	—	—
<b>Total - undiversified risk</b>	<b>2,185</b>	1,632
Diversification	(549)	(360)
<b>Basic SCR</b>	<b>1,636</b>	1,272
Operational risk	119	119
Loss absorbing capacity for deferred taxes	—	—
<b>SCR</b>	<b>1,755</b>	1,391

#### Material changes over the year

The Life Underwriting risk has increased following a change in basis underlying the provisions set for periodical payment order claims.

#### Minimum capital requirement – further information

The Company's MCR is calculated as prescribed in accordance with applicable Solvency UK regulations. The MCR remains at £3,500,000, at the absolute floor prescribed by the regulations.

### E.3. Use of the internal model

This is not applicable as no internal model has been used during the reporting period.

### E.4. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

The Company has been compliant with the MCR and SCR, throughout the reporting period.

### E.5. Any other information

There is no other information

## F. OTHER INFORMATION

### SECTION F: OTHER INFORMATION

In this section:

- F.1 Approval by the Board of the Solvency and Financial Condition Report for the year ended 31 December 2025
- F.2 External Audit
- F.3 Forward-looking statements disclaimer
- F.4 Glossary

## **F. OTHER INFORMATION continued**

### **F.1. Approval by the Board of the Solvency and Financial Condition Report for the year ended 31 December 2025**

We certify that:

- the Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA Rulebook; and

we are satisfied that:

- throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rulebook, as applicable to the insurer; and
- it is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the insurer has continued so to comply, and will continue so to comply in the future.

On behalf of the aligned Board.

**Charlotte Jones**

**Director**

**31 March 2026**

## **F. OTHER INFORMATION continued**

### **F.2. External Audit**

The PRA issued Policy Statement PS25/18 in October 2018 which removes the external audit requirement for the SFCR of certain small Solvency II firms. As the Company meets the criteria of a small Solvency II firm there is no requirement for this SFCR to be audited. Consequently, all qualitative and quantitative disclosure in this document is unaudited.

## F. OTHER INFORMATION continued

### F.3. Forward-looking statements disclaimer

Certain information contained in this document, including any information as to the Company's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "ambition", "anticipates", "aspire", "believes", "continue", "could", "ensures", "estimates", "expects", "guidance", "intends", "may", "mission", "outlook", "over the medium term", "plans", "predicts", "projects", "propositions", "seeks", "should", "strategy", "targets", "vision", "will" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They may appear in several places throughout this document and include statements regarding intentions, beliefs or current expectations, including of the Directors, concerning, among other things: the Company's results of operations, statement of financial position, financial condition, prospects, growth, net insurance margin, insurance service result, strategies, the industry in which the Company operates and the Company's approach to climate-related matters. Examples of forward-looking statements include financial targets with respect to return on tangible equity, solvency capital ratio, net insurance margin, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in net expense ratio, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range; and targets, goals and plans relating to climate and the Company's approach and strategy in connection with climate-related risks and opportunities. By their nature, all forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond the Company's control and/or they rely on assumptions that may or may not transpire to be correct. Forward-looking statements are not guaranteeing future performance.

The Company's actual results of operations, financial condition and the development of the business sector in which the Company operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to:

- changes to law, regulation or regulatory approach following any change in government;
- the terms of the trading and other relationships from time to time between the UK and the EU and between the UK and other countries, and their implementation;
- the terms of the trading and other relationships from time to time between the UK and the EU and between the UK and other countries, and their implementation;
- the impact of the FCA's GIPP regulations and Consumer Duty regulations and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads, including those created or exacerbated by the war in Ukraine following the Russian invasion and/or conflict in the Middle East;
- the policies and actions and/or new principles, rules and/or regulations, of regulatory authorities and bodies, and of changes to, or changes to interpretations of, principles, rules and/or regulations (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rates) and of changes to law and/or understandings of law and/or legal interpretation following the decisions and judgements of courts;
- the impact of competition, currency changes, inflation and deflation;
- the timing, impact and other uncertainties of future acquisitions, disposals, partnership arrangements, joint ventures or combinations within relevant industries; and
- the impact of tax and other legislation and other regulation and of regulator expectations, requirements, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards in the jurisdictions in which the Company operates.

In addition, even if the Company's actual results of operations, financial condition and the development of the business sector in which the Company operates are consistent with any forward looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document reflect knowledge and information available as at the date of preparation of this document. The Company and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast or estimate for any period.

## F. OTHER INFORMATION continued

### F.4. Glossary

Term	Definition and explanation
Annual Incentive Plan ("AIP")	This incentivises the performance of Executive Directors and employees over a one-year operating cycle. It focuses on the short to medium-term elements of the Group's strategic aims.
Assets under management ("AUM")	This represents all assets managed or administered by or on behalf of the Company, including those assets managed by third parties.
Capital	The funds invested in the Company, including funds invested by shareholders and Tier 1 notes.
Capital coverage ratio	The ratio of Solvency II own funds to the solvency capital requirement.
Expenses incurred	Expenses incurred equal total expenses per the IFRS statement of profit or loss less non-technical expenses plus claims handling expenses.
Financial Conduct Authority ("FCA")	The independent body responsible for regulating the UK's financial services industry.
Gross written premium	The total premiums from contracts that were incepted during the period.
International Accounting Standards Board ("IASB")	A not-for-profit public interest organisation that is overseen by a monitoring board of public authorities. It develops International Financial Reporting Standards ("IFRS") that aim to make worldwide markets transparent, accountable and efficient.
Incurred but not reported ("IBNR")	Funds set aside to meet the cost of claims for accidents that have occurred but have not yet been reported to the Company. This includes an element of uplift on the value of claims reported.
In-force policies	The number of policies on a given date that are active, and against which the Company will pay, following a valid insurance claim.
Insurance liabilities	This comprises insurance claims reserves and claims handling provision, which the Company maintains to meet current and future claims.
Internal Economic Capital Model ("IECM")	The IECM is an internal model as outlined by the PRA Rulebook.
Investment income yield	The income earned from the investment portfolio, recognised through the IFRS income statement during the period (excluding unrealised and realised gains and losses, impairments and fair value adjustments) divided by the average assets under management ("AUM").
Investment return	The investment return earned from the investment portfolio, including unrealised and realised gains and losses, impairments, and fair value adjustments.
Investment return yield	The investment return divided by the average AUM. The average AUM derives from the period's opening and closing balances.
Long-Term Incentive Plan ("LTIP")	Awards made as nil-cost options or conditional share awards, which vest to the extent that performance conditions are satisfied after a period of at least three years.
Minimum capital requirement ("MCR")	The minimum amount of capital that an insurer needs to hold to cover its risk per the PRA Rulebook. If an insurer's capital falls below the MCR then authorisation will be withdrawn by the regulator unless the insurer is able to meet the MCR within a short period of time.
Net earned premium	The element of gross earned premium less reinsurance premium ceded for the period where insurance cover has already been provided.
Net insurance claims	The cost of claims incurred in the period less any claims costs recovered under reinsurance contracts. It includes claims payments and movements in claims reserves.
Ogden discount rate	The discount rate set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases.
Operating profit	The pre-tax profit that the Company's activities generate, including insurance and investment activity, but excluding fair value gains/(losses), change in yield curve, other finance costs, restructuring and one-off costs and (loss)/gain on disposal of business which are not considered by the Company to be operating costs/income. The Company uses an adjusted operating profit in its operating RoTE and operating earnings/(loss) per share calculations, where Other finance costs and Coupon payments in respect of Tier 1 notes (charged directly to equity in the Company's financial statements) are added to operating profit, in line with the Company's view of calculations from a management view perspective. Normalised operating profit is operating profit adjusted for event weather. Current-year operating profit is calculated using the operating profit adjusted for prior-year reserve movements.

## F. OTHER INFORMATION continued

### Glossary continued

Term	Definition and explanation
Ongoing operations	<p>The Company's ongoing operations include Motor and Non-Motor (comprising: Home, Commercial Direct and Rescue) segments and excludes the Brokered commercial business, Non-core and Run-off businesses. Please also refer to Brokered commercial business, Non-core businesses and Run-off partnerships.</p> <p>The use of the term ongoing operations is not considered equivalent to continuing operations as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as the Brokered commercial business and Run-off partnerships do not meet the criteria of discontinued operations and have not been accounted for as such.</p>
Own Risk and Solvency Assessment (" <b>ORSA</b> ")	A forward-looking assessment of the Company's risks and associated capital requirements, over the business planning period.
Periodic payment order (" <b>PPO</b> ")	These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle large personal injury claims. They generally provide a lump-sum award plus inflation-linked annual payments to claimants who require long-term care.
Prudential Regulation Authority (" <b>PRA</b> ")	The PRA is a part of the Bank of England. It is responsible for regulating and supervising insurers and financial institutions in the UK.
Reinsurance	Contractual arrangements where the Company transfers part or all of the accepted insurance risk to another insurer.
Reserves	Funds that have been set aside to meet outstanding insurance claims and IBNR.
Return on Tangible Equity (" <b>RoTE</b> ")	This is adjusted profit after tax divided by the Company's average shareholders' equity, less goodwill and other intangible assets. Profit after tax is adjusted to exclude restructuring and one-off costs and to include Tier 1 coupon payments. It is stated after charging tax using the UK standard rate of 25%.
Run-off partnerships	<p>The Company has exited, or has initiated termination of, three partnerships which will reduce its exposure to low margin packaged bank accounts so it may redeploy capital to higher return segments. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, where the Company has indicated to the partner that it will not be seeking to renew.</p> <p>The term run-off partnerships does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such.</p>
Solvency II	<p>The capital adequacy regime for the UK insurance industry which became effective on 31 December 2024 per the PRA Rulebook.</p> <p>It establishes capital requirements and risk management standards.</p> <p>It comprises three pillars: Pillar I, which sets out capital requirements for an insurer; Pillar II, which focuses on systems of governance; and Pillar III, which deals with disclosure requirements.</p>
Solvency Capital Requirement (" <b>SCR</b> ")	The SCR is the amount of capital the regulator requires an insurer to hold to meet the requirements according to the PRA Rulebook.
Underwriting result profit/(loss)	The profit or loss from operational activities, excluding investment return and other operating income. It is calculated as net earned premium less net insurance claims and total expenses, excluding restricting and other one-off costs.

## F. OTHER INFORMATION continued

### Section G: INSURANCE RETURNS

The templates are provided as an appendix to this document. The Company is required to disclose the following templates as set out in PRA Rulebook.

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Template code	Template name
IR.02.01.02	Balance sheet
IR.05.04.02	Non-life income and expenditure
IR.12.01.02	Life and Health SLT technical provisions
IR.17.01.02	Non-life technical provisions
IR.19.01.21	Non-life insurance claims
IR.22.01.21	Impact of long-term guarantees and transitional measures
IR.23.01.01	Own funds
IR.25.04.21	Solvency capital requirement
IR.28.01.01	Minimum capital requirement – only life or only non-life insurance or reinsurance activity

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## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### Basic information

Entity name	<b>Churchill Insurance Company Limited</b>
Entity identification code and type of code	LEI/2138007B4PLYNW611O59
Type of undertaking	Non-life insurance undertakings
Country of incorporation	GB
Country of the group supervisor	GB
Language of reporting	EN
Reporting submission date	31 December 2025
Financial year end	31 December 2025
Currency used for reporting	GBP
Accounting standards	The undertaking is using IFRS
Method of calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	Volatility adjustment is applied to the following lines of business: <ul style="list-style-type: none"> <li>– Motor vehicle liability insurance</li> <li>– Annuities from non-life</li> </ul>
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

### List of reported templates

IR.02.01.02	Balance sheet
IR.05.04.0	Non-life income and expenditure
IR.12.01.02	Life technical provisions
IR.17.01.02	Non-life technical provisions
IR.19.01.21	Non-life insurance claims
IR.22.01.21	Impact of long-term guarantees and transitional measures
IR.23.01.01	Own funds
IR.25.04.21	Solvency capital requirement
IR.28.01.01	Minimum capital requirement – only life or only non-life insurance or reinsurance activity

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.02.01.02 — Balance sheet

(£'000)

		Solvency II value
		C0010
<b>Assets</b>		
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	95
R0050	Pension benefit surplus	
R0060	Property, plant and equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	<b>21,270</b>
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	
R0140	Government bonds	
R0150	Corporate bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective investments undertakings	21,270
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	
R0270	Reinsurance recoverables from:	<b>22,916</b>
R0280	Non-life and health similar to non-life	
R0315	Life excluding health and index-linked and unit-linked	22,916
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	190
R0380	Receivables (trade, not insurance)	584
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	8
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>45,062</b>



## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.05.04.02 — Non-life income and expenditure (£'000)

		Line of business for: non-life insurance and reinsurance obligations								
	All non-life business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (excluding annuities stemming from accepted insurance and reinsurance contracts)	Income protection insurance		Motor vehicle liability insurance - non personal lines		Motor vehicle other motor insurance - non personal lines		Fire and other damage to property insurance - non personal lines	
			C0120	C0140	C0141	C0150	C0151	C0170	C0180	
<b>Income</b>		C0010	C0015	C0120	C0140	C0141	C0150	C0151	C0170	C0180
<b>Premiums written</b>										
R0110	Gross written premiums									
R0111	Gross written premiums - insurance (direct)									
R0113	Gross written premiums - accepted reinsurance									
R0160	Net written premiums									
<b>Premiums earned and provision for unearned</b>										
R0210	Gross earned premiums									
R0220	Net earned premiums									
<b>Expenditure</b>										
<b>Claims incurred</b>										
R0610	Gross (undiscounted) claims incurred									
R0611	Gross (undiscounted) direct business									
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred									
R0730	Net (discounted) claims incurred	2,914								
<b>Analysis of claims incurred</b>										
R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions, claims management costs									
<b>Other expenditure</b>										
R1140	Other expenses	—								
R1310	<b>Total expenditure</b>	2,402								

G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

IR.05.03.02 — Non-life income and expenditure (continued)  
(£'000)

		Line of business for: non-life and accepted proportional reinsurance obligations							Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		General liability insurance				Legal expenses insurance	Assistance	Miscellaneous financial loss		
		Employers liability	Public and products liability	Professional indemnity	Other general liability					
		C0190	C0200	CO210	C0220	C0240	C0250	C0260	C0525	C0545
<b>Income</b>										
<b>Premiums written</b>										
R0110	Gross written premiums									
R0111	Gross written premiums - insurance (direct)									
R0113	Gross written premiums - accepted reinsurance									
R0160	Net written premiums									
<b>Premiums earned and provision for unearned</b>										
R0210	Gross earned premiums									
R0220	Net earned premiums									
<b>Expenditure</b>										
<b>Claims incurred</b>										
R0610	Gross (undiscounted) claims incurred									
R0611	Gross (undiscounted) direct business									
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred									
R0730	Net (discounted) claims incurred								2,914	
<b>Analysis of claims incurred</b>										
R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions claims management costs									
<b>Other expenditure</b>										
R1140	Other expenses									
R1310	Total expenditure									

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.12.01.02 – Life and technical provisions (£'000)

#### Best estimate

R0025	Gross best estimate (direct business)
R0026	Gross best estimate (reinsurance accepted)
R0030	<b>Gross best estimate</b>
R0080	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default
R0090	Best estimate minus recoverables from reinsurance / SPV and Finite Re – total

#### Risk margin

##### Amount of the transitional on technical provisions

R0110	Technical provisions calculated as a whole
R0140	TMTP – risk margin
R0150	TMTP – best estimate dynamic component
R0160	TMTP – best estimate static component risk margin
R0170	TMTP – amortisation adjustment
R0180	<b>Transitional measure on technical provisions</b>

#### R0200 **Technical provisions - total**

Non-life annuities	Total life and health
C0040	C0070
28,315	<b>28,315</b>
—	—
<b>28,315</b>	<b>28,315</b>
22,916	<b>22,916</b>
5,399	<b>5,399</b>
<b>275</b>	<b>275</b>
—	—
—	—
—	—
—	—
—	—
—	—
<b>28,590</b>	<b>28,590</b>

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.17.01.02 – Non-life technical provisions (£'000)

Direct and accepted proportional reinsurance	
Motor vehicle liability insurance	Total non-life obligations
C0050	C0180

#### Best estimate

##### Premiums provisions

R0060	Gross	—	—
R0140	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	—	—
R0150	Net best estimate of premium provisions	—	—

##### Claims provisions

R0160	Gross	—	—
R0240	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	—	—
R0250	Net best estimate of premium provisions	—	—

R0260	<b>Total best estimate - gross</b>	—	—
R0270	<b>Total best estimate - net</b>	—	—
R0280	<b>Risk margin</b>	—	—

##### Technical provisions (best estimate plus risk margin)

R0320	Technical provisions - total	—	—
R0330	Finite Re after the adjustment for expected losses due	—	—
R0340	Technical provisions minus recoverables from reinsurance / SPV and Finite Re – total	—	—



G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

**IR.19.01.21 – Non-life insurance claims  
(£'000)**

Z0020 Accident year / underwriting year

		<b>Gross Earned Premium - up to and including the reporting reference date</b>	<b>Estimate of future gross earned premium at the reporting reference date</b>
		C0570	C0580
R0100	Prior	—	—
R0160	N-9	—	—
R0170	N-8	—	—
R0180	N-7	—	—
R0190	N-6	—	—
R0200	N-5	—	—
R0210	N-4	—	—
R0220	N-3	—	—
R0230	N-2	—	—
R0240	N-1	—	—
R0250	N	—	—

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.22.01.21

#### Impact of long-term guarantees and transitional measures

(£'000)

		Impact of the LTC measures and transitionals (step-by- step approach)				
		Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero	
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	28,590	—	—	1,568	—
R0020	Basic own funds	14,880	—	—	(182)	—
R0050	Eligible own funds to meet the Solvency Capital requirement	14,880	—	—	(182)	—
R0090	Solvency Capital Requirement	1,755	—	—	124	—
R0100	Eligible own funds to meet the Minimum Capital requirement	14,785	—	—	(242)	—
R0110	Minimum Capital Requirement	3,500	—	—	—	—

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.23.01.01 — Own funds (£'000)

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
<b>Basic own funds</b>					
R0010	Ordinary share capital (gross of own shares)				
R0030	Share premium account related to ordinary share capital				
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type Undertakings				
R0050	Subordinated mutual member accounts				
R0070	Surplus funds				
R0090	Preference shares				
R0110	Share premium account related to preference shares				
R0130	Reconciliation reserve	14,785	14,785		
R0140	Subordinated liabilities				
R0160	An amount equal to the value of net deferred tax assets	95			95
R0180	Other items approved by supervisory authority as basic own funds not specified above				
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds				
R0290	<b>Total basic own funds</b>	<b>14,880</b>	<b>14,785</b>		<b>95</b>
<b>Ancillary own funds</b>					
R0300	Unpaid and uncalled ordinary share capital callable on demand				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand				
R0320	Unpaid and uncalled preference shares callable on demand				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand				
R0340	Letters of credit and guarantees				
R0350	Letters of credit and guarantees - other				
R0360	Supplementary members calls				
R0370	Supplementary members calls - other				
R0390	Other ancillary own funds				
R0400	Total ancillary own funds				
<b>Available and eligible own funds</b>					
R0500	Total available own funds to meet the SCR	14,880	14,785		95
R0510	Total available own funds to meet the MCR	14,785	14,785		
R0540	Total eligible own funds to meet the SCR	14,880	14,785		95
R0550	Total eligible own funds to meet the MCR	14,785	14,785		
R0580	<b>SCR</b>	<b>1,755</b>			
R0600	<b>MCR</b>	<b>3,500</b>			
R0620	<b>Ratio of Eligible own funds to SCR</b>	<b>8.481</b>			
R0640	<b>Ratio of Eligible own funds to MCR</b>	<b>4.2242</b>			
<b>Reconciliation reserve</b>					
R0700	Excess of assets over liabilities	14,880			
R0710	Own shares (held directly and indirectly)				
R0720	Foreseeable dividends, distributions and charges				
R0725	Deductions for participations in financial and credit institutions				
R0730	Other basic own fund items	95			
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds				
R0760	Reconciliation reserve	14,785			

## G.2. CHURCHILL INSURANCE COMPANY LIMITED continued

### IR.25.04.21 — Solvency Capital Requirement

(£'000)

<b>Net of loss-absorbing capacity of technical provisions</b>		C0010
R0140	Market risk	1,235
R0070	Interest rate risk	1,103
R0080	Equity risk	
R0090	Property risk	
R0100	Spread risk	215
R0110	Concentration risk	156
R0120	Currency risk	
R0125	Other market risk	
R0130	Diversification within market risk	(239)
R0180	Counterparty default risk	487
R0150	Type 1 exposures	482
R0160	Type 2 exposures	7
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	(2)
R0270	Life underwriting risk	463
R0190	Mortality risk	
R0200	Longevity risk	455
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	27
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	(20)
R0320	Total health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0370	Non-life underwriting risk	
R0330	Non-life premium and reserve risk	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0400	Intangible asset risk	
R0430	Operational and other risks	119
R0422	Operational risk	119
R0424	Other risks	
R0432	Total before diversification	2,564
R0434	Total before diversification between risk modules	2,304
R0436	Diversification between risk modules	(549)
R0438	Total after diversification	1,755
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred taxes	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	1,755
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	<b>Solvency capital requirement including capital add-on</b>	<b>1,755</b>
R0490	Biting interest rate scenario	Decrease
R0495	Biting life lapse scenario	

