

Aviva Insurance Limited

Registered in Scotland No. SC002116

Annual Report and Financial Statements 2025

Contents

	Page
Directors and officer	3
Strategic report	4
Directors' report	9
Independent auditors' report	13
Accounting policies	17
Income statement	29
Statement of changes in equity	30
Statement of financial position	31
Statement of cash flows	32
Notes to the financial statements	33
1. Exchange rates	33
2. Insurance Revenue	33
3. Net financial result	33
4. Details of expenses	34
5. Employee information	34
6. Directors' remuneration	35
7. Auditors' remuneration	35
8. Tax	36
9. Dividends	37
10. Intangible assets	38
11. Investments in subsidiaries	38
12. Property and equipment	39
13. Investment property	40
14. Lease assets and liabilities	40
15. Fair value methodology	40
16. Financial investments	44
17. Receivables	45
18. Prepayments and accrued income	45
19. Ordinary share capital	46
20. Other reserves	46
21. Retained earnings	46
22. Insurance and reinsurance contracts	47
23. Tax assets and liabilities	64
24. Pension obligations	64
25. Payables and other financial liabilities	65
26. Other liabilities	65
27. Contingent liabilities and other risk factors	66
28. Commitments	66
29. Statement of cash flows	67
30. Capital structure	68
31. Risk management	69
32. Derivative financial instruments	79
33. Collateral	79
34. Related party transactions	80
35. Related undertakings	84
36. Subsequent events	87

Annual Report and Financial Statements 2025

Directors and officer

Directors

C J Clark
I E Clark
F C Fry
D V V Haria
C C Jones
D G Marock
G R Neilson
M C Nestares Lopez
C W M Scott
J P Storah

Officer – Company Secretary

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

Independent Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London

Registered office

Pitheavlis
Perth
Scotland
PH2 0NH

Company number

Registered in Scotland no. SC002116

Other information

Aviva 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 2025.

Review of the Company's business

Principal activities

The Company is a limited company, incorporated under the laws of Scotland. The principal activity of the Company is the transaction of general and health (non-life) insurance business in the United Kingdom ("UK"). This includes underwriting foreign risks arising from an inwards reinsurance arrangement with the Company's immediate subsidiary, Aviva Insurance Ireland Designated Activity Company ("AIIDAC") and from the Company's Global Corporate Specialty business. The major classes of business underwritten are personal lines (motor, home and other), health and commercial lines (property, liability, motor and other).

The Company's strategy focusses on its customers, with customer service at the heart of its business. The Company offers personal lines insurance through a wide range of distribution channels and commercial lines insurance to a wide range of businesses from micro through small and mid-market to large, multinational corporates. Capabilities in distribution, claims, underwriting and digital are clear differentiators.

The Company's strategy is supported by the aim to continue to deliver profitable growth and improve cash generation. The Group is also firmly committed to sustainability and is prioritising leading on Climate Action, stronger communities and sustainable business.

Significant events

The Company's financial results are affected by a number of external factors, including weather events, trends in claims developments, general economic and market conditions, government policy and legislation and exchange rate fluctuations. 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:

- The Company's ultimate parent, Aviva plc, acquired Direct Line Insurance Group Limited ("Direct Line") in July 2025 and brought together some of the country's best-known and admired insurance brands and brilliant people to better serve the needs of 20 million UK customers. Ownership of Direct Line was cascaded down the Aviva Group and all Direct Line entities are now subsidiaries of the Company. The Direct Line parent company, Direct Line Insurance Group Limited (formerly plc), is now a direct subsidiary of the Company. The governance of Direct Line Insurance Group Limited has been aligned with that of the Company.
- The Company raised £4 billion through issue of 406,457 shares with a nominal value of £10,000 each as part of the Company's acquisition of Direct Line from Aviva Group Holdings Limited (AGH).

Financial position and performance

The financial position of the Company at 31 December 2025 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.

The Company's net assets have increased by £3,701 million (2024: increased by £312 million) due to profit after tax for the year of £511 million (2024: £380 million) and £4,065 million shares issued, offset by dividends paid of £875 million (2024: £408 million).

Profit before tax for the year was £628 million, up 31% compared to 2024 (£480 million) mainly due to an increase in underlying profits. The Company's Insurance Service Result increased by £125 million to £405 million (2024: £280 million), as the increase in insurance revenue from profitable business growth was partially offset by increases in claims frequency and continued inflationary pressures. The Net Financial Result of £278 million (2024: £388 million) decreased year on year mainly due to a reduction in dividends received from subsidiaries. The tax charge for the year is £117 million (2024: £100 million tax charge).

In the UK the final Prudential Regulation Authority (PRA) rules for Solvency UK became effective from 31 December 2024. The new regime has been referred to as "Solvency II" in this section, unless otherwise stated, as this is in line with the current PRA guidance and consistent with the name of the prudential regime in PRA policy material.

Section 172 Statement

We report here on how our directors have performed their duty under Section 172(1) of the Companies Act 2006 ("s.172").

S.172 sets out a series of matters to which the directors must have regard when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders.

Our 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 our obligations to our stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our business falls short of the standards we expect.

Our Board is also focussed on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being. The Company is a wholly owned subsidiary of Aviva plc. The Aviva Group Annual Report and Accounts 2025 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.

Our culture

Our culture is shaped, in conjunction with the wider Aviva Group, by our 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. We look to build relationships with all our stakeholders based on openness and transparency and we value diversity and inclusivity in our workforce and beyond.

Key strategic decisions in 2025

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.

Strategic report (continued)

Our Stakeholder

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

The Board receives updates from the Executive Directors which detail any substantial engagement with our stakeholders. There are also regular agenda items to ensure that the Board receives relevant updates on all of our key stakeholders, such as reports from our people function, customer service and our business functions.

The Board carefully considered the likely consequences of its long-term decisions as part of its consideration of Aviva's strategy. The Board held a strategy day in August 2025 to consider the long-term strategic direction of the business. As part of these strategic discussions, the Board considered the industry and market and the potential impact to stakeholders.

Our Section 172(1) Statement sets out our approach on how our directors have performed their statutory duty. Our Board's activities section provides further information on key decisions taken in 2025, including how stakeholder views and inputs have been factored into the Board's decision making.

Details of how we engaged with our different groups of stakeholders during 2025 can be found on the following pages. The Board regularly reviews its engagement mechanisms with stakeholders to ensure they remain effective.

Strategic report (continued)

Our people Our people's wellbeing and commitment to serving our customers are the foundations for our performance.	
How we have engaged - The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them. - Our Board and senior leaders attended a site visit to Norwich, meeting with a diverse range of colleagues to hear about what matters most to our people and to ensure this is considered when discussing our strategic priorities. - The Board, together with the Audit Committee, reviewed reports on the 'Speak Up' whistleblowing Service.	Outcomes and actions during the year - The Board updated the Diversity, Equity and Inclusion Statement to reflect its commitment to diversity and inclusion initiatives. - The Voice of Aviva 2025 survey engagement was the highest it has ever been at 94% (2024: 91%).
Customers Understanding what's important to our customers is key to our long-term success.	
How we have engaged - The Board, and the Conduct Committee, received regular reporting updates on customer outcomes and strategic initiatives throughout the year. - The Board attended customer showcases during the Board offsite visits. - The Board engaged with colleagues working directly with our customers through visits to our operating offices and meeting with customer facing teams to better understand their roles and challenges they face.	Outcomes and actions during the year - The Board, together with the Conduct Committee and Risk Committee, monitored and received regular updates on Consumer Duty. - The Board engaged with colleagues working directly with our customers through visits to our operating offices and meeting with customer facing teams to better understand their roles and challenges they face. During 2025 the Board visited teams in the Norwich office.
Shareholders Our retail and institutional shareholders are the owners of the Company.	
How we have engaged The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the Board through the Chair to its parent. Additionally, members of the Aviva plc Board can attend the Company's Board meetings by invitation.	Outcomes and actions during the year During 2025, Amanda Blanc (Group Chief Executive Officer), George Culmer (Aviva plc Chair) and Andrea Blance (Chair, Aviva plc Risk Committee) attended the Company's Board and/or Committee meetings.
Regulators As an insurance company, we are subject to financial services regulation and approvals in all the markets we operate in.	
How we have engaged - We have maintained a constructive and open relationship with our regulators and the Board has regular meetings with its UK regulators. - Regulators engaged with us to discuss their objectives, priorities and concerns, and how they affect our business. - Both the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") attended a Board meeting during the year and discussed regulatory issues with board members. - There was ongoing focus on Data Protection in line with guidance from the Information Commissioner - There has been continued focus on Consumer Duty with training provided to the Group and subsidiary Boards.	Outcomes and actions during the year - Regulatory priorities were regularly discussed at Board, Audit and Risk Committee meetings. - The Board, together with the Conduct Committee, monitored and received regular updates on the implementation of the FCA's Consumer Duty.
Communities We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships	
How we have engaged The Company supported the communities in which we operate, through investment in business and infrastructure, paying tax revenues and community support activity.	Outcomes and actions during the year As part of Aviva's wider commitment to sustainability, the Company contributes to community initiatives through our participation in Group led programmes, including the Aviva Community Fund and the Aviva Foundation. We focus on long term partnerships and charitable activity that supports financial resilience and strengthens the communities in which we operate. Further detail, including Group wide metrics and disclosures on social impact, is provided in the Sustainability section of the Aviva plc Annual Report and Accounts.
Suppliers We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.	
How we have engaged - The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance. The Risk Committee receives regular reporting on Key Suppliers. - The Board normally delegates engagement with suppliers and oversight to senior management. - All supplier related activity is managed in line with the group procurement and outsourcing business standards. 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, via reporting from the Audit Committee and Risk Committee, was kept updated on the development of any key supplier risk.	Outcomes and actions during the year - Understanding and highlighting risk across whole supply chain. - The Risk Committee on behalf of the Board dedicated significant time and attention to cyber security, reflecting its importance as a key area of oversight, including the threat posed by the risk of ransomware attacks on both the Group and our material third party suppliers. - The Board reviews the actions the Company has taken to prevent modern slavery and associated practices in any part of our supply chain and approves the Aviva Group Modern Slavery Act statement each year.

Strategic report (continued)

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2025 Annual Report and Accounts. The Company will work 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 is well positioned to compete in its key markets by leveraging the power of Aviva's breadth of offering within the UK to deliver compelling propositions to meet our customer needs alongside driving digitisation through customer services, propositions and ensuring we are easy for customers to do business with, however they chose.

In 2026, the Company will prioritise the smooth and complete integration of the Direct Line business, following the acquisition which added approximately 6 million customers to Aviva, over two-thirds of whom are new to the Group. This integration will be undertaken as part of the proposed Part VII transfer.

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 31 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.
- General Insurance risk, including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.
- Other risk factors that could materially impact the Company's Solvency II valuation are inputs to the fair value of the Company's investment in subsidiaries, resulting in a charge against Solvency II surplus. Key valuation inputs are the net asset values of subsidiaries (calculated on the basis of IFRS or Solvency II depending on the activities of the subsidiary), which are subject to credit, market (including foreign currency exchange rate risk), insurance and operational risks, and the quoted market valuations of comparable listed entities, affected by equity price risk.

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:

	2025	2024
Capital Metrics		
Solvency II capital surplus £m	1,668	921
Solvency II cover ratio	192%	190%
Financial Performance Metrics		
Insurance revenue £m	8,201	7,775
Profit for the year after tax £m	511	380
Increase/(decrease) in shareholders equity £m	3,701	312
Alternative Performance Metrics		
Combined operating ratio - undiscounted	94.9%	97.0%
Combined operating ratio - discounted	91.6%	94.4%

As per the table above, the Company's unaudited Solvency UK capital surplus of £1,668 million (2024: £921 million) increased by £747 million during the year, leading to an increase in the Solvency UK cover ratio. The acquisition of Direct Line from AGH led in exchange for £4,065 million share capital and £210 million cash consideration led to a £879 million increase in capital surplus. The remaining increase in the overall surplus position was driven by strong focus on underwriting discipline from AIL and its subsidiaries.

Combined Operating Ratio (COR) is a financial measure of performance and is calculated as insurance service expenses expressed as a percentage of insurance revenue, in both cases presented net of reinsurance. The Company considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed. Undiscounted COR improved by 2.1 pp to 94.9% in 2025 (2024: 97.0%).

The numerator used within discounted COR can be derived from the sum of insurance service expenses and amounts recovered from reinsurers which forms part of net expenses from reinsurance contracts, plus £17 million (2024: £15 million) of other operating expenses that are considered to relate to underwriting activity but do not form part of insurance service expenses. The denominator used within discounted COR can be derived from the sum of insurance revenue and the allocation of premiums paid to reinsurers net of commission which forms part of net expenses from reinsurance contracts. For the purposes of calculating undiscounted COR, allowances for discounting of £367 million (2024: £315 million) within insurance service expenses and £(220) million (2024: £(191) million) within net expenses from reinsurance contracts are removed from the numerator.

The Board expressed its appreciation to all colleagues for their continued hard work and commitment throughout the year, both in driving performance across the existing businesses and in warmly welcoming our new colleagues from Direct Line. The Board also recognised the efforts of colleagues at both Direct Line and Probitas in integrating into their respective business areas — Personal Lines, and Global, Corporate & Speciality business — and thanked them for their positive contribution to the Group.

By order of the Board on 27 March 2026

Signed by:

77892032D7C142F...
F Ribeiro

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

Directors' report

In accordance with Section 415 of the Companies Act 2006 (the Act), the directors submit their annual report and the audited financial statements for the Company (registered in Scotland no. SC002116) for the year ended 31 December 2025.

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.

Details of Board appointments and resignations during the year are shown below:

- D Marock was appointed as a director of the Company on 23 January 2025.
- M C Nestares Lopez was appointed as a director of the Company on 2 June 2025.
- G Neilson was appointed as a director of the Company on 18 December 2025.
- S F Pond was resigned as a director of the Company on 3 March 2026.

No directors resigned during the year.

Company Secretary

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

Dividends

Interim ordinary dividends totalling of £350 million on the Company's ordinary shares were declared in February 2025 and settled March 2025. Further interim dividends of £170 million were declared in July 2025 and settled August 2025, and £355 million were declared in November 2025 and settled in December 2025. (2024: £408 million, of which £145 million was settled in cash in September 2024 and £263 million were declared in November 2024 and settled in December 2024.) The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2025 (2024: £nil).

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 contingent liabilities and other risk factors (note 27); its capital structure (note 30); management of its risks including market, credit and liquidity risk (note 31); and derivative financial instruments and hedging (note 32).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources and 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.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of twelve months (to 27 March 2027) from the date of approval of the financial statements. 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

There have been no significant post balance sheet events subsequent to 31 December 2025.

Outlook

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

Stakeholder engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our strategic report.

Statement of Corporate Governance Arrangements

For the year ended 31 December 2025, 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 2025:

Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. Aviva'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 mission to be 'the leading UK provider and go-to customer brand for all Insurance, Wealth and Retirement solutions, with major businesses in Canada and Ireland' and has a clear strategy and plan to achieve this vision:

- **Growth:** Accelerating growth in capital-light Insurance and Wealth - disciplined in Retirement
- **Customer:** Growing our customer base, serving more needs and transforming experience
- **Efficiency:** Driving operating leverage with technology and artificial intelligence at the core
- **Sustainability:** Committed to climate and social action, and being a sustainable business

The delivery of our strategy and plan is guided by our values:

- **Care:** We care deeply about the positive difference we can make in our customers' lives.
- **Commitment:** We understand the impact we have on the world and take the responsibility that comes with it seriously.
- **Community:** We recognise the strength that comes from working as one team, built on trust and respect.
- **Confidence:** We believe the best is yet to come for our customers, our people, and society.

The Board has made a number of strategic decisions through the year which are aligned to this purpose, as detailed in the Strategic Report.

Directors' report (continued)

Stakeholder engagement (continued)

Principle 1 - Purpose and leadership (continued)

The Board monitors culture of the Company and raises any concerns during meetings and 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 and are focussed on doing the right thing for the customer. 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 members as a whole, 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 appetite and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles.

Principle 2 - Board Composition

The Company has a separate Independent Non-Executive Director Chair and Chief Executive 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 Board composition remains appropriate.

The Board is comprised of both Non-Executive Directors, the majority of whom are Independent Non-Executive Directors, and Executive Directors. 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 shareholders as a whole 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 on 27 November 2025. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2025 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The next independent assessment will take place in November 2026. The 2025 Board Effectiveness Review assessed that overall the Company was operating effectively, with a number of areas prioritised for focus during the coming year.

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 our purpose, culture, values; our reporting and escalation structures and their alignment with legal and regulatory duties and our 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 second and third lines of defence which ensure effective board oversight.

Within the Aviva Group, accountability is formally delegated by the Board of the Company to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Company's Matters Reserved for the Board. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime ("SMCR") responsibilities. These roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework, and which are submitted to the Prudential Regulatory Authority ("PRA")/Financial Conduct Authority ("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 nine meetings this year, plus one additional day's strategic planning. The Board's key areas of focus in 2025 were the acquisition and initial integration of Direct Line, including preparation for Part VII transfer and trading performance.

The Board has established an Audit Committee, a Risk Committee and a Conduct Committee. The Terms of Reference for these committees are aligned to those of Aviva plc and are reviewed and approved annually by the Board. The committees also undertake annual effectiveness reviews. The results are discussed by the committees and an action plan is agreed, with the actions tracked by the Company Secretary.

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

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetite 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 Conduct Committee is responsible for assisting the Board in its oversight of conduct issues This oversight includes oversight of the Company's conduct framework including product design, live selling practices, claims practices, and conduct oversight of third parties The Committee's responsibilities include reviewing the Company's conduct and financial crime risk profile, and overseeing the brand and reputation of the Company, ensuring that reputational risk is consistent with the risk tolerance approved by the Board and the creation of long-term shareholder value.

Directors' report (continued)

Stakeholder engagement (continued)

Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the Company, identifying opportunities to create and preserve 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. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

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. The Remuneration Policy is aligned with the UK Corporate Governance Code requirements relating to remuneration. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually. Details of Directors' Remuneration is included in note 6.

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 <http://www.aviva.com/investors/reports/>. Aviva plc also reports in our gender pay gap, and on the steps we are taking in relation to this which can be found at UK Pay Gap Report 2024 - Aviva plc.

The Board held a private session on 27 November 2025 to discuss full year 2025 performance and conduct of key individuals of the Company's management and provided input into their full year 2025 remuneration reviews.

As employees of Aviva, staff are able to 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 Statement in the Strategic Report.

Political donations

The Company did not make any political donations during the year (2024: £nil).

Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Late Payment of Commercial Debts (Interest) Act 1998, as amended by the Late Payment of Commercial Debts 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 to those relating to, foreign currency exchange and interest rates. Details of the objectives and management of these instruments are contained in note 31 on risk management.

Employees

The Company has no employees. The majority of employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc, Aviva Employment Services Limited and Aviva Group Services Ireland Limited. Disclosures relating to employees may be found in the annual report and financial statements of these companies. The Company is recharged with the costs of the staff provided by these companies.

Disclosure of information to the 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 External Auditor, Ernst & Young, 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 Ernst & Young is aware of that information.

Independent auditors

It is the intention of the directors to reappoint the auditors, Ernst & Young LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Directors' report (continued)**Qualifying indemnity provisions**

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association. This indemnity is a 'qualifying third party indemnity' for the purposes of sections 309A to 309C of the Companies Act 1985 and remains 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 have the benefit of an 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 in section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors other than Charlotte Jones and Ian Clark 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 s309A to s309C 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 s234 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:

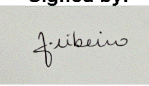
- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

They 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 27 March 2026

Signed by:



77892032D7C142F...

F Ribeiro

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF AVIVA INSURANCE LIMITED

Opinion

We have audited the financial statements of Aviva Insurance Limited (‘the Company’) for the year ended 31 December 2025 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows, including the related notes 1 to 36 (excluding the component of note 30 which is marked as ‘unaudited’) and the 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 of 31 December 2025 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:

- confirming our understanding of management’s going concern assessment process which covers the period up to 27 March 2027;
- verifying the accuracy and reasonableness of management’s analysis by testing the inputs, assessing key assumptions and checking the clerical accuracy of the models used;
- evaluating the solvency and liquidity position of the Company by reviewing base case solvency and liquidity projections that take into account future funding requirements for the Company as well as stress scenarios prepared by management;
- evaluating the financial strength of the parent company to provide support if necessary;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Company’s ability to continue as a going concern. We also obtained management’s assessment approved by the Board, minutes of meetings of the Board and its committees; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management’s assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for the period up to 27 March 2027.

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

Overview of our audit approach

Key audit matter	• Valuation of Insurance contract liabilities
Materiality	• Overall materiality of £82m, which represents 1% of Insurance revenue.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed by the audit engagement team or others.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. These centralised audit procedures were performed by our UK and Irish teams based on our assessment of materiality. This comprised audit work over i) invested assets managed by Aviva Investors (UK) ii) IT general controls (UK) iii) expenses recharged to the Company from Group service companies (UK) iv) transactions arising as a result of internal assumed reinsurance amounts (Ireland).

We exercised appropriate oversight over the work performed by other UK and Irish teams, including attending planning meetings, discussions with local management and reviewing relevant audit working papers on key areas of the audit. This, together with the additional procedures performed by the audit engagement team, gave us appropriate evidence for our opinion on the Company’s financial statements.

Climate change

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 – with a particular focus on evaluating management’s assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change. The Company has explained in notes 31 (e) (ii) and (g) how they have reflected the impact of climate change in their financial statements.

We also challenged the directors’ considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these have been considered within the procedures described above.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Risk	Our response to the risk
Valuation of Insurance contract liabilities - 2025: £9.9 billion (2024: £9.1 billion) <i>Refer to accounting policy (K) 'Insurance and reinsurance contracts'; and Note 22 - Insurance and Reinsurance Contracts.</i> The valuation of the liability for incurred claims (LIC) which forms part of the insurance contract liabilities is highly judgemental and susceptible to management override. 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 LIC'. • The determination of the bottom -up discount rates (including choice of illiquidity premium in the discount rates) and payment patterns used to derive the cash flows for incurred claims. • 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.	To obtain sufficient audit evidence to conclude on the appropriateness of the valuation of insurance contract liabilities, we performed the following procedures with support from our EY actuaries as part of the audit team: • Assessed the design and implementation of key controls over i) source data collection, extraction, and validation process and ii) the reserving calculations performed. • Assessed the reserving methodology applied by management - comparing the Company's reserving methodology with industry practice. • Performed independent re-projections of attritional classes of business on a sample basis (considering both quantitative and qualitative criteria) by applying our own assumptions and comparing these to management 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. We also formed an independent view of the additional claim costs arising from the current economic inflationary environment and emerging areas such as cladding and concussion. • Performed benchmarking of material industry issues such as large losses, assumptions used in inherently uncertain classes and new growing classes. In addition, we assessed management's approach to dealing with regulatory and legal changes against the requirements of IFRS 17 and the approach adopted by comparable industry participants. • Compared the approach adopted by management to calculate the discount rate - including the illiquidity premium - for consistency across periods and industry benchmarks and re-performed the calculation to ensure that the stated approach had been applied as intended. We also compared the changes in yield curves against our expectations based on the movement in the Bank of England risk free rates. • Validated the approach adopted by management to calculate the risk adjustment, including a comparison to other market participants. • Confirmed the completeness and accuracy of data used within the reserving process by reconciling it to source systems and third-party supporting evidence, where appropriate.
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 LIC which forms part of the insurance contract liabilities are reasonable and the resultant estimates are within an acceptable range.	

In the prior year, our key audit matter in relation to the valuation of actuarial reserves included the valuation on both a gross and net of reinsurance basis. We have refined our risk assessment in light of knowledge obtained during our initial audit and we have excluded the valuation of reinsurance contract assets on both quantitative grounds (the asset is small relative to gross reserves) and qualitative grounds (the reinsurance programme is generally non-complex).

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 £82m (2024: £77.7m), which is 1% (2024: 1%) of Insurance revenue. We believe that Insurance revenue provides us an appropriate benchmark for determining materiality as it is a key financial performance metric for the primary users of the financial statements which best reflects the relative size and complexity 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 should be derived from 75% (2024: 50%) of materiality, namely £61.5m (2024: £38.9m). The change in our assessment from the prior year reflects our expectation of errors arising and the fact that 2024 was our first as auditors of the Company.

Reporting threshold

Our reporting threshold is the amount below which identified misstatements are considered to be clearly trivial. We agreed with the Audit Committee that we would report all uncorrected misstatements in excess of £4.1m (2024: £3.9m). This threshold is derived from 5% of materiality.

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 the 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 the 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 12, 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 the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework.
- Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulators of the Company, which include the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the regulatory bodies, reviewed minutes of the Board and its committees and obtained an understanding of the Company's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management as to their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring 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.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the Key audit matter 'Valuation of insurance contract liabilities', with our responses to this specific risk discussed above. Our other audit procedures included:
 - Reviewing accounting estimates for evidence of management bias;
 - Evaluating the business rationale for significant and/or unusual transactions; and
 - Testing the appropriateness of journal entries recorded in the general ledger.

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 13 May 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.
- The period of total uninterrupted engagement is two years, covering the years ending 31 December 2024 and 31 December 2025.
- 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:


2ACA4F4646E4470...

Benjamin Gregory (Senior statutory auditor)

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

London

27 March 2026

Accounting policies

Statement of compliance

The Company (registered in Scotland no. SC002116), a private limited liability Company incorporated and domiciled in the United Kingdom ("UK"), transacts general insurance and health business. The address of the Company's registered office is included on page 3. The principal 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 land and buildings, investment property and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss; and
- Insurance and reinsurance 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 is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of a UK parent and is included in the consolidated financial statements for the Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

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 ("£m").

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 Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability which became effective for the annual reporting period beginning on 1 January 2025. The amendments do not have a significant impact on the Company's financial statements.

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 been 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 process of implementation, and 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 IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Amendments to the Classification and Measurement 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.

(ii) 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.

(iii) Contracts Referencing Nature-dependent Electricity: Amendments to IFRS 9 and IFRS 7

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

(iv) IFRS 19: Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 19: Subsidiaries without Public Accountability: Disclosures

Published by the IASB in May 2024 and August 2025. IFRS 19 and the amendments to IFRS 19 cannot be applied by the Company because they are only applicable to subsidiaries that have no public accountability. The standard and the amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

(v) Amendments to IAS 21: Translation to a Hyperinflationary Presentation Currency

Published by the IASB in November 2025. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have 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.

Critical accounting policies

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Item	Critical accounting judgement	Accounting policy	Note
Level of aggregation for insurance and reinsurance contracts	For measurement purposes, insurance and reinsurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups (see accounting policy K(c)), and judgement is applied to determine the profitability of contracts at initial recognition.	G & K	2, 22
Premium allocation approach (PAA)	Judgement is applied to determine if the group of contracts is eligible for the premium allocation approach (PAA) for measurement.	G & K	2, 22

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 below sets out those estimates considered particularly susceptible to changes in 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	Accounting policy	Note
Measurement of insurance contract liabilities and reinsurance contract assets	Principal assumptions used in the calculation of general insurance and health liabilities include the allowance for illiquidity in the discount rates used to determine our latent claim and structured settlements liabilities, 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) and the calibration of the risk adjustment.	G & K	22
Fair value of financial instruments, derivative financial instruments and investment property	Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	E, N, S, Y	13, 15, 16, 32

(C) Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the Company has control. The Company controls an investee if, and only if, the Company has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement. Where investments are impaired, the impairment is reviewed annually for possible reversal.

(D) 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 that are translated at the functional currency spot rates of exchange at the reporting date, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value and designated as held at fair value through profit or loss ("FVTPL") (see accounting policy S) are included in foreign exchange gains and losses in the income statement. Translation differences on assets held at amortised cost are included in foreign exchange gains and losses in the income statement.

Accounting policies (continued)

(E) Fair value measurement

Fair value is the price that would be received to sell an asset 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.

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.

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.

(F) 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.

(G) Insurance service result

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

i. Insurance revenue

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

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage; and
- 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 and acquisition cash flows are recognised in profit or loss over the coverage period of the contract, based on the passage of time.

ii. Insurance service expenses

For insurance contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) 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;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is 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.

iii. Net income and expenses from reinsurance contracts

Net income/(expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

Accounting policies (continued)

(H) Insurance finance result

Insurance finance income/(expenses) are calculated on insurance and reinsurance contracts, comprising:

- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows, including 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/income from (re)insurance contracts.

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

(I) Investment return

Investment return consists of dividends, interest and rents receivable for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments (as defined in accounting policy T). Dividends on equity securities are recorded as revenue on the ex-dividend date. Dividends from investments in subsidiaries are recorded as revenue on the date the dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

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. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(J) Fee and commission income

Fee and commission income consists primarily of ancillary services to customers. Fee and commission income is recognised over time as the services are provided.

(K) Insurance and reinsurance contracts

Insurance and reinsurance contracts are accounted for in accordance with IFRS 17 Insurance Contracts. The key measurement principles are outlined below.

(a) IFRS 17 measurement models

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

Model	Applicable business
PAA	– Short duration insurance and health contracts – Longer duration non-life insurance contracts which are eligible for PAA – Reinsurance contracts issued or held which meet PAA eligibility requirements
GMM	– Intra-group reinsurance contracts issued that are not eligible for PAA – Contracts reinsuring the adverse development of incurred claims, including the reinsurance of structured settlements to Aviva Life and Pensions UK Limited

The Company applies judgement when determining eligibility criteria for the PAA measurement models.

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 contractual service margin (CSM) where applicable. 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. 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 all of the Company's insurance and reinsurance contracts except for contracts that reinsure adverse development of incurred claims and intra-group reinsurance contracts issued by the Company that are accounted for using 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 coverage period of the contract, based on the passage of time.

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the LRC with a separate financial asset recognised for the amounts due from intermediaries. Commissions due to intermediaries are treated as paid within the LRC with a separate financial liability recognised. Variable commissions which are not yet due and which are dependent upon underwriting performance are measured within the liability for remaining coverage, until the coverage period expires and the liability amount is known, at which point they are reclassified as financial liabilities. Amounts payable on reinsurance arrangements settled on a funds withheld basis are not separated from the ARC (refer to accounting policy (K)(k) for more information).

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.

Accounting policies (continued)

(K) Insurance and reinsurance contracts (continued)

i. Premium allocation approach (PAA) (continued)

For most 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. For Health contracts, a PAA election is applied to measure the LIC on an undiscounted basis, allowable because claims are settled within 12 months of their incurred date.

ii. General measurement model (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. Except for reinsurance contracts held, 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.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

(b) Choice of measurement model

PAA eligibility

The vast majority of the Company's business has a duration of one year or less and is automatically eligible for the PAA model. For the remainder, financial modelling is performed 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 Company has multiple reinsurance contracts which are greater than one year in duration. These are assessed for PAA eligibility by applying the same financial modelling approach and are all PAA eligible except for treaties reinsuring the adverse development of incurred claims.

(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 are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and 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 not identified any insurance contract groups that have no significant possibility of becoming onerous.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The Company has not identified any reinsurance contract groups that have no significant possibility of a net gain arising subsequently.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment.

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, including the Combined Operating Ratio (COR), to identify facts and circumstances that may indicate a group of contracts is onerous. Where the COR for a contract group indicates that the group may be onerous, a further assessment is performed in accordance with IFRS 17 requirements.

Accounting policies (continued)

(K) Insurance and reinsurance contracts (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.

Reinsurance contracts are recognised on the following dates:

- Reinsurance contracts that provide proportionate coverage: the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts: the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company excess of loss and catastrophe cover reinsurance contracts.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

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 profitability groups 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. Cash flows are modelled separately for gross and reinsurance contracts.

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 can compel the policyholder to pay premiums or 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 the policyholder, so excluding expense risks) 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.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

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.

For risk-attaching reinsurance contracts, the contract boundary is deemed to expire after the coverage period on all insurance contracts attaching has expired. For reinsurance contracts reinsuring against adverse development on incurred claims, the contract boundary is deemed to expire after the ultimate cost of all reinsured claims has been determined.

ii. Principal non-financial assumptions

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

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 insurance contracts.

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 periodic payment orders with a lower percentage applied for other types of business that are considered partially liquid.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to claims payments that are directly linked to an inflation index.

Presentation of financial assumption changes

The Company has elected to recognise the impact of financial assumption changes in the income statement.

Accounting policies (continued)

(K) Insurance and reinsurance contracts (continued)

(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 with reference to the Company pricing and capital allocation framework, leveraging the Solvency UK view of non-financial risk, considering a lifetime view, and including diversification between risks.

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) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the coverage period of the contract as insurance related 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 gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h) below. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately 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 arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions; and
- Currency exchange differences.

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.

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 for adverse development cover reinsurance contracts issued are based upon the settlement profile of the underlying claims reinsured under the relevant contract.

(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. 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.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance. Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to changes in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

(i) Insurance acquisition cash flows

Insurance acquisition cash flows are initially deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products. For contract groups applying PAA, the Company has chosen not to apply an exemption to recognise insurance acquisition cash flows as an expense at the point they are incurred.

Where insurance acquisition cash flows are allocated to contract groups applying GMM, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer. Insurance acquisition cash flows allocated to contract groups applying PAA are recognised in the income statement over the coverage period of the contract based on the passage of time.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Company uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

(j) Adverse development cover reinsurance contracts held

Reinsurance contracts held which reinsure against the risk of adverse development of incurred claims apply the GMM model and are classified within the asset for remaining coverage. The net cost associated with these contracts is recognised within the income statement immediately, without the recognition of a CSM balance.

Accounting policies (continued)

(K) Insurance and reinsurance contracts (continued)

(k) Funds Withheld

The Company holds some intercompany reinsurance contracts which 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 share of fair value remeasurements on financial assets due to the reinsurer. The funds withheld 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 are included in the cash flows of the reinsurance contracts. Consequently, the measurement values of the reinsurance contracts are presented with the funds withheld included within the reinsurance contract liabilities.

(L) Intangible assets

Intangible assets consist primarily of internally developed systems and are carried at cost less accumulated amortisation and accumulated impairment losses. Directly attributable development expenditure on individual projects is capitalised as an intangible asset when the Company can demonstrate the technical feasibility and future economic benefits. Other costs are expensed as incurred. Amortisation begins when development is complete and the asset is available for use.

The economic lives of intangible assets are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. These intangibles are amortised over their useful lives, which range up to 10 years, using the straight-line method. The amortisation charge for the period is included in the income statement, within other expenses within note 4.

Impairment

The carrying amount of intangible assets is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Intangible assets are written down for impairment where the recoverable amount is insufficient to support its carrying value. Further details on intangible asset impairment testing are given in note 10. Any impairments are charged as expenses in the income statement.

(M) Property and equipment

Owner-occupied properties are carried at their revalued amounts and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives.

This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. See accounting policy BB for further information.

All other items classed as property and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write down the cost of other assets to their residual values over their estimated useful lives of three to five years. The assets' residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year end, and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition of property and equipment are capitalised. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(N) Investment property

Investment property is held for long-term rental yields and is not occupied by the Company. Completed investment property is stated at its fair value, as assessed by qualified external valuers. Changes in fair values are recorded in the income statement within net investment return.

(O) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(P) 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). Financial assets are mandatorily held 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. The Company's financial assets are managed on a fair value basis as this aligns with their regulatory basis. Therefore, all the Company's financial assets are mandatorily held at FVTPL.

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.

The Company measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

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.

Accounting policies (continued)

(Q) Impairment of financial assets

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as loans to banks, 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, except where the Company uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

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.

(R) Derecognition, contract modification and offset 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 where:

- 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.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(S) Financial investments

The Company classifies financial investments at FVTPL using the business model assessment as described in accounting policy P. The FVTPL category has two subcategories (see accounting policy Q) – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Debt securities and equity securities, which the Company acquires with the intention to resell in the short term and 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.

(T) Receivables

Receivables from Group operations, intermediaries or policyholders, includes insurance premium tax due from policyholders and amounts recoverable from third parties that are outside the scope of insurance contract measurement, are recognised as receivables only when they represent unconditional rights to consideration (such as amounts due after insurance coverage is provided). They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

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. The Company makes use of the simplified approach when calculating expected credit losses on receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses adjusted for forward looking information, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on receivables with related parties. Changes in the allowance for expected credit losses are recognised in the income statement.

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

Amounts due from policyholders and intermediaries that arise from insurance contracts within the scope of IFRS 17 and relate to coverage already provided or future coverage under those contracts are classified within (re)insurance contract assets or liabilities (see accounting policy K).

Loans due from Group operations

Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans that meet the SPPI criteria described in accounting policy (P) 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. Loans which do not meet the SPPI criteria are mandatorily held at FVTPL.

Expected credit losses for loans are calculated on a 12-month basis as loans due from Group operations are deemed to have low credit risk. The Company does not expect any material credit losses on loans due from Group operations.

Accounting policies (continued)

(U) Prepayments and Accrued income

Prepayment is recognised when cash is paid before the related goods or services are received and is subsequently amortised over the period of benefit.

Accrued income comprises rental income and interest earned but not yet received at the reporting date.

(V) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are recognised as payables only when they represent unconditional obligations to deliver cash or another financial asset (for example, amounts due for goods or services received, or financing obtained).

Payables and other financial liabilities, are recognised initially at cost, being fair value and are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are measured at fair value (see accounting policy Y).

A financial liability is removed from the statement of financial position when the obligation is settled, cancelled, or has expired. Any difference between the carrying amount of the liability removed and the consideration paid is recognised in profit or loss.

(W) Other liabilities

Other liabilities include accruals, insurance premium tax payables, levy payables, and other obligations arising from past events that are expected to result in an outflow of economic benefits and are not presented separately elsewhere in the Statement of Financial Position. Accruals and other obligations are recognised when the Company has a present obligation as a result of a past event and when the amount can be measured reliably. Insurance premium tax payables and levy payables are recognised when the Company has a present obligation in respect of the relevant underlying transactions.

Accruals are measured at the best estimate of expenditure required to settle the obligation, and insurance premium tax payables and levy payables are measured according to tax law or levy rules respectively.

(X) Borrowings

Borrowings including loans due to Group operations, are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

(Y) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit or equity indices, commodity values or equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, 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. The Company has not applied hedge accounting to any derivatives held, and they are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment return.

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 and foreign exchange contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. 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 32.

The Company has collateral agreements in place with relevant counterparties. Accounting policy Z below covers collateral, both received and pledged, in respect of these derivatives.

Interest rate, inflation rate and currency swaps

Interest rate and inflation rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate amounts by means of periodic payments, calculated on a specified notional amount and defined interest or inflation rates. Most interest and inflation rate swap payments are netted against each other, with the difference between the fixed and floating rate interest or inflation payments paid by one party.

Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Both types of swap contracts may include the net exchange of principal. Exposure to gain or loss on these contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

Foreign exchange contracts

Foreign exchange contracts, which include spot, forward, and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Foreign exchange option contracts are similar to interest rate option contracts, except that they are based on currencies, rather than interest rates. Exposure to gain or loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

Accounting policies (continued)

(Z) 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 (note 25). 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 financial investments.

(AA) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of investment property and financial investments, and related investment income, are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(BB) Leases

Where the Company is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Company has made use of the election available under IFRS 16 to not recognise any amounts on the statement of financial position associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis.

Where the Company is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Company has not entered into any material finance lease arrangements as lessor.

(CC) 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 date of the statement of financial position. 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)

(DD) 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

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.

(EE) 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.

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 shareholders.

(FF) Pensions

The Company has no employees, however, it is one of a number of companies in the Group being charged for staff participating in pension schemes in the UK and Ireland, and its contributions are affected by the financial position of these schemes. In the absence of any contractual arrangements to allocate the net defined benefit cost for these schemes, measured in accordance with IAS 19, to individual businesses, it is the Group policy to allocate this cost fully to the main trading companies. Full disclosure of the Group's pension schemes is given in the Annual report and accounts of the Group.

Income statement

For the year ended 31 December 2025

	Note	2025 £m	2024 £m
Insurance revenue	2	8,201	7,775
Insurance service expense	4	(7,154)	(6,722)
Net expense from reinsurance contracts	4	(642)	(773)
Insurance service result		405	280
Investment return	3	426	469
Net finance expense from insurance contracts	3	(358)	(157)
Net finance income from reinsurance contracts	3	210	76
Net financial result	3	278	388
Fee and commission income		38	50
Gain/(loss) on the remeasurement of subsidiaries	11	11	(246)
Other operating expenses	4	(104)	(37)
Other net foreign exchange (losses)/gains	4	(35)	10
Finance income		56	35
Finance costs		(21)	—
Profit before tax		628	480
Tax expense	8	(117)	(100)
Profit for the year		511	380

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 Company's profit for the year arises from continuing operations.

The accounting policies (identified alphabetically) on pages 17 to 28 and notes (identified numerically) on pages 33 to 87 are an integral part of the financial statements.

Annual Report and Financial Statements 2025

Statement of changes in equity

For the year ended 31 December 2025

						2025
	Note	Ordinary Share Capital	Capital contribution reserve	Special Reserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m
Balance at 1 January		544	233	111	1,379	2,267
Profit for the year		—	—	—	511	511
Total comprehensive income for the year		—	—	—	511	511
Shares issued ¹	19	4,065	—	—	—	4,065
Dividends paid	9	—	—	—	(875)	(875)
Balance at 31 December		4,609	233	111	1,015	5,968

¹ A total of 406,457 shares were issued with a nominal value of £10,000 each as part of the Company's acquisition of Direct Line Insurance Group Plc from AGH.

						2024
	Note	Ordinary Share Capital	Capital contribution reserve	Special Reserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m
Balance at 1 January		204	233	111	1,407	1,955
Profit for the year		—	—	—	380	380
Total comprehensive income for the year		—	—	—	380	380
Shares issued	19	340	—	—	—	340
Dividends paid	9	—	—	—	(408)	(408)
Balance at 31 December		544	233	111	1,379	2,267

The accounting policies (identified alphabetically) on pages 17 to 28 and notes (identified numerically) on pages 33 to 87 are an integral part of the financial statements.

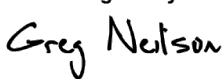
Annual Report and Financial Statements 2025

Statement of financial position

As at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Intangible assets	10	206	169
Investments in subsidiaries	11	6,905	2,402
Property and equipment	12	9	10
Investment property	13	255	249
Financial investments	16	5,948	5,811
Reinsurance contract assets	22	1,706	1,424
Deferred tax assets	23	45	96
Current tax assets		—	11
Receivables	17	2,188	2,164
Prepayments and accrued income	18	197	227
Cash and cash equivalents	29	618	784
Total assets		18,077	13,347
Equity			
Ordinary share capital	19	4,609	544
Other reserves	20	344	344
Retained earnings	21	1,015	1,379
Total equity		5,968	2,267
Liabilities			
Insurance contract liabilities	22	9,857	9,115
Reinsurance contract liabilities	22	106	89
Borrowings	34 (a)	260	266
Payables and other financial liabilities	25	1,577	1,289
Other liabilities	26	309	321
Total liabilities		12,109	11,080
Total equity and liabilities		18,077	13,347

The financial statements on pages 29 to 87 were approved and signed on behalf of the Board of Directors on 27 March 2026 by:

DocuSigned by:

 4473A7AE54AC432...
 G R Neilson
 Director

The accounting policies (identified alphabetically) on pages 17 to 28 and notes (identified numerically) on pages 33 to 87 are an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2025

	Note	2025 £m	2024 £m
Cash flows generated from operating activities			
Cash generated from operating activities ¹	29(a)	1,191	480
Tax paid		(50)	(43)
Total net cash generated from operating activities		1,141	437
Cash flows used in investing activities			
Additions to subsidiary undertakings	11(b)	(427)	(304)
Capitalised costs relating to internally generated intangible assets under development	10	(71)	(74)
Total net cash used in investing activities		(498)	(378)
Cash flows used in financing activities			
Dividends paid to ordinary shareholders	9	(841)	(408)
Payment of principal on lease liabilities	14(i)	—	(5)
Interest paid on intercompany loans		(21)	(28)
Interest received on intercompany loans		13	17
Proceeds from issue of ordinary shares	19	—	340
Total net cash used in financing activities		(849)	(84)
Total net decrease in cash and cash equivalents		(206)	(25)
Cash and cash equivalents net of bank overdrafts at 1 January		401	426
Cash and cash equivalents net of bank overdrafts at 31 December	29(c)	195	401

¹Cash flows generated from operating activities include cash dividends received from subsidiaries of £148 million (2024: *£nil million*), dividends received on financial investments of £22 million (2024: *£23 million*) and interest received on financial investments of £75 million (2024: *£84 million*).

The accounting policies (identified alphabetically) on pages 17 to 28 and notes (identified numerically) on pages 33 to 87 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:

	2025	2024
Euro	1.1469	1.2064
US Dollar	1.3492	1.2566
Canadian Dollar	1.8472	1.8076

2. Insurance Revenue

	2025	2024
	£m	£m
Amounts relating to the changes in the liability for remaining coverage:		
CSM recognised for the services provided	34	28
Change in risk adjustment for non-financial risk for risk expired	14	17
Expected incurred claims and other insurance service expenses	372	331
Contracts measured under the GMM	420	376
Contracts measured under the PAA	7,781	7,399
Total insurance revenue	8,201	7,775

3. Net Financial Result

The following table analyses the Company's net financial results in the Income Statement.

	2025	2024
	£m	£m
Interest and similar income	78	120
Dividend income	22	23
Net expense with Group undertakings	(185)	(153)
Dividends received from subsidiaries	158	264
Net gains from financial assets mandatorily at FVTPL	353	215
Total investment return	426	469
Interest accreted	(310)	(320)
Effect of, and changes in, interest rates and other financial assumptions	(48)	163
Total net finance expense from insurance contracts	(358)	(157)
Interest accreted	185	195
Effect of, and changes in, interest rates and other financial assumptions	25	(119)
Net finance income from reinsurance contracts	210	76
Net financial result	278	388

Notes to the financial statements

4. Details of expenses

	Note	2025 £m	2024 £m
Claims and benefits incurred			
Claims and benefits incurred		5,444	5,068
Claim recoveries from reinsurers		(3,020)	(2,747)
Claims and benefits incurred, net of recoveries from reinsurers		2,424	2,321
Losses on onerous insurance contracts		2	43
Fee and commission expense			
Commission expenses		1,436	1,413
Other acquisition costs		389	336
Amortisation of insurance acquisition cash flows		(139)	(187)
Fee and commission expense		1,686	1,562
Other expenses			
Amortisation of intangible assets	10	30	48
Impairment of intangible assets	10	4	5
(Gain)/loss on the remeasurement of subsidiaries	11	(11)	246
Other expenses		92	33
Other net foreign exchange losses/(gains)		35	(10)
Total expenses		4,262	4,248
<i>Represented by expenses included within the income statement:</i>			
Insurance service expense		7,154	6,722
Net expense recovery from reinsurance contracts		(3,020)	(2,747)
(Gain)/loss on the remeasurement of subsidiaries		(11)	246
Other operating expenses ¹		104	37
Other net foreign exchange gains		35	(10)
Total expenses		4,262	4,248

Net expense recovery from reinsurance contracts is presented in the income statement within net expense from reinsurance contracts of £642 million (2024: £773 million). The table below provides a breakdown of this:

	2025 £m	2024 £m
Net expense recovery from reinsurance contracts	3,020	2,747
Premiums paid to reinsurers	(3,662)	(3,520)
Net expense from reinsurance contracts	(642)	(773)

¹Other operating expenses comprise costs not directly attributable to insurance contracts, including amortisation of intangibles, corporate overheads, and integration and restructuring costs.

5. Employee information

The Company has no employees (2024: none). The majority of staff engaged in the activities of the Company are employed by Aviva Employment Services Limited, a fellow subsidiary undertaking of Aviva plc. 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.

Notes to the financial statements

6. Directors' remuneration

Ms Jones, Mr Neilson, Mr Pond and Mr Storah were remunerated during the period by Aviva Employment Services Limited, a fellow subsidiary of the Group. Ms Jones was remunerated for her services to the Group as a whole. Ms Jones was not remunerated for her services as a director of the Company and the amount of her time spent performing her duties was incidental to her role across the Group. As a result of a process refinement, the amounts presented for 2025 exclude directors where their time spent on duties of the Company is incidental to their broader role across the Group.

Mr Neilson's, Mr Pond's and Mr Storah's remuneration are also disclosed within the aggregate of the key management compensation in note 34(b).

The fees for Mr C J Clark, Mr I E Clark, Ms Fry, Mr Haria, Mr Marock, Ms Nestares and Mr Scott are paid for and borne by the Company, with the exception of any additional fees paid by the ultimate parent Company Aviva Plc to Mr I E Clark where he represented the Company on certain Group matters.

The remuneration in respect of Mr C J Clark, Mr I E Clark, Ms Fry, Mr Haria, Mr Marock, Mr Neilson, Ms Nestares, Mr Pond, Mr Scott, Mr Storah is shown in the table below:

	2025	2024
	£'000	£'000
Aggregate remuneration	3,137	4,386
Company pension contributions to a money purchase scheme	—	190
Aggregate amount paid to or receivable under long-term incentive schemes	2,032	1,998
	5,169	6,574

During the year, none of the directors (2024: none) accrued retirement benefits under money purchase schemes and none of the directors (2024: none) accrued retirement benefits under defined benefit schemes.

During the year, none of the directors (2024: none) exercised share options, and three of the directors (2024: four) received shares under long term incentive schemes.

The details of the highest paid director are as follows:

	2025	2024
	£'000	£'000
Aggregate remuneration	1,417	1,754
Company pension contributions to a money purchase scheme	—	80
	1,417	1,834

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

7. Auditors' remuneration

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

	2025	2024
	£'000	£'000
Fees payable for the statutory audit of the Company's financial statements	3,901	3,363
Audit related assurance services	349	362
	4,250	3,725

All audit fees in 2025 (2024: all) were paid by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies in respect of the statutory audit.

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 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 financial statements of Aviva plc.

Notes to the financial statements

8. Tax

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2025	2024
	£m	£m
Current tax		
For the period	(65)	(60)
Adjustments in respect of prior years	(1)	10
Total current tax	(66)	(50)
Deferred tax		
Origination and reversal of temporary differences	(51)	(50)
Total deferred tax	(51)	(50)
Total tax charged to the income statement	(117)	(100)
United Kingdom tax	(110)	(100)
Overseas tax	(7)	—
	(117)	(100)

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

	2025	2024
	£m	£m
Unused losses and tax credits	(50)	(52)
Provisions and other temporary differences	(1)	1
Accelerated capital allowances	—	(1)
Pensions and other post retirement obligations	—	2
Total deferred tax (charged)/credited to the income statement	(51)	(50)

(b) Tax credited to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2025 or 2024.

(c) Tax reconciliation

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

	Note	2025	2024
		£m	£m
Total profit before tax		628	480
Tax calculated at standard UK corporation tax rate of 25.0% (2024: 25.0%)		(157)	(120)
Adjustment to tax charge in respect of prior periods		—	10
Non-assessable income		47	71
Disallowable expenses		—	(1)
Different local basis of tax on overseas profits		(7)	—
Movement in valuation of deferred tax		—	1
Impairment reversal of investment in subsidiaries		—	(61)
Total tax charged to the income statement	8(a)(i)	(117)	(100)

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 2024. No current tax charge is incurred in respect of these provisions.

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.

Notes to the financial statements

9. Dividends

	Note	2025	2024
		£m	£m
<i>Ordinary dividends declared and charged to equity in the year:</i>			
Interim dividend - £2,668 per share, declared in August 2024		—	145
Interim dividend - £4,840 per share, declared in November 2024		—	263
Interim dividend - £6,441 per share, declared in February 2025		350	—
Interim dividend - £369 per share, declared in July 2025		170	—
Interim dividend - £772 per share, declared in November 2025		355	—
	34(a)(v)	875	408

Interim ordinary dividends of £350 million were declared in February 2025 and settled in March 2025, followed by dividends of £170 million declared in July 2025 and settled in August 2025, and £355 million declared in November 2025 and settled in December 2025. All dividends were settled in cash in 2025 and 2024, with the exception of interim dividend declared in November 2025 where £34 million was offset against interest due from AGH on intercompany borrowings.

In accordance with accounting policy EE all interim ordinary dividends settled during 2025 are recognised in the 2025 accounting period.

Notes to the financial statements

10. Intangible assets

	Note	Total £m
Gross amount		
At 1 January 2024		453
Additions		74
Retirements		(18)
Impairments		(6)
At 31 December 2024		503
Additions		71
Retirements		(85)
Impairments	4	(9)
At 31 December 2025		480
Accumulated amortisation		
At 1 January 2024		(305)
Amortisation for the year	4	(48)
Retirements		18
Impairments	4	1
At 31 December 2024		(334)
Amortisation for the year	4	(30)
Retirements		85
Impairments	4	5
At 31 December 2025		(274)
Carrying amount		
At 1 January 2024		148
At 31 December 2024		169
At 31 December 2025		206

Intangible assets consist primarily of costs relating to various internally developed systems, providing new and enhanced solutions across a number of software used by the Company and a definite life intangible recognised upon the acquisition of Azur Underwriting Ltd in 2023. Costs are being amortised over different periods based on the anticipated period over which the Company expects to obtain future economic benefit for the assets created, and this ranges from 3 to 10 years across the Company's intangible assets. In addition, £147 million of intangibles under construction are included at 31 December 2025 (2024: £100 million), in respect of capitalised spend pertaining to various internally developed software projects.

During 2025, fully amortised intangible assets relating to internally developed software were retired as their use became obsolete (cost of £85 million fully offset by accumulated amortisation of £85 million), resulting in a net nil impact to profit. In addition, further intangible assets relating to internally developed software have been impaired by £4 million (cost £9 million offset by £5m accumulated amortisation) as its future use has been limited.

11. Investments in subsidiaries

(a) Movements in the Company's investments in its subsidiaries

	Note	2025 £m	2024 £m
Cost at 1 January		2,402	2,075
Additions	11(b)	4,492	573
Gain / (loss) on investments in subsidiaries	11(b)	11	(246)
Cost at 31 December		6,905	2,402

(b) Material movements in the year

(i) Additions

Additions of £4,492 million (2024: £573 million) comprised:

- the Company's acquisition of Direct Line Group. Aviva plc acquired Direct Line Group on 2 July 2025. The legal title and entire beneficial interest was transferred to AGH with further onward transfer to the Company executed on 2 July 2025. The total consideration paid by the Company was £4,275 million comprising £4,065 million share capital issued and £210 million cash. A further capital injection of £150 million was made in December 2025; and
- a capital injection of £67 million into Probitas in December 2025.

Notes to the financial statements

11. Investments in subsidiaries (continued)

(b) Material movements in the year (continued)

(ii) Impairments and impairment reversals

In accordance with IAS 36 *Impairment of Assets*, the Company's investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

The annual impairment assessment performed for 2025 concluded that no impairments were identified and, accordingly, no impairment charge was recognised. Instead, an £11 million reversal of previously recognised impairment losses was recognised in profit or loss during the period and presented within other income. The reversal arose as the fair value of Solus (London) Limited exceeded its carrying amount, providing sufficient headroom to support the reversal of historical impairment losses.

The £246 million impairment charge recognised in 2024 arose in July 2024, when the Company acquired 100% of the share capital in Probitas Holdings (Bermuda) Limited and its subsidiaries ("Probitas") for £246 million. This entity was immediately liquidated, passing its net assets to Probitas Holdings (UK) Limited. The Company therefore fully impaired its investment in Probitas Bermuda Holdings Limited.

The Company has an investment in Aviva UK Digital Limited ("UKD"), an affiliated insurance intermediary. UKD's recoverable amount is based upon its fair value less costs to sell in a discounted cashflow model projected over 11 years with a terminal value, which provides approximately £398 million headroom on a carrying value of £336 million. Inputs into the valuation calculation are:

- Discount rate of 10.36%
- Average growth rate of 3.0% per annum
- Arms-length ratio of expenses to commission revenue of 75% to remove the beneficial impact of Group synergies, which would not be available to an independent third party.
- Market commission rates which UKD would be expected to earn on contracts written on an arms-length basis, split between each key product portfolio being, Motor at 14.1%, Home at 23.2%, and other products at 18.6%. Commission rates used were calculated as an average of actual rates the Company paid to third party intermediaries during 2025 for products similar to those sold through UKD.

The model is sensitive to the judgemental nature of the arms-length commission rates applied, which if each were reduced by greater than 3%, the headroom on the investment in UKD would be eliminated.

c) Related undertakings

See note 35 for details of all related undertakings.

12. Property and equipment

	Freehold £m	Leasehold £m	Other tangible assets £m	Total £m
Cost or valuation				
At 1 January 2024	5	392	9	406
Derecognition of right of use assets	—	(392)	—	(392)
At 31 December 2024	5	—	9	14
At 31 December 2025	5	—	9	14
Depreciation and impairment				
At 1 January 2024	(1)	(392)	(2)	(395)
Depreciation for the year	—	(1)	(1)	(2)
Derecognition of right of use assets	—	393	—	393
Transfer	1	—	(1)	—
At 31 December 2024	—	—	(4)	(4)
Depreciation for the year	—	—	(1)	(1)
At 31 December 2025	—	—	(5)	(5)
Carrying amount				
1 January 2024	4	—	7	11
31 December 2024	5	—	5	10
31 December 2025	5	—	4	9

Owner-occupied properties are stated at their revalued amounts, as assessed by qualified external valuers. The effective date of the last revaluation is 31 December 2025. These valuations are assessed in accordance with the relevant parts of the current Royal Institute of Chartered Surveyors Appraisal and Valuation Standards in the UK, and with current local valuation practices in other countries. This assessment is in accordance with UK Valuations Standards ("Red Book") and is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, on the basis of the highest and best use of the asset that is physically possible, legally permissible and financially feasible. The valuation assessment adopts market based evidence and is in line with guidance from the International Valuation Standards Committee and the requirements of *IAS 16, Property, Plant and Equipment*.

Notes to the financial statements

13. Investment property

	2025	2024
	£m	£m
Carrying value		
At 1 January	249	223
Additions	—	27
Capitalised expenditure on existing properties	—	1
Fair value gains/(losses)	9	(2)
Disposals	(3)	—
At 31 December	255	249

See note 15 "Fair value methodology" for further information on the fair value measurement and valuation techniques of investment property.

The fair value of investment properties leased to third parties under operating leases at 31 December 2025 was £255 million (2024: £249 million). Further contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 14.

14. Lease assets and liabilities

The Company's leased assets consist of leasehold investment properties carried at fair value (see note 13) which are sublet to third parties. Leasehold investment properties are measured in accordance with IAS 40 Investment Property (see accounting policy N).

Although the Company is exposed to changes in the residual value at the end of the current leases to third parties on investment property, the Company typically enters into new operating leases and therefore is not expected to immediately realise any reduction in residual value at the end of these leases. Expectations of the future residual values are reflected in the fair value of the properties.

- (i) Total cash outflows recognised in the year in relation to leases was nil (2024: £5 million).
- (ii) Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases (on leasehold investment properties) are as follows:

	2025	2024
	£m	£m
Within 1 year	15	14
Later than 1 year and not later than 5 years	49	48
Later than 5 years	79	72
Total lease rentals receivable	143	134

15. Fair value methodology

This note explains the methodology for valuing the Company's assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs.

(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:

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 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

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 an 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.

Notes to the financial statements

15. Fair value methodology (continued)

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

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 certain private equity investments and private placements.

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

No changes were made to the valuation techniques during the year.

(c) Carrying amounts and fair value of financial instruments

The carrying amounts of financial assets and financial liabilities are set out in the following table:

Notes	31 December 2025			31 December 2024		
	Mandatorily held at FVTPL	Amortised cost	Total carrying amount	Mandatorily at FVTPL	Amortised cost	Total carrying amount
	£m	£m	£m	£m	£m	£m
Financial assets						
Receivables	17	189	1,999	2,188	—	2,164
Prepayments and accrued income	18	—	197	197	—	227
Cash and cash equivalents	29	—	618	618	—	784
Financial investments	16	5,948	—	5,948	5,811	—
Debt securities		2,885	—	2,885	2,971	—
Equity securities		14	—	14	13	—
Other investments (including derivative assets)		3,049	—	3,049	2,827	—
Financial liabilities						
Payables and other financial liabilities (excl. derivative liabilities)	25	—	1,351	1,351	—	1,005
Borrowings ¹		—	260	260	—	266
Other liabilities	26	—	309	309	—	321
Derivative liabilities	32	226	—	226	284	—

¹Items classified as Borrowings for the year ended 31 December 2024 were previously reported within Payables and other financial liabilities. The comparatives have been represented for consistency in presentation.

Fair values of the following financial assets and financial liabilities approximate their carrying amounts and are classified at amortised cost:

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

Notes to the financial statements

15. Fair value methodology continued

(d) Fair value hierarchy

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below:

	Fair value hierarchy					Total carrying value
	Level 1	Level 2	Level 3	Sub-total Fair value	Amortised cost	
31 December 2025	£m	£m	£m	£m	£m	£m
Recurring fair value measurements						
Investment property	—	—	255	255	—	255
Owner-occupied properties	—	—	5	5	—	5
Receivables	—	—	189	189	1,999	2,188
Prepayments and accrued income	—	—	—	—	197	197
Cash and cash equivalents	—	—	—	—	618	618
Debt securities	1,333	1,552	—	2,885	—	2,885
Equity securities	—	—	14	14	—	14
Other investments (including derivative assets)	2,653	165	231	3,049	—	3,049
Total financial assets	3,986	1,717	694	6,397	2,814	9,211
Financial liabilities measured at fair value						
Payables and other financial liabilities (excluding derivative liabilities)	—	—	—	—	1,351	1,351
Borrowings ¹	—	—	—	—	260	260
Other liabilities	—	—	—	—	309	309
Derivative liabilities	—	226	—	226	—	226
Total financial liabilities	—	226	—	226	1,920	2,146

	Fair value hierarchy					Total carrying value
	Level 1	Level 2	Level 3	Sub-total fair value	Amortised cost	
31 December 2024	£m	£m	£m	£m	£m	£m
Recurring fair value measurements						
Investment property	—	—	249	249	—	249
Receivables	—	—	—	—	2,164	2,164
Prepayments and accrued income	—	—	—	—	227	227
Cash and cash equivalents	—	—	—	—	784	784
Debt securities	1,337	1,634	—	2,971	—	2,971
Equity securities	—	—	13	13	—	13
Other investments (including derivative assets)	2,456	156	215	2,827	—	2,827
Total financial assets	3,793	1,790	477	6,060	3,175	9,235
Financial liabilities measured at fair value						
Payables and other financial liabilities (excluding derivative liabilities)	—	—	—	—	1,005	1,005
Borrowings ¹	—	—	—	—	266	266
Other liabilities	—	—	—	—	321	321
Derivative liabilities	—	284	—	284	—	284
Total financial liabilities	—	284	—	284	1,592	1,876

¹Items classified as Borrowings for the year ended 31 December 2024 were previously reported within Payables and other financial liabilities. The comparatives have been represented for consistency in presentation.

IFRS 13 Fair Value Measurement permits assets and liabilities to be measured at fair value on either a recurring or non-recurring basis. Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period, whereas non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances.

Notes to the financial statements

15. Fair value methodology (continued)

(e) Valuation approach for fair value assets and liabilities classified as Level 2

See note 15(a) for a description of typical Level 2 inputs.

Fixed maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, sale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers. Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

(f) 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 period.

There were no material transfers between levels of the fair value hierarchy following the assessment made at the end of 2025 and 2024.

(g) Further information on Level 3 financial instruments

The table below shows movements in the Level 3 assets and liabilities measured at fair value:

	Equity securities	Investment property	Other investments
	£m	£m	£m
Balance at 1 January 2025	13	249	215
Total net gains recognised in the income statement	1	9	—
Purchases	—	—	16
Disposals	—	(3)	—
Balance at 31 December 2025	14	255	231

	Equity securities	Investment property	Other investments
	£m	£m	£m
Balance at 1 January 2024	9	223	219
Total net gains/(losses) recognised in the income statement	4	(2)	(21)
Purchases	—	28	17
Balance at 31 December 2024	13	249	215

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

Investment property

Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. The Company's methodology requires external valuers in the UK to apply the 'Sustainability and ESG in commercial property valuation and strategic advice' guidance note issued by The Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable.

Other investments

Unit Trusts and other investment funds including property funds are valued based on external valuation reports received from fund managers. Where valuations are at a date other than the balance sheet date, as is the case for some private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

Sensitivities

The valuation of level 3 assets involves a high degree of judgement and estimation uncertainty due to the reliance of valuation models on unobservable inputs. Where possible, the Company tests the sensitivity of the fair values of Level 3 assets and liabilities to changes in unobservable inputs to reasonable alternatives. Level 3 valuations are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Company undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally-modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.

Notes to the financial statements

15. Fair value methodology (continued)

(g) Further information on Level 3 financial instruments (continued)

- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, net asset value multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

The table below shows the sensitivity of the fair value of Level 3 investments to changes in unobservable inputs to a reasonable alternative:

		2025			
	Fair value £m	Most significant unobservable inputs	Reasonable change	Positive impact £m	Negative impact £m
Investment property	255	Estimated rental yields	+/- 10%	+25	-25
Equity securities	14	Market multiples applied to net asset values	+30% / -20%	+4	-3
<i>Other Investments:</i>					
Property funds	124	Market multiples applied to net asset values	0% to +10% / 0% to -10% ¹	+4	-8
Other investments	107	Market multiples applied to net asset values	+30% / -20%	+32	-21

		2024			
	Fair value £m	Most significant unobservable inputs	Reasonable change	Positive impact £m	Negative impact £m
Investment property	249	Estimated rental yields	+/- 10%	+25	-25
Equity securities	13	Market multiples applied to net asset values	+30% / -20%	+4	-3
<i>Other Investments:</i>					
Property funds	121	Market multiples applied to net asset values	0% to +10% / 0% to -10% ¹	+3	-5
Other investments	94	Market multiples applied to net asset values	+30% / -20%	+28	-19

1. Dependent on investment category

16. Financial investments

This note analyses our financial investments by type and shows their cost and fair value. These will change from one period to the next as a result of new business written, claims paid and market movements.

(a) Carrying amount

Financial investments comprise:

	2025 £m	2024 £m
Fixed maturity securities		
Debt securities		
UK Government	929	915
Non-UK Government	488	531
Corporate	1,468	1,525
	2,885	2,971
Equity securities	14	13
Other investments		
Unit trusts and other investment vehicles	2,862	2,648
Derivative financial instruments	187	179
	3,049	2,827
Total financial investments	5,948	5,811
	2025 £m	2024 £m
Expected to be recovered in less than one year	3,098	2,870
Expected to be recovered in more than one year	2,850	2,941
	5,948	5,811

Financial investments are held mandatorily at fair value through profit or loss (FVTPL) as the investments are managed and their performance evaluated on a fair value basis to support the Company in managing its capital on a regulatory basis (Solvency UK). Financial investments include £73 million (2024: £105 million) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Company.

Notes to the financial statements

16. Financial investments continued

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments.

	2025				2024			
	Cost/ amortised cost	Unrealised gains	Unrealised losses	Fair value	Cost/ amortised cost	Unrealised gains	Unrealised losses	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities	3,163	—	(278)	2,885	3,295	—	(324)	2,971
Equity securities	8	6	—	14	8	5	—	13
Unit trusts and other investment vehicles	2,382	482	(2)	2,862	2,352	301	(5)	2,648
Derivative financial instruments	1	186	—	187	(22)	201	—	179
	5,554	674	(280)	5,948	5,633	507	(329)	5,811

All unrealised gains and losses and impairments on financial investments classified as FVTPL have been recognised in the income statement.

Unrealised gains and losses on financial investments classified as at FVTPL, recognised in the income statement in the year, were a net gain of £395 million (2024: net gain of £178 million).

The movement in the unrealised gain/loss position reported in the statement of financial position during the year, shown in the table above, includes transfers due to the realisation of gains and losses on disposal.

17. Receivables

	Note	2025 £m	2024 £m
Amounts owed by contract holders		202	53
Amounts owed by intermediaries		852	869
Amounts due from reinsurers		—	122
Group relief receivable	23(a)	137	142
Amounts due from parent	34(a)(v)	45	36
Amounts due from subsidiaries and associates	34(a)(v)	154	125
Amounts due from other Group companies	34(a)(v)	48	63
Loans due from parent	34(a)(i)	500	500
Loans due from subsidiaries	34(a)(i)	189	194
Other receivables		61	60
Total at 31 December		2,188	2,164
Expected to be recovered in less than one year		1,361	1,328
Expected to be recovered in more than one year		827	836
		2,188	2,164

Amounts due from reinsurers worth £149 million in 2025 have been reclassified as reinsurance assets.

Concentrations of credit risk with respect to receivables, external to the Company and the wider Aviva plc group, are limited due to the size and spread of the Company's trading base. No further credit risk provision is therefore required in excess of provisions already recognised for estimated credit loss.

18. Prepayments and accrued income

	2025 £m	2024 £m
Accrued interest income	139	170
Accrued rent	14	12
Other prepayment and accrued income	44	45
Total Prepayments and accrued income	197	227

Prepayments and accrued income of £197 million (2024: £227 million) are expected to be recovered within one year of the statement of financial position date.

Notes to the financial statements

19. Ordinary share capital

Allotted, called up and fully paid	Number of shares (£10,000 per share)	£m
At 1 January 2024	20,364	204
Issued on 3 January 2024	9,980	100
Issued on 1 July 2024	1,692	17
Issued on 5 July 2024	22,307	223
At 31 December 2024	54,343	544
Issued on 2 July 2025	406,400	4,064
Issued on 25 July 2025	57	1
At 31 December 2025	460,800	4,609

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.

A total of 406,457 shares were issued with a nominal value of £10,000 each as part of the Company's acquisition of Direct Line Insurance Group Plc from Aviva Group Holdings Limited (AGH).

20. Other reserves

	Capital contribution reserve	Special reserve	Total other reserves
	£m	£m	£m
Balance at 1 January 2024	233	111	344
Balance at 31 December 2024	233	111	344
Balance at 31 December 2025	233	111	344

Capital contribution reserve

In December 2019, the Company acquired the remaining 69% of the share capital of Aviva UK Digital Limited, that the Company did not already hold from its immediate parent Aviva Group Holdings Limited ("AGH") by way of a capital contribution received from AGH of £233 million.

Special reserve

On 31 December 2007, the Company's parent at the time, Aviva International Insurance Limited ("AII") transferred its entire shareholding in Aviva Insurance UK Limited at its fair value of £1,348 million to the Company. The consideration was satisfied by the issue of new shares in the Company with the nominal value of £1,237 million to AII, and the establishment of a special non-distributable reserve of £111 million under the group reconstruction relief provisions of section 611 of the Companies Act 2006.

21. Retained earnings

	Note	2025	2024
		£m	£m
At 1 January		1,379	1,407
Profit for the year		511	380
Dividends paid	9	(875)	(408)
Balance at 31 December		1,015	1,379

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.

Notes to the financial statements

22. Insurance and reinsurance contracts

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

Reportable product group	Products and services	Measurement model
Personal lines	General insurance products such as Home and Motor issued to retail policyholders by the Company.	Measured using the PAA
Commercial lines	General insurance products such as Property, Motor, Liability and Specialty issued to commercial policyholders by the Company.	Measured using the PAA
Assumed reinsurance	General insurance business assumed from subsidiaries of the Company from intra-group reinsurance contracts.	Measured using the GMM
Health	Private medical insurance contracts issued by the Company.	Measured using the PAA

The Company has presented the information about reinsurance contracts held as follows:

Reportable product group	Products and services	Measurement model
Adverse development cover ("ADC")	External and internal reinsurance contracts reinsuring against the risk of adverse development on incurred claims.	Measured using the GMM
Other reinsurance	All other reinsurance contracts held.	Measured using the PAA

The following reconciliations show how the carrying amounts of insurance and reinsurance 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 measured under the GMM, 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.

(a) Carrying amount

Insurance contracts at 31 December comprised:

	2025					2024				
	Personal Lines	Commercial Lines	Health	Assumed Reinsurance	Total	Personal Lines	Commercial Lines	Health	Assumed Reinsurance	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contract liabilities:										
Insurance contract balances	2,489	6,606	110	773	9,978	2,223	6,218	123	689	9,253
Assets for insurance acquisition cashflows	(83)	—	(38)	—	(121)	(74)	—	(64)	—	(138)
Total insurance contract liabilities	2,406	6,606	72	773	9,857	2,149	6,218	59	689	9,115

Reinsurance contracts at 31 December comprised:

	2025			2024		
	ADC	Other reinsurance	Total	ADC	Other reinsurance	Total
	£m	£m	£m	£m	£m	£m
Reinsurance contract assets	(894)	(812)	(1,706)	(839)	(585)	(1,424)
Reinsurance contract liabilities ¹	(167)	273	106	(151)	240	89
Total Reinsurance Contracts	(1,061)	(539)	(1,600)	(990)	(345)	(1,335)

¹Reinsurance contract liabilities includes the net of the Fund Withheld Account and Asset for Remaining Coverage on AIL.

At 31 December 2025, the maximum exposure to credit risk from insurance contracts is £1,303 million (2024: £1,268 million), which primarily relates to premiums receivable on insurance contracts the Company has issued, and the maximum exposure to credit risk from reinsurance contracts is £1,706 million (2024: £1,426 million).

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts

The following movements have occurred in the carrying amount for gross insurance contract balances in the period:

		2025	2024
	Notes	£m	£m
Carrying amount at 1 January		9,253	8,504
Insurance revenue	2	(8,201)	(7,775)
Insurance service expenses	4	7,154	6,722
Insurance finance expense	3	358	157
Movements in exchange rates and other changes		(1)	(13)
Premiums received		8,151	7,965
Claims and expenses paid		(5,022)	(4,701)
Acquisition cash flows		(1,714)	(1,606)
Carrying amount at 31 December		9,978	9,253

Included within the carrying amounts of insurance and reinsurance contracts are: the present value of expected future cashflows, representing a best estimate, the risk adjustment for non-financial risk; and the CSM, representing the unearned profit on future service.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in following tables.

The following summarises movements in CSM that have occurred on assumed reinsurance contracts during the period:

	2025	2024
	£m	£m
CSM in respect of insurance contracts (assumed reinsurance)		
At 1 January	24	11
CSM recognised for services provided	(34)	(28)
Other movements in CSM	27	41
At 31 December	17	24

CSM recognised for services provided includes CSM on new business assumed through reinsurance contracts.

Other movements in CSM includes the CSM recognised on new business from assumed reinsurance contracts, the remeasurement of contracts (covering non-financial assumption changes and experience variances on all contracts) and interest accretion on the CSM balance which is recognised within net finance expense / income from insurance contracts. The CSM recognised for services provided reflects the release of the CSM balance to profit as service is provided under the contracts.

The CSM in respect of insurance contracts (assumed reinsurance) has marginally decreased in the period. The CSM recognised in the period of £34 million (2024: £28 million) is a component of insurance revenue.

All CSM relates to contracts that existed on transition to IFRS 17 to which the fully retrospective approach was applied or contracts recognised post-transition to IFRS 17.

No CSM has been recognised on reinsurance contracts held by the Company.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

The following summarises movements in the gross risk adjustment that have occurred during the period:

	2025					2024				
	Personal Lines	Commercial Lines	Health	Assumed Reinsurance	Total	Personal Lines	Commercial Lines	Health	Assumed Reinsurance	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Risk adjustment in respect of insurance contracts										
At 1 January	73	225	1	31	330	70	219	2	30	321
Change in risk adjustment for risk expired	—	—	—	(14)	(14)	—	—	—	(17)	(17)
Other movements in risk adjustment	17	13	1	16	47	3	6	(1)	18	26
Gross risk adjustment at 31 December	90	238	2	33	363	73	225	1	31	330

The increase in risk adjustment reflects growing business volumes and matches a corresponding increase in the estimates of present value of future cashflows. The change in risk adjustment for risk expired relates to the run-off of the risk adjustment on assumed reinsurance contracts applying the GMM. Other movements in the risk adjustment represents the net impact of the risk adjustment on newly incurred claims, the run-off of risk adjustment on claims as they are settled and the impact of any assumption changes.

The following summarises movements in the reinsurance risk adjustment that have occurred during the period:

	2025			2024		
	ADC	Other reinsurance	Total	ADC	Other reinsurance	Total
	£m	£m	£m	£m	£m	£m
Risk adjustment in respect of reinsurance contracts						
At 1 January	(70)	(145)	(215)	(81)	(145)	(226)
Change in risk adjustment for risk expired	6	—	6	6	—	6
Other movements in risk adjustment	(15)	(7)	(22)	5	—	5
Reinsurance risk adjustment at 31 December	(79)	(152)	(231)	(70)	(145)	(215)

The change in risk adjustment for risk expired relates to the run-off of the risk adjustment on reinsurance contracts held applying the GMM. Other movements in the risk adjustment represents the net impact of the risk adjustment on newly incurred claims, the run-off of risk adjustment on claims as they are settled and the impact of any assumption changes.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

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

(i) Personal Lines insurance contracts

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

2025	Note	Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
		£m	£m	£m	£m	£m
Carrying amount at 1 January		218	7	1,925	73	2,223
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(3,486)	—	—	—	(3,486)
Insurance service expenses	4	733	(5)	2,384	14	3,126
Incurred claims and other insurance service expenses		—	4	2,358	36	2,398
Losses on onerous contracts and reversal of those losses		—	(9)	—	—	(9)
Amortisation of insurance acquisition cash flows		733	—	—	—	733
Adjustments to liabilities for incurred claims		—	—	26	(22)	4
Insurance service result		(2,753)	(5)	2,384	14	(360)
Net finance expenses from insurance contracts	3	—	—	102	3	105
Effect of movements in exchange rates		—	—	9	—	9
Total changes in comprehensive income		(2,753)	(5)	2,495	17	(246)
<i>Cash flows</i>						
Premiums received		3,436	—	—	—	3,436
Claims and other insurance service expenses paid		—	—	(2,160)	—	(2,160)
Insurance acquisition cash flows		(764)	—	—	—	(764)
Total cash flows		2,672	—	(2,160)	—	512
Carrying amount at 31 December		137	2	2,260	90	2,489

2024	Note	Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
		£m	£m	£m	£m	£m
Carrying amount at 1 January		188	—	1,767	70	2,025
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(3,263)	—	—	—	(3,263)
Insurance service expenses	4	705	7	2,174	3	2,889
Incurred claims and other insurance service expenses		—	(26)	2,193	32	2,199
Losses on onerous contracts and reversal of those losses		—	33	—	—	33
Amortisation of insurance acquisition cash flows		705	—	—	—	705
Adjustments to liabilities for incurred claims		—	—	(19)	(29)	(48)
Insurance service result		(2,558)	7	2,174	3	(374)
Net finance expenses from insurance contracts	3	—	—	35	—	35
Effect of movements in exchange rates		—	—	(8)	—	(8)
Total changes in comprehensive income		(2,558)	7	2,201	3	(347)
<i>Cash flows</i>						
Premiums received		3,317	—	—	—	3,317
Claims and other insurance service expenses paid		—	—	(2,043)	—	(2,043)
Insurance acquisition cash flows		(729)	—	—	—	(729)
Total cash flows		2,588	—	(2,043)	—	545
Carrying amount at 31 December		218	7	1,925	73	2,223

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(ii) Commercial Lines insurance contracts

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

2025	Note	Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
		£m	£m	£m	£m	£m
Carrying amount at 1 January		1,538	—	4,455	225	6,218
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(3,521)	—	—	—	(3,521)
Insurance service expenses	4	849	—	2,079	4	2,932
Incurred claims and other insurance service expenses		—	—	2,116	58	2,174
Amortisation of insurance acquisition cash flows		849	—	—	—	849
Adjustments to liabilities for incurred claims		—	—	(37)	(54)	(91)
Insurance service result		(2,672)	—	2,079	4	(589)
Net finance expenses from insurance contracts	3	—	—	228	9	237
Effect of movements in exchange rates		(5)	—	(32)	—	(37)
Total changes in comprehensive income		(2,677)	—	2,275	13	(389)
<i>Cash flows</i>						
Premiums received		3,534	—	—	—	3,534
Claims and other insurance service expenses paid		—	—	(1,946)	—	(1,946)
Insurance acquisition cash flows		(811)	—	—	—	(811)
Total cash flows		2,723	—	(1,946)	—	777
Carrying amount at 31 December		1,584	—	4,784	238	6,606

2024	Note	Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
		£m	£m	£m	£m	£m
Carrying amount at 1 January		1,409	—	4,073	220	5,702
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(3,424)	—	—	—	(3,424)
Insurance service expenses	4	777	—	2,103	3	2,883
Incurred claims and other insurance service expenses		—	—	1,973	62	2,035
Amortisation of insurance acquisition cash flows		777	—	—	—	777
Adjustments to liabilities for incurred claims		—	—	130	(59)	71
Insurance service result		(2,647)	—	2,103	3	(541)
Net finance expenses from insurance contracts	3	—	—	97	2	99
Effect of movements in exchange rates		3	—	16	—	19
Total changes in comprehensive income		(2,644)	—	2,216	5	(423)
<i>Cash flows</i>						
Premiums received		3,548	—	—	—	3,548
Claims and other insurance service expenses paid		—	—	(1,834)	—	(1,834)
Insurance acquisition cash flows		(775)	—	—	—	(775)
Total cash flows		2,773	—	(1,834)	—	939
Carrying amount at 31 December		1,538	—	4,455	225	6,218

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(iii) Health insurance contracts

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

		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
2025	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		62	—	60	1	123
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(774)	—	—	—	(774)
Insurance service expenses	4	96	—	620	1	717
Incurred claims and other insurance service expenses		—	—	617	2	619
Amortisation of insurance acquisition cash flows		96	—	—	—	96
Adjustments to liabilities for incurred claims		—	—	3	(1)	2
Insurance service result		(678)	—	620	1	(57)
Effect of movements in exchange rates		—	—	—	—	—
Total changes in comprehensive income		(678)	—	620	1	(57)
<i>Cash flows</i>						
Premiums received		784	—	—	—	784
Claims and other insurance service expenses paid		—	—	(609)	—	(609)
Insurance acquisition cash flows		(131)	—	—	—	(131)
Total cash flows		653	—	(609)	—	44
Carrying amount at 31 December		37	—	71	2	110

		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
2024	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		40	—	63	2	105
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(712)	—	—	—	(712)
Insurance service expenses	4	91	—	565	(1)	655
Incurred claims and other insurance service expenses		—	—	576	(1)	575
Amortisation of insurance acquisition cash flows		91	—	—	—	91
Adjustments to liabilities for incurred claims		—	—	(11)	—	(11)
Insurance service result		(621)	—	565	(1)	(57)
Effect of movements in exchange rates		—	—	—	—	—
Total changes in comprehensive income		(621)	—	565	(1)	(57)
<i>Cash flows</i>						
Premiums received		740	—	—	—	740
Claims and other insurance service expenses paid		—	—	(568)	—	(568)
Insurance acquisition cash flows		(97)	—	—	—	(97)
Total cash flows		643	—	(568)	—	75
Carrying amount at 31 December		62	—	60	1	123

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(iv) Intra group reinsurance assumed

The following tables show intra group reinsurance assumed contracts analysed by remaining coverage and incurred claims relating to the inwards quota share reinsurance arrangements with Gresham and AIIDAC:

		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
2025	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		35	38	595	21	689
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(420)	—	—	—	(420)
Insurance service expenses	4	7	(7)	376	3	379
Incurred claims and other insurance service expenses		—	(15)	383	5	373
Losses on onerous contracts and reversal of those losses		—	8	—	—	8
Amortisation of insurance acquisition cash flows		7	—	—	—	7
Adjustments to liabilities for incurred claims		—	—	(7)	(2)	(9)
Insurance service result		(413)	(7)	376	3	(41)
Net finance expenses from insurance contracts	3	1	—	15	—	16
Effect of movements in exchange rates		2	2	23	1	28
Total changes in comprehensive income		(410)	(5)	414	4	3
<i>Cash flows</i>						
Premiums received		397	—	—	—	397
Claims and other insurance service expenses paid		—	—	(309)	—	(309)
Insurance acquisition cash flows		(7)	—	—	—	(7)
Total cash flows		390	—	(309)	—	81
Carrying amount at 31 December		15	33	700	25	773

		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
2024	Note	£m	£m	£m	£m	£m
Carrying amount at 1 January		50	47	556	19	672
<i>Changes in comprehensive income</i>						
Insurance revenue	2	(376)	—	—	—	(376)
Insurance service expenses	4	5	(8)	295	3	295
Incurred claims and other insurance service expenses		—	(18)	299	5	286
Losses on onerous contracts and reversal of those losses		—	10	—	—	10
Amortisation of insurance acquisition cash flows		5	—	—	—	5
Adjustments to liabilities for incurred claims		—	—	(4)	(2)	(6)
Insurance service result		(371)	(8)	295	3	(81)
Net finance income from insurance contracts	3	4	1	19	—	24
Effect of movements in exchange rates		(3)	(2)	(18)	(1)	(24)
Total changes in comprehensive income		(370)	(9)	296	2	(81)
<i>Cash flows</i>						
Premiums received		360	—	—	—	360
Claims and other insurance service expenses paid		—	—	(257)	—	(257)
Insurance acquisition cash flows		(5)	—	—	—	(5)
Total cash flows		355	—	(257)	—	98
Carrying amount at 31 December		35	38	595	21	689

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(iv) Intra group reinsurance assumed (continued)

The following table shows intra-group reinsurance assumed analysed by measurement component (contracts measured under the GMM) relating to the inwards quota share reinsurance arrangements with Gresham and AIIDAC:

	Note	2025				2024			
		Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	CSM £m	Total £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	CSM £m	Total £m
Opening liabilities at 1 January		634	31	24	689	631	30	11	672
<i>Changes in comprehensive income</i>									
CSM recognised for services provided		—	—	(34)	(34)	—	—	(28)	(28)
Change in risk adjustment for risk expired		—	(14)	—	(14)	—	(17)	—	(17)
Experience adjustments		(1)	—	—	(1)	(49)	3	—	(46)
Changes that relate to current services		(1)	(14)	(34)	(49)	(49)	(14)	(28)	(91)
Contracts initially recognised in the year		(38)	13	25	—	(52)	16	36	—
Changes in estimates that adjust the CSM		(1)	(1)	1	(1)	(1)	(2)	3	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		7	1	—	9	9	1	—	10
Changes that relate to future services		(32)	13	26	7	(44)	15	39	10
Insurance service result	4	(33)	(1)	(8)	(42)	(93)	1	11	(81)
Net finance expenses from insurance contracts	3	15	—	1	16	21	1	2	24
Effect of movements in exchange rates		26	3	—	29	(23)	(1)	—	(24)
Total changes in comprehensive income		8	2	(7)	3	(95)	1	13	(81)
<i>Cash flows</i>									
Premiums received		397	—	—	397	360	—	—	360
Claims and other insurance service expenses paid		(309)	—	—	(309)	(257)	—	—	(257)
Insurance acquisition cashflows		(7)	—	—	(7)	(5)	—	—	(5)
Total cash flows		81	—	—	81	98	—	—	98
Closing liabilities at 31 December		723	33	17	773	634	31	24	689

Changes that relate to current services include:

- CSM recognised for services provided represents the recognition of CSM as revenue in the income statement as services are provided;
- The recognition of the risk adjustment as revenue in the income statement as risks expire; and
- Differences between the expected release of estimated fulfilment cashflows and the actual occurrence of fulfilment cashflows, the impact of which is recognised within the income statement.

Changes that relate to future services include:

- CSM recognised on new business assumed from cedants during the period;
- The impact of non-economic assumption changes which adjust the CSM without being recognised in the income statement; and
- The recognition of losses on new onerous contracts and the movement of losses on existing onerous contracts which are recognised in the income statement.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(v) Adverse development cover reinsurance contracts held

The following table shows ADC reinsurance contracts analysed by remaining coverage and incurred claims relating to the reinsurance of UK latent claims to Swiss Reinsurance Company Limited, periodic payment orders to Aviva Life and Pensions UK Limited ("UKLAP") and 31 December 2015 and prior claims to AIL:

	Note	2025			2024	
		Assets for remaining coverage	Assets for incurred claims	Total	Assets for remaining coverage	Assets for incurred claims
		£m	£m	£m	£m	£m
Opening reinsurance contracts within reinsurance contract assets		839	—	839	920	—
Opening reinsurance contracts within reinsurance contract liabilities		151	—	151	186	—
Carrying amount at 1 January		990	—	990	1,106	—
<i>Changes in the income statement</i>						
Allocation of reinsurance premiums paid		(56)	—	(56)	(75)	—
Amounts recoverable from reinsurers		88	66	154	(18)	62
Effect of changes in non-performance risk of reinsurers		4	—	4	1	—
Net expenses from reinsurance contracts	4	36	66	102	(92)	62
Net finance income from reinsurance contracts		45	—	45	(23)	—
Effect of movements in exchange rates		(10)	—	(10)	(1)	—
Total changes in the income statement		71	66	137	(116)	62
<i>Cash flows</i>						
Amounts received		—	(66)	(66)	—	(62)
Total cash flows		—	(66)	(66)	—	(62)
Other movements						
Closing reinsurance contracts within reinsurance contract assets		894	—	894	839	—
Closing reinsurance contracts within reinsurance contract liabilities		167	—	167	151	—
Carrying amount at 31 December		1,061	—	1,061	990	—

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(v) Adverse development cover reinsurance contracts held (continued)

The following table shows ADC reinsurance contracts analysed by measurement component (contracts measured under the GMM) relating to the reinsurance of UK latent claims to Swiss Reinsurance Company Limited, periodic payment orders to UKLAP and 31 December 2015 and prior claims to AILL:

	Note			2025		2024	
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
		£m	£m	£m	£m	£m	£m
Opening reinsurance contracts within reinsurance contract assets		776	63	839	846	74	920
Opening reinsurance contracts within reinsurance contract liabilities		144	7	151	179	7	186
Carrying amount at 1 January		920	70	990	1,025	81	1,106
<i>Changes in comprehensive income</i>							
Change in risk adjustment for risk expired		—	(6)	(6)	—	(6)	(6)
Experience adjustments		16	—	16	(6)	—	(6)
Changes that relate to current services		16	(6)	10	(6)	(6)	(12)
Changes in estimates for adverse development cover		74	13	87	(16)	(3)	(19)
Effect of changes in non-performance risk of reinsurers		5	—	5	1	—	1
Net expenses from reinsurance contracts		95	7	102	(21)	(9)	(30)
Net finance income from reinsurance contracts	3	42	3	45	(21)	(2)	(23)
Effect of movements in exchange rates		(10)	—	(10)	(1)	—	(1)
Total changes in comprehensive income		127	10	137	(43)	(11)	(54)
<i>Cash flows</i>							
Amounts received		(66)	—	(66)	(62)	—	(62)
Total cash flows		(66)	—	(66)	(62)	—	(62)
Closing reinsurance contracts within reinsurance contract assets		824	70	894	776	63	839
Closing reinsurance contracts within reinsurance contract liabilities		157	10	167	144	7	151
Carrying amount at 31 December		981	80	1,061	920	70	990

Changes that relate to current or past services include:

- The recognition of the risk adjustment as part of the net expense from reinsurance contracts in the income statement as risks expire, and
- Differences between the expected release of estimated fulfilment cashflows and the actual occurrence of fulfilment cashflows, the impact of which is recognised within the income statement.
- Changes in estimates for adverse development cover reflects non-economic assumption changes on underlying claims which are reinsured by adverse development cover reinsurance. These assumption changes are recognised in the income statement as part of the net expense from reinsurance contracts.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(vi) Other reinsurance contracts held

The following tables show other reinsurance contracts held analysed by remaining coverage and incurred claims relating to internal and external reinsurance:

						2025
Note	Assets for remaining coverage		Assets for incurred claims		Total	£m
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
	£m	£m	£m	£m		
Opening reinsurance contracts within reinsurance contract assets	(52)	—	588	49	585	
Opening reinsurance contracts within reinsurance contract liabilities	(763)	3	424	96	(240)	
Carrying amount at 1 January	(815)	3	1,012	145	345	
<i>Changes in the income statement</i>						
Allocation of reinsurance premiums paid	(3,613)	—	—	—	(3,613)	
Amounts recoverable from reinsurers	—	(2)	2,868	7	2,873	
Recoveries of incurred claims and other insurance service expenses	—	—	2,934	55	2,989	
Recoveries and reversal of recoveries of losses on onerous contracts	—	(2)	—	—	(2)	
Adjustments to assets for incurred claims	—	—	(66)	(48)	(114)	
Effect of changes in non-performance risk of reinsurers	—	—	(1)	—	(1)	
Net expenses from reinsurance contracts	(3,613)	(2)	2,867	7	(741)	
Net finance income from reinsurance contracts	3	1	—	163	1	165
Effect of movements in exchange rates	(7)	—	17	(1)	9	
Total changes in the income statement	(3,619)	(2)	3,047	7	(567)	
<i>Cash flows</i>						
Premiums paid	3,675	—	—	—	3,675	
Amounts received	—	—	(2,914)	—	(2,914)	
Total cash flows	3,675	—	(2,914)	—	761	
Closing reinsurance contracts with reinsurance contract assets	44	—	722	46	812	
Closing reinsurance contracts with reinsurance contract liabilities	(803)	1	423	106	(273)	
Carrying amount at 31 December	(759)	1	1,145	152	539	

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(vi) Other reinsurance contracts held (continued)

						2024
Note	Assets for remaining coverage		Assets for incurred claims		Total	£m
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
	£m	£m	£m	£m		
Opening assets at 1 January	(736)	—	983	145		392
Changes in the income statement						
Allocation of reinsurance premiums paid	(3,444)	—	—	—		(3,444)
Amounts recoverable from reinsurers	—	3	2,700	(1)		2,702
Recoveries of incurred claims and other insurance service expenses	—	—	2,686	56		2,742
Recoveries and reversal of recoveries of losses on onerous contracts	—	3	—	—		3
Adjustments to assets for incurred claims	—	—	14	(57)		(43)
Effect of changes in non-performance risk of reinsurers	—	—	—	—		—
Net expenses from reinsurance contracts	(3,444)	3	2,700	(1)		(742)
Net finance income from reinsurance contracts	3	2	—	95	1	98
Effect of movements in exchange rates	6	—	(6)	—		—
Total changes in the income statement	(3,436)	3	2,789	—		(644)
Cash flows						
Premiums paid	3,357	—	—	—		3,357
Amounts received	—	—	(2,760)	—		(2,760)
Total cash flows	3,357	—	(2,760)	—		597
Closing reinsurance contracts with reinsurance contract assets	(52)	—	588	49		585
Closing reinsurance contracts with reinsurance contract liabilities	(763)	3	424	96		(240)
Carrying amount at 31 December	(815)	3	1,012	145		345

(c) Assets for insurance acquisition cashflows

	31 December 2025				31 December 2024			
	Personal Lines	Commercial Lines	Health	Total	Personal Lines	Commercial Lines	Health	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January	74	—	64	138	55	—	57	112
Amounts incurred during the year	773	811	105	1,689	704	723	135	1,562
Amounts derecognised and included in the measurement of insurance contracts	(764)	(811)	(131)	(1,706)	(685)	(723)	(128)	(1,536)
Balance at 31 December	83	—	38	121	74	—	64	138

The following table sets out when the Company expects to derecognise assets for insurance acquisition cash flows after the reporting date:

	31 December 2025				31 December 2024			
	Personal Lines	Commercial Lines	Health	Total	Personal Lines	Commercial Lines	Health	Total
	£m	£m	£m	£m	£m	£m	£m	£m
31 December								
Less than one year	33	—	12	45	29	—	20	49
One to two years	21	—	10	31	18	—	17	35
Two to three years	17	—	9	26	15	—	15	30
Three to four years	12	—	7	19	12	—	12	24
Total	83	—	38	121	74	—	64	138

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(d) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of assumed intra-group reinsurance contracts measured under the GMM for the year:

	31 December 2025			31 December 2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	£m	£m	£m	£m	£m	£m
Estimates of present value of cash outflows	(355)	—	(355)	(292)	—	(292)
Estimates of present value of cash inflows	393	—	393	344	—	344
Risk adjustment	(13)	—	(13)	(16)	—	(16)
CSM	(25)	—	(25)	(36)	—	(36)
Income recognised on initial recognition	—	—	—	—	—	—

(e) 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 assumed intra-group reinsurance contracts which are measured under the GMM:

	1 year or less	1 to 2 years	Greater than 2 years	Total
	£m	£m	£m	£m
31 December 2025	10	2	5	17
31 December 2024	17	2	5	24

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(f) Loss development tables

The table below illustrates how estimates of cumulative claims for the Company have developed over time on a gross and net of reinsurance basis. The 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.

	All prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
31 December 2025	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross of reinsurance												
<i>Estimates of undiscounted cumulative claims</i>		3,046	3,021	3,322	3,473	3,537	3,173	3,796	4,274	5,112	5,732	
At end of accident year		3,010	2,890	3,050	3,360	3,230	3,101	3,603	4,357	5,307	5,732	
One year		2,982	2,869	3,242	3,353	3,333	3,083	3,630	4,240	5,112		
Two years		2,968	3,023	3,324	3,394	3,445	3,152	3,751	4,274			
Three years		3,039	3,031	3,332	3,392	3,529	3,162	3,796				
Four years		3,058	3,016	3,308	3,389	3,495	3,173					
Five years		3,049	3,015	3,276	3,412	3,537						
Six years		3,057	3,022	3,294	3,473							
Seven years		3,053	3,053	3,322								
Eight years		3,049	3,021									
Nine years		3,046										
Cumulative gross claims paid		(2,969)	(2,933)	(3,189)	(3,201)	(3,058)	(2,733)	(3,034)	(3,341)	(3,685)	(3,081)	
	2,246	77	87	133	272	479	440	762	933	1,427	2,651	9,507
Effect of discounting	(1,058)	(19)	(12)	(14)	(66)	(22)	(25)	(48)	(64)	(112)	(184)	(1,624)
Effect of the risk adjustment for non-financial risk	67	2	3	6	10	20	20	33	39	57	102	359
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	(32)	(8)	(11)	(19)	(2)	—	—	—	—	—	—	(72)
Gross liabilities for incurred claims included in the statement of financial position	1,223	52	67	106	214	477	435	747	908	1,372	2,569	8,170
Net of reinsurance												
<i>Estimates of undiscounted net cumulative claims</i>		1,334	1,333	1,469	1,659	1,649	1,528	1,823	2,152	2,449	2,768	
At end of accident year		1,334	1,268	1,349	1,627	1,521	1,518	1,738	2,166	2,557	2,768	
One year		1,307	1,240	1,437	1,634	1,531	1,365	1,755	2,153	2,449		
Two years		1,299	1,329	1,473	1,648	1,629	1,528	1,798	2,152			
Three years		1,340	1,332	1,479	1,646	1,599	1,538	1,823				
Four years		1,340	1,324	1,471	1,631	1,630	1,528					
Five years		1,334	1,322	1,448	1,622	1,649						
Six years		1,338	1,330	1,463	1,659							
Seven years		1,331	1,341	1,469								
Eight years		1,337	1,333									
Nine years		1,334										
Cumulative net claims paid		(1,301)	(1,290)	(1,414)	(1,555)	(1,475)	(1,331)	(1,473)	(1,711)	(1,777)	(1,679)	
	345	33	43	56	103	174	198	350	441	672	1,089	3,504
Effect of discounting	(188)	(6)	(6)	(6)	(14)	(9)	(11)	(21)	(30)	(53)	(88)	(432)
Effect of the risk adjustment for non-financial risk	(4)	1	2	2	4	5	8	13	18	26	47	122
Effect of non-performance risk of reinsurers	8	—	1	1	2	3	—	—	—	—	—	15
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	1,029	(8)	(11)	(19)	(2)	—	—	—	—	—	—	989
Net liabilities for incurred claims included in the statement of financial position	1,190	20	29	34	93	173	195	342	429	645	1,048	4,198

The claims development tables above include information on asbestos and environmental pollution claims provisions from business written more than 10 years ago. The undiscounted claim provisions, net of reinsurance, in respect of this business at 31 December 2025 were £109 million (2024: £63 million).

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(g) Significant accounting 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 insurance and reinsurance contracts. 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.

Significant judgements, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

(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.

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 has 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.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims associated costs, and administration costs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

Future cash flow estimates incorporate climate-related reserving risks within fulfilment cash flows to the extent that these are reflected in the Company's assumptions and experience to date.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(g) Significant accounting judgements and estimates (continued)

(i) Fulfilment cash flows (continued)

Contract boundaries

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 substantive rights and obligations under the contract.

Long term arrangements – the Company sells certain commercial policies where renewal rates are agreed alongside the issuance of the initial contract. The Company reserves the right to reprice renewals if there are material changes to claims assumptions or other risk factors; if the Company does not reprice the renewal, the policyholder is obligated to renew the policy at the agreed rate. The Company determines that cashflows related to these renewals are within the contract boundary, as the Company can compel policyholders to pay premiums unless the policy is repriced.

Health insurance contracts - Health policies issued by the Company have terms that are guaranteed to be renewable every year. The Company determines that the cash flows related to future renewals of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Company's expectation of its exposure to risk for that period and, on renewal, the Company can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the Health portfolio as a whole. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Excess of loss reinsurance - the Company's excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the contract boundary.

Risk attaching reinsurance - the Company's risk-attaching treaties have varying coverage periods, ranging from annual treaties to indefinite treaties. Such treaties provide unilateral rights to the Company and reinsurer 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 reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the termination notice period. Subsequently risks attaching beyond the end of the initial termination notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within subsequent termination notice periods.

Adverse development cover - the Company's adverse development cover treaties are deemed to expire when all uncertainty associated with the ceded claims liabilities has expired. The contract boundary is based upon the best estimate of when all obligations associated with the liabilities will be extinguished.

Claims

The Company establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claim costs, the Company takes into account estimated future recoveries from salvage and subrogation. Where 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 ultimate 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 actuarial projection techniques, including future rates of claims inflation, 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 expected 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 the Company's latent claims. 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 Personal Injury Discount Rate (also known as the Ogden discount rate in England and Wales) 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 Ogden discount rate applicable to claims settled from 11 January 2025 is +0.5% (previously -0.25%), and the impacts of that change have been included in the Company's reserves at 31 December 2025.

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 the European Insurance and Occupational Pensions Authority ("EIOPA") for regulatory reporting.

The Company uses a bottom-up discount rate for all insurance contracts.

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').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds which represents the additional return above the risk free rate that could be generated by investing in illiquid assets.

Different percentages are applied to classes of claims liability based upon their liquidity characteristics, including the ability of claimants to expedite the claims process and realise their benefits. For example, 100% is applied to periodic payment orders as these are ordered by a court and it is impossible for claimants to realise the remaining value of their claim through a lump sum settlement. Lower factors are applied to latent claims and other claims liabilities based upon their liquidity characteristics.

Notes to the financial statements

22. Insurance and reinsurance contracts (continued)

(g) Significant accounting judgements and estimates (continued)

(i) Fulfilment cash flows (continued)

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

Insurance contracts	31 December 2025						31 December 2024					
	1 year	5 years	10 years	15 years	20 years	40 years	1 year	5 years	10 years	15 years	20 years	40 years
Structured settlements												
GBP	3.83 %	3.95 %	4.33 %	4.65 %	4.82 %	4.72 %	4.87 %	4.45 %	4.49 %	4.65 %	4.72 %	4.45 %
Latent claims												
GBP	3.76 %	3.88 %	4.26 %	4.58 %	4.75 %	4.65 %	4.77 %	4.35 %	4.38 %	4.54 %	4.62 %	4.34 %
EUR	2.31 %	2.71 %	3.09 %	3.34 %	3.44 %	3.54 %	2.62 %	2.52 %	2.65 %	2.71 %	2.64 %	2.94 %
Other general insurance claims												
GBP	3.68 %	3.81 %	4.19 %	4.51 %	4.68 %	4.58 %	4.66 %	4.25 %	4.28 %	4.44 %	4.51 %	4.24 %
EUR	2.23 %	2.63 %	3.02 %	3.26 %	3.36 %	3.46 %	2.49 %	2.40 %	2.52 %	2.58 %	2.51 %	2.82 %

Risk adjustment for non-financial risk

Risk adjustment 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 Company's pricing and capital allocation framework. The calibration leverages the Solvency UK view of non-financial risk, considering a lifetime view, and includes diversification between risks within the Company. The risk adjustment includes diversification between different portfolios of insurance contracts, financial and non-financial risks using correlation matrix techniques. The diversification benefit includes diversification between different portfolios of insurance contract groups, expired and unexpired insurance risks.

The risk adjustment is allocated to the individual group of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty.

Initially, the Company applies these techniques on a net of reinsurance basis before calculating gross up factors for each group of contracts and calculating the reinsurance risk adjustment as the difference between the gross and net.

The risk adjustment for non-financial risk corresponds to a 80th percentile (2024: 79th percentile) confidence level, net of reinsurance. This reflects the Company's confidence that the value of the liability for incurred claims, including the risk adjustment for adverse development covers being treated as incurred claims for the purpose of calculating this percentile, is sufficient to meet the ultimate cost of claims. The risk adjustment percentile is provided using an incurred claims distribution only and excludes remaining coverage (apart from adverse development covers) along with the implicit risk adjustment within the loss component. The percentile benefits from the Company's scale and diverse risk profile and is an uncertain estimate made as of 31 December which could reasonably change within 12 months. Factors which could cause it to change include variations in the Company's risk profile or quantification thereof, for example as might arise from changes in risk-free discount rates and other economic factors or changes in the composition of insurance liabilities. The figures assume that there are no changes in estimate of future cashflows when in reality a number of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

	2025	2024
	£m	£m
Movement in net risk adjustment required for 2.5pp confidence level increase	15.2	14.7
Movement in net risk adjustment required for 2.5pp confidence level reduction	(14.8)	(13.7)

This represents the confidence level that net claims liabilities recognised are sufficient to cover the ultimate cost of claims. Net 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 coverage units that reflect the quantity of the benefits provided in each period. The only CSM recognised by the Company is on assumed intra-group quota share reinsurance contracts, for which coverage units are determined with reference to the volume of underlying contracts attached to the quota share on which a valid claim can be made in each period. Coverage units for adverse development cover reinsurance contracts issued are based upon the settlement profile of the underlying claims reinsured under the relevant contract. The coverage units are reviewed and updated at each reporting date.

Notes to the financial statements

23. Tax assets and liabilities

(a) Current tax

Current tax assets recoverable in more than one year are £nil (2024: £nil).
The Group relief asset of £137 million (2024: £142 million), included in receivables (note 17), relates to potential Group liabilities in respect of EU dividends, and is expected to be receivable in more than one year (2024: £142 million).

(b) Deferred tax

(i) The net deferred tax asset arises on the following items:

	2025	2024
	£m	£m
Unused losses and tax credits	47	97
Accelerated capital allowances	1	1
Provisions and other temporary differences	—	1
Pensions and other post retirement obligations	(3)	(3)
Net deferred tax asset	45	96

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

	Note	2025	2024
		£m	£m
Net deferred tax asset at 1 January		96	146
Amounts (charged)/credited to the income statement	8(a)(i)	(51)	(50)
Net deferred tax asset at 31 December		45	96

The Company has unrecognised capital losses of £225 million (2024: £225 million) to carry forward indefinitely against future taxable income.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

In assessing future probability, the directors have relied on Board approved business plans and profit forecasts for up to 5 years, and the Company's history of taxable profits in the UK.

24. Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. Staff whose costs are recharged to the Company are members of the Aviva Staff Pension Scheme. They receive benefits on either a defined benefit or a defined contribution basis. New entrants join the defined contribution section of the scheme, as the defined benefit sections of the scheme is now closed.

(b) Charges to the income statement

The total costs of pension schemes recharged to the Company gross of reinsurance were:

	2025	2024
	£m	£m
Defined contribution scheme	48	34
Total pension costs	48	34

There were no significant contributions outstanding or prepaid at either 31 December 2025 or 2024. The costs of the defined contribution pension scheme are included within insurance service expense and other operating expenses in note 4.

Notes to the financial statements

25. Payables and other financial liabilities

	Note	2025 £m	2024 £m
Payables arising out of direct insurance		323	183
Payables arising out of reinsurance operations		—	9
Bank overdrafts	29(c)	423	383
Derivative liabilities	32	226	284
Obligations for repayment of cash collateral received	33	38	39
Amounts due to brokers for investment purchases		72	66
Amounts due to subsidiaries	34(a)(v)	320	248
Amounts due to other Group companies	34(a)(v)	155	77
Deferred consideration for acquisitions of subsidiaries		20	—
Total at 31 December¹		1,577	1,289
Expected to be settled within one year		1,366	1,063
Expected to be settled in more than one year		211	226
		1,577	1,289

¹Items classified as borrowings for the year ended 31 December 2024 were previously reported within Payables and other financial liabilities. The comparatives have been represented for consistency in presentation.

26. Other liabilities

	2025 £m	2024 £m
Accrued interest on intercompany borrowings	22	20
Levy payable	57	55
Net insurance premium tax payable	204	220
Other liabilities	26	26
Total at 31 December	309	321

All Other liabilities are due to be settled within one year.

Notes to the financial statements

27. Contingent liabilities and other risk factors

This note sets out the main areas of uncertainty over the calculation of our liabilities.

(a) Uncertainty over claims provisions

Note 22 gives details of the estimation techniques used in determining the liability for incurred claims provisions. These approaches are designed to produce a best estimate of the cost of settling liabilities, with a risk adjustment reflecting the uncertainty associated with these liabilities. The actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future 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 uncertainty in relation to business interruption claims arising from COVID-19 and on-going litigation. In the opinion of management, adequate liabilities have been established for such claims based on information available at the reporting date. The Company purchases reinsurance protection that includes coverage for business interruption and is collecting reinsurance recoveries of business interruption losses that are covered by reinsurance.

(c) Liability claims

In the course of conducting insurance business, the Company receives general insurance liability claims, and becomes involved in actual or threatened litigation arising therefrom, including claims in respect of pollution and other environmental hazards, professional negligence and injuries suffered participating in sporting activities. Uncertainty is inherently higher in such claims due to their complex nature and protracted period of resolution. In particular, the ultimate cost of claims relating to asbestos production and handling cannot be determined with certainty given the significant delays that are experienced in the notification of these claims and the uncertainties associated with establishing liability and the availability of legacy reinsurance. The costs of such claims is estimated in part with consideration of market information published by the Institute and Faculty of Actuaries. 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, the directors consider that reserves are adequate to cover the ultimate cost of these claims.

(d) Regulatory Compliance

The FCA and the PRA regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. 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 Company's regulators outside the UK typically have similar powers, but in some cases they also operate a system of 'prior product approval'.

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.

Any such finding could have a negative impact on the Company's reported results or on its relations with current or potential customers. 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) Other

In the course of conducting insurance and investment business, the Company may become involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

There are a number of charges registered over the assets of the Company in favour of other Group companies or third parties.

The Company has guaranteed the property-related obligations of certain other Group companies. In the opinion of the directors, no material loss will arise in respect of these guarantees.

The Company pays contributions to levy schemes in several countries in which it operates. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if an insurance company falls into financial difficulties. The directors continue to monitor the situation but are not aware of any need to record provisions at the statement of financial position date.

28. Commitments

Capital commitments

This note gives details of the Company's commitment to capital expenditure which has not been recognised in the financial statements. See note 14 for information on the Company's lease commitments. In 2025, the Company's outstanding commitments stood at £57 million (2024: £81 million) of investments in relation to certain private equity vehicles.

Notes to the financial statements

29. Statement of cash flows

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

	Note	2025 £m	2024 £m
Profit before tax		628	480
Adjustments for:			
Profit on the sale of:			
Financial investments		(63)	(161)
Non-cash dividends received from subsidiaries		(10)	(246)
Finance Income		(56)	—
Finance cost		21	—
Gain on remeasurement of investments in subsidiaries	11	(11)	—
Fair value (gains)/losses on:			
Investment property	13	(9)	2
Financial investments		(278)	(30)
Impairment of:			
Investment in subsidiaries	11	—	246
Intangible assets	10	4	5
Depreciation of property and equipment	12	1	2
Amortisation of:			
Intangible assets	4	30	48
Change in financial assumptions on net claims reserves		—	(198)
		(371)	(332)
Changes in working capital:			
Increase in reinsurance contract assets and reinsurance contract liabilities		(265)	(534)
Decrease in prepayments and accrued income		31	9
Increase in insurance contract liabilities		742	1,618
Decrease in other assets and liabilities		46	(357)
		554	736
Net disposals/(purchases) of operating assets:			
Net disposals/(purchases) of investment property	13	3	(28)
Net disposals/(purchases) of financial investments		377	(376)
		380	(404)
Total cash used in operating activities		1,191	480

For 2025 figures, impact relating to changes in financial assumptions on net claims reserves are included in reinsurance assets and gross insurance liabilities. Should we have adopted consistent treatment as 2024 then change in financial assumptions on net claims reserves would have shown an impact of £(257) million (2024: £(199) million).

Purchases and sales of investment property and financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(b) Liabilities arising from financing activities

	2025 £m			2024 £m		
	Borrowings	Leases	Total	Borrowings	Leases	Total
Opening balance of liabilities arising from financing activities	266	—	266	285	—	285
Non-cash movements						
Foreign exchange movements	(6)	—	(6)	(19)	—	(19)
Closing balance of liabilities arising from financing activities	260	—	260	266	—	266

Notes to the financial statements

29. Statement of cash flows (continued)

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

	Note	2025	2024
		£m	£m
Cash at bank and in hand		140	191
Cash equivalents		478	593
		618	784
Bank overdrafts	25	(423)	(383)
Cash and cash equivalents net of bank overdrafts at 31 December		195	401

30. Capital structure

The Company maintains an efficient capital structure from equity shareholders’ funds, consistent with the Company’s overall risk profile and the regulatory and market 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 measures its capital requirements under the Solvency UK regime.

(b) Capital management

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;
- (ii) Maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;
- (iii) Retain financial flexibility by maintaining strong liquidity; and
- (iv) Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(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.

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company’s financial strength. These measures are based on the regulatory requirements under Solvency UK. 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 31) gives further details.

Solvency UK eligible own funds (“own funds”) represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency UK regime, and is a closely monitored metric.

At 31 December 2025 the Company’s unaudited own funds under Solvency UK were £3,487 million (2024: £1,948 million). The Company’s own funds are sufficient to meets its capital requirements under Solvency UK. The unaudited differences between Solvency UK own funds and IFRS equity of £2,481 million (2024: £2,267 million) are:

- The elimination of other intangible assets which are inadmissible under Solvency UK for £206 million (2024: £169 million).
- Differences in the valuation of investments in subsidiaries, which are valued £2,720 million lower (2024: £589 million) on a Solvency UK basis.
- Different measurement bases of net insurance contract liabilities increasing the value of own funds by £179 million (2024: £174 million) relative to IFRS.
- Subordinated debt of £260 million (2024: £266 million) which is eligible tier 2 own funds for Solvency II.
- Other valuation adjustments, including tax differences, which increase own funds by £7 million (2024: decrease of £1 million) relative to IFRS.

Direct Line was transferred from AGH to AIL in exchange for £4,065m share capital and £210m cash consideration, with a further £150 million capital injection made in December 2025. AIL’s investment in Direct Line has an Own Funds value of £2,173m, which is £2,252m less than its IFRS carrying value.

The Company fully complied with the relevant regulatory requirements during the year.

Notes to the financial statements

30. Capital structure (continued)

(d) Company capital structure

	Note	2025 £m	2024 £m
Equity shareholders' funds		5,968	2,267
Subordinated debt	34(a)(ii)	260	266
Total capital		6,228	2,533

Subordinated debt

As described in note 34, the Company entered into a subordinated unsecured loan from its parent, AGH, of CAD480 million in June 2016. The loan, with a carrying balance of £260 million (2024: £266 million) matures in 2046. This loan ranks below the Company's senior obligations and ordinary share capital. Under Solvency UK, the subordinated loan has the Tier 2 features of subordination and duration.

31. Risk management

Risk environment

Macroeconomic risk has been elevated throughout 2025, with persistent uncertainty around global growth prospects reflected in ongoing cost of living pressures. While inflation has eased in some regions, interest rates remain high and trade policy developments have introduced new risks to global supply chains and pricing dynamics. Momentum in global growth has softened, with analysts highlighting the impacts of geopolitical tensions, protectionist trade measures and financial market vulnerabilities. Affordability remains a concern because of the global economic climate and will continue to impact customers, including relatively affluent customers. Customer experience and retention will continue to require close monitoring as economic pressures shift consumer behaviour.

Reserve uncertainty has settled somewhat over 2025 albeit with material residual areas relating to secondary litigation and reinsurance considerations of COVID-19 business interruption risks, professional negligence, and ongoing uncertain Subsidence experience following 2025 weather experience.

Insurance markets underwent softening through the course of 2025, reinforcing the need to maintain disciplined underwriting and proactive risk management, as we continue to grow both top and bottom lines.

The Company continues to maintain strong solvency and liquidity positions and is resilient to a broad range of more likely, to extreme stresses to which it could become exposed to and maintains a set of plausible and timely management actions to mitigate any impacts and, where feasible, prompt pre-emptive activity or augment the understanding of the impacts of particular risks.

There remains an increased threat of malware and ransomware attacks across the world and several recent cyber incidents impacting the UK retail sector caused significant disruption. In response as part of the wider Aviva Group, the Company have increased the protection level of anti-malware and cyber incident security controls. We continue to monitor threat intelligence data and update our controls to maintain protection against new and emerging ransomware variants, including in respect of our suppliers.

Following the acquisition of Direct Line, a subsidiary of the Company, the types of risks the Company is exposed to remains broadly consistent. The risks within Direct Line are closely aligned to those already managed by the Company, with the main effect being an increase in the overall materiality of these risks.

(a) Risk Management Framework ("RMF")

The Company's RMF has a key role in supporting the business to deliver its purpose for our customers, our people and our shareholder, helping the business discover, predict, understand and manage our risks, thereby maintaining a safe risk environment. The RMF comprises the system of governance, including Risk Policies and Business Standards, risk management processes, Risk Appetite Framework ("RAF"), risk oversight committees (both Board and Management) and clearly defined roles and responsibilities along with 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 ("SST").

The Company's RAF outlines the risks that the Company selects and manages in pursuit of return, the risks the Company accepts and retains a moderate level of, and the risks the Company actively avoids or takes action to mitigate as far as practical. It comprises:

- **Risk preferences:** qualitative statements, that express where the business prefers to take risk (or else accept or avoid) and why, applied to individual key risk types (e.g. insurance, market & credit, climate and artificial intelligence).
- **Risk appetites:** overarching statements, metrics and thresholds that express the level of risk the business is willing to accept. The Company has risk appetites for Solvency, Liquidity, Operational, Climate and Conduct risk. Risk appetites are approved annually by the Board and monitored at least quarterly by relevant management committees.
- **Risk tolerances:** 'hard' limits that may constrain specific risk-taking activities for the most material (e.g. GI Catastrophe and macroeconomic risks) or volatile and unrewarded (e.g. interest rate) individual risk types or combinations of risk type. These are approved annually by the Board and monitored at least quarterly by relevant management committees. Within the Operational Risk and Control Management ("ORCM") Framework, there are operational risk tolerances which are set for individual operational risk types.
- **Risk triggers:** 'soft' thresholds used to monitor the capital exposure for other individual risk types (not covered by a Risk Tolerance) and are set annually by management in line with the business planning process and monitored at least quarterly by the relevant management committees.
- **Risk limits:** quantify more granular limits for specific defined risk exposure (e.g. maximum credit exposure limits to particular counterparties).

Notes to the financial statements

31. Risk management (continued)

(a) Risk Management Framework ("RMF") (continued)

To promote a consistent and rigorous approach to risk management across the business, the Company has adopted a number of Risk Policies and Business Standards. The Risk Policies set out the Board's risk strategy appetite for risk and its expectations in respect of the management of risk, while the Business Standards set out the mandated controls (which together with any local controls) aim to keep key operational risks within tolerance. The Chief Executive Officer ("CEO") makes an annual attestation that the system of governance and internal controls are effective and fit for purpose for the Company throughout the year and this declaration is supported by an opinion from the Chief Risk Officer ("CRO").

A variety of tools and processes are available to support risk identification; both bottom up and top down, and whilst run separately, these are designed to complement each other and are used to generate risk reports which are shared with the relevant Risk Committees. These different processes, which ensure all risks to which it is or may be exposed, both quantifiable and non-quantifiable, are appropriately identified include: Risk and Control Self Assessment (RCSA), Risk review of the Business Plan, Risk Deep Dives, Emerging Risk Spectrum, and Risk Identification (Risk ID). With the exception of RCSA, risk identification processes consider risks across all risk categories. The RCSA process focuses only on operational risks that arise from within internal processes, systems or people and outsourced arrangements which might prevent the business from achieving its objectives. Market, credit, liquidity and strategic risks (including reputational) will be included in the RCSA only if they manifest operationally.

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile with consideration to the risk management actions available. A range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests are undertaken to evaluate the impact of risks on the business and the management actions available to respond to the conditions envisaged. Reverse stress tests are also used where appropriate – starting from a point of business failure and working backwards to identify the types of events or circumstances that cause that outcome. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency UK Solvency Capital Requirement ("SCR").

Aviva staff, on behalf of the Company, are involved in the management and mitigation of risk, with the RMF embedded in day-to-day management and decision-making processes. The 'three lines model' is adopted by the Company and the Group (as required by the RMF policy). First line (the Business) is accountable for the management of all risks relevant to the business of the Company, including the implementation of the RMF and embedding of the risk culture. The second line (Risk Function) is responsible for providing independent review and challenge of the IMMMR processes and for designing, implementing, maintaining and overseeing the RMF. The third line (Internal Audit) provides an independent assessment of the RMF and internal control processes.

The Board is ultimately responsible for setting the Company's risk preferences, risk appetites, risk tolerances and monitoring the establishment and operation of prudent and effective controls in order to assess and manage the risks associated with the Company's operations. The Board Risk Committees assist it in carrying out these activities and in its oversight of risk and risk management across the Company. The Board delegate "day-to-day" management to the CEO, including risk management and responsibility for implementation of the Risk Policies and Business Standards. Management committees assist the Company's Executive Committee ("ExCo") in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities. The Company's Executive Risk Committee ("ERC") provides formal oversight of all risks. There are several sub-committees of the ERC to further support the CRO and other members of this committee in the discharge of their defined accountabilities and regulatory accountabilities. These comprise the Executive Conduct Committee ("ECC") and Financial Crime Committee ("FCC") which focus on conduct and financial crime risks respectively, the Asset & Liability Committee ("ALCO"), which focuses on insurance and financial risks, the Reserves and Projection Committee ("RPC"), which monitors claims cost projections and the Insurance Committee which assists in the management of specific areas of insurance risk.

The requirements of Aviva's RMF are also applicable to the Company's subsidiaries and a formal modification and exception is required to be raised in instances where it is considered impractical and/or disproportionate to fully implement these requirements. Following acquisitions, existing risk frameworks are reviewed with consideration of the nature, scale, maturity, and level of oversight in place. A full list of subsidiaries and associates is included within the list of significant holdings in undertakings other than subsidiary undertakings in note 35. Management ensures that appropriate oversight of subsidiaries and other intra-group relationships are maintained. Following the acquisition of Direct Line in July 2025, we performed a detailed review of its RMF and identified many similarities and synergies with the Company's. We expect to complete the integration of their appetites, policies, standards and frameworks during 2026.

The types of risk the Company is exposed to has not changed significantly during the year. Further information on the types and management of specific risk types and the changing risk profile is given in sections (b) to (h) below.

(b) Credit risk

Credit risk is the risk of loss or adverse outcomes due to a third-party failing to meet their financial obligations (default event) or a change to third party credit standings. 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 shareholders. The Company is also exposed to third party credit quality changes 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 exposures to debt securities, bank deposits, derivatives, insurance and reinsurance counterparties, and Group counterparties to inter-company loans and receivables, and indirectly by guaranteeing the obligations of certain other Group companies (see note 27(e) for further information).

The Company's credit risk management processes (including limits frameworks) comply with the Aviva Group credit limit framework. ALCO oversees financial risks including credit risk and ensures detailed reporting and monitoring of exposures against pre-established risk criteria.

(i) Financial exposures to Group companies

The Company has significant financial exposure to reinsurance assets and amounts due from fellow Group companies from direct underwriting exposure from reinsurance provided to the AIIDAC subsidiary in Ireland and from its AHUK subsidiary which is an intermediary for the health business.

The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group loans, the level of collateral provided and the fact that these loans are not traded, the Company does not provide for fluctuations in market value caused by changing perceptions of the credit worthiness of such counterparties.

Notes to the financial statements

31. Risk management (continued)

(b) Credit risk (continued)

(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. “Not rated” assets capture assets not rated by external ratings agencies. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings. The credit quality of receivables and other financial assets is monitored by the Company. In assessing whether assets are impaired due consideration is given to the factors outlined in accounting policy R.

	AAA	AA	A	BBB	Below BBB	Not-rated	Carrying value
31 December 2025	£m	£m	£m	£m	£m	£m	£m
Debt securities	126	1,587	729	421	22	—	2,885
Reinsurance contract assets	—	1,324	346	36	—	—	1,706
Derivative assets	—	—	—	—	—	187	187
Other investments	—	—	—	—	—	2,862	2,862

	AAA	AA	A	BBB	Below BBB	Not-rated	Carrying value
31 December 2024	£m	£m	£m	£m	£m	£m	£m
Debt securities	169	1,614	759	418	11	—	2,971
Reinsurance contract assets	—	1,219	142	63	—	—	1,424
Derivative assets	—	—	—	—	—	179	179
Other investments	—	—	—	—	—	2,648	2,648

The Company's maximum exposure to credit risk of financial assets, without taking collateral, is represented by the carrying value of the financial instruments in the statement of financial position plus financial guarantees given to other Group companies (note 27(e)). These comprise debt securities, reinsurance assets, derivative assets, other investments, receivables and cash and cash equivalents. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 16), reinsurance assets (note 22), receivables (note 17) and cash and cash equivalents (note 29(c)). The collateral in place for these credit exposures is disclosed in note 33.

(iii) Other investments

Other investments include unit trusts and other investment vehicles; derivative financial instruments, representing positions to mitigate the impact of adverse market movements; and other assets, including deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles.

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk. Where assets are invested indirectly via regulated funds (e.g. TTF and collectives) underlying credit quality / ratings are monitored via look-through to the underlying investments.

(iv) Credit concentration risk

The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group credit policy and limits framework, which limit exposures in individual names (including brokers) and asset classes.

The Company is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within appetite. Reinsurance and insurance exposures (e.g. broker receivable balances) are actively monitored by the ALCO of which the CFO and CRO are members, with escalation to the Risk Committee as appropriate.

(v) Reinsurance credit exposures

The Company's largest intra-group reinsurance counterparty is AIL through the quota share reinsurance ceded to AIL. At 31 December 2025, the total reinsurance contract assets (excluding funds withheld) recoverable from AIL, was £4,723 million (2024: £4,337 million). The credit exposure is partially mitigated by agreeing to withhold a significant portion of the balance due to AIL (see note 34(a)(iii)).

The Company's largest external reinsurance counterparty is Swiss Reinsurance Company Limited (including its subsidiaries and affiliated companies). At 31 December 2025 the reinsurance contract asset is £646 million (2024: £605 million). This exposure is partially collateralised by a portfolio of highly rated assets held by Swiss Reinsurance Company Limited amounting to £284 million (2024: £289 million).

(vi) Derivative credit exposures

The Company is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Company's credit management framework.

(vii) Impairment of financial assets

In assessing the extent to which credit losses should be recognised, due consideration is given to the factors outlined in accounting policy Q. In 2025, no provision for expected credit losses on financial assets has been recognised (2024: £nil).

Notes to the financial statements

31. Risk management (continued)

(c) Market risk

Market risk is the risk of loss or adverse outcomes due directly or indirectly to 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 risks as part of its investment strategy. However, it has limited appetite for interest rate risk, market-linked inflation risk, and currency risk.

The Company manages market risk using its market risk framework and within regulatory constraints. Market risk is managed in line with established 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) Equity price risk

The Company is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio and unit trusts reported within Other investments.

The Company's investment limits and investment regulations require that it holds diversified portfolios of assets thereby reducing exposure to individual equities. The Company's primary exposure is to publicly traded equities albeit it does also have some modest exposure to private equity investments. Equity risk is also managed using a variety of derivative instruments, primarily via the deployment of put options.

Sensitivity of profit and shareholders' equity to changes in equity prices is given in section (h)(ii) 'Risk and capital management' below.

(ii) Property price risk

The Company is subject to property price risk directly due to holdings of investment properties in a variety of locations and indirectly through investments in property investment vehicles. Investment in property managed by the Company is subject to regulations on investments, liquidity requirements and the expectations of policyholders.

At 31 December 2025, no material derivative contracts had been entered into to mitigate the effects of changes in property prices.

Sensitivity of profit before tax and shareholders' equity to changes in property prices is given in section (h)(ii) 'Risk and capital management' below.

(iii) Interest rate risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed interest securities and their movement relative to the value placed on the insurance liabilities. The Company seeks to match assets to liabilities and uses interest rate derivatives to manage its interest rate risk tolerance.

Sensitivity of profit before tax and shareholder funds to changes in interest rates is given in section (h)(ii) 'Risk and capital management' below.

(iv) Inflation risk

Inflation risk arises primarily from the Company's exposure to general insurance claims inflation and expense inflation, or through long dated PPO liabilities. 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 SST. The Company typically manages long dated inflation risk through inflation-linked derivatives where appropriate and in accordance with its approved risk triggers. In addition, in response to the short-term inflationary pressure, the Company's inflation oversight forum considers regular and timely information on the latest view of inflation (including the reach of supply chain disruption) and emerging trends to ensure appropriate pricing and reserving.

(v) Currency risk

The Company has exposure to currency risk primarily through its overseas investment assets in Aviva Canada Inc and Aviva Insurance Ireland Designated Activity Company ('AIIDAC') (including inwards reinsurance) and its underwriting of global corporate & specialty business lines. The Company seeks to avoid currency risk and actively manages the position using derivatives where appropriate.

The Company's total equity deployment by currency (after the impact of hedging) is set out below. Where currencies have been hedged using cap or collar derivatives, only the remaining unhedged exposure has been presented. The parameters of caps and collars are managed such that adverse exposure to currency fluctuations on hedged positions is not significant.

	GBP	EUR	CAD	USD	Other	Total
31 December 2025	£m	£m	£m	£m	£m	£m
Total equity	4,464	1,155	204	69	76	5,968
	GBP	EUR	CAD	USD	Other	Total
31 December 2024	£m	£m	£m	£m	£m	£m
Total equity	2,382	353	331	(801)	2	2,267

(vi) Derivatives risk

Derivatives are used for efficient investment management, and risk hedging purposes and within policy guidelines agreed by the Board.

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.

Notes to the financial statements

31. Risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due without incurring significant losses. This may arise from funding risks e.g. insufficient cash or market risks e.g. inability to sell an asset either under normal and/or stressed conditions.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a Financial Risk Policy and a Liquidity Risk Business Standard. The Company monitors its position relative to its agreed liquidity risk appetites.

Maturity analysis

The following tables show the maturities of the Company's insurance contract liabilities, payables and other financial liabilities, derivative liabilities and accruals. Contractual obligations under operating capital commitments are given in note 28.

(i) Analysis of maturity of financial liabilities, insurance contract liabilities and reinsurance contract liabilities

The following table shows the Company's financial liabilities analysed by duration:

2025					
	Total £m	On demand or within 1 year £m	1-5 years £m	5-15 years £m	Over 15 years £m
Payables and other financial liabilities, excluding derivatives	1,351	1,351	—	—	—
Borrowings ¹	260	—	—	—	260
Derivative liabilities	226	15	15	18	178
Accruals	22	22	—	—	—
Financial liabilities (excluding insurance contract liabilities)	1,859	1,388	15	18	438
2024					
	Total £m	On demand or within 1 year £m	1-5 years £m	5-15 years £m	Over 15 years £m
Payables and other financial liabilities, excluding derivatives	1,005	1,005	—	—	—
Borrowings ¹	266	—	—	—	266
Derivative liabilities	284	59	38	21	166
Accruals	20	20	—	—	—
Financial liabilities (excluding insurance contract liabilities)	1,575	1,084	38	21	432

¹Items classified as Borrowings for the year ended 31 December 2024 were previously reported within Payables and other financial liabilities. The comparatives have been represented for consistency in presentation.

The following tables show the Company's insurance and reinsurance contract liabilities (discounted) analysed by duration:

2025								
	Total £m	Within 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5-15 years £m	Over 15 years £m
Insurance contract liabilities	9,857	4,062	1,886	1,280	842	530	977	280
Reinsurance contract liabilities	106	28	15	11	8	6	26	12
2024								
	Total £m	Within 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5-15 years £m	Over 15 years £m
Insurance contract liabilities	9,115	4,035	1,743	1,038	696	431	883	289
Reinsurance contract liabilities	89	27	13	7	5	4	21	12

Notes to the financial statements

31. Risk management (continued)

(d) Liquidity risk (continued)

(ii) Analysis of maturity of financial assets and reinsurance contract assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The table also includes the funds withheld balance that represent the reinsurers' interest in the Company's financial assets / reinsurance assets. The Company also has non-financial assets, such as direct investment property holdings of £255 million (2024: £249 million), for which a maturity analysis has not been provided.

	Total	On demand or within 1 year	1-5 years	Over 5 years	2025 No fixed term
	£m	£m	£m	£m	£m
Debt securities	2,885	201	1,196	1,488	—
Equity securities	14	—	—	—	14
Other investments	2,862	2,862	—	—	—
Derivative assets	187	35	39	113	—
Receivables	2,188	1,362	137	689	—
Cash and cash equivalents	618	618	—	—	—
Total financial assets	8,754	5,078	1,372	2,290	14

	Total	On demand or within 1 year	1-5 years	Over 5 years	2024 No fixed term
	£m	£m	£m	£m	£m
Debt securities	2,971	174	1,309	1,488	—
Equity securities	13	—	—	—	13
Other investments	2,648	2,648	—	—	—
Derivative assets	179	35	25	119	—
Receivables	2,164	1,328	142	694	—
Cash and cash equivalents	784	784	—	—	—
Total financial assets	8,759	4,969	1,476	2,301	13

The following tables show the Company's reinsurance contract assets analysed by duration:

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5-15 years	Over 15 years
	£m	£m	£m	£m	£m	£m	£m	£m
2025	1,706	555	218	160	118	89	379	187
2024	1,424	430	204	114	86	69	336	185

The reinsurance contract assets included in the table above are analysed using the estimated timing of expected cash flows. The other assets are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

Notes to the financial statements

31. Risk management (continued)

(e) General insurance risk

(i) Types of risk

The Company seeks to write a balanced portfolio of general insurance risk (including personal motor, household, commercial motor, property and liability), as well as global exposure to corporate and specialty risks. Underwriting discipline, expertise and a robust governance process is at the core of the Company's underwriting strategy. The Company completed the purchase of Direct Line in July 2025, which remains a subsidiary of the Company as at year-end 2025, together creating the leading UK personal lines insurer, significantly expanding the Motor and Home portfolios. The Company has continued to integrate Probitas, purchased in July 2024 to compliment its speciality lines business. Business underwritten by the Company remains in line with our underwriting and pricing policies, seeking to provide an appropriate level of return for an acceptable level of risk.

General insurance risk in the Company arises 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;
- Inadequate claims reserving assumptions;
- Inaccurate pricing of risks or inappropriate underwriting of risks (including inward reinsurance) when underwritten; and/or
- Inadequate reinsurance protection or other risk transfer techniques.

The Company has a preference for general insurance risk in measured amounts for explicit reward, in line with the Company's core skills in underwriting and pricing. The majority of the general insurance business underwritten by the Company continues to be short tail in nature such as motor, household and commercial property insurances. The Company's underwriting strategy and appetite are communicated via specific policy statement and boundaries, related business standards and guidelines. The Company sets its own underwriting strategy, consistent with the Aviva plc (Baseline Exclusion Policy). Company underwriting strategy is communicated to underwriters, with underwriting licences granted to underwriters according to competence and experience.

The adequacy of the Company's general insurance claims provisions is overseen by the GI Reserve and Projections Committee. Actuarial claims reserving is conducted by the Company's actuaries, with periodic independent external reviews by consulting actuaries.

The vast majority of the Company's general insurance business is managed and priced in the same country as the domicile of the customer, predominantly in the UK.

Reserving processes are further detailed in note 22(g).

(ii) Management of general insurance risks

The Company continuously develops mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of risk appetite. Various methodologies are in place to effectively manage exposures arising from specific perils and the Company analyses accumulations of insurance risk under various headings, including type of business, location, profile of customers and type of claim and uses these analyses to inform underwriting and reserving.

The capital model is used to assess the risks that the Company is exposed to, quantifying their impact and calculating appropriate capital requirements.

The management of insurance risk is overseen by specific senior management committees, namely the ALCO, the Insurance Committee and the GI Reserve and Projections Committee.

Provisions made for insurance liabilities are inherently uncertain. Due to this uncertainty, general insurance reserves are regularly reviewed by qualified and experienced actuaries in accordance with the Company's reserving framework. These and other key risks, including the occurrence of unexpected claims from a single source or cause and inadequate reinsurance protection/risk transfer, are subject to an overarching risk management framework and various mechanisms to govern and control our risks and exposures.

The Company recognises that the severity and frequency of weather-related events has the potential to adversely impact provisions for insurance liabilities and our earnings, with the result that there is some seasonality in our results from period to period. Large catastrophic (CAT) losses arising as a result of these events are explicitly considered in our economic capital modelling to ensure we are resilient to such CAT scenarios, and this modelling considers the impact of climate change on the frequency and severity of potential future events. More broadly, the materiality and time horizon over which climate-related risks and opportunities affect the Company depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of 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 business, the ability to re-price annually, and by the Company's reinsurance programmes; the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases.

Furthermore, as an insurer, the Company is able to influence customer behaviour through the coverage of products and services provided and continues to develop climate-conscious products and services to incentivise climate-positive behaviours.

There continues to be a degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going litigation, principally based upon conflicting interpretations by courts of business interruption policy triggers. In the opinion of management, adequate liabilities have been established for such claims based on information available at the reporting date. The Company 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 (see note 27 for further details of specific areas remaining a concern). The increase in the overall surplus position was driven by strong trading, continued focus on underwriting discipline resulting in profitable growth, improvements in efficiency, and Direct Line acquisition.

The Company does not have material underwriting exposure in the Middle East, Russia or Ukraine, and does not conduct operations in the affected regions.

The potential for claims inflation in 2026 given broader geopolitical tensions increasing uncertainty around the ultimate cost of settling general insurance claims. While new business and renewal pricing actions can mitigate the impacts of heightened claims inflation, our ability to price for inflation is influenced by market conditions, competitor actions, and customer behaviour. The inherent time lag between policy issuance and claims emergence means that higher-than-forecast claims inflation could adversely impact profitability.

Notes to the financial statements

31. Risk management (continued)

(e) General insurance risk (continued)

(iii) Reinsurance strategy

ALL's reinsurance strategy is reviewed annually and remains broadly consistent year-on-year, with targeted updates reflecting market conditions, integration activity (e.g., Direct Line, Probitas), and regulatory expectations. Significant reinsurance purchases are reviewed regularly to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Company. The basis of these purchases is underpinned by analysis of capital, earnings and capital volatility, cash flow and liquidity. Detailed actuarial analysis is used to calculate the Company's extreme risk profile and then design cost and capital efficient reinsurance programmes to mitigate these risks to within agreed appetites. The Company analyses natural catastrophe exposure through a variety of tools including external probabilistic catastrophe models widely used by the rest of the insurance and reinsurance industry.

The Company's largest reinsurance arrangements include a retrospective (both new and existing business) 50% quota share reinsurance arrangement with ALL, with effect from 1 January 2016, and the reinsurance of most of the Company's UK latent claims reserves (including mesothelioma, industrial deafness and other long-tail risks) with the Swiss Reinsurance Company Limited, with effect from 1 January 2015.

(f) 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 and legal risks. The Company has a low appetite for operational risks which could result in material losses (direct or indirect), a financial misstatement or have a material negative impact on reputation, customers, employees or other stakeholders. The Operational Risk Appetite framework enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and were the Company to fall outside of its appetite, requires clear and robust plans to be put in place in order to return to appetite. As part of our continual improvements of our risk management approach to keep pace with the business, increasing regulatory expectations, and the macroeconomic and geo-political environment, we continue to implement risk and control improvements throughout the organization and across all three lines of defence. Those improvements continue to strengthen and enhance our risk management capabilities and enable us to operate a stronger control environment, improve understanding and accountabilities of 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 Company's Operational Risk and Control Management Framework ("ORCM") integrates the results of the risk identification and assurance activities carried out across the Company's three lines risk model. Operational risks are initially identified and assessed against implemented controls. Residual risk outside tolerance is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

In addition, specifically with respect to conduct risk, the Company has a low appetite for poor customer outcomes and seeks to avoid customer harms across all business activities. Further it seeks to avoid market abuse or activities which impact market stability, integrity or fair competition and takes reasonable steps to comply with all conduct regulations and deliver positive customer outcomes.

Oversight of operational risk for the Company is undertaken by the Board. In line with the wider Group, the Company continue to enhance and embed operational resilience in line with applicable regulations (including outsourcing and critical third-party risk management) and develop its control environment to efficiently manage the risk and exploit the opportunities of adopting Generative Artificial Intelligence. The company maintains a clearly defined risk appetite for outsourcing arrangements where all third-party relationships are assessed for alignment with our operational, conduct, and prudential risk tolerances, ensuring material outsourcing exposures remain within acceptable thresholds and that they are subject to appropriate governance, due diligence, and ongoing monitoring. The company evaluates concentration risks arising from reliance on single vendors or group-level service providers. Business continuity and contingency plans are maintained to mitigate potential disruption from third-party failure.

Risks arising from transformation and integration programs on the Company's operations are managed in accordance with adopted change policies, frameworks and processes having specific regard to the risks of change, the impacts on the control environment and the management of dependencies and resources across those programs and with oversight from relevant control functions.

(g) Climate change

The Company considers climate change to be a significant risk to our customers, strategy, business model and wider society. The impacts are already being felt. Global average temperatures over the last five years have been rising, with the past three years, 2023-2025, being the warmest on record. The current trend of increasing CO2 emissions is expected to continue and in the absence of radical action by governments, global temperatures are likely to exceed pre-industrial levels by at least 2 degrees celsius and weather events (floods, droughts, wildfires and windstorms) will increase both in frequency and severity.

We are proactively addressing the effects through our risk management processes. Through our Risk Management Framework, we continue to identify, measure, monitor, manage and report on the risks to which our business, customers and wider society are, or could be, exposed to. 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 general insurance risk, credit risk and market risk.

The materiality and time horizon over which climate-related risks and opportunities affect our business depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of the business, the ability to re-price annually, and by the Company's reinsurance programmes, the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases. The Group's second Transition Plan, published in February 2025, details our strategy and the approach we are taking to achieve our interim ambitions. Aviva's climate disclosure highlights the progress we have made to date.

AIL has defined its risk appetite framework to enable confident, risk-based decisions. The progress is reported 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 the risk appetite and risk profile.

AIL use a variety of historical and forward-looking metrics to monitor and manage the delivery of the Aviva Sustainability Ambition over the short-, medium- and long-term. For example, we have built the possibility of extreme weather events into our general insurance pricing, reinsurance programme design and monitor actual weather-related losses versus expected weather-related losses by business. We conduct solvency modelling which provides a view of our resilience to the potential impact of climate change on our internal model solvency capital requirement. We incorporate climate and other sustainability-related risks and opportunities into our business plan and run climate stress and scenario testing using both qualitative and quantitative scenarios and ensure appropriate mitigating actions are in place.

Notes to the financial statements

31. Risk management (continued)

(h) Risk and capital management

The Company uses a number of sensitivity-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 UK framework and as at year-end 2025 appropriately reflect the reform thereof (see note 30 for further detail). Management undertakes a quarterly review of risk, the output from which is a key input into the risk-based capital assessments.

Primarily, a risk-based capital model is used supplemented by a range of scenario tests. Sensitivities to economic and operating experience are regularly produced reporting the impact on financial performance measurements 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. As such, in the analysis below, the sensitivities of general insurance claims liabilities are primarily based on the financial impact of changes to the reported loss ratio.

(ii) Sensitivity results

Illustrative results of sensitivity testing for the Company's 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. See below for further details on the limitations of the sensitivity analysis.

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 $\pm 1\%$. 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-UK sovereign and other credit assets, also allowing for 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 property market values.
Underwriting risk variables	
Expenses	The impact of an increase in expenses by 10%
Gross loss ratios	The impact of an increase in gross loss ratios by 5%

Market risk variables

For business where the change in market risk variables could impact on profit, the following table presents how a possible shift in those variables might impact insurance contract balances, the corresponding investment assets, profit before tax and shareholders' equity after tax, all net of reinsurance.

	2025				2024			
	Net insurance contracts profit or loss	Investment assets profit or loss	Total profit before tax	Shareholder's equity after tax	Net insurance contracts profit or loss	Investment assets profit or loss	Total profit before tax	Shareholder's equity after tax
	£m	£m	£m	£m	£m	£m	£m	£m
100 bps increase in interest rate	95	(95)	—	—	79	(83)	(4)	(3)
100 bps decrease in interest rate	(110)	110	—	—	(95)	96	1	1
50 bps increase in corporate bond spread	10	(16)	(6)	(5)	8	(21)	(13)	(10)
50 bps decrease in corporate bond spread	(11)	17	6	5	(9)	21	12	9
10% increase in market value of equity	—	47	47	35	—	42	42	31
10% decrease in market value of equity	—	(44)	(44)	(33)	—	(38)	(38)	(28)
10% increase in value of property	—	22	22	17	—	21	21	16
10% decrease in value of property	—	(22)	(22)	(17)	—	(21)	(21)	(16)

Underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company 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.

	2025				2024			
	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder's equity after tax	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder's equity after tax
	£m	£m	£m	£m	£m	£m	£m	£m
10% increase in expenses	(174)	86	(88)	(65)	(184)	104	(80)	(78)
5% increase in gross loss ratios	(233)	122	(111)	(83)	(213)	112	(101)	(76)

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.

Notes to the financial statements

31. Risk management continued

(h) Risk and capital management (continued)

Sensitivity to foreign exchange rates

The table below shows how a +/-10% change in Sterling to Canadian Dollar and Sterling to Euro period-end foreign exchange rates would result in a change in total equity and profit before tax. These sensitivities exclude the impact of equity deployed on foreign currency denominated subsidiaries, which are measured at historical cost less impairment and so their carrying value is not exposed to foreign exchange risk. There were no material sensitivities in the Company’s total equity to other foreign exchange rates in 2025 and 2024.

	2025		2024	
	Total profit before tax	Shareholder's equity after tax	Total profit before tax	Shareholder's equity after tax
	£m	£m	£m	£m
Sterling to Euro +10%	130	97	11	8
Sterling to Euro -10%	(106)	(80)	(9)	(7)
Sterling to Canadian Dollar +10%	(161)	(120)	(142)	(106)
Sterling to Canadian Dollar -10%	131	99	116	87

In the current year these sensitivities exclude the impact of equity deployed on foreign currency denominated subsidiaries, which are measured at historical cost less impairment and so their carrying value is not exposed to foreign exchange risk. The comparatives have been represented for consistency in presentation.

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 analyses do not take into account that the assets and liabilities are actively managed and 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 allocation and taking other protective action.

Other limitations in the above sensitivity analyses 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 interest rates move in an identical fashion.

Other than investments in subsidiaries and associates, assets are held at fair value in accordance with the relevant accounting policy. The majority of such assets are valued based on quoted market information or observable market data and the remaining assets recorded at fair value are based on estimates. 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. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not significantly change their fair value.

Notes to the financial statements

32. Derivative financial instruments

The Company uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with our overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions. The fair values represent the gross carrying values at the year-end for each class of derivative contract held (or issued) by the Company.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Company has collateral agreements in place with the relevant counterparties. See note 33 Collateral for further information on collateral and net credit risk of derivative instruments. No amounts have been offset against the carrying value of derivatives in the statement of financial position (2024: £nil).

(i) The Company's derivatives at 31 December 2025 and 31 December 2024 were as follows:

	2025			2024		
	Contract/ notional amount	Fair value asset	Fair value liability	Contract/ notional amount	Fair value asset	Fair value liability
	£m	£m	£m	£m	£m	£m
Foreign exchange contracts						
OTC Forwards	3,341	11	(11)	3,060	11	(48)
Interest rate contracts						
OTC Swaps	9,031	153	(146)	8,474	143	(157)
Equity/Index contracts						
OTC Options	402	22	—	46	23	—
Inflation linked contracts						
OTC Swaps	529	1	(69)	440	2	(79)
Total at 31 December	13,303	187	(226)	12,020	179	(284)

Fair value assets of £187 million (2024: £179 million) are recognised as derivative financial instruments in note 16, while fair value liabilities of £226 million (2024: £284 million) are recognised as derivative liabilities in note 25.

The Company's derivative risk management policies are outlined in note 31 Risk management.

(ii) The contractual undiscounted cash flows in relation to derivative liabilities have the following maturities:

	2025	2024
	£m	£m
Within 1 year	32	80
Between 1 and 5 years	39	50
Between 5 and 15 years	36	31
Over 15 years	190	155
	297	316

Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of collateral receivable or repayable are included in note 16 Financial Investments and in note 25 Payables and other financial liabilities respectively.

33. Collateral

The Company mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements to facilitate the Company's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by the Company or its counterparty.

Derivative transactions requiring the Company or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, inflation swaps and forward foreign exchange contracts. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities.

The total amount of collateral received which the Company is permitted to sell or re-pledge in the absence of default was £5 million (2024: £nil). Collateral of £38 million (2024: £39 million) has been received related to balances recognised within payables and other financial liabilities in note 25.

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The fair values of collateral received approximate to their carrying amounts.

Notes to the financial statements

34. Related party transactions

(a) Related party transactions

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

(i) Loans receivable

Aviva Group Holdings Limited ("AGH") loan

This loan is secured solely on the Group's Insurance, Wealth & Retirement (IWR) operations. The balance at 31 December 2025 remained at £500 million. The interest rate is based on the Sterling Overnight Indexed Average (SONIA) rate plus 46 basis points and the credit margin component is 200 basis points. This was last amended at 1 December 2022 and is subject to a 5-yearly review.

Aviva Canada Inc. ("ACI") loans

In April 2015, following the partial return of capital on the Company's equity investment in ACI, the Company returned the proceeds back to ACI in the form of a subordinated unsecured loan of CAD 350 million. The loan has a carrying balance of £189 million (2024: £194 million) and a final maturity date of March 2045. In the event that ACI's minimum regulatory capital requirement falls below certain local trigger levels, ACI may redeem the loan in exchange for issuing equity whose aggregate value is equal to the principal amount outstanding on the loan. This loan has been issued to support efficient capital and liquidity management for the Company and its subsidiaries.

The maturity analysis of the related party loans receivable is as follows:

	2025	2024
	£m	£m
Over 15 years	689	694
Total	689	694
Effective interest rate	6.8 %	7.6 %

(ii) Loan payable

Loan due to AGH

In June 2016, the Company entered into a subordinated unsecured loan from AGH of CAD 480 million. The loan, with a carrying balance of £260 million (2024: £266 million) matures in 2046. This loan ranks below the Company's senior obligations and ordinary share capital.

The interest rate payable on the loan is CORRA plus a 49 basis points adjustment, plus a credit margin component of 474 basis points.

The maturity analysis of the related party loan payable is as follows:

	2025	2024
	£m	£m
Over 15 years	260	266
Total	260	266
Effective interest rate	8.1 %	10.1 %

Notes to the financial statements

34. Related party transactions (continued)

(a) Related party transactions (continued)

(iii) Quota share arrangements - internal

The Company has a number of intra-group quota share arrangements in place which are listed below. The tables presented in notes 22(b)(v) and (vi), which include intra-group reinsurance contracts held analysed by remaining coverage and incurred claims, provides the financials regarding these arrangements.

- Aviva International Insurance Limited ("AIIIL")

The Company holds a retrospective (both new and existing business) outwards 50% quota share reinsurance arrangement with AIIIL covering the insurance business underwritten by the Company.

Under the terms of the reinsurance arrangement, the Company withheld the majority of the payment due to AIIIL. The balance outstanding at 31 December 2025 was £4,829 million (2024: £4,426 million) and is included within reinsurance contract liabilities in note 22(a). The amount due accrues interest, included within net investment return, set at a rate linked to the Company's net investment returns.

The net financial result which has been ceded under this arrangement is summarised as follows:

	2025	2024
	£m	£m
Insurance revenue ceded	3,020	2,838
Insurance service expense ceded	(2,681)	(2,554)
	339	284
Investment return ceded	174	142
Net finance income from insurance contracts ceded	(147)	(67)
Net result ceded	366	359

The balance in the statement of financial position relating to this arrangement is as follows:

	Notes	2025	2024
		£m	£m
ADCs (measured under GMM)	22(b)(v)	167	151
Other (measured under PAA)	22(b)(vi)	(273)	(240)
Reinsurance contract liability		(106)	(89)
Deposit received from reinsurer		4,829	4,426
Reinsurance contract asset gross of deposit		4,723	4,337

- Gresham Insurance Company Limited ("Gresham") and Aviva Insurance Ireland Designated Activity Company ("AIIDAC")

The Company has assumed an inwards quota share reinsurance arrangement with its subsidiary undertaking, Gresham, with effect from 1 January 2006. The key terms are:

- 100% cession rate on premiums, claims and expense costs applied in respect of the underwriting year; and
- a requirement for Gresham to retain a percentage in relation to the Financial Services Compensation Scheme and Flood Re levies.

On 31 August 2023, Gresham acquired the renewal rights to a back-book of home insurance policies previously owned by Barclays for consideration of £67 million. Gresham accounted for the consideration it paid as an insurance acquisition cashflow. The inwards quota share reinsurance arrangement between the Company and Gresham was modified to include the amortisation of this insurance acquisition cash flow.

In addition, on 1 February 2019, the Company assumed a retrospective (both expired and in-force business) inwards quota share reinsurance arrangement with AIIDAC as follows:

- 70% quota share arrangement in respect of general insurance risks arising in Ireland (reduced from 85% from 1 January 2022);
- 85% quota share arrangement covering European Mobile Device Insurance business; and
- 100% quota share arrangement covering all other business transferred.

Refer to the table in Note 22(b)(iv), which presents intra-group reinsurance contracts assumed, analysed by remaining coverage and incurred claims. This table solely relates to the assumed quota share reinsurance contracts that the Company has with Gresham and AIIDAC.

Notes to the financial statements

34. Related party transactions (continued)

(a) Related party transactions (continued)

(iv) Quota share arrangements - Adverse reserve deterioration agreements

The Company has a number of quota share arrangements in respect of adverse reserve deterioration which are listed below and included in the table in note 22(b)(v).

- The Ocean Marine Insurance Company Limited

The Company has an inwards adverse reserve deterioration agreement with its subsidiary undertaking, The Ocean Marine Insurance Company Limited (“Ocean”). This agreement provides Ocean with an extra £1 billion of reinsurance cover to protect against circumstances in which its reinsurance arrangement with National Indemnity Company (“NIC”) is exhausted or otherwise fails to satisfy claims. Ocean’s reinsurance arrangement with NIC provides substantial protection in excess of its current gross insurance liabilities.

- Aviva Life and Pensions UK Limited

The Company has an arrangement with Aviva Life and Pensions UK Limited (“UKLAP”), a fellow Group company, for the outwards reinsurance of its obligations in respect of structured settlements.

The net financial result which has been ceded under this arrangement is as follows:

	2025	2024
	£m	£m
Insurance revenue ceded	(12)	(12)
Insurance service expense ceded	22	46
Net finance income from insurance contracts ceded	5	—
Net result ceded	15	34

The balance in the statement of financial position relating to this arrangement is as follows:

	2025	2024
	£m	£m
Reinsurance contract assets	251	299

Notes to the financial statements

34. Related party transactions (continued)

(a) Related party transactions (continued)

(v) Other transactions - dividend income and net interest payments from transactions with related parties and services provided to and by related parties

	2025				2024			
	Income earned in the year	Expenses incurred in the year	Payable at year end	Receivable at year end	Income earned in the year	Expenses incurred in the year	Payable at year end	Receivable at year end
	£m	£m	£m	£m	£m	£m	£m	£m
Parent	22			45	17	—	—	36
Subsidiaries	171	458	320	154	282	341	248	125
Fellow subsidiaries	(192)	903	155	48	(139)	730	77	63
	1	1,361	475	247	160	1,071	325	224

Income earned from the Company's immediate parent of £22 million (2024: £17 million) relates to net interest on the loan receivable and the loan payable described in note 34(a)(i) & (ii).

Income earned from subsidiaries of £171 million (2024: £282 million) relates to dividends received of £158 million (2024: £264 million) and interest on the ACI loans receivable described in note 34(a)(i). Income earned in the year from fellow subsidiaries comprises net income charged of £192 million (2024: net income charged of £139 million) relating to interest on the balance due under the quota share reinsurance arrangement with AIL described in note 34(a)(iii).

Services provided to the Company include £10 million (2024: £10 million) inter-company management fees payable to fellow subsidiaries of the Group.

Expenses incurred include £534 million (2024: £430 million) relating to staff and pension costs incurred by Aviva Employment Services Limited including the pension costs detailed in note 24. The staff and pensions costs incurred by Aviva Employment Services Limited were recharged to the Company via Aviva Central Services UK Limited.

Expenses incurred also include £359 million (2024: £290 million) relating to facilities and other service charges from Aviva Central Services UK Limited and £150 million (2024: £123 million) of commission payments that were made to Aviva UK Digital Limited, an insurance intermediary and subsidiary of the Company. The commission payments that were made to UKD are not on an arms length basis and reflect a reimbursement without mark up on the costs incurred by UKD for the distribution of the Company's direct-to-customer service offering.

Expenses incurred also include other expenses of £308 million (2024: £217 million) which largely relate to claims and other operating costs recharged from subsidiaries, associates and fellow subsidiaries, offset by expenses recharged to subsidiaries.

Directors and key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by Group companies on equivalent terms to those available to all employees of the Group. In 2025 and 2024, other transactions with directors and key management personnel were not deemed to be significant either by size or in the context of their individual positions.

The net balance with Group companies for settlement of corporation tax assets and liabilities by group relief is disclosed in note 23.

Interim ordinary dividends of £350 million were declared in February 2025 and settled in March 2025, followed by dividends of £170 million declared in July 2025 and settled in August 2025, and £355 million declared in November 2025 and settled in December 2025, all of which were settled in cash (2024: dividends of £145 million were declared in August and settled in September 2024, with a further £263 million declared and settled in December).

The related parties' receivables and payables are not secured, and no guarantees were received in respect thereof. The receivables and payables will be settled in accordance with normal contract terms.

(b) Key management compensation

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

	2025	2024
	£m	£m
Short-term employee benefits	10	12
Share-based payment benefits	5	—
Total	15	12

As a result of a process refinement, the amounts presented for 2025 exclude short-term employee benefits for directors where their time spent on duties of the Company is incidental to their broader role across the Group. Details of directors' remuneration are given in note 6.

(c) Parent entity

The immediate parent undertaking is Aviva Group Holdings Limited, registered in England.

(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 Aviva Group Company Secretary, Aviva plc, 80 Fenchurch Street, London, EC3M 4AE, and on the Aviva plc website at www.aviva.com.

Notes to the financial statements

35. Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings comprise subsidiaries and associates.

The Company's related undertakings along with the country of incorporation, the registered address, the class of shares held and the effective percentage of equity owned at 31 December 2025 are listed below.

The direct related undertakings of the Company at 31 December 2025 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Aviva Credit Services UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	25,000 Ordinary shares	100.00%
Aviva Direct Ireland Limited	Ireland	Building 12, Cherrywood Business Park , Loughlinstown , Co Dublin, D18 W2P5, Ireland	1 Ordinary shares	100.00%
Aviva Driving School Ireland Limited	Ireland	Building 12, Cherrywood Business Park , Loughlinstown , Co Dublin, D18 W2P5, Ireland	1 Ordinary shares	100.00%
Aviva Health UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	7,700,000 Ordinary shares	100.00%
Aviva Insurance Ireland Designated Activity Company	Ireland	Building 12, Cherrywood Business Park , Loughlinstown , Co Dublin, D18 W2P5, Ireland	136,250,000 Ordinary shares	100.00%
Aviva Insurance UK Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	997,050,000 Ordinary shares	100.00%
Aviva UK Digital Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	1,000,000 Ordinary shares	100.00%
Churchill Insurance Company Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	100 Ordinary shares	100.00%
Direct Line Group Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 Ordinary shares	100.00%
Gresham Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	1 Ordinary shares	100.00%
London and Edinburgh Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	1 Ordinary shares	100.00%
Polaris U.K. Limited	United Kingdom	4th Floor, New London House, 6 London Street, London, EC3R 7LP, United Kingdom	2,862,708 Ordinary Shares	38.52%
Probitas Holdings (UK) Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, England	139,895,515 Ordinary shares	100.00%
Solus (London) Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	1,000 Ordinary shares	100.00%
The Ocean Marine Insurance Company Limited	United Kingdom	8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom	40,000 Ordinary shares	100.00%
Welsh Insurance Corporation Limited	United Kingdom	80 Fenchurch Street, London, EC3M 4AE, United Kingdom	13,818 Ordinary shares	100.00%

Notes to the financial statements

35. Related undertakings (continued)

The indirect related undertakings of the Company at 31 December 2025 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
1000930077 Ontario Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	100 Common shares	100%
1000962293 Ontario Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	100 Common shares, 5,500,000 Class A Preference shares, 17,400,000 Class A Preference shares	100%
2161605 Ontario Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	5,471 Common shares	100%
9543864 Canada Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	1 Common shares	100%
Ada Risk Holding Co Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, United Kingdom	251 Ordinary shares	25%
Ada Underwriters Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, England	1,000 Ordinary shares	25%
Aviva Agency Services Inc.	Canada	555 Chabanel Ouest, Bureau 900, Montreal QC H2N 2H8, Canada	100 Class A Common shares	100%
Aviva Canada Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	309,549,741 Common shares, 426,600,000 New Common shares, 2,450,732 Class D Common shares, 58,817,573 Class C Common shares, 170,630,000 Class A Common shares	100%
Aviva Canada Services Inc. Services D'Aviva Canada Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	100 Common shares	100%
Aviva General Insurance Company	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	22,150,000 Common shares	100%
Aviva Partner Insurance Services Inc.	Canada	112 4 Avenue SW Suite 2100, Calgary AB T2P 0H3, Canada	1 Common Share shares	100%
Aviva Warranty Services Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	9 Common shares	100%
Bamboo Premium Financing Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	100 Class A Common shares	100%
Bay-Mill Specialty Insurance Adjusters Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	1 Common shares	100%
Brolly UK Technology Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP, England	800,000 A Ordinary shares, 1,240,000 B Ordinary shares, 9,324,351 Ordinary shares, 2,570,184 Series Seed Preferred shares	100%
By Miles Group Ltd	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP, United Kingdom	4,155,029 Ordinary shares	100%
By Miles Ltd	United Kingdom	Churchill Court, Westmoreland Road, Bromley, BR1 1DP, England	4,382,000 Ordinary shares	100%
By Miles Technology Services Ltd	United Kingdom	Churchill Court, Westmoreland Road, Bromley, BR1 1DP, England	1 Ordinary shares	100%
Direct Line Insurance Group Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP, United Kingdom	2,773,135,374 Ordinary shares	100%
Direct Line Insurance Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	100 Ordinary shares	100%
DL Insurance Services Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	2 Ordinary shares	100%
DL Support Services India Private Limited	India	Max House, Level 5, Okhla Industrial Estate, Phase-III, New Delhi, 110020, India	1 Ordinary shares	100%
DL Support Services India Private Limited	India	Max House, Level 5, Okhla Industrial Estate, Phase-III, New Delhi, 110020, India	14,999,999 Ordinary shares	100%
DLG Legal Services Limited	United Kingdom	The Wharf, Neville Street, Leeds, Yorkshire, LS1 4AZ, England	10,000 Ordinary shares, 1 Non-Voting Shares shares	100%
DLG Pension Trustee Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	2 Ordinary shares	100%
Farmweb Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 Ordinary shares	100%

Notes to the financial statements

35. Related undertakings (continued)

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Finsure Premium Finance Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 Ordinary shares	100%
Green Flag Group Limited	United Kingdom	The Wharf, Neville Street, Leeds, LS1 4AZ	1,000,000 Ordinary shares, 1,000 Deferred Shares shares, 333,334 Preferred Ordinary Shares shares	100%
Green Flag Holdings Limited	United Kingdom	Churchill Court Westmoreland Road, Bromley, Kent, BR1 1DP	100 Ordinary shares	100%
Green Flag Limited	United Kingdom	The Wharf, Neville Street, Leeds, LS1 4AZ	1,000 Deferred Shares shares, 1,000 Ordinary shares, 333,667 Preferred Ordinary Shares shares	100%
Healthcode Limited	United Kingdom	10 Orange Street, London, WC2H 7DQ, United Kingdom	100,000 Ordinary 'C' shares, 20,000 Ordinary 'E' shares	20%
Insurance Agent Service Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	2 Common shares	100%
Inter Group Insurance Services Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 A Ordinary shares	100%
Intergroup Assistance Services Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 Ordinary shares	100%
Level Health Limited	Ireland	Workways, Level Health, Block 5 High Street, Tallaght, Dublin 24, D24 YK8N, Ireland	10,000 Ordinary shares	50%
National Breakdown Recovery Club Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	2 Ordinary shares	100%
Nationwide Breakdown Recovery Services Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	100 Ordinary shares	100%
Nautimax Ltd.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	1,000 Class 1 Common shares	100%
O2 Insurance Services Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	100 Class A shares, 100 Class B Series I shares	100%
OIS Ontario Insurance Service Limited	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	2 Common shares	100%
Optiom Holdings Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	175,000,100 Common shares	100%
Optiom Inc.	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	35,496,719 Class A Common shares, 6,848,618 Class B Common shares	100%
Probitas 1492 (Canada) Inc.	Canada	22 Adelaide St. , W., Suite 3400, Toronto, Ontario M5H 4E3, Canada	25,000 Common shares	100%
Probitas 1492 (Europe) BV/SRL	Belgium	Rue Picard 7, Box 100, 1000 Bruxelles, Belgium	50,000 Ordinary shares	100%
Probitas 1492 (Pacific) Pty Ltd	Australia	Level 1, 44 Martin Place, Sydney, NSW 2000, Australia	25,000 Ordinary shares	100%
Probitas 1492 Services Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, England	1,000 Ordinary shares	100%
Probitas 1492 Services Mexico S.A. de C.V.	Mexico	Av. Insurgentes Sur 1898, Piso 14, Oficina 1418, Col. Florida, C.P. 01020, Alvaro Obregon, CDMX, Mexico	49,999 Ordinary shares	100%
Probitas 1492 Services Mexico S.A. de C.V.	Mexico	Av. Insurgentes Sur 1898, Piso 14, Oficina 1418, Col. Florida, C.P. 01020, Alvaro Obregon, CDMX, Mexico	1 Ordinary shares	100%
Probitas Corporate Capital Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, England	137,003,000 Ordinary shares	100%
Probitas Managing Agency Limited	United Kingdom	88 Leadenhall Street, London, EC3A 3BP, England	2,600,100 Ordinary shares	100%
S&Y Insurance Company	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	16,000,000 Common shares	100%
Scottish & York Insurance Co. Limited	Canada	10 Aviva Way, Suite 100, Markham ON L6G 0G1, Canada	2,801 Common shares, 65 Preference shares	100%
The National Insurance And Guarantee Corporation Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	100 Ordinary shares	100%
U K Insurance Business Solutions Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1,650,001 Ordinary shares	100%

Notes to the financial statements

35. Related undertakings (continued)

Name of undertaking	Country of incorporation	Registered address	Share class	% held
U K Insurance Limited	United Kingdom	The Wharf, Neville Street, Leeds, LS1 4AZ	880,765,703 Ordinary shares	100%
UK Assistance Accident Repair Centres Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	2 Ordinary shares	100%
UK Assistance Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	2 Ordinary shares	100%
UKI Life Assurance Services Limited	United Kingdom	Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP	1 Ordinary shares	100%
Victoria Reinsurance Company Ltd.	Barbados	c/o USA Risk Group (Barbados) Ltd., 6th Floor, CGI Tower, Warrens, St. Michael, BB22026, Barbados	5,996,413 Common shares	100%

36. Subsequent events

Management has evaluated subsequent events for the period from 31 December 2025 to the date of these financial statements, and there has been no material subsequent events during that period.