

U K INSURANCE 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 U K Insurance Limited's (the "**Company**") 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 policies underwritten by the Company are spread across the Solvency II lines of business, including motor vehicle liability insurance, other motor insurance, fire and other damage to property insurance, general insurance, assistance and miscellaneous financial loss.

Business performance in 2025

The Company is a private limited company, incorporated and domiciled in the United Kingdom and a member of the Aviva group of companies. The principal activity of the Company is underwriting insurance policies across motor vehicle liability, other motor, fire and other damage and other business lines.

Significant events in the year included:

- On 1 July 2025, the Company, as a subsidiary of DLIG, was purchased by Aviva and became a member of the Aviva Group.
- On 16 December 2025, the Company issued 300 million fully paid Ordinary shares of £1 each for cash consideration of £300 million. The proceeds were recognised as share capital.
- Following regulatory approval, and in order to support the plan to move the Company's business onto Aviva's internal model, from 31 December 2025 the Company has assessed its SCR using the standard formula approach.
- Following the acquisition of the Company by the Aviva Group, significant integration activity is ongoing across the combined Group. The Group is considering various actions within the UK General Insurance ("UKGI") segment to achieve capital benefits, including working towards a Part VII¹ transfer of the company to Aviva Insurance Limited, to combine the Group's general insurance business (subject to court approvals).

Note:

1. A Part VII transfer is a court-sanctioned legal transfer of some or all of the policies of one company to another, which is governed by Part VII of the Financial Services and Markets Act 2000 (FSMA).

There have been no other significant business or other events during the year which have a material effect on the Company.

Insurance revenue of £4,106.5 million (2024: £4,561.4 million) reduced by 10.0%, driven primarily by a significant reduction in the Company's Brokered commercial business after cessation of underwriting following the Company's sale of this business to Royal and Sun Alliance Insurance Limited (subsequently renamed to Intact Insurance UK Limited) in 2023. A reduction in the Company's own brands Motor revenue has been more than offset by increases to revenue in its Motability partnership. Non-Motor and run-off revenue also reduced with the latter due primarily to the Company's exit from underwriting travel business.

The discounted net insurance claims ratio increased by 3.2 percentage points to 73.2%, driven primarily by losses in the Company's run-off businesses and a £75.0 million increase restructuring costs in insurance service expenses.

The net expense ratio increased by 0.8 percentage points to 21.8%, although this was more than offset by a 2.7 percentage points reduction in the net acquisition ratio, due largely to the creation of the insurance acquisition cash flows reserve.

Overall, the Company's insurance service result reduced by £43.8 million to £6.3 million (2024: £50.1 million).

Investment return increased by £41.2 million to £298.7 million (2024: £257.5 million). Net investment income reduced by 0.6% to £219.3 million, although this was more than offset by an £42.6 million increase in fair value gains mainly in debt securities.

The Company recorded a profit of £10.9 million on ordinary activities before taxation (2024: £169.2 million profit), a reduction of £158.3 million, primarily driven by reserving policy alignment to Group's reserving basis. Improvements in the Motor combined operating ratio, and a steady result in Non-Motor, were more than offset by losses in the Company's run-off business and by restructuring costs. Investment income remained largely steady in the year, whilst there were increases in fair value gains, the Company's net insurance and reinsurance finance expenses reduced by £137.8 million following changes to the Company's illiquidity premium in order to align with illiquidity premium used across the Group, although this is expected to be offset by a lower finance charge as the discount on the related liabilities unwinds.

Section A of the SFCR has more information on the Company's business and performance in 2025: see pages 6 to 13 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.

EXECUTIVE SUMMARY continued

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 14 to 21 of this report.

SECTION C – Risk profile summary

In December 2025 a variation in permissions was approved by the PRA to move the Company onto the Standard Formula basis for calculating its Solvency Capital Requirement. This was approved and took effect from 31 December 2025. A Regulatory News Service ("RNS") announcement from Aviva was made on 5 January 2026. In this announcement Aviva states that removing the Company's internal model supports Aviva's plans to move the Company's business onto Aviva's internal model in due course, subject to PRA approval.

The Standard Formula ("SF") is used to calculate the the Company's solvency capital requirement ("SCR") as at 31 December 2025.

The following table shows the Company's SCR of £1,444.8 million as at 31 December 2025, calculated using the standard formula, by risk type.

SCR split by risk type

	2025 Standard Formula £m	2024 Internal Model £m
Market risk	283.5	158.7
Counterparty default risk	112.2	115.9
Non-life underwriting risk	1,159.8	1,145.0
Life underwriting risk	25.2	—
Health risk	0.5	—
Other risk	—	22.2
Operational risk (undiversified)	—	304.6
Total - undiversified risk	1,581.2	1,746.4
Diversification	(256.8)	(579.5)
Total - diversified	1,324.4	1,166.9
Operational risk (diversified)	120.4	—
Loss absorbing capacity for deferred taxes	—	(37.0)
SCR	1,444.8	1,129.9

The 2024 figures in the table above are based on the Company's internal model ("IM") which was in use at that time. All Health and Life risks are included under the Non-Life Underwriting risk for the IM figures in the table above. The IM basis includes Operational risk on an undiversified basis and then diversifies this risk against other risks, whereas SF only includes Operational risk on an undiversified basis.

The undiversified risk profile of the Company shows that Non-Life Underwriting risk is the largest risk as in previous years, followed by Market risk and Operational risk. The basis of calculation has moved to SF from the IM, this will contribute to the movements seen in the table above, this will be in addition to movements in underlying exposures.

Non-Life Underwriting risk is the risk that future claims experience on business written is materially different from the results expected, resulting in current-year losses. This risk includes catastrophe risk and the risk of loss, or of 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.

Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Operational risk is the risk of loss due to inadequate or failed internal processes, human error, systems, or from external events. Risks relating to this category include, technology and infrastructure, change, cyber, operational disruption, financial reporting, and supplier management & outsourcing.

Counterparty default risk is the risk of loss from unexpected default or deterioration in the credit standing of the counterparties and debtors of the Company undertakings.

Loss absorbing capacity for deferred taxes allows for the recovery of tax paid on profits from the previous year in a loss making scenario.

Section C of the SFCR has more information on the Company's risk profile: see pages 22 to 30 of this report.

EXECUTIVE SUMMARY continued

SECTION D – Valuation for solvency purposes summary

In accordance with the PRA Rulebook, the Company values all assets and liabilities 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.

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

	2025
As at 31 December 2025	£m
Total investments	5,447.8
Property, plant and equipment held for own use	46.0
Reinsurance recoverables	828.3
Insurance and other receivables	783.0
Cash and cash equivalents	65.2
Deferred tax assets	1.0
Other assets	33.6
Total assets	7,204.9
Technical provisions	4,616.1
Derivatives	2.8
Debts owed to credit institutions	39.9
Financial liabilities other than debts owed to credit institutions	65.2
Insurance and other payables	114.0
Other liabilities & provisions	159.8
Total liabilities	4,997.8
Excess of assets over liabilities	2,207.1

Section D of the SFCR has more information on the Company's valuation for solvency purposes: see pages 31 to 40 of this report.

SECTION E – Capital management summary

On 11 March 2026, the PRA imposed a financial penalty of £10.6 million on the company in connection with a miscalculation of its balance sheet during 2023 and 2024. This matter was identified and disclosed by Direct Line Group in August 2024. This is an historical issue relating entirely to the period before Aviva completed its acquisition of Direct Line in July 2025. The outcome is fully provided for in 31 December 2025 Group solvency position.

In December 2025, a variation in permissions was approved by the PRA to move the Company onto the Standard Formula basis for calculating its Solvency Capital Requirement. This was approved and took effect from 31 December 2025.

The solvency capital ratio was as follows :

	2025	2024
As at As at 31 December	£m	£m
Solvency capital requirement	1,444.8	1,129.9
Capital surplus above solvency capital requirement	762.3	811.5
Minimum capital requirement	522.9	508.5
Capital surplus above minimum capital requirement	1,683.2	1,433.0
Solvency capital ratio (%)	153%	172%
Minimum Capital requirement ratio (%)	422%	382%

Excess assets over liabilities of £2,207.1 million are equal to eligible own funds.

Section E of the SFCR has more information on the Company's capital management: see pages 41 to 44 of this report.

EXECUTIVE SUMMARY continued

Material changes

As outlined above, Aviva applied for permission to move the Company onto the Standard Formula basis for calculating its Solvency Capital Requirement. A variation in permissions was approved and took effect from 31 December 2025. From 31 December 2025, the Company's capital requirements will now be calculated using the Solvency UK Standard Formula.

Solvency II reform

On 23 October 2025, the PRA published policy statement PS17/25 'Matching adjustment investment accelerator (MAIA)' and on 30 September 2025, the PRA published policy statement PS15/25 'Closing liquidity reporting gaps and streamlining standard formula reporting'.

These regulations have no impact on the preparation of the 2025 SFCR.

A. BUSINESS AND PERFORMANCE

SECTION A: BUSINESS AND PERFORMANCE (UNAUDITED)

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

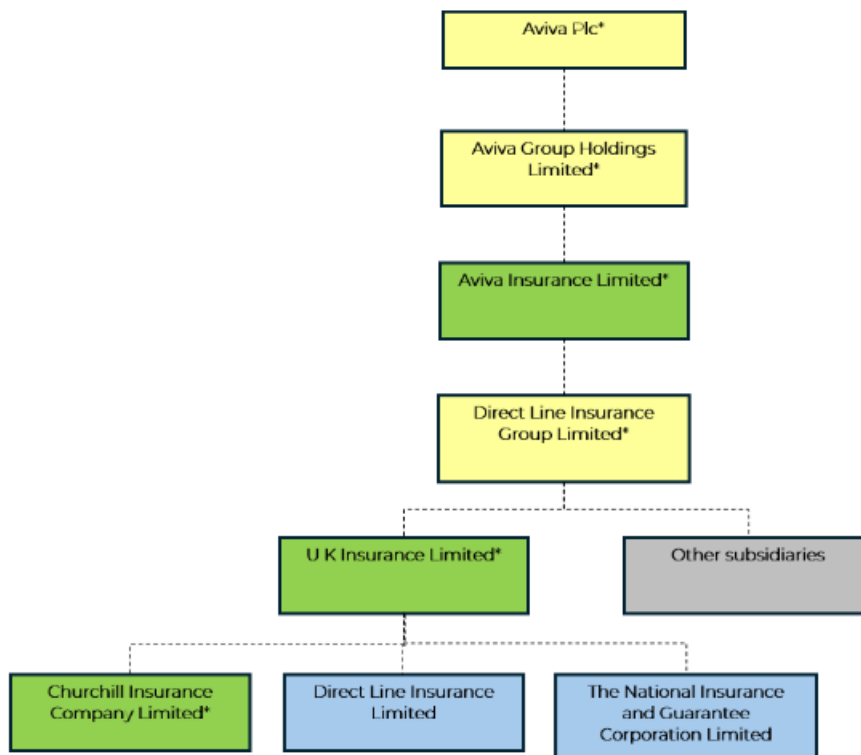
A.1 Business

A.1.1 – Business overview

U K Insurance Limited is a private limited company, registered in England and Wales, and is a member of the Aviva Group of companies. The Company operates in the UK. The Business and performance section of this report sets out 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:



* Incorporated in the United Kingdom

KEY:



U K Insurance Limited is a wholly owned subsidiary of Direct Line Insurance Group Limited, 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 26 of the Company's 2025 Annual Report and Financial Statements.

A.1.3 – Significant business or other events

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

On 16 December 2025, the Company issued 300 million fully paid Ordinary shares of £1 each for cash consideration of £300 million. The proceeds were recognised as share capital.

Following regulatory approval, and in order to support the plan to move the Company's business onto Aviva's internal model, from 31 December 2025 the Company has assessed its SCR using the standard formula approach.

Following the acquisition of the Company by the Aviva Group, significant integration activity is ongoing across the combined Group. The Group is considering various actions within the UKGI segment to achieve capital benefits, including working towards a Part VII transfer of the company to AIL, to combine the Group's general insurance business (subject to court approvals).

A. BUSINESS AND PERFORMANCE continued

A.1.4 – Other information

Name and legal form

U K Insurance Limited is a 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

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 Direct Line Insurance Group Limited, and indirectly owned by AIL as the immediate parent of Direct Line Insurance Group Limited, both of which are qualifying holdings in the Company. Aviva plc is the ultimate controlling parent entity registered in England

A. BUSINESS AND PERFORMANCE continued

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 31 December 2025	2025 £m	2024 £m
Underwriting result before administration and overhead expenses on an undiscounted basis		
Income		
Premium written		
Gross written premium	3,702.2	4,341.0
Net written premium	2,518.3	2,985.1
Premium earned and provision for unearned		
Gross earned premium	4,021.2	4,462.7
Net earned premium	2,719.2	3,023.1
Expenditure		
Gross (undiscounted) claims incurred	3,209.6	3,536.4
Net (undiscounted) claims incurred	2,007.3	2,230.9
Acquisition costs, commissions, claims management costs	288.4	409.0
Total expenditure	2,295.7	2,639.9
Underwriting result before administration and overhead expenses (Undiscounted basis)	423.5	383.2
Underwriting result on a discounted basis		
Income		
Net earned premium	2,719.2	3,023.1
Expenditure		
Net (discounted) claims incurred	1,918.4	2,108.2
Acquisition costs, commissions, claims management costs	288.4	409.0
Technical expenses incurred net of reinsurance ceded (less) acquisition costs, commissions, claims management costs	613.5	735.4
Underwriting (loss) (Discounted basis)	(101.1)	(229.5)

The table below reconciles the 2025 Solvency II underwriting result to the insurance service result on an IFRS basis.

For year ended 31 December 2025	2025 £m	2024 £m
Solvency II underwriting (loss) (Discounted basis)	(101.1)	(229.5)
Remove items in Solvency II underwriting result but not in IFRS 17 insurance service result:		
Investment management fees	8.3	8.8
Other technical expenses outside of insurance technical result	15.7	17.2
Add back items in IFRS 17 insurance service result but not in Solvency II underwriting result:		
Instalment income	85.3	98.8
Other directly attributable claims income	77.1	158.8
Other expenses	(79.0)	(4.0)
IFRS insurance service result	6.3	50.1

The difference between the discounted underwriting profit on a Solvency II basis and insurance service result on an IFRS basis relates to: expenses reported within the Solvency II underwriting result that fall outside of the IFRS insurance service result and instalment and other claims income and non-technical expenses being included within the IFRS insurance result. These are detailed in the reconciliation, above.

Underwriting performance

In 2025, the Company made a Solvency II underwriting loss of £101.1 million (2024: £229.5 million loss) on a discounted basis per table above. On an undiscounted basis the Company made a Solvency II underwriting profit before administration and overhead expenses of £423.5 million (2024: £0.4 million). This compares to an insurance service result, on an IFRS basis, in 2025 of £6.3 million (2024: £50.1 million). A reconciliation between the two measures is provided above.

A. BUSINESS AND PERFORMANCE continued

The Company's insurance revenue of £4,106.5 million (2024: £4,561.4 million) reduced by 10.0%, driven primarily by a significant reduction in the Company's Brokered commercial business after cessation of underwriting following the Company's sale of this business to Royal and Sun Alliance Insurance Limited (subsequently renamed to Intact Insurance UK Limited) in 2023. A reduction in the Company's own brands Motor revenue has been more than offset by increases to revenue in its Motability partnership. Non-Motor and run-off revenue also reduced with the latter due primarily to the Company's exit from underwriting travel business.

The net insurance claims ratio increased by 3.2 percentage points to 73.2%, driven primarily by losses in the Company's run-off businesses and a £75.0 million increase restructuring costs in insurance service expenses.

The net expense ratio increased by 0.8 percentage points to 21.8%, although this was more than offset by a 2.7 percentage points reduction in the net acquisition ratio, due largely to the creation of the insurance acquisition cash flows reserve.

Overall, the Company's insurance service result reduced by £43.8 million to £6.3 million (2024: £50.1 million).

A.2.2 Underwriting performance by line of business

The underwriting performance of the Company by material line of business is presented below.

Lines of business	Description
Motor vehicle liability insurance	The Company's personal and commercial lines motor vehicle liability insurance products provide cover against third-party property damage and bodily injury liability cover.
Other motor insurance	The Company's personal and commercial lines other motor insurance products provide cover against accidental damage, fire, theft and windscreen damage.
Fire and other damage to property insurance	The Company's personal and commercial lines insurance products provide cover against accidental damage, escape of water, fire, subsidence, theft and weather (including storms and flooding).
General insurance	The Company's commercial lines general insurance products provide cover against personal accident, employers' liability, public liability for injury, public liability to property and disease.
Assistance	The Company's personal lines assistance products cover motor rescue, car hire and travel (including cancellation, medical and non-medical expenses).
Miscellaneous financial loss	The Company's personal and commercial lines miscellaneous financial loss products include creditor protection for unemployment, pet, including veterinary fees, home response and emergency, pecuniary loss for business interruption and commercial special risks.
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.

A. BUSINESS AND PERFORMANCE continued

The underwriting performance of the Company by material line of business is presented below.

For year ended 31 December 2025	Total	Motor vehicle liability	Other Motor	Fire and other damage to property	General Liability	Assistance	Other	Annuities stemming from non-life insurance contracts
		(Private and Commercial combined) £m	(Private and Commercial combined) £m	(Private and Commercial combined) £m				£m
Income								
Premium written								
Gross written premium	3,702.2	1,585.9	1,042.1	732.5	48.7	139.0	154.0	—
Net written premium	2,518.3	924.0	584.9	673.4	43.6	138.4	154.0	—
Premium earned and provision for unearned								
Gross earned premium	4,021.2	1,744.3	1,113.2	818.7	66.3	146.5	132.2	—
Net earned premium	2,719.2	1,053.5	652.7	697.8	42.0	145.9	127.3	—
Expenditure								
Gross (undiscounted) claims incurred	3,209.6	1,582.9	1,014.7	478.3	25.2	42.6	65.9	—
Net (undiscounted) claims incurred	2,007.3	834.8	592.7	436.8	36.8	41.9	64.3	—
Acquisition/Commission/Claims costs	288.4	94.8	53.1	77.5	13.3	34.2	15.5	—
Total expenditure	2,295.7	929.6	645.8	514.3	50.1	76.1	79.8	—
Underwriting result	423.5	123.9	6.9	183.5	(8.1)	69.8	47.5	—

For year ended 31 December 2024	Total	Motor vehicle liability	Other Motor	Fire and other damage to property	General Liability	Assistance	Other	Annuities stemming from non-life insurance contracts
		(Private and Commercial combined) £m	(Private and Commercial combined) £m	(Private and Commercial combined) £m				£m
Income								
Premium written								
Gross written premium	4,341.0	1,648.7	1,271.0	952.7	106.9	207.3	154.4	—
Net written premium	2,985.1	1,061.6	782.0	740.8	53.1	206.0	141.6	—
Premium earned and provision for unearned								
Gross earned premium	4,462.7	1,686.2	1,260.1	1,002.5	132.5	216.1	165.3	—
Net earned premium	3,023.1	1,109.5	798.9	702.0	51.7	214.8	146.2	—
Expenditure								
Gross (undiscounted) claims incurred	3,536.4	1,485.7	1,182.2	581.2	98.2	89.3	99.8	—
Net (undiscounted) claims incurred	2,230.9	1,012.6	641.8	406.5	13.8	91.8	64.4	—
Acquisition/Commission/Claims costs	409.0	137.2	87.1	118.3	17.2	33.2	16.0	—
Total expenditure	2,639.9	1,149.8	728.9	524.8	31.0	125.0	80.4	—
Underwriting profit/(loss)	383.2	(40.3)	70.0	177.2	20.7	89.8	65.8	—

The Company's gross written premium, which is underwritten in the UK, decreased by 14.7% (2024: 10.7% increase) reflecting the change in business described above in underwriting performance.

A.3 Investment performance

The Company's investment strategy aims to deliver several objectives, which are summarised below:

- to ensure there is sufficient liquidity available within the investment portfolio to meet stressed liquidity scenarios;
- to match periodic payment order and non-periodic payment order liabilities in an optimal manner; and
- to deliver a suitable risk-adjusted investment return commensurate with the Company's risk appetite.

A. BUSINESS AND PERFORMANCE continued

In 2025 the Company approved a number of changes to the AUM benchmarks as future consideration was given to the portfolio mix, with the focus on reducing exposure to credit risk, as Aviva has sufficient coverage elsewhere in the business. The High Yield mandate was liquidated, with 3% apportioned to index linked gilts and 3% to GBP IG credit. The AAA mandate was consolidated into the Sovereign portfolio as part of a consolidation of funds.

A.3.1 Investment return

Investment return by asset class

For the year ended 31 December	2025 £m	2024 £m
Interest income calculated using effective interest rate method:		
Debt securities	157.1	130.2
Cash and cash equivalents	34.0	58.1
Infrastructure debt	11.2	14.7
Commercial real estate loans	9.6	10.0
Other loans	0.1	0.1
Total interest income calculated using effective interest rate method	212.0	213.1
Rental income from investment property	15.6	16.4
Investment income	227.6	229.5
Investment fees	(8.3)	(8.8)
Net investment income	219.3	220.7
Net fair value gains/(losses) on financial assets held at fair value through profit or loss:		
Debt securities	71.3	23.5
Derivatives	2.7	6.5
Total net fair value gains on financial assets held at fair value through profit or loss:	74.0	30.0
Net fair value gains on investment property	7.3	6.6
Net credit impairment (losses)/gains on financial investments	(1.9)	0.2
Investment return recognised in profit or loss	298.7	257.5

Net investment income decreased by £1.4 million to £219.3 million (2024: £220.7 million) primarily driven by a reducing interest rate environment partially offset by increased AUM.

Net fair value gains recognised through profit or loss during 2025 were £74.0 million, versus gains in 2024 of £30.0 million. The improvement in 2025 was driven by a tightening of interest rates and the pull to par on credit holdings.

Overall investment return for the Company increased by £41.2 million to £298.7 million (2024: £257.5 million).

Investment yields

For the year ended 31 December	2025	2024
Investment income yield ¹	4.2%	4.0%
Investment return yield ²	5.5%	4.7%

Notes:

- The income net of fees, earned from the investment portfolio, recognised through the statement of profit or loss during the period (excluding unrealised and realised gains and losses, impairments and fair value adjustments) divided by the average assets under management. The average assets under management derives from the period's opening and closing balances.
- The investment return recognised through the statement of profit or loss earned from the investment portfolio, including investment fees, unrealised and realised gains and losses, impairments and fair value adjustments, divided by the average assets under management. The average assets under management derives from the period's opening and closing balances.

Investment in securitised credit

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

A. BUSINESS AND PERFORMANCE continued

A.4 Performance of other activities

A.4.1 Other operating income

Other operating income for the Company of £7.9 million (2024: £11.8 million) is largely made up of commission income from third parties and other sundry income.

A.4.2 Other operating expenses

Other operating expenses for the Company of £118.4 million (2024: £101.1 million) includes cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the acquisition by Aviva. 2024 includes response work in relation to the takeover approach from Ageas NV.

A.4.3 Operating commitments where the Company is the lessor

The following tables analyse future aggregate minimum undiscounted lease payments receivable under non-cancellable operating leases in respect of property leased to third-party tenants.

As at 31 December	2025 £m	2024 £m
Within one year	15.2	15.9
Between 1 and 2 years	13.1	14.6
Between 2 and 3 years	10.8	13.0
Between 3 and 4 years	10.3	11.0
Between 4 and 5 years	9.7	10.6
Later than 5 years	73.9	84.9
Total	133.0	150.0

A.5 Any other information

Events after the reporting period

On 11 March 2026, the Bank of England announced that the PRA imposed a fine of £10.6 million on the Company in connection with a miscalculation of its balance sheet during 2023 and 2024. This has been fully provided within Other Liabilities on the 2025 Solvency II balance sheet and will have no impact on customers, policies, claims or suppliers.

A Part VII transfer of the Company's remaining insurance and reinsurance obligations relating to the sale of its Brokered commercial business to Intact Insurance UK Limited has been approved by the UK High Court on 25 February 2026 and by the Royal Court of Jersey on 5 March 2026 and is scheduled to take place on 1 April 2026.

SECTION B: SYSTEM OF GOVERNANCE (UNAUDITED)

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 in place within the Company. Details of the structure of the undertaking's 'administrative, management or supervisory body' (defined as the aligned Board) are provided. The roles, responsibilities and governance of key functions including the Risk, Compliance and Audit Functions) are also provided. Other components of the system of governance are also outlined, including the risk management system and internal control system implemented across the business.

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 PRAS's 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 Company is managed by an ("**aligned' Board**") with Aviva Insurance Limited ("**AIL**"). 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 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 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.

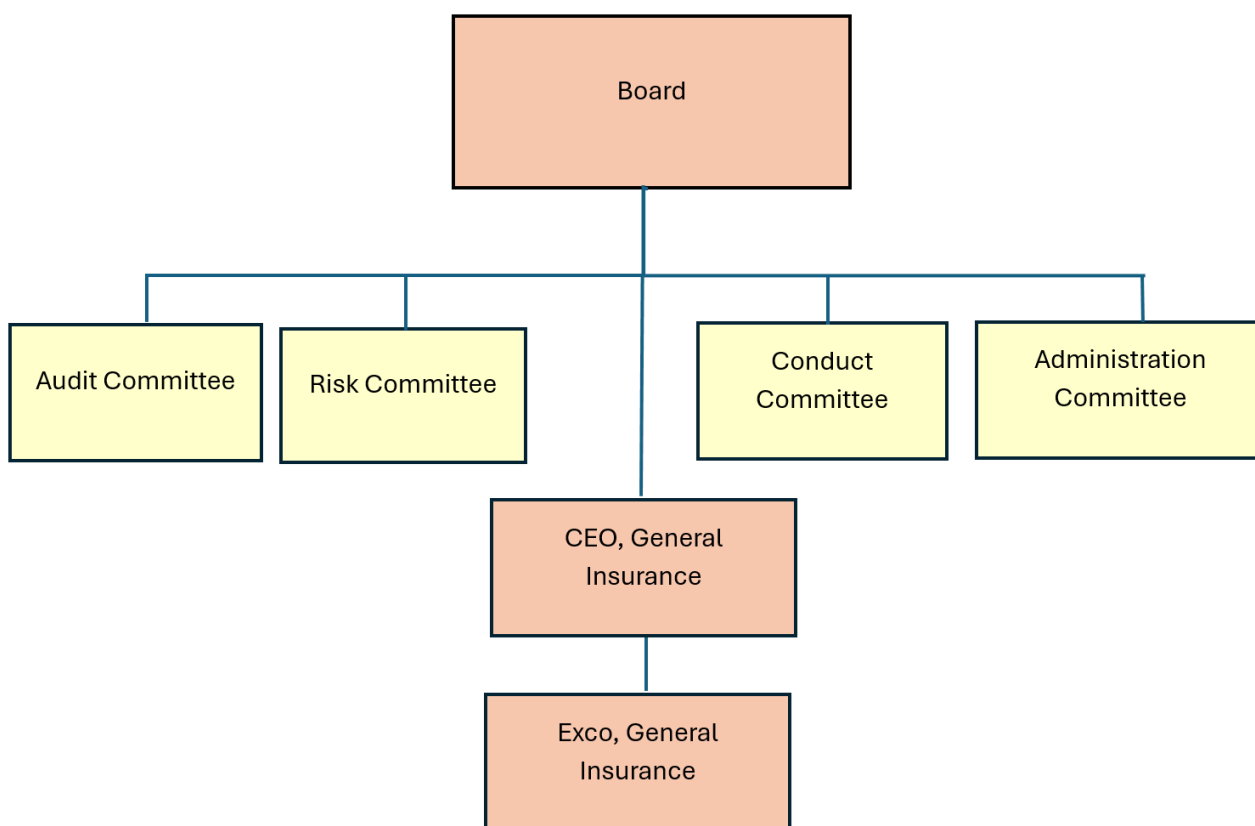
B.2.2 Structure of the Board, Board Committees and executive management

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.

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.3 Fit and proper requirements

B. SYSTEM OF GOVERNANCE continued

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;
- 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 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 recognises that its long-term sustainability depends on having sufficient economic capital to meet its liabilities as they fall due, thus protecting its reputation and the integrity of its relationship with policyholders and other stakeholders. As part of this, the Company's appetite is for general insurance risk, focusing on personal lines retail and small and medium-sized enterprise 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's Solvency Risk Appetite (" SRA ") is to hold sufficient Own Funds at the start of the year such that it can sustain a 1-in-10 stress over the course of the year and continue to meet regulatory Solvency Capital Requirement (" SCR ") at the end of the year. It is expressed as a percentage of the SCR and is currently 140%.
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 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 the 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 its regulated insurance companies 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 the 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.

B. SYSTEM OF GOVERNANCE continued

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.

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 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.

B. SYSTEM OF GOVERNANCE continued

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.

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 subsidiary companies;
- 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, 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 overall underwriting policy;
- 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. SYSTEM OF GOVERNANCE continued

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.

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. These activities are provided from third parties within 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 (UNAUDITED)

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 & 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 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;
- providing senior management and the Risk function with comprehensive monthly management information reporting; and
- ensuring no uncovered or speculative use of derivatives occurs.

C.1 Underwriting risk

C.1.1 Underwriting risk

The Company predominantly underwrites personal lines insurance including motor, residential property, roadside assistance, creditor, and pet business. The travel insurance portfolio went into run-off during 2025. Since 2023, the Company also underwrites vehicle insurance under a fleet arrangement for the Motability Scheme that is reviewed and repriced every 6 months. The Company also underwrites commercial risks directly, primarily for low-to-medium risk trades within the small to medium-sized enterprises market. Contracts are typically issued on an annual basis which means that the Company's liability usually extends for a 12-month period, after which the Company is entitled to decline to renew or can revise renewal terms by amending the premium or other policy terms and conditions such as the excess as appropriate.

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.

Pricing risk

Pricing risk is the risk of economic loss arising from business being incorrectly priced or inappropriately underwritten. Key risk drivers include:

- poor or insufficient data or data quality or inappropriate assumptions built into pricing models;
- errors within or inappropriate use of pricing models; and
- regulatory changes, such as pricing practices which may place new restrictions on pricing.

Underwriting risk

Underwriting risk is the risk that future claims experience on business written is materially different from expected, resulting in current-year losses. Key risk drivers include:

- catastrophe and weather-related claims which may arise giving rise to material current year losses;
- claims inflation may be higher; and
- claims frequency may be higher than expected.

C. RISK PROFILE continued

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;
- operational failures;
- failure to recognise claims trends in the market including a slow-down in the processing of recoveries and liabilities with third party insurers which increases the estimation risk of these amounts; and
- changes in underwriting, business written and claims processes so that past trends are not necessarily a predictor of the future.

Understatement of reserves may result in not being able to pay claims when they fall due. Alternatively, overstatement of reserves can lead to a surplus of funds being retained resulting in opportunity cost, for example lost investment return or insufficient resource to pursue strategic projects and develop the business.

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. The Company participates in a Group catastrophe reinsurance programme which has been renewed on 1 Jan 2026 and will cover a 12 month period. and;
- product concentration risk – the Company offers a diversified portfolio of products and a variety of brands sold through a range of distribution channels to its customers.

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.

Underwriting, pricing and distribution risk is managed through a range of processes and controls:

- underwriting guidelines are set for all transacted business and pricing refined by analysing comprehensive data;
- a range of key performance indicators tracking underwriting performance are regularly monitored and reported to senior management;
- governance on pricing model change provided through the Pricing and Underwriting Model Governance Board;
- internal quality assurance conducted on underwriting referrals; and
- the Company invests in enhanced external data to assess and more accurately price risks.

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

- regular reviews of the claims and premiums, 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, through Motor, Liability, Property catastrophe, and Travel, which are renewable annually;
- 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

Multiple major weather events

Catastrophe events are a material driver of underwriting risk for the Company with reinsurance as an important mitigation.

Ogden discount rate and periodic payment orders

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%.

C. RISK PROFILE continued

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.

The Company also recognises that climate change potentially poses material long-term financial risks to the business and is receiving increased scrutiny from regulators and investors. Climate change risks can be divided into three categories: physical, transition and liability risks. There is a risk that climate change affects the frequency and severity of extreme weather events (physical risk), which will change the Company's view of underwriting risk, reinsurance and pricing. The climate-related underwriting risk in relation to the Company's liability insurance products remains a less material exposure and has reduced following the sale of the Commercial Broker business.

The Company's approach to determine where climate risks are material is supported by quantitative assessments where possible, such as the findings of scenario analysis activities, where the potential financial impact of climate change over the longer term is considered.

Solvency ratio sensitivities

The following table shows the Company's solvency ratio sensitivity to an insurance risk event, estimated based on an assessed impact of scenarios as at 31 December 2025.

It should be noted that in late 2025 Aviva applied for permission to move U K Insurance Limited from an Internal Model onto the Standard Formula basis for calculating its Solvency Capital Requirement. This change in methodology should be considered when interpreting year-on-year movements.

Other potential risks beyond the ones described could have an additional financial impact on the Company.

For details on the limitations of sensitivity analysis see page 27.

Scenario	Impact on solvency capital ratio	
	31 Dec 2025	31 Dec 2024
Increase in Solvency II inflation assumptions for PPOs by 100 basis points ¹	(6 pts)	(10 pts)

Note:

1. The PPO inflation assumption used is an actuarial judgement which is based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve excluding any change in discount rate. Scenario updated to the latest PPO inflation assumptions with discount rates held constant.

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.

The Company is mainly exposed to the following market risk factors:

- spread risk;
- interest rate risk;
- property risk; and
- currency risk.

C.2.1 Spread risk

This is the risk of loss from the sensitivity of the value of assets and investments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The level of spread is the difference between the risk-free rate and actual rate paid on the asset, with larger spreads being associated with higher risk assets. The Company is exposed to spread risk through its asset portfolio, most notably through its investment in corporate bonds.

The spread risk may change owing to external factors such as economic and global political uncertainty.

The Company periodically undertakes a strategic asset allocation exercise in relation to its investment portfolio. The proposals from the strategic allocation exercise are reviewed and approved by the Asset & Liability Committee ("ALCo"). In Q4 2025, a transition of the investment management services to Aviva Investors was approved by the aligned Board.

As part of this transition, changes to the Strategic Asset Allocation ("SAA") were implemented in the same quarter. This included a removal of both the AAA-AA Semi-Sovereign and the US High Yield mandates from the SAA. The allocations in the SAA were increased to Gilts, Sterling Credit and Index-Linked Gilts. The increase to the latter is to match the interest rate and inflation sensitivities of the long-term PPOs.

C.2.2 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. RISK PROFILE continued

The Company also invests in floating rate debt securities, whose investment income is influenced by the movement of the short-term interest rate. A movement of the short-term interest rate will affect the expected return on these investments.

The market value of the Company's financial investments with fixed coupons is affected by the movement of interest rates. Fixed rate investment grade US dollar and Euro corporate debt securities were hedged using interest rate swaps.

The Company is exposed to the following interest rate benchmarks within its hedging relationships: GBP SONIA, USD SOFR and EURIBOR. The hedged items include holdings of US dollar and Euro denominated fixed rate debt securities.

C.2.3 Property risk

This is the risk of loss arising from sensitivity of assets and financial investments to the level or volatility of market prices, rental yields, or occupancy rates of properties. At 31 December 2025, the value of property investments was £285.5 million (2024: £287.6 million). The property investments are located in the UK.

C.2.4 Currency risk

This is the risk of loss from changes in the level or volatility of currency exchange rates. Exposure to currency risk is generated by the Company's investments in US dollar and Euro denominated bonds. The foreign currency exposure of these investments is hedged by foreign currency forward contracts, maintaining a minimal unhedged currency exposure on these portfolios, as well as a low basis risk on the hedging contracts.

A limited exposure to currency risk also arises through the Company's insurance and other contractual liabilities. Currency risk is not material at Company level.

C.2.5 Risk concentrations

Concentration risk arises from inadequately diversified portfolios of assets, in particular:

- large exposures to individual groups;
- large exposures to certain industry sectors;
- large exposures to certain geographies ;
- large exposures to exchange rate fluctuations – the Company holds a significant proportion of its assets in US dollar; and
- large exposures to different groups where movements in values and ratings are closely correlated for any other reason.

The Company manages and controls the concentration risks as part of its market risk mitigation techniques, which are described below.

C.2.6 Management and mitigation

The Company manages and controls the risks in its investment portfolio through:

- strategic asset allocation within the investment portfolio is reviewed by the ALCo which makes recommendations to the aligned Board for its investment strategy approval;
- diversification of the types of assets, and tight control of individual credit exposures; and
- risk-reduction techniques, such as hedging foreign currency exposures with forward contracts and hedging exposure to US and Euro interest rates with swap contracts in some mandates.

The Company's Investment Risk policy and related minimum standards require the first line of defence to undertake an asset-liability management study at least annually. The study must consider the following:

- mitigation of interest rate risk, typically using key rate duration analysis;
- the implications and rationale for mismatches pursued when backing liabilities on the balance sheet, for example 'real growth' asset strategy supporting inflation linked periodic payment orders;
- suitability and appropriateness of Company asset classes given the risk appetite of the Company and capital position; and
- overall expected returns from the investment portfolio given regulatory capital employed.

The quality of assets held in each segregated portfolio is controlled through investment mandates detailing acceptable credit ratings, issuer concentration limits and prohibited holdings.

The operating framework used by the internal Investment team evidenced through the written internal procedures framework and contractual and service level requirements in place with external service providers employed, is designed to ensure:

- assets owned are held securely, with holdings verifiable independently by the Company;
- encumbered assets, for example those allocated as collateral, can be identified easily;
- actual returns received can be measured versus benchmark criteria set and budgeted return assumptions; and
- aggregate and individual asset holdings can be monitored against the key risk controls set; for example, strategic benchmark weightings, credit ratings, issuer exposure limits and credit duration limits.

C. RISK PROFILE continued

C.2.7 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 following table shows the Company's solvency capital ratio sensitivities to two market changes, estimated based on an assessed impact of scenarios as at 31 December 2025.

Scenario	Impact on solvency capital ratio	
	31 Dec 2025	31 Dec 2024
100bps increase in credit spreads	(3 pts)	(6 pts)
100bps decrease in interest rates with no change in the PPO discount rate	2 pts	(3 pts)

Limitations of sensitivity analysis

- Sensitivities are calculated under the assumption full tax benefits can be realised.
- Sensitivities are calculated by applying an instantaneous change to specific assumptions whilst leaving others unchanged.
- In reality, changes in the environment occur over time and are often interrelated; the sensitivities provided do not capture these transactions.
- The impact of a change in assumptions is often non-linear and users of this information should not assume that applying a linear methodology will provide accurate results.
- The sensitivities are based on a balance sheet at a specific point in time. The result of a sensitivity analysis will also change due to business performance and any active management of assets and liabilities.
- Movements in economic variables are unlikely to follow the nature of a parallel shift as described in many of the sensitivities.
- In addition, the sensitivities assume economic variables move in similar manner across different currencies and countries, which is unlikely to be true in reality.
- Our specific portfolio of assets and liabilities will not match the composition of market indices exactly and using such indices to estimate an impact on the balance sheet should be used with caution.

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.

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;
- Reinsurance recoveries: this arises in respect of reinsurance claims against which a reinsurance bad debt provision is assessed. Periodic payment orders 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; and
- Consumer credit: exposure from offering monthly instalments on annual insurance contracts.

C.3.2 Risk concentrations

Concentration risk arises from inadequately diversified exposure to creditors, in particular:

- large exposures to individual assets (either bond issuers or reinsurers); and
- large exposures to different assets where movements in values and ratings are closely correlated.

C. RISK PROFILE continued

C.3.3 Management and mitigation

Credit limits are set for all brokers and 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- for short tail reinsurance and the majority of long tail reinsurance to be purchased from reinsurers rated A+ or above. A key mitigant to credit risk under the whole account quota share agreement is the quarterly funds withheld mechanism whereby residual credit risk exposure only occurs when the subject accident year is in a loss-making position. Similarly, a funds withheld mechanism has been adopted for the quota share reinsurance agreement in respect of the brokered commercial business entered into in Q3 2023. Both agreements have not been renewed for 2026 due to the Aviva integration (whole account quota share agreement) and the impending Part VII transfer of the brokered commercial business to Intact (quota share reinsurance agreement).

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. They perform stress tests and identify management actions should such stresses occur. The outcome of this stress tests demonstrates that the company is resilient to a range of potential adverse events and that the Company has management actions that could be executed in a timely manner, to mitigate the potential impacts from Company-specific or market-wide events.

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. However, the Company is exposed to risk events that could impact liquidity such as a single or multi windstorm event or an overnight liquidity strain arising from a large foreign exchange movement.

C.4.1 Management and mitigation

The annual liquidity study assesses the Company's liquidity requirements and considers access to liquidity in stressed scenarios. The measurement and management of the Company's liquidity risk is undertaken within the limits and other policy parameters of the Company's liquidity risk appetite and is detailed in the Liquidity Risk minimum standard. As part of this process the Investment - and Treasury team are required to put in place a liquidity plan which must consider expected and stressed scenarios for cash in-flows and out-flows that is reviewed at least annually by the ALCo. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

At a more granular level, access to liquidity in stressed scenarios is met through holdings of cash, money market funds and other high-quality liquid assets such as sovereign debt securities. The aggregate exposure to illiquid assets is also monitored as part of the aggregate portfolio consideration.

Additional initiatives to support liquidity include sovereign debt security and AAA/AA eligible assets repurchase agreement lines in place. These will enable any short-term material cash requirements that arise, which have not been forecast, to be covered without unnecessary sales of sovereign debt securities and the associated realised gains or losses on the sale.

The Investment and Treasury function forms an integral component of the Company's annual strategic plan process and forecast updates during the year. The Company has a liquidity contingency plan which is maintained to identify actions to be taken to ensure business continuity. This includes the specification of conditions under which the plan is invoked, early warning triggers, liquidity management actions to preserve, enhance and repair the liquidity buffer.

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.

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 the Company 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.6.3 Strategic risks

Risks to the delivery of the company's strategy, including design and implementation of the strategy, are considered within the Material Risk Register and monitored by through governance forums.

The acquisition of the company by Aviva and subsequent integration activity increases risks in the short to medium term, including potential for impact to management stretch, staff retention, unplanned costs and process disruption. These additional risks are closely monitored and managed by the Executive team and the aligned Board through regular and project risk reporting processes.

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.

Environmental

The company recognises that emerging environmental issues, such as climate change, pose material long-term financial risks. Environmental risks can manifest themselves through a range of existing financial and non-financial risks.

The company continues to monitor these risks closely and develop climate change modelling capability.

Technological

Rapid technological developments, including advancements in Artificial Intelligence and autonomous vehicles, continue to reshape the insurance landscape. These innovations present both opportunities and challenges for underwriting, claims, and regulatory compliance. Identified risks are considered within the Company's risk management and governance frameworks to support operational resilience and regulatory readiness.

Social & Economic

Economic pressures and generational shifts in consumer behaviour are reshaping demand patterns. Persistent cost-of-living concerns, along with younger generations' preference for flexible, digital first solutions, requires the company to continuously monitor and adapt its product offerings to meet evolving needs.

Political

Geopolitical uncertainty remains elevated, with ongoing conflicts, trade restrictions, and shifting alliances contributing to political instability and protectionist measures. These dynamics continue to pose risks to investment performance, supply chains, and market confidence. The company monitors geopolitical developments and assesses potential exposures to ensure timely mitigation and resilience planning.

D. VALUATION FOR SOLVENCY PURPOSES

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 in this report provides a description of the bases, methods and 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. Where the valuation of assets and liabilities is the same under IFRS, a description of the bases, methods and main assumptions can be found in the accounting policies and notes to the financial statements as shown below:

	Accounting policy reference	2025 Financial statement note reference
U K Insurance Limited	E - Fair value measurement	Note 17: Fair value

D. VALUATION FOR SOLVENCY PURPOSES

Balance Sheet – IFRS and Solvency II

As at 31 December 2025 (£m)	Notes to the financial statements	IFRS (a)	Reclassifications (b) ²	IFRS reclassified (c) = (a) + (b)	SFCR note	Solvency II (d)	Valuation difference (e) = (d – c)
Assets							
Deferred tax assets	14	56.9	—	56.9	D.1.1	1.0	(55.9)
Participations	12	11.5	—	11.5	D.1.2	14.9	3.4
Property plant & equipment held for own use	10	37.4	—	37.4	D.1.3	46.0	8.6
Property (other than own use)	11	285.6	—	285.6	D.1.4	285.5	(0.1)
Financial investments	18	3,647.5	1,209.7	4,857.2		4,853.8	(3.4)
Government bonds	18	982.2	—	982.2	D.1.5	982.2	—
Corporate bonds	18	2,647.4	—	2,647.4	D.1.6	2,644.0	(3.4)
Collective investments undertakings		—	1,209.7	1,209.7	D.1.7	1,209.7	—
Derivatives	18	17.9	—	17.9	D.1.8	17.9	—
Loans and mortgages	18	308.7	—	308.7	D.1.9	308.5	(0.2)
Reinsurance recoverables ⁴	13	1,555.8	(429.0)	1,126.8	D.1.10	828.3	(298.5)
Receivables	14, 15	128.0	655.0	783.0		783.0	—
Insurance and intermediaries		—	120.1	120.1	D.1.11	120.1	—
Reinsurance receivables		—	532.9	532.9	D.1.11	532.9	—
Trade, not insurance	14, 15	128.0	2.0	130.0	D.1.11	130.0	—
Cash and cash equivalents	19	1,274.9	(1,209.7)	65.2	D.1.12	65.2	—
Other assets	16	18.7	—	18.7	D.1.13	18.7	—
Total assets		7,325.0	226.0	7,551.0		7,204.9	(346.1)
Liabilities							
Technical provisions ³	13	5,093.9	35.1	5,129.0	D.2	4,616.1	(512.9)
Derivatives	18	2.8	—	2.8	D.3.1	2.8	—
Debts owed to credit institutions	19	39.9	—	39.9	D.3.2	39.9	—
Financial liabilities other than debts owed to credit institutions	10	59.7	5.5	65.2	D.3.3	65.2	—
Insurance & intermediaries payables		—	6.6	6.6	D.3.4	6.6	—
Reinsurance payables		—	103.9	103.9	D.3.4	103.9	—
Payables (trade, not insurance)	21, 22	29.3	(25.8)	3.5	D.3.4	3.5	—
Other liabilities & provisions		63.2	100.7	163.9	D.3.5	159.8	(4.1)
Total liabilities		5,288.8	226.0	5,514.8		4,997.8	(517.0)
Excess of assets over liabilities		2,036.2	—	2,036.2		2,207.1	170.9

Notes:

- For the purposes of presenting the IFRS position, insurance contract assets and reinsurance contract liabilities have been presented based on the carrying value of each portfolio of insurance and reinsurance contracts.
- Other presentational and reclassification adjustments have been made to align IFRS and Solvency II presentation.
- This represents insurance contract liabilities as classified in IFRS.
- This represents reinsurance contract assets as classified in IFRS.

D.1 Assets

The Company's assets have been valued according to the requirements of per 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.

D. VALUATION FOR SOLVENCY PURPOSES continued

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 realised in subsequent years for offset of the remaining future tax deductions.

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

As at 31 December 2025	£m
Deferred tax assets	1.0
Deferred tax liabilities	—

D.1.2 Investment in subsidiaries

In the Solvency II balance sheet of the Company, its subsidiary Churchill Insurance Company Limited ("Churchill") is valued using an adjusted equity method prescribed by Rule 9 of the Valuation Part of the PRA Rulebook described in D.4. The investment in subsidiary is included within participations of £14.9 million.

D.1.3 Property, plant and equipment held for own use

Under IFRS, property, plant and equipment are valued at historic cost less accumulated depreciation. Right-of-use ("ROU") assets are included as part of property, plant and equipment held for own use. For Solvency II purposes, ROU assets are held at fair value. Where the ROU asset is not impaired this is deemed to be equal to the related lease liability. Where the lease asset is deemed to be impaired it is held at a value equal to its IFRS carrying value. The lease liability is equal to the minimum lease payments, consisting of future expected cash flows discounted using the interest rate implicit in the lease. The valuation uncertainty of property held for own use has been assessed by reference to a study of sales prices achieved in commercial real estate transactions against their previous valuations.

Valuation differences as outlined below:

As at 31 December 2025	£m
Property, plant and equipment held for own use value under IFRS	37.4
Property, plant and equipment held for own use value under Solvency II	46.0
Valuation differences between IFRS and Solvency II	8.6

D.1.4 Property (other than for own use)

Property of £285.5 million is stated at fair value based on valuations by independent registered valuers, using consistent assumptions and methodology as described in D.4.

There is no difference between IFRS and Solvency II valuations.

D.1.5 Government bonds

Government bonds are valued at fair value under both IFRS and Solvency II, with no differences in valuation methodologies. The majority of these valuations are based, in whole or in part, on published quotes in active markets. As of 31 December 2025, the fair value of government bonds held by the Company is £982.2 million. As per note 17 of the financial statements these are level 1 investments measured in whole or in part by reference to published quotes in an active market. In an active market quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

D.1.6 Corporate bonds

Corporate bonds in the Solvency II balance sheet are held at fair value. In the IFRS financial statements for the Company, £2,601.6 million are held at fair value with the exception of a small portfolio with a carrying value as at 31 December 2025 of £45.8 million (fair value: £42.4 million) classified as debt securities held at amortised cost. The fair value for Solvency II is calculated using valuation techniques that are based on observable current market transactions and model inputs for recent transactions or observable market data. Refer to note 17 of the financial statements.

As at 31 December 2025	£m
Corporate bonds value under IFRS	2,647.4
Corporate bonds value under Solvency II	2,644.0
Valuation differences between IFRS and Solvency II	(3.4)

D.1.7 Collective investments undertakings

Collective investment schemes of £1,209.7 million 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. Refer to note 17 of the financial statements.

D.1.8 Derivatives

Derivatives of £17.9 million are carried at fair value in both the Solvency II balance sheet and IFRS financial statements and are valued using broker quotes or appropriate valuation models. Model inputs include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of underlying instruments. Refer to note 17 of the financial statements.

D. VALUATION FOR SOLVENCY PURPOSES continued

D.1.9 Loans and mortgages

Under IFRS, loans are valued at amortised cost.

Per the PRA Rulebook, loans are valued at fair value, determined using a valuation based on a risk-adjusted discounted cash flow model. When determining the risk-adjusted discount rate, inputs for the relevant base rate, average trading spread of the overall market or sector and the credit risk specific to the loan are used.

As at 31 December 2025	£m
Loans and mortgages under IFRS	308.7
Loans and mortgages under Solvency II	308.5
Valuation differences between IFRS and Solvency II	(0.2)

D.1.10 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.1.11 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.1.12 Cash and cash equivalents

Cash and cash equivalents are valued at fair value in the Solvency II balance sheet and 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.1.13 Other assets

Other assets include prepayments, accrued income from contracts with customers and other assets valued at fair value in the Solvency II balance sheet and the IFRS financial statements.

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**”)
- 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.

Whilst the Company conducts non-life and health (similar to non-life) insurance activities, it has 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 SII balance sheet.

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

Net technical provisions

As at 31 December 2025	Net best estimates £m	Risk margin £m	Total net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	1,991.8	51.9	2,043.7
Other motor insurance	208.9	11.1	220.0
Fire and other damage to property insurance	816.6	36.0	852.6
General liability insurance	258.9	7.6	266.5
Other non-life lines of business	88.8	0.9	89.7
	3,365.0	107.5	3,472.5
Life lines of business			
Annuities from non-life	290.7	24.7	315.4
Total lines of business	3,655.7	132.2	3,787.9

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 and a 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.
- The premium provision includes cash flows relating to future claim events that have not yet occurred, but that are covered by existing contracts and legally bound pre-inception contracts. The cash flows include premiums, net claims and expenses, in respect of future claim events.

Differences in valuation IFRS and Solvency II methodologies

The differences in the valuation of claims provision 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;
- 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.

According to the PRA Rulebook, the calculation of premium provisions allows for all future cash flows relating to unearned obligations within the contract boundaries of policies that have been legally bound at the valuation date. This differs from the concept of the liability for remaining coverage in IFRS 17 where the premium allocation approach is applied, in which there is a provision for unearned premium, insurance acquisition cash flows and loss component, if required.

D. VALUATION FOR SOLVENCY PURPOSES continued

The contract boundary for the Motability product is different between IFRS and Solvency II. This contract is repriced every 6 months, although there is not a unilateral right to reprice as price changes can be challenged. Under IFRS the contract boundary is terminated at the next repricing point (i.e. assumes a 6 month contract period). Under Solvency II, the contract cannot terminate without a unilateral ability to reprice and therefore runs to the end of the full coverage period in 2028.

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 now based on a standard formula calculation in previous years it was taken from the internal model. 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 £m	Solvency II adjustments £m	Solvency II net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	2,199.9	(156.2)	2,043.7
Other motor insurance	73.3	146.7	220.0
Fire and other damage to property insurance	600.3	252.3	852.6
General liability insurance	267.8	(1.3)	266.5
Other non-life lines of business	112.0	(22.3)	89.7
	3,253.3	219.2	3,472.5
Life lines of business			
Annuities from non-life ¹	284.9	30.5	315.4
Total	3,538.2	249.7	3,787.9

Note:

- 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.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 motor liability, general liability and non-life annuity classes of business. This includes application to reserves held for PPO claims.

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 £m
Technical provisions	53.3
Basic own funds	(19.8)
Eligible own funds to meet SCR	(19.8)
SCR	19.5
Eligible own funds to meet MCR	(26.3)
MCR	1.4

D.2.5 Recoverables from reinsurance contracts and special purpose vehicles

The Company has a range of reinsurance protection types which include property catastrophe, motor risk excess of loss, commercial property risk excess of loss and commercial liability risk excess of loss as well as some smaller programmes across some other areas of the book.

The Company allows for future reinsurance expenditure as an increase to the technical provisions on a contractually bound basis.

D. VALUATION FOR SOLVENCY PURPOSES continued

In addition, future management actions are allowed for in future reinsurance premium expenses. Reinsurance in place for the Company is considered to be renewed on similar terms (unless expected to be materially different) where premium exposure continues beyond the term of current treaties.

There are currently no special purpose vehicles in place.

Churchill and the Company have agreed that the Company will indemnify Churchill against the possibility that the Winterthur XL reinsurance agreements do not respond in respect of the Churchill policies.

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 premium provisions, balance sheet items, claims assumptions and expense assumptions are updated through the year;
- both the claims provision and the premium provision assume 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. Following the decommissioning of the Company's internal model, this is now calculated based on the standard formula.

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 Company 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 periodic payment orders awarded to settle some of the large bodily injury claims, in which annually indexed payments are made over the lifetime of the injured party.

Uncertainty with respect to policyholder behaviour is considered within the calculations for bound but not incepted business. Policy data information for new and renewal business is considered by product and business category.

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 VAs.

Non-hedgeable risks

The risk margin calculation takes the following risks into account:

- Non-life underwriting risk (including PPOs);
- Market risk¹;
- 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. VALUATION FOR SOLVENCY PURPOSES continued

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 Derivatives

Derivatives are carried at fair value in the Solvency II balance sheet and IFRS financial statements using the valuation technique described in section D.4.

D.3.2 Debts owed to credit institutions

Debts owed to credit institutions comprise bank overdrafts and are measured at amortised cost using the effective interest rate method in the IFRS financial statements. Given the very short-term nature of these balances this is also considered to be a reasonable approximation to fair value for the Solvency II balance sheet.

D.3.3 Financial liabilities other than debts owed to credit institution

These include lease liabilities for corresponding ROU assets. Amounts are valued at the present value of lease payments outstanding over the term of the remaining lease. The discount rate used (i.e. incremental borrowing rate) is the same as that used for valuing corresponding ROU assets. This category also contains intercompany balances.

D.3.4 Payables (Insurance, reinsurance and others)

Insurance and other payables are valued at fair value in the 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.3.5 Other liabilities & provisions

Other liabilities include provisions, levies, other accruals and deferred income. Other liabilities are valued at fair value in the Solvency II balance sheet and IFRS financial statements. The difference between the IFRS and Solvency II values of other liabilities relates to deferred income liability in respect of upfront fees which are amortised on a systematic basis over the contract term.

D.4 Alternative methods of valuation

The majority of the assets and other liabilities included in the IR.02 Balance Sheet of the Company in section G are based on quoted market information or observable active market data. Where the quoted market information or observable market data is not available, an alternative method for valuation is used.

The Solvency II valuation methodology hierarchy is different from the IFRS fair value hierarchy but the methodology for valuing assets and other liabilities at fair value is consistent. The assets and other liabilities, that are not valued by reference to published quotes in an active market and would be classified as level 3 in the Company's IFRS fair value hierarchy, are classified as alternative methods of valuation under Solvency II. The Company only uses alternative valuation methods when a readily observable, external market valuation is not available, or where the relevant market is deemed to be inactive.

Estimation and uncertainty of alternative method of valuation

Alternative methods for valuation include the use of estimates and assumptions that are not market observable but based on independent third-party evidence and internally developed models. Valuation uncertainty arises from variation in the expected range of the key inputs into the models, judgements relating to model inputs, and reliance on third party valuation standards. Where an alternative valuation method is used the variation to fair value is immaterial.

The material assets and other liabilities, disclosed in the IR.02 Balance Sheet in section G, that have alternative methods of valuation methods applied are as follows.

Investment property and property for own use

Property is stated at fair value in the Solvency II balance sheet. Where quoted market prices are not available, valuation techniques are used to value these properties. The fair value is determined using a methodology based on recent market transactions for similar properties, adjusted for the specific characteristics of each property within the portfolio. The fair values are based on valuations by independent registered valuers and the techniques used include some unobservable inputs. Investment property of £285.5 million is valued using income capitalization valuation technique.

Right of use assets and lease liabilities

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date unless the interest rate implicit in the lease is readily determinable. The incremental borrowing rate is determined based on available risk-free market yield to maturity pricing linked to the lease amount and term and includes a credit spread.

Participations

Participations of £14.9 million at 31 December 2025 (2024: £15.9 million) are valued using an adjusted equity method, which takes a share of the excess of assets over liabilities of the Churchill subsidiary. This method is used because a quoted market price from an active market in the equity of the subsidiary is not available.

D. VALUATION FOR SOLVENCY PURPOSES continued

Government and corporate bonds

If the market for a financial asset is not active, the Company establishes the fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties (if available), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Company uses that technique.

Loans and mortgages

The Solvency II fair value is derived using a valuation based on a risk-adjusted discounted cash flow model. When determining the risk-adjusted discount rate, inputs for the relevant base rate, average trading spread of the overall market or sector and the credit risk specific to the loan are used. £308.5 million of loans and mortgages are valued using credit assessment and pricing models.

Derivative asset and liabilities

Fair value for derivatives is determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. Valuation models use inputs for contractual terms and the specific risks inherent in the instrument, market prices, credit curves, yield curves, measure of volatility and correlations of such inputs.

D.5 Any other information

The Company has no material information to disclose.

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.

The policies and processes that the Company adopts to manage its own funds to mitigate the risk of breaching regulatory and internal capital adequacy are described in the Company's Capital Management minimum control standard, which includes the following key controls:

Capital forecasting

The Company's strategic plan includes a capital plan that forecasts the solvency capital requirement and coverage ratios over 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 funds.

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 following table lists total own funds items by tier for the Company:

As at 31 December 2025		£m
Ordinary Share capital		880.8
Share premium account related to Ordinary Share capital		250.0
Reconciliation reserve		1,075.3
Total Tier 1 unrestricted capital		2,206.1
Total eligible Tier 1 capital		2,206.1
Tier 3: deferred tax assets		1.0
Total eligible own funds		2,207.1
As at 31 December 2024		£m
Ordinary Share capital		580.8
Share premium account related to Ordinary Share capital		250.0
Reconciliation reserve		1,110.6
Total Tier 1 unrestricted own funds		1,941.4
Total eligible Tier 1 own funds		1,941.4
Total eligible own funds²		1,941.4

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 £880.8 million (2024: £580.8 million) which increased as a result of £300 million of additional share capital issued during the year to the Company's parent in exchange for cash consideration, share premium of £250.0 million (2024: £250.0 million) and the reconciliation reserve of £1,075.3 million (2024: £1,110.6 million). The reconciliation reserve consists of Solvency II excess of assets over liabilities of £2,207.1 million (2024: £1,941.4 million), less foreseeable dividends in the year of £nil (2024: £nil), Ordinary Share capital of £880.8 million (2024: £580.8 million and share premium of £250.0 million (2024: £250.0 million). Deferred tax assets were £1.0 million (2024: £nil).

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.1.5 and C.2.7.

E. CAPITAL MANAGEMENT continued

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

There were no restrictions on the Company's own funds to meet its SCR as at 31 December 2025 of £1,444.8 million (2024: £1,129.9 million).

The Company's MCR as at 31 December 2025 was £522.9 million; Tier 3 own funds are not eligible to cover the MCR. Total eligible own funds to meet the MCR were £2,206.1 million, consisting of unrestricted Tier 1 of £2,206.1 million.

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

As at 31 December 2025	£m
Total equity	2,036.2
Change in valuation of technical provisions	214.4
Other asset and liability adjustments	(43.5)
Excess of assets over liabilities (eligible Tier 1)	2,207.1

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.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 £m	MCR £m
U K Insurance Limited	1,444.8	522.9

On 19 December 2025, a variation in permissions was approved by the PRA to revoke the Company's Solvency II partial internal model. From 31 December 2025, the Company's solo entity capital requirements are now calculated using the Standard Formula basis. The SCR is subject to supervisory assessment.

The SCR for the Company includes all risks arising from Churchill due to the Company owning 100% of Churchill, this is on the basis of an equity participation.

The calculation of the SCR for the Company using the standard formula uses the parameters as referred to in the PRA Rulebook. The Company does not apply undertaking specific parameters as referred to in Solvency Capital Requirement - Undertaking Specific Parameters Part of the PRA Rulebook. Simplified calculations per Section 7 of the Solvency Capital Requirement - Standard Formula Part of the PRA Rulebook are not used.

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 £m	2024 £m
Market risk	283.5	158.7
Counterparty default risk	112.2	115.9
Non-life underwriting risk	1,159.8	1,145.0
Life underwriting risk	25.2	—
Health risk	0.5	—
Other risk	—	22.2
Operational risk (undiversified)	—	304.6
Total - undiversified risk	1,581.2	1,746.4
Diversification	(256.8)	(579.5)
Total - diversified	1,324.4	1,166.9
Operational risk (diversified)	120.4	—
Loss absorbing capacity for deferred taxes	—	(37.0)
SCR	1,444.8	1,129.9

Material changes over the year

The basis of calculation has moved to standard formula from the internal model, this will contribute to the movements seen in the table above, this will be in addition to movements in underlying exposures.

The expected profit was allowed for in the internal model figures, and this is no longer included within the standard formula figures. Life and health underwriting risk is modelled separately to non-life underwriting risk in the standard formula basis and operational risk was modelled before allowance for diversification within the internal model, whereas operational risk is added after diversification within the standard formula. In addition, there is no benefit from loss absorbing capacity for deferred taxes at year end 2025.

E. CAPITAL MANAGEMENT continued

Minimum capital requirement – further information

The Company's MCR is calculated as prescribed in accordance with applicable Solvency II regulations. The linear MCR, calculated using ratios defined by the regulator, decreased year-on-year as both premium and technical provisions elements reduced. Although the linear MCR has reduced, in previous years the MCR was capped at 45% of the SCR (2024: £508.5 million), whereas this year the MCR is set as the linear MCR, as it is now between the cap and floor (2025: £522.9 million), this is the reason for the increase.

E.3 Use of the internal model

An internal model was used up to the end of Q3 2025, when there was a change in permissions of the Company to move onto the standard formula basis for calculating its SCR.

There are differences between the standard formula and the previous internal model; refer to previous SFCR's for the details of these differences.

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

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 Report of the independent external auditor to the Directors of U K Insurance Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms
- 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 Report of the independent external auditor to the Directors of U K Insurance Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Report

Opinion

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

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2025 (**the Narrative Disclosures subject to audit**); and
- Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.22.01.21, IR.23.01.01, IR.25.04.21 and IR.28.01.01 (**the Templates subject to audit**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Solvency and Financial Condition Report'**.

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

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

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

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

Basis for opinion

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

Conclusions relating to going concern

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

- confirming our understanding of management's going concern assessment process which covers the period of 12-months from when the financial statements are authorised for issue;
- verifying the accuracy and reasonableness of management's analysis by testing the inputs, assessing key assumptions and checking the clerical accuracy of the models used;
- evaluating the solvency and liquidity position of the company by reviewing base case solvency and liquidity projections that take into account future funding requirements for the company as well as stress scenarios prepared by management;
- evaluating the financial strength of the parent company to provide support if necessary;
- evaluating the reasonableness of management's forecast analysis to understand the severity of downside scenarios that would result in the elimination of solvency and liquidity headroom and assessed the plausibility of available management actions to mitigate the impact of such key risks;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also obtained management's assessment approved by the Board, minutes of meetings of the Board; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.

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

F. OTHER INFORMATION continued

Emphasis of matter – basis of accounting and restriction on use

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

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

Our opinion is not modified in respect of these matters.

Other information

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

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

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules which have been supplemented by the permission made by the Prudential Regulation Authority under section 138BA of the Financial Services and Markets Act 2000.

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

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

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

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the relevant elements of the Solvency and Financial Condition Report.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation and the financial reporting framework.
- We understood how U K Insurance Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the regulatory bodies, reviewed minutes of the Board and obtained an understanding of the company's approach to governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the 'Valuation of the Solvency II Technical Provisions' and the 'Valuation of the Solvency Capital Requirement'. Our other audit procedures included:

F. OTHER INFORMATION continued

- Reviewing accounting estimates for evidence of management bias;
 - Evaluating the business rationale for significant and/or unusual transactions; and
 - Testing the appropriateness of adjustments made to the IFRS Balance Sheet to reach a Solvency II valuation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the regulatory bodies, reviewed minutes of the Board and obtained an understanding of the company's approach to governance.
 - The company operates in the insurance industry which is a highly regulated environment, with the Company being regulated by the FCA and PRA. As such we considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms, we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of U K Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP
London
31 March 2026

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 Company'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 (" ORSA ")	A forward-looking assessment of the Company's risks and associated capital requirements, over the business planning period.
Periodic payment order (" PPO ")	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 (" PRA ")	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 (" RoTE ")	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 (" SCR ")	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.

Section G:

G. INSURANCE RETURNS

G.1 SUMMARY OF QUANTITATIVE REPORTING TEMPLATES

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.

Template code	Template name
IR.02.01.02	Balance sheet
IR.05.02.01	Premiums, claims and expenses by country- Non-life obligations
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

G.2 U K INSURANCE LIMITED

Basic information

Entity name
 Entity identification code and type of code
 Type of undertaking
 Country of incorporation
 Country of the group supervisor
 Language of reporting
 Reporting submission date
 Financial year end
 Currency used for reporting
 Accounting standards
 Method of calculation of the SCR
 Matching adjustment
 Volatility adjustment

U K Insurance Limited
LEI/549300Z5UV7Z65LTYJ43
Non-life insurance undertakings
GB
GB
EN
31 December 2025
31 December 2025
GBP
The undertaking is using IFRS
Standard Formula
No use of matching adjustment
Volatility adjustment is applied to the following lines of business: <ul style="list-style-type: none"> - Motor vehicle liability insurance - General liability insurance - Annuities from non-life
No use of transitional measure on the risk-free interest rate
No use of transitional measure on technical provisions

Transitional measure on the risk-free interest rate
 Transitional measure on technical provisions

List of reported templates

IR.02.01.02 Balance sheet
 IR.05.02.01 Premiums, claims and expenses by country- Non-life obligations
 IR.05.04.02 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.23.01.02 Own funds
 IR.25.04.21 Solvency capital requirement
 IR.28.01.01 Minimum capital requirement

G.2 U K INSURANCE LIMITED continued

IR.02.01.02 — Balance sheet

(£'000)

		Solvency II value
		C0010
Assets		
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	1,038
R0050	Pension benefit surplus	
R0060	Property, plant and equipment held for own use	45,984
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,154,214
R0080	Property (other than for own use)	285,550
R0090	Holdings in related undertakings, including participations	14,880
R0100	Equities	
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	3,626,207
R0140	Government bonds	982,170
R0150	Corporate bonds	2,644,037
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective investments undertakings	1,209,702
R0190	Derivatives	17,876
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	308,488
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	308,488
R0270	Reinsurance recoverables from:	828,314
R0280	Non Life and health similar to non-life	511,429
R0315	Life excluding health and index-linked and unit-linked	316,886
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	120,104
R0370	Reinsurance receivables	532,911
R0380	Receivables (trade, not insurance)	129,999
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	65,174
R0420	Any other assets, not elsewhere shown	18,729
R0500	Total assets	7,204,956

G.2 U K INSURANCE LIMITED continued

IR.02.01.02 — Balance sheet (continued)

(£'000)

Solvency II value	
C0010	
	4,616,166
	3,983,844
	632,321
	4,483,971
	3,876,393
	607,577
	132,195
	107,451
	24,744
	63,237
	2,778
	39,857
	65,214
	6,556
	103,867
	3,510
	96,623
	4,997,807
	2,207,149

Liabilities	
R0505	Technical provisions - total
R0510	Technical provisions - non-life
R0515	Technical provisions - life
R0542	Best estimate - total
R0544	Best estimate - non-life
R0546	Best estimate - life
R0552	Risk margin - total
R0554	Risk margin - non-life
R0556	Risk margin - life
R0565	Transitional (TMTP) - life
R0730	Other technical provisions
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
R0810	Financial liabilities other than debts owed to credit institutions
R0820	Insurance and intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	Subordinated liabilities not in basic own funds
R0870	Subordinated liabilities in basic own funds
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities
R1000	Excess of assets over liabilities

G.2 U K INSURANCE LIMITED continued

IR.05.02.01 — Premiums, claims and expenses by country- Non-life obligations (£'000)

		Home Countries	Top 5 Countries (IRL)	Total
		C0080	C0090	C0140
Premiums written				
R0110	Gross – direct business	3,702,231	—	3,702,231
R0120	Gross – proportional reinsurance accepted	—	—	
R0130	Gross – non-proportional reinsurance accepted			
R0140	Reinsurers' share	1,183,895	—	1,183,895
R0200	Net	2,518,336	—	2,518,336
Premiums earned				
R0210	Gross – direct business	4,021,200	—	4,021,200
R0220	Gross – proportional reinsurance accepted	—	—	
R0230	Gross – non-proportional reinsurance accepted			
R0240	Reinsurers' share	1,301,968	—	1,301,968
R0300	Net	2,719,232	—	2,719,232
Claims incurred				
R0310	Gross – direct business	3,209,492	—	3,209,492
R0320	Gross – proportional reinsurance accepted	122	—	122
R0330	Gross – non-proportional reinsurance accepted			
R0340	Reinsurers' share	1,202,281	—	1,202,281
R0400	Net	2,007,333	—	2,007,333
R0550	Expenses incurred	902,005	—	902,005

G.2 U K INSURANCE 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 - personal lines	Motor vehicle liability insurance - non personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non personal lines	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non personal lines
	C0010	C0015	C0120	C0140	C0141	C0150	C0151	C0170	C0180
Income									
Premiums written									
R0110	Gross written premiums	3,702,231	972	1,533,188	52,740	1,015,409	26,625	600,218	132,328
R0111	Gross written premiums - insurance (direct)	3,702,231	972	1,533,188	52,740	1,015,409	26,625	600,218	132,328
R0113	Gross written premiums - accepted reinsurance								
R0160	Net written premiums	2,518,336	969	878,922	45,063	559,773	25,108	561,470	111,929
Premiums earned and provision for unearned									
R0210	Gross earned premiums	4,021,200	972	1,650,952	93,357	1,066,016	47,131	627,636	191,092
R0220	Net earned premiums	2,719,232	969	1,005,982	47,493	626,407	26,240	589,055	108,791
Expenditure									
Claims incurred									
R0610	Gross (undiscounted) claims incurred	3,209,614	656	1,495,067	87,866	970,368	44,359	406,712	71,566
R0611	Gross (undiscounted) direct business	3,209,492	656	1,494,988	87,866	970,326	44,359	406,712	71,566
R0612	Gross (undiscounted) reinsurance accepted	122		80		42			
R0690	Net (undiscounted) claims incurred	2,007,333	655	787,913	46,853	557,042	35,809	397,651	31,572
R0730	Net (discounted) claims incurred	1,918,357	1,858,571						
Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded	902,005							
R0985	Acquisition costs, commissions, claims management costs	288,390	288,390	524	90,144	4,676	50,713	2,361	73,771
Other expenditure									
R1140	Other expenses	361,355							
R1310	Total expenditure	3,189,472							

G.2 U K INSURANCE LIMITED continued

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

Income

Premiums written

		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	C0210	C0220	C0240	C0250	C0260	C0525	C0545
R0110	Gross written premiums	14,513	29,996	2,571	1,608	49,439	139,005	103,618		
R0111	Gross written premiums - insurance (direct)	14,513	29,996	2,571	1,608	49,439	139,005	103,618		
R0113	Gross written premiums - accepted reinsurance									
R0160	Net written premiums	13,986	27,648	483	1,496	49,312	138,414	103,763		

Premiums earned and provision for unearned

R0210	Gross earned premiums	23,520	38,427	2,540	1,849	52,357	146,497	78,854		
R0220	Net earned premiums	13,092	26,993	464	1,450	52,230	145,934	74,132		

Expenditure

Claims incurred

R0610	Gross (undiscounted) claims incurred	(603)	27,251	(2,067)	595	14,696	42,598	50,552		
R0611	Gross (undiscounted) direct business	(603)	27,251	(2,067)	595	14,696	42,598	50,552		
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred	18,947	16,300	950	582	14,210	41,888	49,432		
R0730	Net (discounted) claims incurred								59,786	

Analysis of claims incurred

R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions, claims management costs	6,499	6,681	93	2	8,729	34,150	6,245		

Other expenditure

R1140	Other expenses									
R1310	Total expenditure									

G.2 U K INSURANCE 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)

Gross best estimate

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

Risk margin

Amount of the transitional on technical provisions

R0140 TMTP - Risk margin

R0150 TMTP - best estimate dynamic component

R0160 TMTP - best estimate static component

R0170 TMTP - amortisation adjustment

Transitional measure on technical provisions

Technical provisions - total

Non-life annuities	Total life and health
C0040	C0070
607,577	607,577
—	—
607,577	607,577
316,886	316,886
290,692	290,692
24,744	24,744
—	—
—	—
—	—
—	—
—	—
632,321	632,321

G.2 U K INSURANCE LIMITED continued

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

		Direct business and accepted proportional reinsurance								
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
		C0030	C0050	C0060	C0080	C0090	C0110	C0120	C0130	C0180
Best estimate										
Premiums provisions										
R0060	Gross		57,273	119,505	51,043	7,187	5,134	21,007	(7,299)	253,850
R0140	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default		(102,470)	(214,506)	(284,759)	(92,385)		(199)		(694,319)
R0150	Net best estimate of premium provisions		159,743	334,011	335,803	99,572	5,134	21,205	(7,299)	948,168
Claims provisions										
R0160	Gross	650	2,900,705	(147,910)	566,221	219,352	33,232	25,728	24,563	3,622,543
R0240	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	42	1,068,661	(22,773)	85,407	59,977		(1,378)	15,810	1,205,746
R0250	Net best estimate of claims provisions	608	1,832,044	(125,137)	480,814	159,375	33,232	27,106	8,753	2,416,796
R0260	Total best estimate - gross	650	2,957,979	(28,405)	617,264	226,539	38,366	46,735	17,264	3,876,393
R0270	Total best estimate - net	608	1,991,787	208,874	816,617	258,947	38,366	48,312	1,454	3,364,965
R0280	Risk margin	28	51,948	11,132	36,022	7,579	365	246	131	107,451
Technical provisions - total (best estimate plus risk margin)										
R0320	Technical provisions - total	677	3,009,927	(17,273)	653,286	234,118	38,732	46,981	17,396	3,983,844
R0330	Recoverable from reinsurance contract / SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	42	966,191	(237,279)	(199,352)	(32,407)		(1,576)	15,810	511,429
R0340	Technical provisions minus recoverables from reinsurance / SPV and Finite Re – total	636	2,043,735	220,006	852,639	266,525	38,732	48,557	1,586	3,472,416

G.2 U K INSURANCE LIMITED continued

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

Z0020 Accident year / underwriting year Accident year

Gross claims paid (non-cumulative)

(absolute amount)

Year	Development year											In current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior										24,472	24,472	24,472
R0160	N-9	1,077,689	424,263	114,108	67,958	73,421	51,753	27,405	25,305	9,100	19,186	19,186	1,890,185
R0170	N-8	1,126,645	422,419	108,309	89,121	83,159	51,600	51,009	18,102	5,151		5,151	1,955,514
R0180	N-7	1,269,060	457,869	111,472	92,556	81,990	79,939	78,002	16,416			16,416	2,187,303
R0190	N-6	1,194,036	382,195	116,797	89,042	90,220	86,026	49,833				49,833	2,008,149
R0200	N-5	953,621	340,411	98,012	89,778	104,204	52,806					52,806	1,638,832
R0210	N-4	1,008,146	446,780	120,808	109,402	84,262						84,262	1,769,399
R0220	N-3	1,282,633	614,353	163,884	163,034							163,034	2,223,904
R0230	N-2	1,542,470	711,214	184,911								184,911	2,438,594
R0240	N-1	1,903,607	576,709									576,709	2,480,316
R0250	N	1,690,099										1,690,099	1,690,099
R0260												2,866,879	20,306,765

Gross undiscounted best estimate claims provisions

(absolute amount)

Year	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior										84,636	84,504
R0160	N-9	1,405,227	684,613	456,185	299,674	184,722	122,967	81,840	65,385	63,473	27,401	26,747
R0170	N-8	1,447,754	624,522	395,155	273,066	176,405	122,601	80,295	61,944	32,584		31,229
R0180	N-7	1,299,375	593,366	424,890	333,900	268,387	212,459	77,204	40,611			38,510
R0190	N-6	1,158,339	548,505	391,548	309,502	234,956	159,154	55,689				52,948
R0200	N-5	1,073,671	467,658	383,641	326,052	151,314	89,326					84,664
R0210	N-4	1,186,849	537,106	414,890	292,903	224,054						211,663
R0220	N-3	1,205,967	640,515	510,245	385,460							358,260
R0230	N-2	1,573,549	959,478	733,727								665,668
R0240	N-1	1,717,301	843,844									764,017
R0250	N	1,361,736										1,254,250
R0260												3,572,459

G.2 U K INSURANCE LIMITED continued

Gross premium

Z0020 Accident year / underwriting year

		Gross Earned Premium - up to and including the reporting reference date	Estimate of future gross earned premium at the reporting reference date
		C0570	C0580
R0100	Prior	53,398	—
R0160	N-9	13,162	—
R0170	N-8	11,448	—
R0180	N-7	9,534	—
R0190	N-6	7,187	—
R0200	N-5	5,035	—
R0210	N-4	4,507	—
R0220	N-3	4,130	—
R0230	N-2	3,569	—
R0240	N-1	3,118	—
R0250	N	972	—

G.2 U K INSURANCE LIMITED continued

IR.22.01.21 – Impact of long-term guarantees and transitional measures (£'000)

		Impact of the LTG 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	4,616,166			53,302	
R0020	Basic own funds	2,207,149			(19,759)	
R0050	Eligible own funds to meet Solvency Capital Requirement	2,207,149			(19,759)	
R0090	Solvency Capital Requirement	1,444,813			19,454	
R0100	Eligible own funds to meet the Minimum Capital Requirement	2,206,111			(26,346)	
R0110	Minimum Capital Requirement	522,877			1,371	

G.2 U K INSURANCE LIMITED continued

IR.23.01.01 — Own funds (£'000)

Basic own funds

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
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other items approved by supervisory authority as basic own funds not specified above

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

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
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Total basic own funds

Ancillary own funds

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

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 SCR

R0600 MCR

R0620 Ratio of eligible own funds to SCR

R0640 Ratio of eligible own funds to MCR

Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

880,765	880,765			
250,000	250,000			
1,075,346	1,075,346			
1,038				1,038

2,207,149	2,206,111			1,038

2,207,149	2,206,111			1,038
2,206,111	2,206,111			
2,207,149	2,206,111			1,038
2,206,111	2,206,111			

1,444,813				
522,877				
1.5276				
4.2192				

Total
C0060
2,207,149
—
—
—
1,131,803
—
1,075,346

Reconciliation reserve

R0700	Excess of assets over liabilities
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
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds
R0760	Reconciliation reserve

G.2 U K INSURANCE LIMITED continued

IR.25.04.21 — Solvency Capital Requirement (£'000)

Net of loss-absorbing capacity of technical provisions		C0010
R0140	Market risk	283,462
R0070	Interest rate risk	57,006
R0080	Equity risk	3,638
R0090	Property risk	80,742
R0100	Spread risk	224,144
R0110	Concentration risk	
R0120	Currency risk	3,047
R0125	Other market risk	
R0130	Diversification within market risk	(85,116)
R0180	Counterparty default risk	112,223
R0150	Type 1 exposures	63,386
R0160	Type 2 exposures	56,558
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	(7,721)
R0270	Life underwriting risk	25,183
R0190	Mortality risk	
R0200	Longevity risk	24,512
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	2,292
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	(1,621)
R0320	Total health underwriting risk	532
R0280	Health SLT risk	
R0290	Health non SLT risk	532
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0370	Non-life underwriting risk	1,159,762
R0330	Non-life premium and reserve risk	1,041,667
R0340	Non-life catastrophe risk	309,335
R0350	Lapse risk	56,377
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	(247,617)
R0400	Intangible asset risk	
R0430	Operational and other risks	120,368
R0422	Operational risk	120,368
R0424	Other risks	
R0432	Total before diversification	2,043,605
R0434	Total before diversification between risk modules	1,701,531
R0436	Diversification between risk modules	(256,718)
R0438	Total after diversification	1,444,813
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	1,444,813
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	1,444,813
R0490	Biting interest rate scenario	Increase
R0495	Biting life lapse scenario	

G.2 U K INSURANCE LIMITED continued

IR.28.01.01 — Minimum Capital Requirement – only life or only non-life activity (£'000)

Linear formula component for non-life insurance and reinsurance obligations

R0010	MCR _{NL} result	C0010	516,773
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Background information

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

	C0020	C0030
R0020		
R0030	608	969
R0040		
R0050	1,991,787	923,985
R0060	208,874	584,880
R0070		
R0080	816,617	673,399
R0090	258,947	43,614
R0100		
R0110	38,366	49,312
R0120	48,312	138,414
R0130	1,454	103,763
R0140		
R0150		
R0160		
R0170		

	C0020	C0030
	608	969
	1,991,787	923,985
	208,874	584,880
	816,617	673,399
	258,947	43,614
	38,366	49,312
	48,312	138,414
	1,454	103,763

Linear formula component for non-life insurance and reinsurance obligations

R0200	MCR _L result	C0040	6,104
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Total capital risk for all life (re)insurance obligations

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

Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance / SPV) total capital at risk
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	C0050	C0060
	290,692	

Overall MCR calculation

R0300	Linear MCR	C0070	522,877
R0310	SCR		1,444,813
R0320	MCR cap		650,166
R0330	MCR floor		361,203
R0340	Combined MCR		522,877
R0350	Absolute floor of the MCR		3,500
R0400	Minimum Capital Requirement		522,877