Aviva International Insurance Limited

Registered in England and Wales No. 21487

Annual Report and Financial Statements 2024

Contents

Directors and officer

Directors

R Aronson - Senior Independent Non-Executive Director
K Bateman - Independent Non-Executive Director
M Belezina - Non-Executive Director
J Buttigieg - Executive Director
P Needleman - Independent Non-Executive Director
O Thoresen - Independent Non-Executive Director
D Thorne - Executive Director
N Williams - Independent Non-Executive Director (Resigned 30 June 2024)
D Wright - Independent Non-Executive Director (Resigned 30 June 2024)

Officer – Company Secretary

Aviva Company Secretarial Services Limited
80 Fenchurch Street
London
EC3M 4AE

Independent Auditors

Ernst & Young LLP, Statutory Auditor
London

Registered Office

80 Fenchurch Street
London
EC3M 4AE

Please note that the Registered Office address, and that of the Company Secretary, changed on 19 March 2024 and 26 March 2024 respectively. Both were previously:

St Helen's
1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales no. 21487

Other Information

Aviva International Insurance Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Company is a member of the Aviva plc group of companies ("the Group").

Strategic report

The directors present their Strategic report for the Company for the year ended 31 December 2024.

Review of the Company's business

Principal activities

The Company is a limited company, incorporated under the laws of England and Wales. The principal activity of the Company is to act as the onshore reinsurance vehicle for the Group.

The Company has quota share reinsurance arrangements with fellow Group subsidiaries as follows:

- Aviva Insurance Limited ("AIL") which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Life & Pensions UK Limited ("UK L&P") which transacts investment and long term insurance business, to reinsure 30% of the liabilities in its non-profit sub-fund ("NPSF"); and
- The seven companies comprising the general insurance business of Aviva Canada ("CGI"), to reinsure 50% of their insurance liabilities.

Significant events

The Company's financial results are affected by a number of external factors, including demographic trends, general economic and market conditions, government policy and legislation and exchange rate fluctuations. In addition, the Company's 2024 financial performance includes the impact of corporate actions taken aimed at achieving the Group's strategy either directly or within its cedants. The impact of these events on IFRS performance and Solvency II may differ due to their different measurement and recognition criteria.

The following significant events impacted our business during the year:

- Total dividends of £848 million were declared and settled during 2024 (*2023: £310 million*). Full details can be seen in note 9.

Financial position and performance

The financial position of the Company at 31 December 2024 is shown in the statement of financial position on page 31, with the trading results shown in the income statement on page 29 and the statement of cash flows on page 32.

Insurance revenue earned was £5,644 million (*2023: £*5,186 *million*).

The profit after tax for the year was £476 million (*2023: £755 million profit after tax*), with the reduction primarily due to investment variances. The profit in 2024 has been driven by growth and strong underlying performance in the Company's cedants partly offset by the impact of elevated severe weather events in Canada and adverse investment variances as a result of higher interest rates in the year.

The Company paid dividends totalling £848 million to its parent company during the year (*2023: £310 million*). Please refer to note 24 for information about dividends the Company has paid during 2025.

The Company's net assets have decreased by £(372) million (*2023: increased by £445 million*) in line with the profit after tax and dividend payments described in this section.

Section 172 (1) Statement

The directors report here on how they have discharged their duties under Section 172 (1) of the Companies Act 2006.

Section 172 (1) sets out a series of matters to which the directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholder, which includes having regard to other stakeholders. Where this statement draws upon information contained in other sections of the Strategic report, this is signposted accordingly.

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that the Company's obligations to its shareholder and its stakeholders are met and management drives the embedding of the desired culture throughout the organisation. The Board monitors adherence to the Company's policies and compliance with local corporate governance requirements and is committed to acting if the Company should fail to act in the manner expected of it.

The Board is also focused on the wider social context within which the business operates, including those issues related to climate change which are of fundamental importance to the planet's well-being.

The Company's ultimate parent is Aviva plc, the Aviva Group Annual Report and Accounts 2024 includes the activities of the Company and provides the information required by the Non-financial and Sustainability Information Statement for the Group as a whole. Further information on the Group's climate-related financial disclosures can be found on the Sustainability section of the Group's website.

Culture

The Company's culture is shaped, in conjunction with the wider Aviva Group, by its clearly defined purpose – "with you today, for a better tomorrow". As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. The Company looks to build relationships with all its stakeholders based on openness and transparency, valuing diversity and inclusivity in the workforce and beyond.

Key strategic decisions in 2024

The Company's core strategic purpose is to promote capital efficiency and realise the benefits of group diversification of risk through lower solo capital requirements in the ceding entities. For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process. During 2024 the Board considered the following:

(i) *Final Dividend*

The directors have not recommended a final dividend on the Company's ordinary shares for the year ended 31 December 2024.

(ii) *Interim Dividends*

During the year, the directors approved dividends of £848 million taking into account the current and future outlook for distributable reserves, capital surplus and liquidity, and the level of protection provided to cedants and their policyholders by the capital surplus of the Company.

(iii) Strategy

The directors reviewed and approved the strategic plan and determined the level of expected future dividends that were consistent with the need to maintain sufficient financial security for cedants and their policyholders.

(iv) Treaty Development

The Board continues to promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value.

The Company's Stakeholders

This section provides insight into how the Board engages with its stakeholders. The Board recognises that stakeholders have diverse interests and it is essential to understand what matters most to them and the likely impact of any key decisions.

The tables below set out the Board’s approach to stakeholder engagement during 2024.

Our people **Our people’s wellbeing and commitment to serving the Group's customers are the foundations for the Company's performance.**	
How we have engaged	**Outcomes and actions during the year**
• The Company has no employees. The majority of staff engaged in the activities of the Company are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited, and the Company is recharged with the cost of these staff. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them. • The Board always aims to provide an inclusive working environment where talent is developed, performance is rewarded, support is provided and differences are valued. • The Group's employees have the opportunity to share in the success of the business as shareholders through membership of the Group’s global share plans. All employees are eligible for the Group's global share plans. • The Aviva Group is focused on attracting and retaining the best people in the industry.	• The Board monitored culture and engagement through reviewing the outcome of the Voice of Aviva Survey. • The Audit Committee reviewed reports on the Group’s whistleblowing arrangements (the ‘Speak Up’ service). • The Group CEO and ExCo hosted a ‘Leading to One’ event bringing together top senior leaders from across the Company and the wider Group. • The Group CEO hosted interactive sessions with colleagues throughout the year to give updates on strategic priorities, answer questions and receive feedback. • The Group updated its Diversity, Equity and Inclusion Statement to reflect its commitment to diversity and inclusion initiatives. • A range of events have been held by the Group for colleagues covering a variety of health and financial wellbeing matters. • Across the Group, the Voice of Aviva survey engagement was the highest it has ever been at 91% (+3 vs 2023).

Customers **Understanding what’s important to the Group's customers is key to the Company's long-term success.**	
How we have engaged	**Outcomes and actions during the year**
• The Company does not have any direct external customers, but it does have quota share reinsurance arrangements with several Group subsidiary insurance companies who themselves have external customers.	• The Company considers the impact of its actions on its cedants and their external customers when making decisions. • The Company received updates on its cedants that included information on their interactions with external policyholders.

Strategic report (continued)

Shareholder **The shareholder is the owner of the Company.**	
How we have engaged	**Outcomes and actions during the year**
• The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. • Members of the Aviva plc board can attend the Company's Board meetings by invitation. • Any matters requiring escalation are escalated by the Board, Audit Committee and Risk Committee through their Chairs to its parent. No such escalations were made in 2024.	• The Company has continued to focus on supporting its shareholder through value appreciation and dividends. • In 2024, Mr Culmer, Chair of Aviva plc, attended the Board's June meeting; Ms Blanc, CEO of Aviva plc, attended the Board's September meeting and Ms Blance, Chair of Aviva plc's Risk Committee, attended the Company's Risk Committee's December meeting.

Regulators **As an insurance company, the Company is subject to financial services regulation and approvals in the markets it operates in.**	
How we have engaged	**Outcomes and actions during the year**
• The Company has maintained a constructive and open relationship with its regulators. • Board members and senior management have had regular meetings with the PRA. • Regulators engaged with the Group to discuss their objectives, priorities and concerns, and how they affect the Group's business.	• Continued focus on regulatory requirements with training provided to the Board on topics such as Consumer Duty and Internal Model responsibilities. Solvency UK Reforms have also been discussed at Board and Committee meetings. • Regulatory priorities and actions were regularly discussed at Board, Audit and Risk Committee meetings. • The Company routinely provided copies of Board, Audit Committee and Risk Committee papers to the PRA.

Communities **The Company recognises the importance of contributing to its communities through volunteering, community investment, and long term partnerships.**	
How we have engaged	**Outcomes and actions during the year**
• The Group has supported the communities in which the Company operates, through investment in business and infrastructure, paying tax revenues and community support activity. • The Group continued to focus and monitor progress on initiatives that it believes will have a positive impact on the communities in which Aviva operates. This included various initiatives with its partnership with the WWF and the Aviva vulnerable customer referral line and further digital work with Citizens Advice.	• Sustainability training was provided for the Board. • Employees across the Group were offered the opportunity to volunteer their time to support charities and organisations. • The Group has contributed £9m over the last two years, £7 million to Citizens Advice and £2 million to the Money Advice Trust, to help build their capacity to tackle the cost of living crisis. During 2024, Aviva additionally pledged over £4 million to Citizens Advice to continue its partnership and introduce new and collaborative initiatives. • The Aviva Foundation committed just under £2.4 million funding to organisations delivering public benefit focused on financial resilience.

Strategic report (continued)

Suppliers

The Company and its cedants operate in conjunction with a wide range of suppliers to meet its strategic objectives.

How we have engaged	Outcomes and actions during the year
• The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance. The Company's material suppliers are internal to the Aviva Group. • The Board delegates engagement with suppliers and oversight to senior management. • All supplier related activity is managed in line with the Group's procurement and outsourcing business standard. This ensures that supplier risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational and contractual issues. • The Board, through reporting from the Audit Committee and Risk Committee, was kept updated on the development of any key supplier risk.	• The Board received periodic updates on Group-wide cyber risk and control environment including the threat posed by the risk of ransomware attacks on both the Group and its material third party suppliers. • Updates on the Company's most important suppliers are presented to the Board, as part of the Board's continuing programme of supplier oversight. • To ensure continued efforts to strengthen controls, the Group's Procurement & Outsourcing Business Standard was refreshed for 2024 and adopted by the Company. • The Board confirmed its support for the Group's Modern Slavery Act Statement which covered both the Group and its supply chain. • The Aviva Group continued to hold its Net Zero Supplier Summit. • In the UK, the Company's ultimate parent, Aviva plc, is a signatory to the Prompt Payment Code which sets standards for payment practices for organisations and their suppliers.

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2024 Annual Report and Accounts. The Company works with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

The Company aims to promote capital efficiency and realise the benefits of group diversification of risk through lower solo capital requirements in the ceding entities. The Company continues to explore opportunities to provide further capital benefits to the Group including, for example, when the Group acquires additional businesses.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 22 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk - the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices;
- Credit risk - the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements;
- Life insurance risk - including mortality risk, morbidity risk, longevity risk, persistency risk, expense risk and policyholder behaviour risk around take-up of insurance guarantees and options;
- General insurance risk - including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.

Strategic report (continued)

Key performance indicators

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows:

- Capital surplus
- Profit/(loss) for the year before tax

A summary of the KPIs is set out below:

Measure	2024 £ million	2023 £ million
Capital Metrics		
Capital surplus[1]	**1,995**	2,170
Financial Performance Metrics		
Profit/(loss) for the year before tax	**632**	990

1. Capital metrics are taken from the Aviva plc single Group Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2024 which is publicly available.

The year on year movement in profit/(loss) for the year is discussed in the Financial position and performance section of this report.

By order of the Board on 3 April 2025

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Rhona Sim
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Rhona Sim
For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

Directors' report

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2024.

Directors

The names of the directors of the Company who have served during the year and up to the date of signing the financial statements are shown on page 3.

There were no Board appointments during the year or since the year end. Details of Board resignations during the year and since the year end are shown below:

- D Wright resigned as a non-executive director of the Company on 30 June 2024
- N Williams resigned as a non-executive director of the Company on 30 June 2024

Company Secretary

The name of the current company secretary of the Company is shown on page 3.

Dividends

Interim ordinary dividends of £848 million on the Company's ordinary shares were declared and settled during 2024 (*2023: £310 million*). The directors have not recommended a final dividend on the Company's ordinary shares for the year ended 31 December 2024.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on: the Company's capital structure (note 21); and management of its risks including market, credit and liquidity risk (note 22).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. The directors believe that the Company is well placed to manage its business risks successfully. The Aviva plc Directors' Report describes measures taken to obtain comfort over the viability of the Group's activities, including activities undertaken by the Company.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements (at least to 3 April 2026). For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Important events since the financial year end

Details of significant post balance sheet events that have occurred subsequent to 31 December 2024 are disclosed in note 24.

Future outlook

Likely future developments in the business of the Company are discussed within the Strategic report on page 7.

Stakeholder engagement

The Company's statements summarising employee engagement, and engagement with suppliers, customers and other stakeholders are included in the Strategic report starting on page 5.

Statement of Corporate Governance Arrangements

For the year ended 31 December 2024, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). We set out below how the Principles have been applied during 2024.

Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. The Group's purpose is to be "with you today, for a better tomorrow" to protect the things that matter most to the Group's customers. To live up to that purpose, the Group has a vision to be 'the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong businesses in Ireland and Canada' and has a clear strategy and plan to achieve this vision:

- **Customer:** Go to brand for Insurance, Wealth & Protection
- **Growth:** Targeted, disciplined and profitable growth
- **Efficiency:** Top quartile efficiency with technology at the core
- **Sustainability:** Committed to climate and social action, and being a sustainable business

The delivery of the Company's strategy and plan is guided by the Group's values:

- Care
- Commitment
- Community
- Confidence

The Board has made a number of strategic decisions through the year which are aligned to its purpose and these are detailed in the Strategic report.

The Board monitors the culture of the Company, which is aligned to that of its ultimate shareholder Aviva plc, and raises any concerns during meetings. The Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours

Directors' report (continued)

and are focussed on doing the right thing for the Group's customers. The Company complies with the Senior Managers' Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

The Board is responsible for promoting the long-term success of the Company for the benefit of its shareholder, taking into account other stakeholders as defined by Section 172 of the Companies Act 2006 and the Articles of Association and including but not limited to: setting the Company's strategic aims; monitoring performance of the Company and management against those aims; setting the Company's risk appetites and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles.

Principle 2 - Board Composition

The Company's Board has an Independent Non-Executive Chair and a separate Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision-making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All directors have access to the advice and services of the Company Secretary.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the composition of the Board remains appropriate.

The Board is comprised of Non-Executive directors, the majority of whom are Independent Non-Executive directors, and Executive directors. The Board also has a Senior Independent Non-Executive Director. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholder and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

The Board undertook a formal effectiveness review of its performance during the year, the results of which were discussed by the Board at its meeting in December 2024. The 2024 Board Effectiveness Review assessed that overall the Company was operating effectively and no actions are required in response to the review. The next independent assessment will take place in 2026.

Principle 3 - Director Responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between its purpose, culture, values, its reporting and escalation structures and their alignment with legal and regulatory duties and its risk management framework. The core elements are the legal and regulatory flow of accountability and decision-making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company's 2nd and 3rd lines of defence which ensure effective Board oversight.

Within the Aviva Group, accountability is formally delegated by the Board to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Board's Terms of Reference. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers' Certification Regime ("SMCR") responsibilities. The roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of the Governance Framework and which are submitted to the PRA and FCA on a quarterly basis. The Company must also adhere to the Subsidiary Governance Principles which are a set of internal governance principles.

The Board held seven meetings in 2024, plus an additional day of strategic planning. The Board's key areas of focus in 2024 were monitoring the operation of treaties, business performance updates (financial and capital), updates from cedant businesses, governance, regulatory matters and future strategic objectives linked to the Company's strategy.

The Board has established an Audit Committee and a Risk Committee. The Terms of Reference for these committees are aligned to those of Aviva plc and are approved annually by the Board. The effectiveness of these committees was assessed as part of the effectiveness review and both Committees were reported to be focused and running well.

The Audit Committee is responsible for reviewing the effectiveness of the Company's systems and controls and receives regular updates on the work of the internal audit function and from the external auditors. The Committee also receives reports from the CFO at each Audit Committee meeting.

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetites and risk profile, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory activities, as appropriate. The Committee also receives reports from the CRO at each Risk Committee meeting.

Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the Company, generating value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite, risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities, and the processes the Company uses to identify, measure, manage, monitor and report risks, including the use of risk models and stress and scenario testing.

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis.

Principle 5 - Remuneration

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy operates in accordance with the Remuneration Policy as approved by the Aviva plc Remuneration Committee, which applies to all employees in entities within the Aviva Group. Independent Non-Executive director fees are also set by Aviva plc and reviewed periodically. Details of directors' remuneration is included on page 34.

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual Report and Accounts which is available at www.aviva.com/investors/reports. Aviva plc also reports on the gender pay gap, and on the steps the Group is taking in relation to this which can be found at www.aviva.com/about-us/uk-pay-gap-report/.

Directors' report (continued)

The Board held a private session on 11 December 2024 to discuss the performance and conduct of key individuals of the Company's management and provided input into their 2024 remuneration reviews.

The Company has no employees. The staff directly engaged in the activities of the Company are employed by Aviva Employment Services Limited, a fellow subsidiary undertaking of Aviva plc. As part of the Aviva Group, these staff enjoy the comprehensive flexible benefit offering including the Aviva staff pension scheme and Aviva's broader wellbeing offering which aims to promote health and wellbeing among Aviva colleagues.

Principle 6 – Stakeholders

Details about Stakeholders can be found in the Section 172 (1) Statement in the Strategic report.

Political donations

The Company did not make any political donations during the year (*2023: £nil*).

Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Prompt Payment of Accounts Act 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, and equity and property prices. Details of the objectives and management of these instruments are contained in note 22 on risk management.

Employees

The Company has no employees. The majority of staff engaged in the activities of the Company are employed by Aviva Employment Services Limited ("AES"), a subsidiary undertaking of Aviva plc. Disclosures relating to employees may be found in the annual report and financial statements of AES. The Company is recharged with the costs of the staff provided by AES.

Disclosure of information to the Independent Auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Independent Auditors, Ernst & Young LLP ("EY"), is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that EY is aware of that information.

Independent auditors

Ernst & Young LLP (EY) became the Group's statutory auditor in 2024 replacing PricewaterhouseCoopers LLP (PwC) who were the statutory auditors during 2023 and completed the audit for the financial year ending 31 December 2023. As recommended by the Board to the Company's shareholder, EY were appointed in June 2024 after the resignation of PwC.

Qualifying indemnity provisions

In 2004, Aviva plc, the Company's ultimate parent, granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of section 309A to section 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report (continued)

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 3 April 2025

DocuSigned by:

Rhona Sim

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Rhona Sim
For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

Independent auditors' report to the members of Aviva International Insurance Limited

Opinion

We have audited the financial statements of Aviva International Insurance Limited for the year ended 31 December 2024 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows and the related notes 1 to 24, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the financial close process, we confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 3 April 2026;
- We evaluated management's going concern assessment which included assessing their evaluation of the 2025-2026 business plans, capital adequacy, liquidity and funding positions. Management also assessed these positions considering internal stress tests which included consideration of principal and emerging risks;
- We assessed management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluated the liquidity and solvency position of the Company by reviewing management's liquidity and solvency projections, and their associated stress and scenario testing (including reverse stress testing);
- We performed 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 its committees; and
- We reviewed the Company's going concern disclosures included in the annual report for conformity with the accounting standards.

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 twelve months from when the financial statements are authorised for issue up to 3 April 2026.

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.

Overview of our audit approach

Key audit matters	• Valuation of life insurance contract assets • Valuation of general insurance contract assets • Movements and subsequent release of the CSM
Materiality	• Overall materiality of £198 million which represents 0.25% of total assets plus funds withheld (deposits with cedants).

An overview of the scope of our audit

Tailoring the scope

In the current year our audit scoping reflects the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Company financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Company financial statements, we considered our understanding of the Company and its business environment, the applicable financial framework, the company's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

Independent auditors' report to the members of Aviva International Insurance Limited (continued)

We determined that the following components are subject to the centralised audit procedures.

Key audit area on which procedures were performed centrally	Component subject to central procedures
Tax accounts	All components

We then identified 3 components (containing each of the ceding entities) as individually relevant to the Company due to a significant risk or an area of higher assessed risk of material misstatement of the Company financial statements being associated with the components. For those individually relevant components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components").

Specific scope component	**Auditor**
Aviva Life & Pensions UK Limited ("UKLAP")	EY UK
Aviva Insurance Limited ('AIL')	EY UK
Aviva Canada ('Canada GI')	EY Canada

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

Involvement with component teams

In establishing our overall approach to the audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Primary audit engagement team, or by component auditors operating under our instruction.

The Primary audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company as a whole.

This, together with the additional procedures performed at Primary Team level, gave us appropriate evidence for our opinion on the Company financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Company. The Company has determined that the most significant future impacts from climate change on its operations will be from its cedants through the fair value measurement of assets and insurance risks. These are explained in Accounting policy Note D and Note 15 to the audited financial statements.

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements. Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, the effects of material climate risks disclosed and whether these have been appropriately reflected in asset values and in the timing and nature of insurance contract balances recognised.

As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

First year audit considerations

In the preparation for our first-year audit of the 31 December 2024 financial statements, we performed a number of transitional procedures. Following our selection as a statutory auditor, we undertook procedures to establish our independence of the Company, including ensuring that all staff who work on the audit are independent of the Company. We used time prior to commencing any audit work to gain an understanding of the business issues and meet with key management. We were appointed by the audit committee in June 2024, and were independent from 1 January 2024. Our transition activities included shadowing the former auditor PricewaterhouseCoopers LLP ('PwC') at key meetings with management. We reviewed PwC's 2023 audit work papers and gained an understanding of their risk assessment and key judgements.

We held a number of meetings with management to understand the key judgements being made for the 31 December 2023 year end. We used the understanding the audit team had formed to establish our audit base and assist in the formalisation of our audit strategy for the 2024 audit. This involved gaining an understanding of the Company's key processes and controls over financial reporting through walkthroughs of the processes.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of Aviva International Insurance Limited (continued)

Risk	Our response to the risk
Valuation of life insurance contract assets (2024: £48 million, 2023: £462 million) The life insurance contract assets balance of £48 million is shown net of funds withheld balance of £69,468 million with gross insurance liabilities of £69,420 million. Refer to the Accounting policies (I) 'Insurance Contract Balances'; and Note 15 'Insurance Contract' A key focus of our audit relates to management's selection of assumptions to determine the life insurance contract liabilities, given this requires the exercise of judgement and therefore potential manipulation. This includes the demographic assumptions, economic assumptions, expenses and the risk adjustment which we consider represents a further assumption within the reserving process. The assumptions that we have determined to have the most significant impact are: • Longevity assumptions used to value the best estimate liabilities for annuity business; • Expenses, reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date; • Discount Rate used, including an allowance for illiquidity (in particular, top-down discount rates applied to annuity liabilities) • Risk Adjustment, representing the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk The funds withheld balance included within insurance contract assets is subjected to estimation through it's exposure to investment return, specifically in relation to hard to value investments, and whose valuation is subject to judgment. We considered that those with subjective or uncertain inputs are a significant risk, specifically the following modelled debt securities: • Healthcare, infrastructure and Private Finance Initiative ('PFI') other loans; • UK securitised mortgage loans; and • Non-securitised mortgage loans. The mortgage loans consist of residential equity release mortgages ('ERM'), commercial mortgages and mortgages to UK primary healthcare and PFI businesses.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures: • Obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions; • Determined whether the methodology and assumptions applied are appropriate by comparing it to our knowledge of 'industry standards and the Company's regulatory and financial reporting requirements; • Corroborated the results of management's experience analysis, including the base longevity, adopted within assumptions; • Evaluated and corroborated the methodology used in determining the discount rate applied; • Challenged and assessed management's decisions on the inclusion or exclusion of data from the period impacted by COVID-19 when setting individual assumptions; • Evaluated the results of management's analysis with respect to longevity improvements using the results from the industry standard Continuous Mortality Investigation ('CMI') on longevity trends, and benchmarked the output against other industry participants; • Benchmarked the significant assumptions against those of other comparable industry participants; • Performed procedures to test that the assumptions used in the year end valuation are consistent with the approved basis; • Assessed the expense assumptions adopted by management considering an impact of the recent economic volatility (including inflation), the impact of the increase in volumes of new insurance business written and the inclusion of benefits arising from planned future management actions; • Assessed the credit default assumptions used by considering the relevant rules and actuarial guidance, such as the adoption of an appropriate risk allowance, and by applying our industry knowledge and experience; and • Tested management's approach to derive the risk adjustment, including comparison to the wider market, particularly where adjustments are applied to the calibration to reflect external events. • We performed procedures to test the adjustments between the underlying cedant results and the Company's results. **Modelled debt securities** Our work over the valuation of modelled debt securities included the following: • We obtained an understanding and tested the design and operating effectiveness of key controls over management's valuation process; • We stratified the population of assets based on risk for sample selection, considering the concentration of assets with specific investment managers, asset type and those from higher risk industries; • We engaged EY valuation specialists to calculate a range of reasonable values for a sample of securities, using an independent valuation model, and considered reasonable alternative and independent model inputs in deriving the assumptions, with a particular focus on: ◦ Loans - credit spreads, being the bond index and ratings adjustments; and ◦ Mortgages - discount rate assumptions; and • We validated that management's valuation models, including their portfolio credit risk model ('PCRM') accurately reflect the complete and updated contract terms for a sample of assets. **Equity release mortgages** Our work over the valuation of equity release mortgages included the following: • We obtained an understanding and tested the design and operating effectiveness of key controls over management's valuation process; • We tested the accuracy of mortgage data used in the valuation model by agreeing a sample of new loans to supporting evidence and validating a sample of movements on static data over the period; • We evaluated methodology, inputs and assumptions used in valuing the ERM financial investments, including voluntary early redemption, base mortality, mortality improvements, entry into long term care and longevity improvements as well as economic assumptions such as discount rate; • We performed benchmarking of key demographic and economic assumption against peers to confirm the relative strength of management's assumptions versus other industry participants; • We assessed the reasonableness of the current property price by comparing management's property indexation to the published market indices; • We assessed the reasonableness of the valuation approach adopted for the no negative equity guarantee ('NNEG') by comparing this to the approach adopted by other market participants; and • We tested the integrity and appropriateness of the model, by developing our own independent model, using our actuarial team to value the ERM financial investments and compared the output to the results produced by the Company.
Key observations communicated to the Audit Committee We determined that the actuarial assumptions, including the risk adjustment used by management, are reasonable based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements. Based on our procedures performed on the modelled debt securities and ERM financial investments, we are satisfied that the valuation of these hard-to-value assets is reasonable.	
How we scoped our audit to respond to the risk and involvement with component teams The UKLAP component team performed specific scope procedures over this risk which covered 100% of the risk amount.	

Independent auditors' report to the members of Aviva International Insurance Limited (continued)

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>Valuation of general insurance contract assets (2024: £116 million, 2023: £154 million)

The general insurance contract asset of £116 million is shown net of funds withheld balance of £7,265 million with gross insurance contract liabilities of £7,149 million.

Refer to the Accounting policies (I) 'Insurance Contract Balances'; and Note 15 'Insurance Contract'

The valuation of general insurance contract liabilities is highly judgmental and susceptible to management override. As such, we consider this a significant fraud risk for AII – including both UK and Canada.

The key judgements and focus of our procedures were:

• The risk of inappropriate methodologies and assumptions being used to estimate the incurred but not yet reported claims ('IBNR'), which forms part of the liability for incurred claims ('LIC'), and the associated reinsurers share of incurred but not yet reported claim cash flows, which form part of the assets for incurred claims ('AIC');

• The determination of the bottom up discount rates (including choice of illiquidity premium) and payment patterns used to derive the cash flows for incurred claims;

• The appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with Adverse Development Covers measured under the General Measurement Model ('GMM');

• The appropriateness of methodologies and assumptions adopted to calculate the amount of the risk adjustment to reflect the entity's view of the compensation that it requires for bearing risk.</td><td>To obtain sufficient audit evidence to conclude on the appropriateness of the actuarial methodology and assumptions used in the calculation of the general insurance liabilities and reinsurance assets, with support from our EY actuaries, as part of the audit team, we performed the following procedures:

• Assessed the reserving methodology applied by management on a gross and net of reinsurance basis. This also involved comparing the Company's reserving methodology with industry practice;

• Performed independent re-projections of material classes of business by applying our own assumptions, across attritional classes of business and comparing these to management's results;

• Assessed whether the assumptions, such as inflation and selected expected loss ratios, applied to key areas of uncertainty are appropriate based on our knowledge of the Company, industry practice and regulatory and financial reporting requirements. As part of our re-projections we formed an independent view of the additional claims cost arising from the current economic inflationary environment and emerging areas such as cladding and concussion;

• Performed benchmarking related to material industry issues such as catastrophe and large losses, assumptions used in inherently uncertain classes and new growing classes. We have also assessed Aviva's approach to dealing with regulatory and legal changes (such as the Ogden discount rate) against both the requirements of IFRS 17 and the approach of other comparable industry participants;

• Compared the approach to calculating the discount rate, including illiquidity premium, for consistency across periods, whilst comparing against industry benchmarks. In addition, we compared the changes in yield curves against our expectations which consist of comparison to the movement in the Bank of England risk free rates;

• Assessed the appropriateness of the methodology and assumptions involved in the recognition of reinsurance assets associated with Adverse Development Cover ("ADC") contracts by reviewing the inputs to, and outputs from management's model including assessing any manual adjustments made to the output of the model; and

• Testing management's approach to derive the risk adjustment, including comparison to the wider market, particularly where adjustments are applied to the calibration to reflect external events.

• We performed procedures to test the adjustments between the underlying cedant results and the Company's results.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee

Based on our procedures performed we are satisfied that the methodology and assumptions used in the valuations of the insurance contract liabilities are reasonable.</td></tr>
<tr><td colspan="2">How we scoped our audit to respond to the risk and involvement with component teams

The AIL and Canada GI team performed specific scope procedures over this risk which covered 100% of the risk amount.</td></tr>
</table>

Independent auditors’ report to the members of Aviva International Insurance Limited (continued)

Risk	Our response to the risk
Movements and subsequent release of the CSM (2024: £195m, 2023: £273m) Refer to the Accounting policies (I)(g) ‘Contractual Service Margin’ and Note 2 ‘Insurance Revenue’. The contractual service margin (‘CSM’) represents the future profits within the in-force book. The approach to calculate the CSM differs based on the measurement model. As the new CSM generated during the period is subject to a number of sensitive assumptions, in particular around the locked-in discount rates on illiquid asset classes, it is therefore highly judgmental. For the CSM relating to new and existing business, the assessment of onerous groups of contracts is a key judgment. As such, we consider it to present a higher risk of material misstatement and a fraud risk.	To obtain sufficient audit evidence to conclude on the valuation of the CSM, we engaged our actuaries as part of our audit team and performed the following procedures: • Performed walkthroughs of the process implemented by management to determine the CSM (including both the derivation of the source data, input of the data into the CSM model and output from the model) and tested the design and operating effectiveness of key controls; • Assessed the methodology proposed by management to determine coverage units and tested the appropriateness of the release of the CSM to the income statement and the appropriateness of the coverage units; • Performed analytical procedures to identify unusual release patterns and discussed these with management to understand and validate the appropriateness of their selection, confirming that amounts released to the consolidated income statement were reasonable and in line with requirements of the standard; • Validated the actual and projected cashflows which are input into the model on a sample basis by vouching back to source information; and • Corroborated the locked-in discount rates used by considering the requirements of IFRS 17 and actuarial guidance, and by applying our industry knowledge and experience.
Key observations communicated to the Audit Committee Based on our procedures performed we are satisfied that revenue has been recognised in-line with the requirements of IFRS17.	
How we scoped our audit to respond to the risk and involvement with component teams AII components performed specific scope procedures over this risk which covered 100% of the risk amount.	

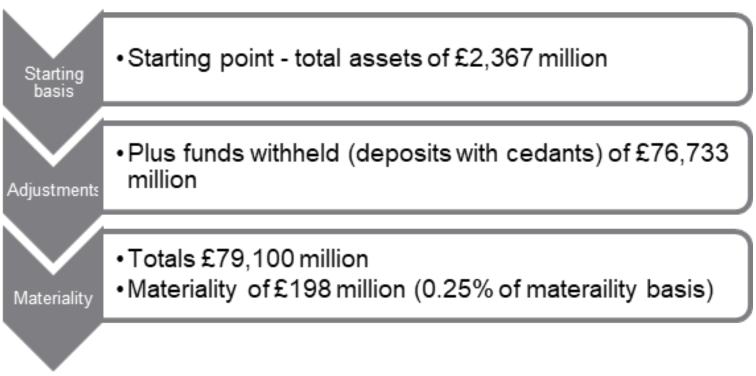
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £198 million which is 0.25% of total assets plus funds withheld (deposits with cedants). We believe that total assets plus funds withheld (deposits with cedants) is the appropriate materiality basis as under IFRS 17, the significant “deposits with ceding undertakings” asset in respect of funds withheld by cedants under the treaty is included in the measurement of the insurance contracts, as it forms part of the contractual cash flows this decreases the size of the total assets however this does not decrease the size of the risk of the Company.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company’s overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £99 million. We have set performance materiality at this percentage due it being our first year as the auditor.

Independent auditors' report to the members of Aviva International Insurance Limited (continued)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £9.9 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express 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 financial statements 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 financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 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 economic decisions of users taken on the basis of these financial statements.

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 relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework.
- We understood how Aviva International Insurance Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the company and UK regulatory bodies; reviewed

Independent auditors’ report to the members of Aviva International Insurance Limited (continued)

minutes of the board and its committees; and gained an understanding of the Company’s approach to governance, demonstrated by the board’s approval of the Company’s governance framework.

- 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 entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Company’s control environment included assessment of the consistency of operations and controls in place within the Company.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company’s methods of enforcing and monitoring compliance with such policies.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor 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.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 28 June 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2024.
- The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

Ernst & Young LLP

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Niamh Byrne (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

04 April 2025

Accounting policies

The Company, a private limited company incorporated in England and Wales, has quota share reinsurance arrangements with fellow Group subsidiaries in the UK and Canada. The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss ("FVTPL") and insurance contracts at fulfilment cash flows plus the Contractual Service Margin (CSM).

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 9.

The Company's financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling ("£ million").

The Company's quota share arrangements are outlined in the Strategic report on page 4; these contracts are defined as reinsurance contracts issued for the purposes of this report.

New standards, interpretations and amendments to published standards that have been issued and endorsed by the UK and adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2024. The amendments do not have a significant impact on the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

(ii) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

(iii) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following standards and amendments to existing standards have been issued, are not yet effective for the Company, and have not been adopted early by the Company.

(i) IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB published IFRS 18, which aims to improve how companies communicate in their financial statements by:

- Requiring additional defined subtotals in the statement of profit or loss;
- Requiring disclosures about management-defined performance measures; and
- Adding new principles for grouping of information.

IFRS 18 is effective for annual reporting beginning on or after 1 January 2027 and has yet to be endorsed by the UK. The standard is expected to result in presentational changes to the Company's income statement, and new disclosures of management-defined performance measures will be required in the notes to the financial statements. The Company is in the early stages of implementation; however, no financial impacts are expected as a result of adoption.

The following new standards and amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company and are not expected to have a significant impact on the Company's financial statements.

(i) Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Published by the IASB in August 2023. The amendments are effective for annual reporting beginning on or after 1 January 2025 and have been endorsed by the UK.

(ii) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Amendments to the Classification and Measurement of Financial Instruments

Published by the IASB in May 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have been endorsed by the UK.

(iii) Annual improvements to IFRS Accounting Standards – Volume 11: Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

Published by the IASB in July 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have been endorsed by the UK.

(iv) Contracts Referencing Nature-dependent Electricity: Amendments to IFRS9 and IFRS7

Published by the IASB in December 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have yet to be endorsed by the UK.

(v) IFRS 19: Subsidiaries without Public Accountability: Disclosures

Published by the IASB in May 2024. This standard cannot be applied by the Company because it is only applicable to subsidiaries that have no public accountability. IFRS 19 is effective for annual reporting beginning on or after 1 January 2027 and has yet to be endorsed by the UK.

Accounting policies (continued)

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

As noted in Accounting Policy I, the quota share reinsurance contracts are administered on a funds withheld basis. The funds withheld balance is adjusted to reflect relevant cashflows (including premiums, claims and expenses) and to allow for the Company's share of fair value remeasurements of the cedants assets, including relevant financial instruments. The fair value measurement of the financial instruments in the Company's cedants underlying the reinsurance to the Company follows Accounting Policy D.

Use of estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table sets out those items considered particularly susceptible to changes in estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the relevant accounting policy and note disclosures.

Item	Critical accounting estimates and assumptions	Accounting policy	Note
Measurement of insurance contracts	The principal subjective or complex assumptions used in the calculation of life insurance contract fulfilment cash flows include non-financial assumptions (in particular, annuitant and assurance mortality and future expenses) and the allowance for illiquidity in discount rates (in particular, top-down discount rates applied to annuity liabilities). The immediate impact of changes in these assumptions on the carrying amounts of insurance contracts is reduced when there is a corresponding adjustment to the CSM, i.e. for all changes in non-financial assumptions (calculated at locked-in discount rates for contracts measured under the General Measurement Model (GMM)) unless contracts are onerous. The principal subjective or complex assumptions used in the calculation of non-life liabilities include the allowance for illiquidity in the discount rates used to determine latent claim and structured settlements liabilities and the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques).	I	15

(C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on monetary financial assets measured at FVTPL (see accounting policy (M)) are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss.

(D) Fair value measurement

Fair value is the price that would be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure, and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability. Fair value may include assumptions about climate risks.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price.

If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured. Climate risks are factored into the inputs to asset fair values. In relation to investment properties these include key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. With respect to loans these include modelling to address climate change actions, including potential climate-related legislation changes.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

Accounting policies (continued)

(E) Product classifications

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments (determined on a present value basis) in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

(F) Insurance service result

The insurance service result represents the Company's profits recognised on insurance contracts (measured in accordance with accounting policy (I)) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains two components:

(i) Insurance revenue

For insurance contracts applying the General Measurement Model (GMM), insurance revenue is comprised of:

- The amortisation of the Contractual Service Margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss components.

For insurance contracts applying the Premium Allocation Approach (PAA), insurance revenue is based upon the earning of expected premium receipts. Premium receipts are earned over the contract's coverage period based upon the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

(ii) Insurance service expenses

Insurance service expenses are comprised of:

- Actual claims and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition and reversal of losses on onerous contracts;
- Other non-financial assumption changes which do not adjust the CSM, including those which affect the valuation of the liability for incurred claims.

(G) Insurance finance result

Insurance finance income/expenses are calculated on insurance contracts, comprising:

- Investment return on deposits with cedants;
- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the insurance finance result are discussed in greater detail in accounting policy (I).

(H) Net investment return

Investment return for those investments held directly by the Company consists of interest for the year, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

(I) Insurance contract balances

Insurance contracts are accounted for in accordance with IFRS 17. For the Company this is comprised of reinsurance contracts issued as described in the Strategic report which include the reinsurance of existing contracts in its cedants at treaty inception date. The key measurement principles are outlined below.

(a) IFRS 17 measurement models

The Company applies two measurement models to insurance contracts as follows:

Accounting policies (continued)

Model	Applicable business
GMM	• Life reinsurance contracts accepted • Non-life reinsurance contracts accepted covering the development of claims incurred prior to contract inception
PAA	• Non-life reinsurance contracts accepted which meet PAA eligibility requirements

The Company does not have any business that is measured under the Variable Fee Approach (VFA) measurement model.

The Company applies judgement when determining eligibility criteria for the PAA measurement model (see accounting policy (I) section (b)).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e. the obligation that relates to the unexpired portion of the coverage period, including the CSM. The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

(i) GMM

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Losses on groups of contracts that are onerous at inception are recognised immediately.

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

(ii) Premium Allocation Approach (PAA)

The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to the Company's non-life insurance contracts except for the adverse development of claims existing at contract inception which are measured under the GMM.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the passage of time, or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected cash flows.

(b) Choice of measurement model

PAA eligibility

The Company has issued non-life reinsurance contracts which are not automatically eligible for the PAA model. Modelling is performed over the non-life reinsurance contracts to compare the value of the LRC measured under GMM and PAA. Where the LRC does not materially differ between the two measurement models (over the duration of the contract and in a range of reasonably foreseeable scenarios) the contract group is PAA eligible.

The elements of the Company's accepted non-life reinsurance contracts which cover the attachment of new business are PAA eligible, whereas the elements covering the development of claims incurred prior to the contract inception date are not PAA eligible.

(c) Level of aggregation

The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts comprising contracts subject to similar risks that can be managed together and dividing each portfolio into annual cohorts by year of issue. Profitability groupings are based on the profitability of contracts determined at initial recognition comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

The Company has quota share reinsurance arrangements that assume risk from fellow Group subsidiaries, with each contract group comprising a single contract. The first annual cohort for each reinsurance arrangement includes existing contracts in its cedants at treaty inception date.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company uses internal management information provided by its cedants to identify facts and circumstances that may indicate whether a contract group is onerous.

Accounting policies (continued)

(d) Recognition and derecognition

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides insurance contract services in respect of any premiums within the boundary of the contract);
- the date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- the date when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(e) Estimate of future cash flows

The estimate of future cash flows is assessed at the level of groups of contracts and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary.

The quota share reinsurance contracts are administered on a funds withheld basis. The funds withheld balance is adjusted to reflect relevant cashflows (including premiums, claims and expenses) and to allow for the Company’s share of fair value remeasurements of the cedants assets, including relevant financial instruments. The fair value measurement of the financial instruments in the Company’s cedants underlying the reinsurance to the Company follows Accounting Policy D.

The Company’s reinsurance treaties each operate as a single contract covering both the reinsured liabilities and a share of the cedants assets (the funds withheld). The funds withheld are an investment component as there is no insurance risk associated with them (only financial risk) but they are highly interrelated to the reinsured liabilities and so do not meet the IFRS 17 criteria for unbundling and presentation under IFRS 9. As a result, cash flows for funds withheld components are included in the cash flows of the insurance contracts. Consequently, the measurement values of the insurance contracts are presented with the funds withheld included within the insurance contract liabilities.

(i) Contract boundaries

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks (insurance and financial risks transferred from its cedants) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company’s substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

(ii) Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of life insurance contract fulfilment cash flows include those in respect of annuitant and assurance mortality, lapses and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

Principal non-financial assumptions used in the calculation of the non-life LIC use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques).

(iii) Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Company uses a bottom-up discount rate for all life and non-life insurance ceded to the Company except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cash flows depend on underlying asset performance (such as unit-linked), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Bottom-up discount rates

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an ‘illiquidity premium’).

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

Top-down discount rates

The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

Accounting policies (continued)

Locked-in discount rates

For new business the CSM contribution is measured using a rate locked-in at initial recognition. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written annuity new business, an adjustment is made to liabilities where appropriate assets are yet to be sourced. For CSM remeasurement the Company sets one locked-in rate curve per cohort. The locked-in discount rate will be an average of the product market discount rates, weighted based on respective best estimate liabilities.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

Presentation of financial assumption changes

The Company recognises the impact of financial assumption changes in the income statement.

(f) Risk Adjustment

The risk adjustment reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated based on the Group's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The risk adjustment calibration is set at least annually, based on the Group's current view of risk. The risk adjustment calculation is reassessed at each reporting date.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM and PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

(g) Contractual Service Margin

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement.

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service; and
- Currency exchange differences.

Changes in fulfilment cash flows that relate to future service include:

- Experience variances in premiums received during the period that relate to services provided from the start of the current period;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions; and
- Experience variances in non-distinct investment components, premium refunds and rights to withdraw payable in the period.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement, including the following:

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Coverage units are discounted and are updated at each reporting date to reflect the current best estimate of service expected to be provided in future periods.

(h) Loss components and loss offsetting

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component, after which a CSM will be established. A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

Accounting policies (continued)

(i) Investment components and rights to withdraw

Investment components are amounts that are payable in all circumstances, regardless of whether an insured event occurs. This typically includes the account balance on unit-linked, surrender and maturity values on protection contracts and guaranteed payments on immediate annuities held by the Company's cedants' policyholders. Rights to withdraw, which may include items that are investment components, are amounts payable to the Company's cedants' policyholders that do not represent an additional benefit payable when an insured event occurs. This includes, but is not restricted to, maturity values that are not determined by the occurrence of an insured event, a policyholder's rights to receive a surrender value or refund of premiums on cancellation of a policy, rights to transfer an amount to another insurance provider and guaranteed annuity payments on a deferred annuity in excess of the death benefit payable prior to retirement. Investment components and rights to withdraw are excluded from insurance revenue and insurance service expenses in the income statement.

(j) Insurance acquisition cash flows

Insurance acquisition cash flows are costs associated with selling, underwriting and starting insurance contracts. The Company does not incur any insurance acquisition cashflows directly but does reimburse cedants for their acquisition cashflow amortisation cost through ceding commissions. These ceding commissions are offset against premium amounts recognised or included within insurance service expenses based upon the substance of their terms.

(J) Recognition and classification of financial assets

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or FVTPL based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI). The Company measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Company's management of capital on a regulatory basis. A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

On initial recognition, the Company may irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

(K) Impairment of financial assets

Financial assets held at amortised cost are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as other loans and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

(L) Derecognition and contract modification of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is extinguished (that is when the obligation is discharged or cancelled, or expires). The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

If the terms of a financial asset or financial liability measured at amortised cost are substantially modified, then the contractual rights to cash flows from the original financial asset or financial liability are deemed to have expired or extinguished. The original financial asset or financial liability is derecognised and a new financial asset or financial liability is recognised at fair value.

A financial asset measured at amortised cost is not derecognised if the contractual terms are not substantially modified and a modification gain or loss is recognised in profit or loss.

(M) Financial investments

The Company classifies financial investments at FVTPL using the business model assessment as described in accounting policy (J). The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values.

Accounting policies (continued)

(N) Derivative financial instruments

Derivative financial instruments include over the counter credit swaps that derive their value from fluctuations in the credit worthiness of a basket of European listed corporates.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are classified as mandatorily held at FVTPL, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set off in the event of default, reducing the Company's exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 22.

Accounting policy (P) below covers collateral, both received and pledged, in respect of these derivatives.

(O) Receivables and other financial assets

Receivables and other financial assets are recognised initially at their fair value. Subsequent to initial measurement receivables and other financial assets are measured at amortised cost using the effective interest rate method, less provision for impairment.

Loans due from Group operations

Loans with fixed maturities are recognised when cash is advanced to borrowers. These loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method. Loans with indefinite future lives are carried at unpaid principal balances.

The impairment policy is described in accounting policy K for loans measured at amortised cost.

(P) Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities. However, where the Company has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Company either (a) sells or re-pledges these assets in the absence of a default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash which is legally segregated from the Company is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Company defaults on its obligations under the relevant agreement and therefore continues to be recognised in the statement of financial position within the appropriate asset classification.

(Q) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

(R) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure. Provisions are not recognised for future operating losses.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Accounting policies (continued)

(S) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement.

Deferred tax related to any fair value re-measurement of investments held at fair value through other comprehensive income, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(T) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company’s own equity instruments.

(U) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by the Board.

Income statement
For the year ended 31 December 2024

	Note	2024 £ million	2023 £ million
Insurance revenue	2	**5,644**	5,186
Insurance service expense	4	**(5,256)**	(4,779)
Insurance service result	F	**388**	407
Investment return	H, 3	**103**	82
Net finance income from insurance contracts	G, 3	**143**	503
Net financial result	3	**246**	585
Other expenses	4	**(2)**	(2)
Profit before tax		**632**	990
Tax expense	S, 8	**(156)**	(235)
Profit for the period		**476**	755

The Company has no recognised income and expenses other than that included in the results above and therefore a separate statement of comprehensive income has not been presented.

The accounting policies (identified alphabetically) on pages 20 to 28 and notes (identified numerically) on pages 33 to 63 are an integral part of the financial statements.

Statement of changes in equity
For the year ended 31 December 2024

	Note	Ordinary Share Capital £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2023		**1**	**1,968**	**1,969**
Profit for the year		—	755	755
Total comprehensive income for the year		**—**	**755**	**755**
Dividends paid	9	**—**	(310)	(310)
Balance at 31 December 2023		**1**	**2,413**	**2,414**
Profit for the year		—	476	476
Total comprehensive income for the year		**—**	**476**	**476**
Dividends paid	9	—	(848)	(848)
Balance at 31 December 2024		**1**	**2,041**	**2,042**

The accounting policies (identified alphabetically) on pages 20 to 28 and notes (identified numerically) on pages 33 to 63 are an integral part of the financial statements.

Statement of financial position
As at 31 December 2024

	Note	2024 £ million	2023 £ million
Assets			
Insurance contract assets	I, 15	**164**	616
Receivables and other financial assets	O, 11	**234**	217
Prepayments and accrued income	12	**—**	3
Deferred tax assets	S, 17	**101**	112
Cash and cash equivalents	20 (b)	**1,868**	1,717
Total assets		**2,367**	**2,665**
Equity			
Ordinary share capital	T, 13	**1**	1
Retained earnings	14	**2,041**	2,413
Total equity		**2,042**	**2,414**
Liabilities			
Current tax liabilities	S, 17	**323**	250
Payables and other financial liabilities	Q, 18	**2**	1
Total liabilities		**325**	**251**
Total equity and liabilities		**2,367**	**2,665**

The financial statements on pages 20 to 63 were approved by the Board of directors on 3 April 2025 and signed on its behalf by:

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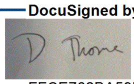

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Darren Thorne

Director

The accounting policies (identified alphabetically) on pages 20 to 28 and notes (identified numerically) on pages 33 to 63 are an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2024

	Note	2024 £ million	2023 £ million
Cash flows from operating activities			
Cash generated from operating activities	20(a)	**1,069**	1,136
Tax (paid) / received		**(70)**	(60)
Total net cash generated from operating activities		**999**	1,076
Cash flows used in financing activities			
Dividends paid	9	**(848)**	(310)
Total net cash used in financing activities		**(848)**	(310)
Total net increase in cash and cash equivalents		**151**	766
Cash and cash equivalents at 1 January		**1,717**	951
Cash and cash equivalents at 31 December	20(b)	**1,868**	1,717

The accounting policies (identified alphabetically) on pages 20 to 28 and notes (identified numerically) on pages 33 to 63 are an integral part of the financial statements.

Notes to the financial statements

1. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2024	2023
Euro	**1.2064**	1.1532
Canadian Dollar	**1.8076**	1.6871

Income statement items have been translated at the following average rates:

	2024	2023
Euro	**1.1800**	1.1500
Canadian Dollar	**1.7500**	1.6800

2. Insurance Revenue

			2024			2023
	Life Risk	**Non-Life**	**Total**	Life Risk	Non-Life	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Contracts not measured under the PAA						
CSM recognised for services provided	195	—	195	273	—	273
Change in risk adjustment for expired risk	36	9	45	32	13	45
Expected incurred claims and other insurance service expenses	1,060	195	1,255	1,004	277	1,281
	1,291	**204**	**1,495**	1,309	290	1,599
Contracts measured under the PAA	**—**	**4,149**	**4,149**	—	3,587	3,587
Total insurance revenue	**1,291**	**4,353**	**5,644**	1,309	3,877	5,186

For contracts measured under the PAA, amounts recognised in insurance revenue are based on the premiums earned in the year.

3. Net financial result

The following table analyses the Company's net financial results in profit or loss. This analysis is provided across Life Risk, Non-Life and Other activities.

	Insurance contracts			**2024**	Insurance contracts			2023
	Life Risk	**Non-life**	**Other**	**Total**	Life Risk	Non-life	Other	Total
	£ million	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Investment return								
Interest and similar income	—	—	108	108	—	—	80	80
Other investment income	—	—	(5)	(5)	—	—	2	2
Total investment return	**—**	**—**	**103**	**103**	—	—	82	82
Net finance income from insurance contracts								
Interest accreted on CSM	(58)	—	—	(58)	(51)	—	—	(51)
Effect of, and changes in, interest rates and other financial assumptions	(4,404)	(169)	—	(4,573)	(4,657)	13	—	(4,644)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(2)	—	—	(2)	25	—	—	25
Investment return on deposits with cedants	4,496	280	—	4,776	5,084	89	—	5,173
Total net finance income from insurance contracts	**32**	**111**	**—**	**143**	401	102	—	503
Net financial result	**32**	**111**	**103**	**246**	401	102	82	585
Represented by:								
Amounts recognised in profit	**32**	**111**	**103**	**246**	401	102	82	585

Net finance income/(expenses) from insurance contracts includes the Company's investment return on deposits with cedants which are classified as insurance contract fulfilment cash flows within the scope of IFRS 17. This return represents the relevant quota share percentage of the overall investment return earned by each of the Company's cedants.

The net finance income from insurance contracts of £143 million (*2023: £503 million net finance income*) recognised in the income statement includes the impact of the change in financial assumptions, the unwind of discounting on the fulfilment cash flows, investment return on deposits with cedants and interest accretion on the CSM. The net finance income is lower over 2024 due to increases in interest rate yields with the UK 10-year term interest rate rising by c80bps over the period *(2023: UK 10-year term interest rate falling by c40 bps*).

Notes to the financial statements (continued)

4. Details of expenses

The following table analyses expenses incurred by the Company in profit or loss.

	2024 £ million	2023 £ million
Claims and benefits incurred - life	**(1,236)**	(1,217)
Claims and benefits incurred - non-life insurance	**(3,955)**	(3,535)
Losses and reversal of losses on onerous insurance contracts	**(65)**	(27)
Other expenses	**(2)**	(2)
Total expenses	**(5,258)**	(4,781)
Represented by expenses included within the income statement:		
Insurance service expense	**(5,256)**	(4,779)
Other operating expenses	**(2)**	(2)
Total expenses	**(5,258)**	(4,781)

Losses and reversal of losses on onerous insurance contracts are driven by the Company's non-life business where it uses the GMM to measure the existing contracts in its cedants at treaty inception date. Losses on onerous insurance contracts recognised in 2024 of £65 million (*2023:* £27 million) were predominately driven by changes in the timing of non-life expected cashflows offset by favourable changes in ultimate claims costs in the year.

5. Employee information

The Company has no employees (*2023: nil*). The staff directly engaged in the activities of the Company are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Aviva Employment Services Limited. The Company is recharged with the costs of the staff provided by Aviva Employment Services Limited.

6. Directors' remuneration

Ms Belezina, Ms Buttigieg and Mr Thorne were remunerated during the period by Aviva Employment Services Limited, a fellow subsidiary of Aviva plc. Ms Belezina was remunerated for her services to the Group as a whole. Ms Belezina was not remunerated for her services as a director of the Company and the amount of time spent performing her duties was incidental to her role across the Group.

Ms Buttigieg's and Mr Thorne's remuneration is disclosed within the aggregate of key management compensation in note 23(b).

The fees for Ms Bateman and Messrs Aronson, Needleman, Thoresen, Williams and Wright are paid for and borne by the Company.

The emoluments in respect of Ms Bateman, Ms Buttigieg and Messrs Aronson, Needleman, Thoresen, Thorne, Williams and Wright are shown in the table below:

	2024 £'000	2023 £'000
Aggregate emoluments	**1,121**	1,164
	1,121	1,164

During the year, none of the directors (*2023: none*) accrued retirement benefits under money purchase pension schemes in respect of qualifying services.

During the year, two of the directors (*2023: none*) exercised share options, and two of the directors (*2023: two*) received shares under long term incentive schemes.

The details of the highest paid director are as follows:

	2024 £'000	2023 £'000
Aggregate emoluments	**384**	397
	384	397

During the year the highest paid director received shares under long term incentive schemes.

Notes to the financial statements (continued)

7. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, Ernst & Young LLP (*2023: PricewaterhouseCoopers LLP*), is as follows:

	2024 **£'000**	2023 £'000
Fees payable to Ernst & Young LLP (*2023: PwC LLP*) for the statutory audit of the Company's financial statements	**247**	463
Audit related assurance services	**274**	261
	521	724

Fees payable for audit related assurance include fees in relation to the audit of the Solvency II regulatory returns for 2024 and 2023.

Ernst & Young LLP (EY) became the Company's statutory auditor in 2024 replacing PricewaterhouseCoopers LLP (PwC) who were the statutory auditors during 2023 and completed the audit for the financial year ending 31 December 2023. The 2024 fees shown above are wholly in respect of fees payable to EY whilst the 2023 fees were the fees paid to PwC and included fees payable in relation to the audit of IFRS 17 implementation.

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, Ernst & Young LLP (*2023: PricewaterhouseCoopers LLP*) and its associates, for services other than the statutory audit and audit related assurance services of the Company and other Group undertakings are disclosed in the consolidated accounts of Aviva plc.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

8. Tax

(a) Tax charge to the income statement

(i) The total tax charge comprises:

	2024 **£ million**	2023 £ million
Current tax		
For the period	**144**	325
Total current tax	**144**	325
Deferred tax		
Origination and reversal of temporary differences	**12**	(90)
Total deferred tax	**12**	(90)
Total tax charged to the income statement	**156**	235

(ii) Deferred tax charged/(credited) to the income statement represents movements on the following items:

	2024 **£ million**	2023 £ million
Insurance contract liabilities	**12**	(90)
Total deferred tax charged/(credited) to the income statement	**12**	(90)

(b) Tax charged/(credited) to other comprehensive income

There was no tax charged or credited to other comprehensive income in either 2024 or 2023.

(c) Tax reconciliation

The tax on the Company's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	Note	**2024** **£ million**	2023 £ million
Total profit before tax		**632**	990
Tax calculated at standard UK corporation tax rate of 25% (2023: 23.5%)		**158**	233
Adjustment to tax charge in respect of prior years		**(2)**	—
Movement in valuation of deferred tax		**—**	2
Total tax charged to the income statement	8(a)	**156**	235

The Company (as part of the Aviva Group) is subject to the reform of the international tax system proposed by The Organisation for Economic Co-operation and Development (OECD) which introduces a global minimum effective rate of corporation tax of 15% and took effect in the current period. No current tax charge is included in respect of these provisions. No amount is recorded in 2023 as the tax had not been introduced in this period.

In accordance with the amendments to IAS 12, endorsed in the UK on 19 July 2023, the Company has applied the exemption and not provided for deferred tax in respect of the global minimum tax reforms.

9. Dividends

	Note	2024 £ million	2023 £ million
Ordinary dividends declared and charged to equity in the year:			
Interim 2023 - £2,100,000 per share, paid on 16 June 2023		—	210
Interim 2023 - £1,000,000 per share, paid on 22 September 2023		—	100
Interim 2024 - £5,650,000 per share, paid on 14 May 2024		**565**	—
Interim 2024 - £2,830,000 per share, paid on 18 September 2024		**283**	—
Total dividends for the year	14 & 23(a)(iii)	**848**	310

10. Fair value methodology

(a) Basis for determining fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. As at 31 December 2024 there were no (31 December 2023: nil) financial instruments measured at fair value.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active market;
- quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads); and
- market-corroborated inputs.

Where broker quotes are used and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- where the broker price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability. Examples are investment properties and commercial and equity release mortgage loans.

The majority of the Company's assets and liabilities measured at fair value are based on quoted market information or observable market data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the 2023 Annual Report and Financial Statements.

(c) Comparison of the carrying amount and fair values of financial instruments

Fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables and other financial assets
- Prepayments and accrued income
- Cash and cash equivalents
- Payables and other financial liabilities
- Other liabilities

(d) Transfers between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting year.

Transfers between levels of fair value hierarchy

There have been no transfers between levels of the fair value hierarchy when compared to 2023.

11. Receivables and other financial assets

	Note	**2024** **£ million**	2023 £ million
Loan due from parent company	23(a)(i)	**200**	200
Amounts due from parent company	23(a)(iii)	**32**	17
Other receivables		**2**	—
Total as at 31 December		**234**	217
Expected to be recovered in less than one year		**34**	17
Expected to be recovered in more than one year		**200**	200
		234	217

12. Prepayments and accrued income

	2024 **£ million**	2023 £ million
Prepayments and accrued income	**—**	3
Expected to be recovered in less than one year	**—**	3
	—	3

Following review, interest due on the Company's cash investments is now presented within the Receivables balance as detailed in Note 11. As at 31 December 2023 the equivalent amount presented as Prepayments and accrued income was £3 million.

13. Ordinary share capital

Details of the Company’s ordinary share capital are as follows:

	2024 **£ million**	2023 £ million
Allotted, called up and fully paid		
100 (2023: 100) ordinary shares of £10,000 each	**1**	1

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

Notes to the financial statements (continued)

14. Retained earnings

	Note	2024 £ million	2023 £ million
Balance at 1 January		**2,413**	1,968
Profit/(loss) for the year		**476**	755
Dividends paid	9	**(848)**	(310)
Balance at 31 December		**2,041**	2,413

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies imposed by the PRA. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital requirements. Details of the Company's regulatory capital surplus are provided in the Strategic report on page 8.

15. Insurance contracts

The Company has presented the information about insurance contracts using the following product groups:

Reportable product group	Products and services	Measurement model
Life risk	Life insurance and investment risks assumed from intra-Group quota share reinsurance arrangements. Underlying risks reinsured include annuities, protection and non-participating investment contracts.	GMM
Non-life	Non-Life insurance risks assumed from intra-Group quota share reinsurance arrangements. Underlying risks reinsured include general insurance and health insurance risks.	Predominantly measured using the PAA. The GMM is used to measure the adverse development of claims existing at contract inception.

The following reconciliations show how the net carrying amounts of insurance contracts in each product group changed during the year as a result of cash flows and amounts recognised in the income statement.

For each product group, a table is presented that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

(i) Carrying amount

Insurance contracts at 31 December comprised:

				2024			2023
		Life risk	**Non-life**	**Total**	Life risk	Non-life	Total
	Note	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Insurance contracts							
Insurance contract balances excluding deposits with cedants		69,420	7,149	76,569	63,531	6,626	70,157
Deposits with cedants included in insurance contract balances		(69,468)	(7,265)	(76,733)	(63,993)	(6,780)	(70,773)
Total insurance contract (assets) / liabilities	15.1	**(48)**	**(116)**	**(164)**	(462)	(154)	(616)

The following table sets out the carrying amounts of insurance contracts expected to be (recovered)/settled more than 12 months after the reporting date:

	2024 £ million	2023 [1] £ million
Total insurance contract (assets) / liabilities	**(136)**	**(538)**

[1]. Following review the comparative amount for 2023 has been revised from the previously reported value (£434 million).

The Company's maximum exposure to the credit risk of its cedants is represented by the insurance contract carrying value excluding the value of the CSM, £2,481 million at 31 December 2024 (*31 December 2023: £2,839 million*), as the Company is able to offset the deposits with cedants against its obligation to make payments in respect of the cedants' insurance liabilities. The Company also has exposure to the credit risk of its cedants' financial assets and external reinsurance contract assets. The Company's maximum exposure to the credit risk to financial assets held by the Company's cedants is considered to be equivalent to its deposit with cedants, excluding the unit-linked business where the policyholder bears the direct risk on investment assets in the unit funds, of £24,627 million at 31 December 2024 (31 December 2023: £24,113 million). The Company's maximum exposure to the credit risk of its cedants' external reinsurance contract assets reflects the carrying value ceded to the Company less the value of the CSM being £2,548 million at 31 December 2024 (31 December 2023: £2,273 million).

Notes to the financial statements (continued)

15.1 Movements in insurance contract balances

The following movements have occurred in insurance contract balances during the year:

	Note	Life risk £ million	Non-life £ million	2024 Total £ million	Life risk £ million	Non-life £ million	2023 Total £ million
Insurance contract (asset) / liability at 1 January		**(462)**	**(154)**	**(616)**	(356)	(470)	(826)
Insurance revenue	2	**(1,291)**	**(4,353)**	**(5,644)**	(1,309)	(3,877)	(5,186)
Insurance service expenses	4	**1,236**	**4,020**	**5,256**	1,212	3,567	4,779
Insurance finance income	3	**(32)**	**(111)**	**(143)**	(401)	(102)	(503)
Effect of movement in exchange rates		**—**	**2**	**2**	—	—	—
Amounts received / (paid) and other cash flows for reinsurance contracts issued		**501**	**480**	**981**	392	728	1,120
Insurance contract (asset) / liability at 31 December		**(48)**	**(116)**	**(164)**	(462)	(154)	(616)

(i) Life risk

Insurance contracts

The following table shows life risk insurance contracts analysed by remaining coverage and incurred claims:

2024	Note	Liabilities for remaining coverage: Excluding loss component £ million	Liabilities for remaining coverage: Loss component £ million	Liabilities for incurred claims £ million	Total £ million
Insurance contract (asset) / liability at 1 January		**(462)**	**—**	**—**	**(462)**
Insurance revenue	**2**	**(1,291)**	**—**	**—**	**(1,291)**
Contracts under the fully retrospective transition approach		*(1,291)*	—	—	*(1,291)*
Insurance service expenses	**4**	**(4,510)**	**—**	**5,746**	**1,236**
Incurred claims and other insurance service expenses		—	—	*1,236*	*1,236*
Investment components and premium refunds		(4,510)	—	4,510	—
Insurance service result		**(5,801)**	**—**	**5,746**	**(55)**
Net finance income from insurance contracts	**3**	(32)	—	—	(32)
Total changes in the income statement		**(5,833)**	**—**	**5,746**	**(87)**
Amounts received / (paid) for reinsurance contracts issued		6,247	—	(5,746)	501
Insurance contract (asset) / liability at 31 December		**(48)**	**—**	**—**	**(48)**

2023	Note	Liabilities for remaining coverage: Excluding loss component £ million	Liabilities for remaining coverage: Loss component £ million	Liabilities for incurred claims £ million	Total £ million
Insurance contract (asset) / liability at 1 January		(361)	5	—	(356)
Insurance revenue	2	(1,309)	—	—	(1,309)
Contracts under the fully retrospective transition approach		(1,309)	—	—	(1,309)
Insurance service expenses	4	(3,669)	(5)	4,886	1,212
Incurred claims and other insurance service expenses		—	—	1,217	1,217
Losses and reversals of losses on onerous contracts		—	(5)	—	(5)
Investment components and premium refunds		(3,669)	—	3,669	—
Insurance service result		(4,978)	(5)	4,886	(97)
Net finance income from insurance contracts	3	(401)	—	—	(401)
Total changes in the income statement		(5,379)	(5)	4,886	(498)
Amounts received / (paid) for reinsurance contracts issued		5,278	—	(4,886)	392
Insurance contract (asset) / liability at 31 December		(462)	—	—	(462)

Notes to the financial statements (continued)

The following table shows life risk insurance contracts analysed by measurement component:

2024	Note	Estimates of present value of future cash flows £ million	Risk adjustment for non-financial risk £ million	CSM Total £ million	Total £ million
Insurance contract (asset) / liability at 1 January		**(3,113)**	**428**	**2,223**	**(462)**
Changes that relate to current services		**176**	**(36)**	**(195)**	**(55)**
CSM recognised for services provided		—	—	(195)	(195)
Change in risk adjustment for risk expired		—	(36)	—	(36)
Experience adjustment		176	—	—	176
Changes that relate to future services		**(247)**	**16**	**231**	**—**
Contracts initially recognised in the year		(217)	26	191	—
Changes in estimates that adjust the CSM		(30)	(10)	40	—
Insurance service result		**(71)**	**(20)**	**36**	**(55)**
Net finance expenses from insurance contracts	**3**	*(82)*	*(8)*	*58*	(32)
Total changes in the income statement		**(153)**	**(28)**	**94**	**(87)**
Amounts received / (paid) for reinsurance contracts issued		501	—	—	501
Insurance contract (asset) / liability at 31 December		**(2,765)**	**400**	**2,317**	**(48)**

2023	Note	Estimates of present value of future cash flows £ million	Risk adjustment for non-financial risk £ million	CSM Total £ million	Total £ million
Insurance contract (asset) / liability at 1 January		(3,023)	364	2,303	(356)
Changes that relate to current services		207	(32)	(267)	(92)
CSM recognised for services provided		—	—	(267)	(267)
Change in risk adjustment for risk expired		—	(32)	—	(32)
Experience adjustment		207	—	—	207
Changes that relate to future services		(196)	55	136	(5)
Contracts initially recognised in the year		(186)	31	155	—
Changes in estimates that adjust the CSM		(10)	24	(14)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		—	—	(5)	(5)
Changes that relate to past services		—	—	—	—
Adjustments to liabilities for incurred claims		—	—	—	—
Insurance service result		11	23	(131)	(97)
Net finance expenses from insurance contracts	3	(493)	41	51	(401)
Total changes in the income statement		(482)	64	(80)	(498)
Amounts received / (paid) for reinsurance contracts issued		392	—	—	392
Insurance contract (asset) / liability at 31 December		(3,113)	428	2,223	(462)

Key changes that impact the income statement include the release of CSM for services provided and the release of risk adjustment for expired risks.

Changes that relate to future service include:

- New contracts initially recognised in the year which give rise to a CSM liability representing unearned future profit on service yet to be provided;
- Experience variances and assumption changes on profitable contracts that impact the expected fulfilment cash flows and adjust the CSM liability; and
- Recognition of new onerous contracts and experience variances or assumption changes on onerous contracts impacting the income statement immediately.

At 31 December 2024 the changes in estimates that adjust the CSM resulting in an increase of £40 million (*31 December 2023: £14 million decrease*) include the effect of both experience variances and assumption changes on expected future cash flows. Assumption changes included in the changes in estimates that increase the CSM at 31 December 2024 of £6 million (*31 December 2023: £67 million*) are lower when compared to 2023. The 2023 increase primarily related to spouses of BPA scheme members and changes to longevity assumptions offset by expense assumptions adjusted for known changes in contractual arrangements with external suppliers.

The impact of change in mortality and morbidity assumptions for assurance contracts for both 2024 and 2023 relates mainly to a review of recent experience. In 2023 business also moved onto the latest CMI series tables.

Longevity assumption changes during this year are valued at £23 million reduction in fulfilment cash flows (FCF) (valued at opening market discount rates) and £35 million increase in CSM (discount rates locked in at the time of business inception), giving a total loss of £12 million, due to the mismatch between those discount rates. Updates have been made to mortality improvements, reflecting recent experience in base mortality.

Longevity assumptions changes in 2023 were valued at £157 million reduction in FCF (valued at opening market discount rates) and £255 million increase in CSM (discount rates locked in at the time of business inception), giving a total loss of £98 million, due to the mismatch between those discount rates.

The three largest contributors were:

- introduction of an explicit adjustment for post-pandemic mortality,
- updates to the mortality improvement model moving onto the latest CMI_2022 model from CMI_2021, to incorporate revised population data, and
- improved assumptions for the proportion of BPA customers that are married.

Notes to the financial statements (continued)

(ii) Non-life

Insurance contracts

The following tables show insurance contracts analysed by remaining coverage and incurred claims:

2024		**Liabilities for remaining coverage**		**Liabilities for incurred claims**				
		Excluding loss component	**Loss component**	**Contracts not under the PAA**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total liabilities for incurred claims**	**Total**
	Note	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Insurance contract (asset) / liability at 1 January		**(1,016)**	**124**	**39**	**564**	**135**	**738**	**(154)**
Insurance revenue	**2**	**(4,353)**	**—**	**—**	**—**	**—**	**—**	**(4,353)**
Insurance service expenses	**4**	**—**	**18**	**160**	**3,820**	**22**	**4,002**	**4,020**
Incurred claims and other insurance service expenses		—	(46)	160	3,842	46	4,048	4,002
Losses and reversals of losses on onerous contracts		—	64	—	—	—	—	64
Adjustments to liabilities for incurred claims		—	—	—	(22)	(24)	(46)	(46)
Insurance service result		**(4,353)**	**18**	**160**	**3,820**	**22**	**4,002**	**(333)**
Net finance income from insurance contracts	**3**	44	3	(20)	(140)	2	(158)	(111)
Effect of movements in exchange rates		29	(9)	(2)	(14)	(2)	(18)	2
Total changes in the income statement		**(4,280)**	**12**	**138**	**3,666**	**22**	**3,826**	**(442)**
Amounts received / (paid) for reinsurance contracts issued		4,193	—	(139)	(3,574)	—	(3,713)	480
Insurance contract (asset) / liability at 31 December		**(1,103)**	**136**	**38**	**656**	**157**	**851**	**(116)**

2023		Liabilities for remaining coverage		Liabilities for incurred claims				
		Excluding loss component	Loss component	Contracts not under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total liabilities for incurred claims	Total
	Note	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Insurance contract (asset) / liability at 1 January		(1,185)	144	75	367	129	571	(470)
Insurance revenue	2	(3,877)	—	—	—	—	—	(3,877)
Insurance service expenses	4	—	(21)	225	3,356	7	3,588	3,567
Incurred claims and other insurance service expenses		—	(53)	225	3,273	71	3,569	3,516
Losses and reversals of losses on onerous contracts		—	32	—	—	—	—	32
Adjustments to liabilities for incurred claims		—	—	—	83	(64)	19	19
Insurance service result		(3,877)	(21)	225	3,356	7	3,588	(310)
Net finance expenses from insurance contracts	3	40	1	(37)	(105)	(1)	(143)	(102)
Total changes in the income statement		(3,837)	(20)	188	3,251	6	3,445	(412)
Amounts received / (paid) for reinsurance contracts issued		4,006	—	(224)	(3,054)	—	(3,278)	728
Insurance contract (asset) / liability at 31 December		(1,016)	124	39	564	135	738	(154)

The non-life loss component recognised is attributable to the adverse development coverage provided by the Company to its cedants on claims incurred prior to the treaty inception date measured under GMM. The loss component is remeasured to allow for both the effect of changes in the ultimate cost of claims and changes in the timing of expected cashflows. During 2024 the loss component increased by £12 million as a result of changes in the timing of expected cashflows partially offset by unwind and favourable changes in ultimate claims costs. During 2023 the loss component decreased by £20 million, as a result of unwind and favourable changes in ultimate claim costs partially offset by changes in the timing of expected cashflows.

Notes to the financial statements (continued)

The following table shows insurance contracts analysed by measurement component (contracts measured under the GMM):

	2024				2023			
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**CSM Total**	**Total**	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Total	Total
	£ million	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Insurance contract (asset) / liability at 1 January	**(46)**	**34**	**—**	**(12)**	(109)	50	—	(59)
Changes that relate to current services	**(83)**	**(11)**	**—**	**(94)**	(100)	(15)	—	(115)
Change in risk adjustment for risk expired	—	(11)	—	(11)	—	(15)	—	(15)
Experience adjustment	(83)	—	—	(83)	(100)	—	—	(100)
Changes that relate to future services	**57**	**5**	**—**	**62**	41	(3)	—	38
Changes in estimates that result in losses and reversal of losses on onerous contracts	57	5	—	62	41	(3)	—	38
Changes that relate to past services	**—**	**—**	**—**	**—**	—	—	—	—
Net finance expenses from insurance contracts	**6**	**—**	**—**	**6**	18	3	—	21
Effect of movements in exchange rates	**2**	**(2)**	**—**	**—**	3	(1)	—	2
Total changes in the income statement	**(18)**	**(8)**	**—**	**(26)**	(38)	(16)	—	(54)
Amounts received / (paid) for reinsurance contracts issued	**58**	**—**	**—**	**58**	101	—	—	101
Insurance contract (asset) / liability at 31 December	**(6)**	**26**	**—**	**20**	(46)	34	—	(12)

15.2 Effect of contracts initially recognised in the year

	2024			2023		
	Life risk	**Non-life**	**Total**	Life risk	Non-life	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Expected premiums from new insurance contracts	**2,334**	**—**	**2,334**	1,752	—	1,752

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance contracts not measured under the PAA in the year:

(i) Life risk

Insurance contracts

	2024			2023		
	Profitable contracts initially recognised in the year	**Onerous contracts initially recognised in the year**	**Total**	Profitable contracts initially recognised in the year	Onerous contracts initially recognised in the year	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Estimates of present value of cash outflows	**2,117**	**—**	**2,117**	1,566	—	1,566
Estimates of present value of cash inflows	**(2,334)**	**—**	**(2,334)**	(1,752)	—	(1,752)
Risk adjustment for non-financial risk	**26**	**—**	**26**	31	—	31
Contractual Service Margin	**191**	**—**	**191**	155	—	155
Losses recognised on initial recognition	**—**	**—**	**—**	—	—	—

(ii) Non-life

Insurance contracts

There were no non-life insurance contracts initially recognised in 2024 measured under the general measurement model.

Notes to the financial statements (continued)

15.3 Contractual Service Margin

The following table sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under the GMM:

	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	11-15 years	16-20 years	Greater than 20 years	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
31 December 2024										
Life risk	**191**	**180**	**162**	**146**	**138**	**577**	**401**	**250**	**272**	**2,317**
	191	**180**	**162**	**146**	**138**	**577**	**401**	**250**	**272**	**2,317**
31 December 2023										
Life risk	224	179	155	145	138	515	386	231	250	2,223
	224	179	155	145	138	515	386	231	250	2,223

The CSM on the Company's non-life business measured under GMM was £nil at 31 December 2024 (*31 December 2023: £nil*).

Notes to the financial statements (continued)

15.4 Non-life claims development

The table below illustrates how estimates of cumulative claims for the Company's non-life segment have developed over time. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

31 December 2024	All prior years £ million	2016 £ million	2017 £ million	2018 £ million	2019 £ million	2020 £ million	2021 £ million	2022 £ million	2023 £ million	2024 £ million	Total £ million
Accident Year											
Cumulative claim payments											
At end of accident year	(238)	(1,530)	(871)	(952)	(1,381)	(950)	(903)	(1,350)	(1,718)	(1,963)	
One year later	(385)	(2,232)	(1,181)	(1,384)	(1,887)	(1,369)	(1,443)	(2,007)	(2,388)		
Two years later	(545)	(2,640)	(1,354)	(1,482)	(2,111)	(1,562)	(1,619)	(2,172)			
Three years later	(555)	(3,067)	(1,433)	(1,560)	(2,467)	(1,673)	(1,728)				
Four years later	(556)	(3,236)	(1,493)	(1,652)	(2,568)	(1,739)					
Five years later	(557)	(3,337)	(1,539)	(1,699)	(2,656)						
Six years later	(560)	(3,400)	(1,556)	(1,725)							
Seven years later	(560)	(3,442)	(1,571)								
Eight years later	(560)	(3,473)									
Nine years and over later	(560)										

31 December 2024	All prior years £ million	2016 £ million	2017 £ million	2018 £ million	2019 £ million	2020 £ million	2021 £ million	2022 £ million	2023 £ million	2024 £ million	Total £ million
Estimate of ultimate claims											
At end of accident year	594	4,009	1,597	1,693	2,943	2,010	2,006	2,915	3,500	3,919	
One year later	559	3,942	1,571	1,789	2,924	1,999	2,263	2,866	3,362		
Two years later	570	3,783	1,634	1,822	2,942	2,188	2,195	2,795			
Three years later	561	3,832	1,634	1,822	3,330	2,166	2,124				
Four years later	560	3,815	1,623	1,808	3,259	2,074					
Five years later	560	3,835	1,617	1,784	3,148						
Six years later	560	3,871	1,623	1,793							
Seven years later	560	3,848	1,630								
Eight years later	560	3,905									
Nine years and over later	560										
Estimate of ultimate claims	560	3,905	1,630	1,793	3,148	2,074	2,124	2,795	3,362	3,919	25,310
Cumulative payments	(560)	(3,473)	(1,571)	(1,725)	(2,656)	(1,739)	(1,728)	(2,172)	(2,388)	(1,963)	(19,975)
Total undiscounted reserves	**—**	**432**	**59**	**68**	**492**	**335**	**396**	**623**	**974**	**1,956**	**5,335**
Effect of discounting	—	(168)	(8)	(6)	(44)	(20)	(31)	(52)	(86)	(143)	(558)
Discounted claims reserves	—	264	51	62	448	315	365	571	888	1,813	4,777
Risk adjustment for non-financial risk											157
Fulfilment cash flow differences (including deposits with cedants)											(3,493)
Adverse claims development coverage presented in liabilities for remaining coverage											(590)
Amounts Included in Liability for Incurred Claims											**851**

In the loss development table shown above, the cumulative claim payments and estimates of ultimate claims for each accident year are translated into sterling at the exchange rates that applied at the end of the development year.

15.5 Significant judgements and estimates

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure the Company's reinsurance contracts issued as described within the Strategic report. Accounting policy (B) sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

Notes to the financial statements (continued)

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. A deterministic approach, producing point estimates based on best estimate assumptions, is used for valuing most of the Company's business.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cashflows which are contractually linked to an index of prices or wages, the Company derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company or its cedants have discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Contract boundaries

The Company's inwards reinsurance contracts include unilateral rights for the Company and its cedants to terminate the cession of new business by giving notice to the other party based upon notice periods defined by the treaty. On initial recognition, the cash flows within the contract boundary are determined to be those arising from underlying contracts in issue and those that the Company's cedants' expect to issue under the reinsurance contract within the notice period. Risks attaching beyond the end of the initial termination notice period are considered cash flows of new contracts and are recognised separately from the initial contract.

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's and its cedants substantive rights and obligations under the contract. For the Company long contract boundaries are applied with the exception of Group Protection policies in its cedant.

Reinsurance contracts issued to the Company's non-life cedants include coverage of the adverse development on claims incurred prior to the contract initial inception date. The contract boundary of these contracts is based upon the best estimate of when all obligations associated with the liabilities will be extinguished.

Life contracts

Death and other claim benefits

Death and other claim benefits are projected using decrements appropriate to each class of business, including persistency, mortality and morbidity.

Mortality assumptions are set with regard to recent Company experience and general industry trends. Local, generally accepted, published standard mortality tables are used for different categories of business as appropriate. The mortality tables used in the valuation are summarised below:

	2024	2023
UK business		
Life protection	**AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements**	AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements
Pension business before vesting	**AM00/AF00 adjusted with allowance for improvements**	AM00/AF00 adjusted with allowance for improvements

Annuity payments

The conventional immediate and deferred annuity business is valued by discounting future benefit payments with an allowance for mortality, including future improvements in mortality. Mortality assumptions are set with regard to Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Notes to the financial statements (continued)

	2024	2023
UK business		
Pensions business and general annuity business	**PMA16_IND/PFA16_IND or PMA16_IND_INT/ PFA16_IND_INT plus allowance for future mortality improvement**	PMA16_IND/PFA16_IND or PMA16_IND_INT/ PFA16_IND_INT plus allowance for future mortality improvement
Bulk purchase annuities	**CV6 plus allowance for future mortality improvement**	CV3 plus allowance for future mortality improvement

For the largest portfolio of pensions annuity business, the underlying mortality assumptions, before risk adjustment, for males are 104.1% of PMA16_IND with base year 2016 (*2023: 106.6% of PMA16_IND with base year 2016*) and for females the underlying mortality assumptions, before risk adjustment, are 100.0% of PFA16_IND with base year 2016 (*2023: 101.3% of PMA16_IND with base year 2016*). The base rates on some contracts are adjusted for lifestyle, medical, and other factors.

Improvements before risk adjustment are based on 'CMI_2023 (S=7.25) Advanced with adjustments' (*2023*: 'CMI_2022 (S=7.25) Advanced with adjustments') with zero weight on 2022 and 2023 data within the model. Instead of placing weight on post-pandemic data within the CMI improvements model, a separate adjustment is made to reflect the impact that the drivers of excess mortality post-pandemic are expected to have in future years. This adjustment was added to the base table % in 2023 but it is now an explicit overlay (and this change is part of the reason for base table % falling 2023 to 2024). We use a long-term improvement rate of 1.5% for both males and females (*2023*: 1.5% for both males and females). An allowance has been made to adjust for greater mortality improvements in the annuitant population relative to the general population on which CMI_2023 is based, using a parameter of 0.15% for males and 0.20% for females (for *2023* the same approach was taken with respect to CMI_2022).

Expenses

Maintenance expense assumptions for life business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by category of business, adjusted for known changes in contractual arrangements with external suppliers and using the policy counts for in-force business. The assumptions also include an allowance for future expense inflation over the lifetime of each contract, which is assumed to be in line with RPI. An additional liability is held if projected per policy expenses in future years are expected to exceed current assumptions. A further allowance is made for non-discretionary project costs that typically relate to mandatory requirements. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

Non-life contracts

The Company establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claims costs, the Company takes into account estimated future recoveries from salvage and subrogation. Where non-life contracts are onerous, the measurement of the loss component includes an estimate of future claims that are expected to occur within the remaining coverage period.

The undiscounted cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome. The ultimate cost of outstanding claims includes provision for expenses associated with handling claims.

UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of AIL's latent claims which the Company reinsures. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees. The best estimate of the liabilities considers the latest available market information and studies and how these might impact the Company's liabilities.

Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims are influenced by the Ogden discount rate among other factors. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The Lord Chancellor announced in December 2024 that the Ogden discount rate applicable to claims settled from 11th January 2025 is +0.5% (previously -0.25%).

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Company generally uses the risk-free interest rate curves published by the PRA and EIOPA for regulatory reporting, which are based on swap rates and in the UK based on SONIA (Sterling Over Night Index Average). For business reinsured from Canada, the Company uses the Bank of Canada zero-coupon bond curve. Where necessary, yield curves are interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

The Company uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cashflows depend on underlying asset performance (such as unit-linked), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

For the measurement of new annuity business at inception only, the discount rates are based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

For business reinsured from the UK, the illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. For business reinsured from Canada, the illiquidity premium is determined with reference to a spread of bonds available on the market. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business. For business reinsured from Canada, a single illiquidity premium is selected given the limited duration differences and similar liquidity characteristics.

Locked-in discount rates applied to the CSM are blended market rates which are fixed once the relevant cohort is complete.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

						2024						2023
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	**40 years**	1 year	5 years	10 years	15 years	20 years	40 years
Life contracts												
Immediate and deferred annuities												
GBP	6.2 %	5.8 %	5.8 %	6.0 %	6.0 %	5.8 %	6.5 %	5.1 %	5.0 %	5.2 %	5.2 %	4.9 %
Life protection contracts												
GBP	4.7 %	4.3 %	4.3 %	4.4 %	4.5 %	4.2 %	5.1 %	3.7 %	3.6 %	3.7 %	3.8 %	3.5 %
Unit-linked contracts												
GBP	4.5 %	4.0 %	4.1 %	4.2 %	4.3 %	4.0 %	4.7 %	3.4 %	3.3 %	3.4 %	3.4 %	3.2 %
Non-life contracts												
Structured settlements												
GBP	4.9 %	4.5 %	4.5 %	4.7 %	4.7 %	4.5 %	5.4 %	4.0 %	3.9 %	4.0 %	4.1 %	3.8 %
Latent claims												
GBP	4.8 %	4.4 %	4.4 %	4.5 %	4.6 %	4.3 %	5.2 %	3.8 %	3.8 %	3.9 %	3.9 %	3.6 %
Other general insurance claims												
GBP	4.7 %	4.3 %	4.3 %	4.4 %	4.5 %	4.2 %	5.1 %	3.7 %	3.6 %	3.7 %	3.8 %	3.5 %
EUR	2.5 %	2.4 %	2.5 %	2.6 %	2.5 %	2.8 %	3.7 %	2.7 %	2.7 %	2.8 %	2.7 %	3.1 %
CAD	3.6 %	3.6 %	3.8 %	3.9 %	3.9 %	4.0 %	5.4 %	3.9 %	3.9 %	3.9 %	3.9 %	3.8 %

The yields used are after a reduction for risk, but before allowance for investment expenses (which are included in the expected future cash flows).

For annuity business, the allowance for risk comprises long-term assumptions for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 34bps, 23bps, and 52bps respectively at 31 December 2024 (*31 December 2023: 36bps, 25bps, and 89bps respectively*).

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk reflect the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Group's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-hedgeable risk, considering a lifetime view, but excludes those financial risks which are included within the Solvency II risk margin. The risk adjustment includes diversification between portfolios, financial and non-financial risks, using correlation matrix techniques.

For life business, the risk adjustment is allocated to the individual contract level using provisions for adverse deviation (PADs) applied to the best estimate non-financial assumptions.

For non-life business, the risk adjustment is allocated to groups of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty.

The Company estimates the risk adjustment's corresponding confidence level by comparing the combined value of best estimate cash flows and risk adjustment with a distribution of possible outcomes on an ultimate horizon. For life contracts the confidence interval, net of reinsurance corresponds to the 68th percentile (*2023: 68th percentile*), for non-life contracts it corresponds to the 80th percentile (*2023: 77th percentile*). The percentiles disclosed benefit from the diverse profile of business ceded to the Company, but not from diversification between the Company's Life and non-Life business and are estimates made as of 31 December, which could reasonably change within 12 months. Factors which could cause them to change include variations in the Company's risk profile or quantification thereof, for example as might arise from economic factors such as changes in risk-free discount rates or changes in the composition of insurance liabilities. The movements in the value of the net risk adjustment required to move the confidence level by 2.5 percentage points can be seen in the table below. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

Notes to the financial statements (continued)

	2024 **£ million**	2023 £ million
Life business		
Movement in net risk adjustment required for 2.5pp confidence level increase	33	35
Movement in net risk adjustment required for 2.5pp confidence level reduction	(33)	(35)
Non-Life business		
Movement in net risk adjustment required for 2.5pp confidence level increase	26	23
Movement in net risk adjustment required for 2.5pp confidence level reduction	(23)	(21)

For Life risk contracts, this is the confidence level that the liabilities recognised and associated reinsurance balances, excluding CSM, are sufficient to cover the ultimate cost of in-force insurance liabilities applying period end assumptions. For non-Life contracts, this represents the confidence level that net claims liabilities recognised are sufficient to cover the ultimate cost of claims. Net non-Life claims liabilities include the liability for incurred claims, asset for incurred claims and the asset for remaining coverage on reinsurance contracts held that reinsure against adverse development on incurred claims.

(ii) Contractual Service Margin

Determination of coverage units

The amount of CSM recognised in profit or loss to reflect services provided in each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. The coverage units are reviewed and updated at each reporting date.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuity	Annuity and associated expense outgo
Deferred annuity	Annuity outgo (once vested) and associated expense outgo (throughout)
Individual and Group Protection	Sum assured and associated expenses outgo
Individual and Group Income Protection	Benefit amount payable and associated expenses outgo
Unit linked insurance	Sum assured at risk and associated expenses outgo
General insurance	Discounted expected claims settlement on contracts reinsuring the development of claims incurred prior to the contract inception date

For the Company's life business, the underlying coverage units weighted by overall contribution to the CSM are used to produce a single coverage unit release profile per cohort.

(iii) Investment components

The Company identifies the investment component of a contract in line with its cedants by determining the amount that its cedant would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components and rights to withdraw are both excluded from insurance revenue and insurance service expenses, and variances between actual and expected cash flows adjust the CSM.

Immediate annuities with a guarantee period contain a non-distinct investment component equal to the value of those guaranteed payments.

Deferred annuities include a non-distinct investment component if all of the following features are present:

- transfer value in the deferral period;
- death benefit in the deferral period; and
- guarantee period once the annuity is in payment.

The investment component excluded from insurance revenue and insurance service expenses is determined as the lower of the present value of each of those possible payments. Any amounts in excess of the investment component, or any payments made under those features that do not qualify as an investment component, are treated as rights to withdraw. In either case, transfer values paid during the deferral period are presented as premium refunds.

Notes to the financial statements (continued)

16. Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance contracts.

As a part of their operating activities, UK L&P have provided guarantees and options, including investment return guarantees, in respect of certain long-term insurance products.

(a) UK non-profit business

The material guarantees and options relating to non-profit business are:

(i) Guaranteed annuity options

UK L&P's non-profit funds have written contracts which contain guaranteed annuity rate options ("GAOs"), where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. Provisions for these guarantees do not materially differ from a provision based on a market-consistent stochastic model and amount to £9 million at 31 December 2024 *(31 December 2023:* £7 million*)*.

(ii) Guaranteed unit price on certain products

Certain pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. No additional provision is made for this guarantee as the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates.

(iii) Mortgage protection guarantee

Some mortgage protection policies in the UK L&P non-profit funds include a guarantee that the policy will make up any shortfall between the sum assured on the policy schedule and the amount owed to the mortgage provider in the event of a claim, if certain eligibility conditions are met. Provisions are held to meet the potential shortfall.

(iv) Maturity Value Guarantees

One of the UK L&P linked funds has offered maturity value guarantees on certain unit-linked products.

(v) Return of premium guarantees

UK L&P's non-profit funds have German Pension products sold in Friends Life between 2006 and 2014 which are subject to a Return of Premium guarantee whereby the product guarantees to return the maximum of the unit fund value or total premiums paid (before deductions). Provisions for this guarantee are calculated using a market-consistent stochastic model and amount to £23 million at 31 December 2024 (*31 December 2023: £26 million*).

17. Tax assets and liabilities

(a) Current tax

Net current tax liabilities are £323 million at 31 December 2024 (*2023*: *£250 million*), of which £102 million (*2023: £233 million*) is payable in more than one year.

(b) Deferred tax

(i) The balances at 31 December comprise:

	2024 £ million	2023 £ million
Deferred tax assets	**101**	112
Deferred tax liabilities	**—**	—
Net deferred tax asset/(liability)	**101**	112

(ii) The net deferred tax asset/(liability) arises on the following items:

	2024 £ million	2023 £ million
Insurance contract liabilities	**101**	112
Net deferred tax asset	**101**	112

(iii) The movement in the net deferred tax asset was as follows:

	2024 £ million	2023 £ million
Net deferred tax asset/(liability) at 1 January	**112**	22
Amounts charged/(credited) to the income statement	**(12)**	90
Other movements	**1**	—
Net deferred tax asset/(liability) at 31 December	**101**	112

Deferred tax assets in respect of UK tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to

5 years and the Group history of taxable profits in the UK. Deferred tax assets in respect of the reduction in net assets on the adoption of IFRS 17 are recognised against the expected future profits from the unwind of CSM.

18. Payables and other financial liabilities

The balances at 31 December comprise:

	2024	2023
	£ million	£ million
Amounts due to other Aviva Group Companies [1]	**2**	1
Total as at 31 December	**2**	1
Expected to be settled within one year	**2**	1
Expected to be settled in more than one year	**—**	—
Total as at 31 December	**2**	1

1. Following review the comparative amounts for 2023 have been revised to reflect their underlying position.

19. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 15 gives details of the methodology and assumptions used in determining the long-term business provisions and the estimation techniques used in determining the general insurance business outstanding claims provisions. These approaches are designed to allow for the appropriate cost of policy-related liabilities, with a risk adjustment reflecting the uncertainty associated with these liabilities. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

(b) Business interruption

There continues to be a degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going test case litigation, including where the Company's cedants are party to a number of litigation proceedings in Canada. In the opinion of management, adequate liabilities have been established for such claims based on information available at the reporting date. The Group purchases reinsurance protection that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

For further information on our general insurance risk management see note 22(e).

(c) Liability claims

Through its reinsurance arrangements with AIL and CGI, the Company reinsures general insurance liability claims and is exposed to actual or threatened litigation arising therefrom, including claims in respect of pollution and other environmental hazards, historical abuse, professional negligence and injuries suffered participating in sporting activities. Amongst these are claims in respect of asbestos production and handling in the United Kingdom and Canada.

Given the significant delays that are experienced in the notification of these claims, the potential number of incidents which they cover and the uncertainties associated with establishing liability, the ultimate cost cannot be determined with certainty. However, on the basis of current information having regard to the level of provisions made for general insurance claims and substantial reinsurance cover now in place for the Company's cedants, any additional costs arising are not likely to have a material impact on the financial position of the Company.

(d) Regulatory compliance

The FCA and the PRA regulate and authorise the Company's business and UK cedants' businesses. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources. The FCA and PRA operate under the authority of the Bank of England.

The Office of the Superintendent of Financial Institutions Canada ("OSFI") in Canada regulates CGI and is an independent agency of the Government of Canada having similar powers to the UK regulators.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding could have a negative impact on the Company's reported results. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(e) Structured settlements

The Company's cedant in Canada has purchased annuities from licensed Canadian life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Company's cedant is exposed to credit risk to the extent that any of the life insurers fail to fulfil their obligations. The Company's maximum exposure to credit risk for these types of arrangements is approximately £255 million as at 31 December 2024 (2023: £268 million). Credit risk is managed by acquiring annuities from a diverse portfolio of life insurers with proven financial stability. This risk is reduced to the extent of coverage provided by Assuris, the Canadian life insurance industry compensation plan. As at 31 December 2024, no information has come to the Company's cedant's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities and consequently no provision for credit risk is required.

(f) Other

In the course of conducting insurance business, the Company is exposed to liability claims resulting from actual or threatened related litigation in its cedants. In the opinion of the directors, adequate provisions have been established within reinsured amounts for such claims.

20. Statement of cash flows

(a) The reconciliation of profit / (loss) before tax to the net cash generated from operating activities is:

	2024 **£ million**	2023 £ million
Profit before tax	**632**	990
Adjustments for:		
Fair value (gains)/losses on:		
Derivative liabilities	**—**	(1)
	—	(1)
Changes in working capital:		
Decrease in Insurance contract balances	**452**	209
Change in other assets and liabilities	**(15)**	(62)
	437	147
Total cash generated from operating activities	**1,069**	1,136

Purchases and sales of financial investments, and interest earned on those investments, are included in operating cash flows as the investments are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	2024 **£ million**	2023 £ million
Cash at bank and in hand	**—**	—
Cash equivalents	**1,868**	1,717
	1,868	1,717

21. Capital structure

The Company maintains an efficient capital structure consisting of equity from shareholder funds, consistent with the Company's overall risk profile and the regulatory requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

(a) General

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company is required to measure and monitor its capital resources on a regulatory basis and to comply with the requirements established by the PRA. The Company measures its capital requirements under the Solvency II regime, using a Partial Internal Model ("PIM") which assesses the risks the Company is exposed to.

(b) Capital management

Capital is a primary consideration across a wide range of business activities, including treaty development, pricing, business planning and asset and liability management. The Company implements the Group's Capital Management Standard, which sets out minimum standards and guidelines over responsibility for capital management including considerations for capital management decisions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance.

In managing its capital, the Company seeks to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in the business and matching within the funds withheld by its cedants;

(ii) maintain financial strength to support new business growth and satisfy the requirements of its regulators;

(iii) retain financial flexibility by maintaining strong liquidity; and

(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

(c) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis

The Company is required to report its results on an IFRS basis and ensures that there are sufficient distributable reserves available before paying dividends.

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. The Company has to comply with the Solvency II requirements regulated by the PRA. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 22) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2024 the Company's own funds under Solvency II were £3,658 million *(2023: £4,040 million)*. The Company's own funds are sufficient to meets its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

(d) Company capital structure

	2024	2023
	£ million	£ million
Equity shareholder's funds	**2,042**	2,414
Total capital employed	**2,042**	2,414

22. Risk management

Risk management framework

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key components of the risk management framework are risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report ("IMMMR") risks, including the use of risk models and stress and scenario testing.

For the purposes of risk identification, measurement and reporting, risks are grouped into the following principal risk categories: credit, market, liquidity, life insurance, general insurance (including short-term health), operational and strategic risk. Risks falling within these types may affect a number of outcomes including those relating to solvency, liquidity, profit, reputation and conduct.

To promote a consistent and rigorous approach to risk management across the business, the Company has a set of risk policies and business standards which set out the risk strategy, risk appetite, frameworks and minimum requirements for the Company's operations. The Chief Executive Officer makes an annual declaration, supported by an opinion from the Chief Risk Officer, that the system of governance and internal controls was effective and fit for purpose throughout the year.

Risk models are an important tool in the measurement of risks and are used in conjunction with other assessment processes to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as interest rates, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital (being the Company's principal risk except for liquidity risk) the Company primarily measures and monitors its risk profile on the basis of the Solvency II solvency capital requirement ("SCR").

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence' risk governance model where ownership for risk is taken at all levels. First line management in the business is accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis through its Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set for solvency, liquidity and climate, as well as operational and conduct risks.

The Company's position against risk appetites is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise. The oversight of risk and risk management is supported by the Company's Asset and Liability Committee (ALCO), which focuses on insurance business and financial risks; and Executive Risk Committee (ERC), which focuses on operational and reputational risks.

The Company's Risk Appetite Framework was refreshed during the year, with revised risk appetites, preferences and tolerances considered and approved by the Board or relevant delegated authority.

As a quota share reinsurer of business written within the Aviva Group, much of the primary risk management activity occurs within the Company's cedants which are subject to the same group-wide risk policies and business standards. The reinsurance treaties require flows of management information to the Company to allow it to assess, monitor and manage its own risks.

Further information on the types and management of specific risk types is given in sections (a) to (g) below.

(a) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholder. The Company is also exposed to third party credit quality changes from its cedants through a range of activities including reinsurance and derivatives.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposure to bank deposits, inter-company loans and receivables and debt security investments and through its cedants' exposures to the same as well as structured asset investments, derivative counterparties, mortgage lending and reinsurance counterparties.

The Company’s management of credit risk includes implementation of credit risk management processes (including limits frameworks), the operation of specific risk and capital management committees and detailed reporting and monitoring of exposures against pre-established risk criteria.

The Company and its cedants did not experience a material increase in credit defaults in 2024, with pro-active management of the credit portfolio in a challenging macroeconomic environment. The Company continues to monitor closely any deterioration in the credit markets. The Company's capital position includes an allowance for the expected impacts from downgrades and defaults.

(i) Financial exposures to Group companies

The Company has significant financial exposure to amounts due from fellow Group companies. The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote.

The Company's reinsurance arrangements include deposits held by its cedants of £76,733 million *(2023: £70,773 million),* forming part of the fulfilment cashflows for determining insurance contract values as disclosed in note 15. These deposits arise from the quota share reinsurance agreements between the Company and other Group companies as disclosed in the related party transactions note 23. The deposits allow for the Company’s share of fair value remeasurements of the cedants financial instruments. The Company’s maximum exposure to the credit risk of financial assets held by the Company’s cedants is considered to be equivalent to its deposit with cedants, excluding the unit-linked business where the policyholder bears the direct risk on investment assets in the unit funds, of £24,627 million at 31 December 2024 (31 December 2023: £24,113 million). The Company is exposed to credit risk including government bonds, corporate bonds, commercial mortgages, equity release mortgages and bank deposits and has economic exposure to movements in the value of or defaults on these investments. The risks on these assets are managed in the first instance by the cedants through the application of a credit limit framework and credit risk triggers, adherence to the credit risk policy and related business standards and through oversight by the cedants' ALCOs. The Company is exposed to the risk of the cedants defaulting, although this is significantly reduced by the ability of the Company to offset the deposits with cedants against its obligation to make payments in respect of the relevant cedant's insurance liabilities, £74,252 million excluding the value of the CSM at 31 December 2024. The Company's maximum exposure to the credit risk of its cedants is represented by the insurance contract carrying value excluding the value of the CSM, £2,481 million at 31 December 2024 (31 December 2023: £2,839 million).

The Company also has a loan due from its parent, Aviva Group Holdings Limited, amounting to £200 million *(2023: £200 million)*, with further amounts due from both its parent and other Group companies amounting to £32 million *(2023: £17 million)*. The credit risk arising from Aviva Group Holdings Limited failing to meet all or part of its obligations is considered remote, as in its most recent audited financial statements dated 31 December 2023 Aviva Group Holdings Limited had net assets of £17,132 million. The loan to Aviva Group Holdings Limited is secured by a legal charge against the ordinary share capital of Aviva Insurance Limited, mitigating the risk of loss in the event of Aviva Group Holdings Limited defaulting. Due to the nature of the intra-group loan and the fact that these loans are not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit worthiness of its counterparty.

(ii) Financial exposures by credit ratings

Financial assets other than equities are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Company for assets with external credit ratings.

The Company's direct financial exposure to its cedants is included and presented net of its obligation to make payments in respect of the relevant cedants' insurance liabilities and rated by reference to the cedants' own credit rating. 'Not rated' assets capture assets not rated by external ratings agencies.

The credit quality of receivables and other financial assets is monitored by the Company and provisions for impairment are made for irrecoverable amounts. In assessing whether assets are impaired, due consideration is given to the factors outlined in accounting policy K.

31 December 2024	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Not-rated**	**2024 Carrying value £ million**
Insurance contract assets	**—**	**100 %**	**—**	**—**	**—**	**—**	**164**
Loan due and amounts receivable from parent company	**—**	**—**	**—**	**—**	**—**	**100%**	**232**
Total	**—**	**—**	**—**	**—**	**—**	**—**	**396**

31 December 2023	AAA	AA	A	BBB	Below BBB	Not-rated	2023 Carrying value £ million
Insurance contract assets	—	100%	—	—	—	—	616
Loan due and amounts receivable from parent company	—	—	—	—	—	100%	217
Total	—	—	—	—	—	—	833

The Company’s maximum exposure to credit risk for receivables not included within the contract boundary for insurance liabilities, without taking collateral into account, is represented by the carrying value of the receivables in the statement of financial position. The carrying values of these assets are disclosed in note 11 (Receivables and other financial assets).

(iii) Credit concentration risk

The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group Financial Risk policy and credit limits framework, which limit investments in individual assets and asset classes. The Company monitors its credit concentrations (including credit concentrations from cedants' investments) and reports these to the ALCO and to the Board Risk Committee. Credit concentrations are also monitored by Group as part of the regular credit monitoring process and are reported to the Group ALCO.

Notes to the financial statements (continued)

(iv) Impairment of financial assets

Impairment is calculated using an expected credit loss model for financial assets measured at amortised cost and lease receivables, with reference to historical experience of losses adjusted for forward-looking information, as discussed in accounting policy K.

(b) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risk as part of its investment strategy through the deposits held by its cedants. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company and its cedants manage market risk using a market risk framework and within regulatory constraints. Market risk is managed in line with Group policy, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The most material types of market risk that the Company is exposed to are described below.

(i) Interest rate risk

The Company is exposed to interest rate risk movements where there is a mismatch between the sensitivity to interest rates of the Company's assets (including deposits with cedants) and liabilities.

Interest rate risk also arises from the Company's long term loan due from its parent Aviva Group Holdings Limited (see note 23(a)(i)). The effect of a 100 basis point increase / decrease in interest rates would be an increase / decrease of interest income before tax of £2 million per annum *(2023: increase / decrease of £2 million per annum)*.

The Company and its cedants manage and hedge interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

While interest rate risk is well managed, the Company's regulatory capital cover ratio is sensitive to interest rates movements with the cover ratio increasing with rate rises and decreasing with rate falls. The sensitivity of the Company's reported profit to interest rates is shown in note 22(f), with profit decreasing with rate rises and increasing with rate falls. Interest rates are highly dependent on the macroeconomic outlook and wider geopolitical environment which presents a high degree of uncertainty at this time.

(ii) Inflation risk

Inflation risk arises primarily from the Company's exposure to general insurance claims inflation, inflation linked benefits within the UK annuity portfolio and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The Company's cedants typically manage inflation risk through asset-liability matching and hedging where appropriate in accordance with approved risk appetites.

Inflation risk is an ongoing concern in the current macroeconomic environment and, in particular, in the context of the possibility of tariffs being applied on the Company's Canadian cedant's imports. The Company is monitoring the potential impact of inflation on the profits and margins of the Company and its counterparties which could impact their credit quality.

(iii) Currency risk

The Company has exposure to currency risk through its quota share reinsurance arrangements. The Company has minimal exposure to currency directly and through its cedants as currency risk is primarily managed by matching assets and liabilities in functional currencies, or by hedging. As a result foreign exchange gains and losses on investments held by its cedants are largely offset by changes in contract liabilities or mitigated by hedging.

(iv) Derivatives risk

The Company is exposed to derivatives risk through its cedants. Derivatives are primarily used by our cedants for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Any use of derivatives within AII is governed by policy guidelines agreed by the Board of directors and activity is overseen by Capital and Risk teams, which monitor exposure levels and approve large or complex transactions.

The Company applies strict requirements to the administration and valuation processes it uses and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(v) Correlation risk

The Company recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(c) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash (or permissible collateral) form. In the short term, the Company's liquidity position is sensitive to changes in market and credit conditions which impact the market value of the Company's directly owned assets which are sources of liquidity. In the longer term, the Company's liquidity position is sensitive to changes in underwriting risks which, combined with changes to the market and credit conditions, can lead to reinsurance claims being made by the Company's cedants or lower than expected payments from the cedants.

The Company seeks to maintain sufficient financial resources to meet its obligations as they fall due through the application of a financial risk policy and liquidity business standard. The Company manages and mitigates its liquidity risk by setting liquidity risk appetites which require that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Company monitors the effectiveness of liquidity risk mitigation techniques through monitoring its position relative to its agreed liquidity risk appetite and monitoring actual and projected liquid resources in both normal and stress scenarios.

Notes to the financial statements (continued)

Maturity analysis

The following tables show the maturities of the Company's insurance liabilities and of the assets held to meet them.

(i) Analysis of maturity of insurance contract balances

For the Company's insurance contract balances, the following table shows the estimates of the present value of future cash flows at 31 December 2024 and 2023 for the insurance liabilities analysed by estimated timing. This excludes the Company's deposits held by its cedants of £76,733 million (2023: £70,773 million) which form part of the fulfilment cashflows, and more than offset the present value of future liability cashflows.

For non-participating investment contracts held by the company's cedant, almost all may be surrendered or transferred on demand. The earliest contractual maturity date is therefore 2024 statement of financial position date, for a surrender amount approximately equal to the current statement of financial position liability.

However, we expect surrenders, transfers and maturities to occur over many years and therefore the table below reflects the expected cashflows for these contracts, rather than their contractual maturity date.

								2024
	Within 1 year	**One to Two years**	**Two to Three years**	**Three to Four years**	**Four to Five years**	**Five to 15 years**	**Over 15 years**	**Total**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Life risk	**471**	**994**	**1,403**	**1,728**	**1,981**	**21,500**	**38,626**	**66,703**
Non-life risk	**3,037**	**1,445**	**815**	**559**	**370**	**676**	**64**	**6,966**
Total contract liabilities	**3,508**	**2,439**	**2,218**	**2,287**	**2,351**	**22,176**	**38,690**	**73,669**

								2023
	Within 1 year	One to Two years	Two to Three years	Three to Four years	Four to Five years	Five to 15 years	Over 15 years	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Life risk [1]	934	908	1,405	1,770	2,037	21,094	32,732	60,880
Non-life risk [1]	2,809	1,234	754	522	353	700	85	6,457
Total contract liabilities	3,743	2,142	2,159	2,292	2,390	21,794	32,817	67,337

1. Following review the comparative amounts for 2023 have been revised to exclude the Company's deposits held by its cedants and presenting the present value of future cash flows for insurance contract balances based on estimated timings.

(ii) Deposits held by cedants

The Company's deposits held by its cedants of £76,733 million (2023: £70,773 million) are greater than the present value of future cashflows liabilities in each of its cedants. These deposits do not have a contractual maturity date and are in place to ensure that the Company's cedants have sufficient financial assets to meet their liabilities when they fall due. The Company's liquidity position in the longer term is sensitive to changes in underwriting risks which, combined with changes to the market and credit conditions, can lead to reinsurance claims being made by the Company's cedants or lower than expected payments from the cedants.

(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets held directly by the Company which are available to fund the repayment of liabilities as they crystallise.

				2024
	Total	**On demand or within 1 year**	**1-5 years**	**Over 5 years**
	£ million	**£ million**	**£ million**	**£ million**
Receivables and other financial assets	**234**	**34**	**—**	**200**
Cash and cash equivalents	**1,868**	**1,868**	**—**	**—**
	2,102	**1,902**	**—**	**200**

Notes to the financial statements (continued)

				2023
	Total	On demand or within 1 year	1-5 years	Over 5 years
	£ million	£ million	£ million	£ million
Receivables and other financial assets	217	—	17	200
Cash and cash equivalents	1,717	1,717	—	—
	1,934	1,717	17	200

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

(d) Insurance risk (General Insurance and Life)

The Company is exposed to a range of insurance risks as a result of the reinsurance accepted from cedants.

(i) General insurance risks

General insurance risks mainly arise from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source or cause;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten; and
- Inadequate reinsurance protection or other risk transfer techniques.

The majority of the general insurance business reinsured by the Company is short-tail in nature such as motor, household and commercial property insurance. General insurance risk written within Aviva Group companies is subject to the general insurance risk policy and related business standards and agreed risk appetites and tolerances and underwriting authorities. External reinsurance is used by cedants to provide catastrophe cover which in turn reduces the Company's exposure. Oversight of the Company's exposure is carried out in the ALCO and ERC.

In the UK, legal rulings related to business interruption coverage due to COVID-19 restrictions continue to be issued, with ongoing proceedings and appeals taking place. Consequently there continues to be a degree of uncertainty in relation to business interruption claims arising from COVID-19.

In Canada, the Company's cedant is party to a number of litigation proceedings, including class actions that challenge coverage under their commercial property policies; however, the Company's cedant believes it has a strong argument that there is no pandemic coverage under these policies. It is anticipated that the main class action trial to determine if any coverage exists will be heard by mid 2026.

The potential impacts of climate change also present uncertainty regarding future insurance risk experience and these are considered when setting assumptions for future experience.

The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

The Company's cedants do not have material underwriting exposure to Israel, Palestine, Russia or Ukraine, and do not conduct operations in the affected regions.

The current geopolitical landscape and rising protectionist measures have the potential to lead to disruption to global supply chains and heightened claims inflation in 2025 and may increase the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation can be mitigated via new business pricing actions, the ability to price for inflation is dependent on market, competitor and customer behaviour. The time lag between premium earning and claims emergence means that some adverse impact on profitability could be expected.

(ii) Life insurance risks

Life insurance risk can include longevity risk, mortality risk and morbidity risk, persistency risk, and policyholder behaviour risk around take-up of insurance guarantees and options. The Company's principal life insurance risk is longevity risk arising from the reinsurance accepted from the annuity business within UK L&P.

Life insurance risk written within Aviva Group companies is subject to the life insurance risk policy and related business standards and agreed risk appetites and underwriting authorities. Oversight of the Company's exposure is carried out in the ALCO.

Longevity risk is carefully monitored against the latest available internal and external industry data and emerging trends. The annuity business within UK L&P uses reinsurance solutions to reduce the risks from longevity and continually monitors and evaluates emerging market solutions to mitigate this risk further. Such reductions in this exposure would generally also reduce the Company's exposure.

Expense risk is primarily managed through the assessment of profitability and frequent monitoring of expense levels.

COVID-19 is now expected to present limited future impact to UK L&P's business and this is allowed for in assumptions for pricing and reporting. However, there remains the potential for other future pandemics. The potential impacts of climate change also present uncertainty regarding future insurance risk experience and these are considered when setting assumptions for future experience.

Recent persistency experience has been generally resilient to cost of living pressures and has not shown significant deterioration in the short term. There remains some uncertainty about the potential for this to continue, which is being monitored closely. External factors that may impact future persistency experience include prolonged high inflation and interest rates, increased stock-market volatility and changes in legislation.

(e) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible. The Company continues to operate, validate and enhance its key operational controls. The Company maintains constructive relationships with its regulators and responds appropriately to developments in relation to key regulatory changes. The Operational Risk Appetite enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and, when outside of appetite, requires clear and robust plans to be put in place in order to return to appetite.

To keep pace with the business, increasing regulatory expectations, the macroeconomic and the geo-political environment, we continue to implement risk and control improvements throughout the Company and across all three lines of defence. Those improvements enable us to operate a stronger control environment, improve understanding of and accountabilities for risks, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines of defence to provide higher quality advice and challenge.

The Group has implemented measures and will continue to embed operational resilience in response to applicable UK operational resilience regulations (including outsourcing and critical third-party risk management) which will come into effect on 31 March 2025. This includes a programme of resilience and crisis response testing to ensure customer harm is minimised and the continued financial safety and soundness of the Group's business. Operational resilience disciplines and assessments have been used in response to global and regional material events, including changes to the geo-political environment and financial market instability.

Increasing geo-political tensions more generally have heightened the risk of cyber security attacks on the Group and its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response the Group continues to actively monitor the threat environment and enhance its IT infrastructure and cyber controls to identify, detect and prevent attacks. The Group's cyber defences are regularly tested using its 'ethical hacking' team and the Group has engaged its suppliers to put in place all reasonable measures so that services to the Group and its customers are protected. The Group oversees the management of controls for the current risks Generative Artificial Intelligence presents to ensure these remain effective as well as exploiting opportunities for process efficiency, better pricing and underwriting, product personalisation and improved customer service.

The Company is exposed to operational risks through the activities it controls and the locations within which it operates. In addition, the Company is exposed via its cedants through the reinsurance treaties in place. The cedants remain responsible for managing their operational risks in line with the group-wide operational risk framework including the risk and control self-assessment process, but this responsibility does not imply a limit to the Company's exposure. The Company's Operational Risk and Control Management Framework integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are identified and assessed against their agreed tolerance position by considering the effectiveness of controls aligned to them and the presence of any known or future weaknesses / loss events. Where residual risk falls outside tolerance management prioritise actions to return the risk to tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

(f) Risk and capital management

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of capital requirements and to manage its capital more efficiently. Risk-based capital models are used to support the quantification of risk under the Solvency II framework. Sensitivities to economic and operating experience are regularly produced on the Company's key financial performance metrics to inform the Company's decision-making and planning processes and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

(i) General insurance and health

General insurance and health liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims.

(ii) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions have been made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality and morbidity rates and persistency in connection with the in-force policies. Assumptions are best estimates based on historical and expected experience of the business. A number of key assumptions are disclosed in note 15.

Notes to the financial statements (continued)

(iii) Sensitivity test results

Illustrative results of sensitivity testing for long-term business, general insurance and health business and non-insurance business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. Each test allows for any consequential impact on the asset and liability valuations.

Sensitivity factor	Description of sensitivity factor applied
Market risk variables	
Interest rate and investment return	The impact of a change in market interest rates by a 1.0% increase or decrease. The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Credit spreads	The impact of a 0.5% increase or decrease in credit spreads over risk-free interest rates on corporate bonds and other non-sovereign credit assets, also allowing for associated change in allowance for defaults and the consequential impact on liability valuations.
Equity market values	The impact of a 10% increase or decrease in equity market values.
Property market values	The impact of a 10% increase or decrease in commercial and residential property values. The indirect impact of property values on the value of commercial mortgage loans and equity release mortgage loans are included in this sensitivity.
Underwriting risk variables	
Expenses	The impact of an increase in maintenance expenses by 10%.
Lapses / surrenders	The impact of an increase in lapse or surrender rates by 10%.
Assurance mortality / morbidity	The impact of an increase in mortality/morbidity rates for assurance contracts by 2%.
Annuitant mortality	The impact of a reduction in mortality rates for annuity contracts by 2%.
Gross loss ratios	The impact of an increase in gross loss ratios for general insurance and health business by 5%.

Market risk variables

The following table presents how a possible shift in market risk variables might impact on profit before tax and shareholder's equity after tax:

	Insurance contracts balances			
31 December 2024 Impact	**CSM**	**Profit or loss**	**Total profit before tax**	**Shareholder's equity after tax**
	£ million	**£ million**	**£ million**	**£ million**
100 bps increase in interest rate	**—**	**(190)**	**(190)**	**(143)**
100 bps decrease in interest rate	**—**	**209**	**209**	**157**
50 bps increase in corporate bond spread	**—**	**(105)**	**(105)**	**(79)**
50 bps decrease in corporate bond spread	**—**	**117**	**117**	**88**
10% increase in market value of equity	**—**	**77**	**77**	**58**
10% decrease in market value of equity	**—**	**(74)**	**(74)**	**(55)**
10% increase in value of property	**—**	**63**	**63**	**48**
10% decrease in value of property	**—**	**(78)**	**(78)**	**(59)**

	Insurance contracts balances			
31 December 2023 Impact	CSM	Profit or loss [1]	Total profit before tax	Shareholder's equity after tax
	£ million	£ million	£ million	£ million
100 bps increase in interest rate	—	(315)	(315)	(236)
100 bps decrease in interest rate	—	378	378	284
50 bps increase in corporate bond spread	—	(127)	(127)	(95)
50 bps decrease in corporate bond spread	—	142	142	107
10% increase in market value of equity	—	71	71	53
10% decrease in market value of equity	—	(70)	(70)	(52)
10% increase in value of property	—	78	78	59
10% decrease in value of property	—	(97)	(97)	(73)

1. Following review the comparative amounts for increase/ decrease in corporate bond spreads and increase/ decrease in value of property have been revised from the previously reported values, with the sensitivity impacts of exposures to Commercial Mortgages and Equity release assets moved from credit spreads to property as their primary exposure is to property risk.

Underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact insurance and reinsurance contract balances, profit before tax and shareholders' equity after tax. The affected underlying insurance contracts and related reinsurance contracts are measured under IFRS 17 and the impacts on fulfilment cash flows (FCF) and on the contractual service margin (CSM) are shown separately as these components are not fully symmetrically impacted by possible changes in assumptions.

Notes to the financial statements (continued)

31 December 2024 Impact	**Insurance contracts balances**			
	Estimates of present value of future cashflows	**CSM**	**Profit or loss before tax**	**Shareholder's equity after tax**
	£ million	**£ million**	**£ million**	**£ million**
Life insurance business				
10% increase in expenses	**(134)**	**161**	**27**	**21**
10% increase in lapse rates	**(100)**	**91**	**(9)**	**(7)**
2% increase in assurance mortality	**(21)**	**22**	**1**	**1**
2% decrease in annuitant mortality	**(55)**	**95**	**40**	**30**
General insurance and health business				
10% increase in expenses	**(112)**	**—**	**(112)**	**(84)**
5% increase in gross loss ratios	**(170)**	**—**	**(170)**	**(127)**

31 December 2023 Impact	Insurance contracts balances			
	Estimates of present value of future cashflows	CSM	Profit or loss before tax	Shareholder's equity after tax
	£ million	£ million	£ million	£ million
Life insurance business				
10% increase in expenses	(128)	153	25	19
10% increase in lapse rates	(59)	68	9	7
2% increase in assurance mortality	(10)	12	2	1
2% decrease in annuitant mortality	(57)	74	17	13
General insurance and health business				
10% increase in expenses	(101)	—	(101)	(76)
5% increase in gross loss ratios	(158)	—	(158)	(118)

For general insurance and health, the impact of the expense sensitivity on profit also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

Limitations of sensitivity analysis

The tables above demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective action.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risks that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all parameters move in an identical fashion.

Specific examples:

- The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results should not be used to calculate the impact of non-parallel yield movements.
- The sensitivity analysis assumes equivalent assumption changes across all markets i.e. UK and non-UK yield curves move by the same amounts, equity markets across the world rise or fall identically

Additionally, the movements observed by assets held by the Company will not be identical to market indices so caution is required when applying the sensitivities to observed index movements.

(g) Climate

The Group remains committed to supporting an economy-wide transition to a low carbon, climate resilient, nature positive and socially just future. In March 2021, the Group set an ambition to become a Net Zero carbon company by 2040. Through its Risk Management Framework it continues to identify, measure, monitor, manage and report on the risks to which its business, customers and wider society are, or could be, exposed to.

The Company, through its cedants, seeks to have a low exposure over time to the downside risks arising from the transition to a low carbon economy. The Company supports its cedants in seeking to identify and support solutions that will drive a transition to a low-carbon, climate resilient economy in line with

Notes to the financial statements (continued)

Group's sustainability strategy and limit their net exposure to physical risks. Further details on climate risk strategy and management by the Group can be found in the Aviva plc Climate-related Financial Disclosure Report 2024.

Climate-related risks are 'cross-cutting' rather than standalone risks in our Risk Taxonomy, recognising that climate impacts other risks. The most affected risks are credit risk, market risk and general insurance risk .

The Board has approved the Company's climate risk appetite which sets the level of climate risk the Company is willing to accept. The Company's business plan includes climate ambitions aligned to the risk appetite consistent with the Group's Sustainability Ambition. The Group and the Company have a low appetite for climate-related risks which could have a material negative impact upon their balance sheet and business model as well as the Group's customers and wider society. We report climate-related risks quarterly to enable the Board and senior management to oversee and monitor the financial impact of climate change and ensure this is in line with our risk appetite and risk profile.

The Company uses a variety of historical and forward-looking metrics to assess the impact of climate-related risks. We calculate Climate Value at Risk to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways.

23. Related party transactions

(a) The Company had the following related party transactions

The Company has the following transactions with related parties which include parent companies and fellow subsidiaries in the normal course of business.

(i) Loan due from parent company

The loan accrues interest at 12-month Sterling Overnight Index Average ("SONIA") swap rate with a flat adjustment plus a step up amount plus a credit margin, with maturity in December 2042. The 12-month SONIA rate is reset annually and a non-zero step up amount applied from 1 January 2023. The credit margin is currently at 195 basis points and is reset every 5 years, with the last reset on 1 January 2023. This follows a fair value assessment of the credit risk of Aviva Group Holdings Limited and the terms and conditions of the loan agreement. As at 31 December 2024, the loan balance outstanding was £200 million *(2023: £200 million)*. This facility has been secured by a legal charge against the ordinary share capital of Aviva Insurance Limited.

	2024	2023
	£ million	£ million
Over 5 years	**200**	200
	200	200
Effective interest rate	**8.15%**	7.83%

(ii) Quota share reinsurance arrangements

The Company has quota share reinsurance arrangements with fellow Group subsidiaries as follows:

- Aviva Insurance Limited ("AIL") which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Life & Pensions UK Limited ("UK L&P") which transacts investment and long term insurance business, to reinsure 30% of the liabilities in its non-profit sub-fund ("NPSF"); and
- The seven companies comprising the general insurance business of Aviva Canada ("CGI"), to reinsure 50% of their insurance liabilities.

As part of these arrangements, funds in respect of premiums due from the cedants are withheld and this has been reflected in the statement of financial position within insurance contract assets (note 15).

The following tables show the amounts recognised in the Income statement and the Statement of financial position in respect of these arrangements:

	Note	**2024**	**2024**	2023	2023
		Life risk	**Non-life**	Life risk	Non-life
		£ million	**£ million**	£ million	£ million
Insurance revenue	2	**1,291**	**4,353**	1,309	3,877
Insurance service expense	4	**(1,236)**	**(4,020)**	(1,212)	(3,567)
Net finance income/(expense) from insurance contracts	3	**32**	**111**	401	102
Total		**87**	**444**	498	412

Statement of financial position	Note	**2024**	**2024**	2023	2023
		Life risk	**Non-life**	Life risk	Non-life
		£ million	**£ million**	£ million	£ million
Deposits with cedants included in insurance contract balances		**69,468**	**7,265**	63,993	6,780
Insurance contract balances excluding deposits with cedants		**(69,420)**	**(7,149)**	(63,531)	(6,626)
Total insurance contract assets	15	**48**	**116**	462	154

Notes to the financial statements (continued)

(iii) Other transactions

The Company receives interest income from, and pays dividends to, its parent company in the normal course of business. These activities are reflected in the tables below.

Services provided to related parties

	2024		2023	
	Income earned in the year	**Receivable at year end**	Income earned in the year	Receivable at year end
	£ million	**£ million**	£ million	£ million
Immediate Parent	**16**	**32**	17	17
	16	**32**	17	17

The interest receivable from the Company's immediate parent of £32 million *(2023: £17 million)* relates to interest on a loan of £200 million *(2023: £200 million)*, as explained in note 23(a)(i). The related party receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

Services provided and expenses recharged by related parties

	Services provided/ expenses recharged £ million	**Payable at year end £ million**	Services provided/ expenses recharged £ million	Payable at year end £ million
Other Aviva Group companies	**23**	**(2)**	24	(2)
	23	**(2)**	24	(2)

Services provided include £23 million *(2023: £24 million*) inter company management fees payable to fellow subsidiaries of the Aviva Group. Expenses incurred includes £22 million (*2023: £23 million*) relating to fees, staff and other service charges from Aviva Central Services UK Limited. The remaining £1 million for 2024 *(2023: £1 million)* relates to investment management fees charged to the Company by Aviva Investors Global Services Limited, arising from the management of the Company's investments. The related party payables are not secured and will be settled in accordance with normal credit terms.

Other related party transactions

One of the Company's directors acts as a non-executive director for Reclaim Fund Ltd, a company that allows money in dormant financial products to be used to benefit social and environmental initiatives across the UK. In total, over 45 UK financial services companies participate in the Dormant Assets Scheme, including Aviva. Over 2024, affiliated Aviva entities have contributed £3.9 million to the scheme (*2023: £17.0 million*).

Group relief

The Company transacts with other Group companies for the settlement of corporation tax liabilities by way of group relief. The Company's net current liabilities are reported in Note 17.

Dividends paid

Interim ordinary dividends totalling £848 million (*2023: £310 million*) on the Company's ordinary shares were declared and settled during 2024.

(b) Key management compensation

The compensation for services to the Company for those employees, including relevant directors, classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, is as follows:

	2024	2023
	£'000	£'000
Aggregate emoluments	**1,261**	1,261
	1,261	1,261

Key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by the Group companies on equivalent terms to those available to all employees of the Group. In 2024 and 2023, such transactions with key management personnel were not deemed to be significant either by size or in the context of their individual positions.

(c) Parent entity

The immediate parent undertaking is Aviva Group Holdings Limited, registered in the United Kingdom.

(d) Ultimate controlling entity

The ultimate controlling entity and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, 80 Fenchurch Street, London EC3M 4AE, and on the Aviva plc website at www.aviva.com.

24. Subsequent events

On 13 February 2025, the Board declared an interim dividend for the 2025 financial year. The total dividend paid amounted to £1 billion, equating to £10 million per share and was paid to the Company's parent company, Aviva Group Holdings Limited, on 18 February 2025.