

Company Registration No. 02258947

Churchill Insurance Company Limited

Annual Report and Financial Statements

31 December 2025

Churchill Court
Westmoreland Road
Bromley
BR1 1DP

Churchill Insurance Company Limited
Annual Report and Financial Statements

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Churchill Insurance Company Limited

Officers and professional advisors

02258947

Directors:

J E Adamson
R Aronson
C J Clark
I E Clark
F Fry
D Haria
C C Jones
M C Nestares Lopez
S F Pond
C W M Scott
J P Storah

Officer – Company Secretary:

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

Registered office:

Churchill Court
Westmoreland Road
Bromley
BR1 1DP

Company number:

02258947

Independent Auditors:

Ernst & Young
25 Churchill Place
London
E14 5EY
United Kingdom

Company registration:

Registered in England and Wales

Other information:

Churchill Insurance Company Limited (the "**Company**") is a member of Aviva Group (the "**Group**") whose ultimate parent company is Aviva plc ("**Aviva**") of which the Company is a subsidiary.

Strategic report

For the year ended 31 December 2025

The Directors present their strategic report for the year ended 31 December 2025.

Review of the Company's business

Activity

The Company is a private limited company, incorporated and domiciled in the United Kingdom.

From 1 July 2025, the Company has been a member of Aviva Group (the "Group") whose ultimate parent company is Aviva plc ("Aviva"). Prior to this date the ultimate parent company was Direct Line Insurance Group plc.

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

The Group provides the Company with access to central resources and provides policies in all key areas such as finance, risk, human resources and environmental. Key performance indicators across the Group taken as a whole are referred to in the 2025 Aviva plc Annual Report and Accounts ("Aviva annual report") and accordingly, for an understanding of the development, performance or position of the Company's business, please refer to the Aviva annual report alongside the review of the year section below. Copies can be obtained through the Group's website at www.aviva.com

The Company is managed by an ('aligned' Board') with Aviva Insurance Limited ("AIL"). The aligned Board has responsibility for setting the respective companies overall strategic aims and priorities including those relating to risk appetite and risk management.

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

Business review

The Directors are satisfied with the Company's performance during the year. The Company continued to assist the Group in delivering its key priorities.

Significant events in the year included:

- On 1 July, the Company, as a subsidiary of Direct Line Insurance Group, was purchased by Aviva plc and became a member of Aviva Group.

The Company made a loss before tax of £2,047,000 (2024: profit of £3,206,000) due to strengthening of the Company's Periodic Payment Order ("PPO") claim provisions following updates to the Company's estimates and judgements to align views with those of the Group on long-tailed claims, illiquidity premium, PPO mortality, future inflation and risk adjustment.

Key performance indicators

KPI	Definition	Aim	2025	2024
Minimum capital requirement ("MCR") ratio	Definition - A risk-based measure expressing the level of capital resources held as a percentage of the level of the minimum capital requirement that is dictated by Solvency II.	The Company manages capital in accordance with the Group's capital management minimum standard. The Company's MCR is set at a higher level than its SCR.	422 %	449 %
Solvency capital requirement ("SCR") ratio	A risk-based measure expressing the level of capital resources held as a percentage of the level of capital that is required under Solvency II.	The Company manages capital in accordance with the Group's capital management minimum standard. The Company's SCR is lower than its MCR.	848 %	1136 %

Financial position and performance

The financial position of the Company is shown in the statement of financial position on page 20, with its financial performance presented in the income statement on page 19.

At the end of the year, the statement of financial position showed total assets of £46,641,000 (2024: £40,205,000), including cash and cash equivalents of £21,278,000 (2024: £19,055,000). Total capital and reserves were £15,165,000 (2024: £16,700,000).

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

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

Solvency capital

The Company's solvency capital requirement ("SCR") has been calculated as £1,755,000 (2024: £1,391,000) using the standard formula approach. However, the absolute floor of the minimum capital requirement ("MCR") specified in the Solvency II Directive is £3,500,000 (2024: £3,500,000). The Company has sufficient own funds to be comfortably above both the SCR and MCR requirements with capital ratios above the requirements of 848% and 422% respectively.

Strategic report

For the year ended 31 December 2025

Future outlook

Strategies for the wider Group as a whole are determined by the Board of Aviva plc and these are shown in the Aviva annual report for the year ended 31 December 2025. 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 activity will continue unchanged during 2026.

The Company's continuing objective remains to manage the existing claims on its books.

In 2026, the Company will work with AIL to bring about a smooth and full integration of its businesses as part of Part VII activity.

Principal risks and uncertainties

The Company's risk management objectives are set out in note 12 to the financial statements. The following are considered to be the Company's principal risks.

Risks beyond the Company's control include but are not limited to:

- Insurance risk: in relation to the perils covered and the processes used in the conduct of business. It takes account of the uncertainty related to the Company's existing reinsurance recoverables. It includes the risk of loss, or of adverse change in the value of insurance liabilities.
- Market risk: the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
- Operational risk: the risk of loss due to inadequate or failed internal processes, people, systems, or from external events.
- Credit risk: the risk of loss resulting from defaults in obligations due and/or changes in credit standing of either issuers of securities, counterparties or any debtors to which the Company is exposed.

Section 172(1) Statement and engagement with stakeholders

The Company reports here on how its 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.

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that its obligations to its stakeholders are met. The Board monitors adherence to the Company's policies and compliance with local corporate governance requirements and is committed to acting where the Company's business falls short of the standards expected.

Culture

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

Key strategic decisions in 2025

In 2025, the principal strategic decisions undertaken by the Board included the Company's integration into the Aviva Group following the acquisition, capital strengthening of the Company, and preparatory actions in support of longer-term structural and operational changes within UK General Insurance. In considering these matters, the Board expressly assessed the long-term consequences of its decisions, including the impact on the Company's financial resilience, regulatory compliance, policyholder protection and ability to generate sustainable value for its shareholder over the long term. The Board also considered the broader implications of these decisions for customers, suppliers and the communities in which the Company operates, recognising that long-term success is dependent on maintaining trust, operational stability and responsible business practices.

Stakeholder engagement**Engagement with Employees**

The Company has no employees. All UK employees engaged in the activities of the Company are employed by fellow Group subsidiary companies, DL Insurance Services Limited ("DLIS") and Aviva Employment Services Limited ("AES"). Disclosures relating to employees may be found in the annual report and financial statements of that company.

Customers

The Company has no direct customers.

Strategic report**For the year ended 31 December 2025****Suppliers**

The Company maintains oversight of the management of its most important suppliers and the Board regularly reviews reports on their performance.

- All Company supplier related activity is managed in line with the Group's Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.
- In the UK, Aviva is a signatory of the Prompt Payment Code which sets high standards for payment practices. The Group is a Living Wage employer in the UK, and supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided by the Group in the UK.
- The Board reviews the actions the Group has taken to prevent modern slavery and associated practices in any part of our supply chain and approves the Group's Modern Slavery Act statement each year.

Shareholders

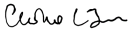
In discharging its duties to promote the success of the Company for the benefit of its shareholder, the Board recognises the need to act fairly and transparently, including in its dealings with the Company's shareholder. As the Company is wholly owned by Aviva, fairness between members is achieved through clear governance arrangements, appropriate escalation of matters to the parent where required, and decision-making that has regard to the long-term interests of the shareholder rather than short-term considerations. The Board is also mindful of the wider social and environmental context in which the Company operates and has regard to the impact of the Company's activities on the community and the environment, including climate-related considerations, drawing where appropriate on policies, standards and disclosures established at Group level.

Presentation of financial statements

The financial statements of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("IASs") and the legal requirements of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board by:

DocuSigned by:



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Charlotte Jones

Director

31 March 2026

Directors' Report

For the year ended 31 December 2025

The Directors present their annual report and the audited financial statements for the year ended 31 December 2025.

Directors and Secretary

The names of the present Directors and Company Secretary are listed on page 1.

From 1 January 2025 to date the following change have taken place:

Director	Appointed	Resigned
R Aronson	1 July 2025	
C J Clark	1 July 2025	
I E Clark	1 July 2025	
F Fry	1 July 2025	
D Haria	1 July 2025	
C C Jones	1 July 2025	
M C Nestares Lopez	1 July 2025	
J P Storah	1 July 2025	
C W M Scott	1 July 2025	
Aviva Company Secretarial Services Limited	3 July 2025	
T J Corrigan		1 July 2025
D M Gray		1 July 2025
M J Gregory		1 July 2025
C J Hagh		1 July 2025
A C Joseph		1 July 2025
M P Lewis		1 July 2025
F C McBain		1 July 2025
D S Neave		1 July 2025
J C Poole		1 July 2025
G N Stewart		1 July 2025
R C Ward		1 July 2025
A C Winslow		1 July 2025
R C Clifton ²		3 July 2025
S F Pond	1 July 2025	9 March 2026
J E Adamson	10 November 2025	

Notes:

1. Aviva Company Secretarial Services Limited appointed as Company Secretary only.
2. R C Clifton resigned as Company Secretary although was not a Director of the Company.

Dividends

No dividends were paid during the year (2024: £nil). The Directors do not recommend a final dividend for 2025.

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 (notes 12 and 11); capital structure (note 9); and management of its risks including market, credit and liquidity risk (note 12).

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.

On 1 July 2025, Aviva plc completed the acquisition of Direct Line Group and its subsidiaries. The Company has begun plans to Part VII transfer in-scope insurance portfolios to Aviva Insurance Limited (AIL), with a planned target effective date of December 2026.

A detailed going concern review has been undertaken as part of the 2025 reporting process, which includes consideration of the Company's current and forecasted liquidity position and overall performance. A cashflow forecast up to March 2027 shows that the Company will have sufficient liquidity to meet its liabilities as they fall due. A 4-year Strategic Plan has also been prepared and it is projected that the Company will be profitable over this period.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months (to 31 March 2027) from the date of approval of the financial statements. For this reason, the Directors continued to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Directors' Report

For the year ended 31 December 2025

Events after the balance sheet date

No events have occurred since the reporting date that materially impact these financial statements.

Outlook

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

Principal risks and uncertainties

An explanation of principal risks and uncertainties is included in the strategic report.

Stakeholder engagement

Statements summarising the Company's employee engagement, and engagement with suppliers, customers and other stakeholders are included in the strategic report.

Accounting records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons.

Donations

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

Employees

DL Insurance Serviced Limited is the main employing entity of Direct Line and is a subsidiary of Aviva. Disclosures relating to employees may be found in the annual report and financial statements of Aviva's main employing entity in the UK, Aviva Employment Services Limited, and Aviva plc.

Disclosure of information to the Auditor

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 LLP ("EY") is aware of that information.

Auditor

Following its acquisition by Aviva during 2025, the Company's existing auditor, KPMG LLP, resigned to allow the Company to appoint Aviva's auditor, EY as its auditor. It is the intention of the Directors to seek shareholder approval to reappoint EY for the following year.

Qualifying indemnity provisions

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 Ian Clark and Charlotte Jones 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. Aviva plc has also granted a qualifying third-party indemnity provision for the benefit of Ian Clark and Charlotte Jones covering liabilities that may attach to them in their capacity as director of the Company. This was in force during the financial year and remains in force.

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.

Directors' Report

For the year ended 31 December 2025

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.

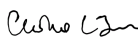
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board by:

Charlotte Jones

Director

31 March 2026

DocuSigned by:

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Independent Auditor's Report to the shareholders of Churchill Insurance Company Limited

For the year ended 31 December 2025

Opinion

We have audited the financial statements of Churchill Insurance Company Limited ("**the Company**") for the year ended 31 December 2025 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 15 (excluding the components of note 12 which are marked as unaudited), including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2025 and of its loss 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, other than those disclosed within Independence section below.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

Aviva plc ("**Aviva**") became the ultimate parent of Direct Line Insurance Group plc, and its subsidiaries UK Insurance Limited and Churchill Insurance Company Limited, all public interest entities ("**DLG**" / "**the Company**") following the acquisition of the Company on 1 July 2025. We were appointed by the Audit Committee as the statutory auditor of DLG on 2 July 2025. Prior to appointment as the statutory auditor and as soon as it was made public that Aviva and DLG had agreed preliminary terms for the transaction, we undertook procedures to establish our independence of the Company, including ensuring that all staff who work on the audit are independent of the Company. During the course of our independence procedures, it was identified that in the cooling-in period from 1 January 2024 prior to our appointment, we performed Internal Audit services to the Company, which are prohibited by the FRC's Ethical Standard for a prospective UK PIE audited entity during the cooling-in period.

When Aviva and DLG announced that they had reached agreement on the terms, EY ceased all internal audit activities immediately. The nature and scale of the internal audit activities after the initial public announcement on 27 November 2024 were minor and inconsequential amounting to under £8,000 in total fees.

In accordance with the FRC's Exemption Application Process, we applied for and obtained a waiver of independence requirements pursuant to the powers granted to the FRC in the Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 (SI 2025/439). As part of this process, the threats to our objectivity, integrity and independence arising from the services were assessed by us and considered by the Audit Committee on 11 September 2025. Our assessment concluded that, with appropriate safeguards set out below, the internal audit services provided by us during the cooling-in period did not give rise to a threat so significant that it would compromise our independence when considered from the perspective of an objective, reasonable and informed third-party. To mitigate the self-review and familiarity threats resulting from the internal audit services provided, members of the internal audit engagement team had no involvement in the external audit.

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 31 March 2027, being 12-months from when the financial statements are authorised for issue;
- verifying the accuracy and reasonableness of management's analysis by testing the inputs, assessing key assumptions and checking the clerical accuracy of the models used;
- evaluating the solvency and liquidity position of the Company by reviewing base case solvency and liquidity projections that take into account future funding requirements for the Company as well as stress scenarios prepared by management;
- evaluating the reasonableness of management's forecast analysis to understand the severity of downside scenarios that would result in the elimination of solvency and liquidity headroom and assessed the plausibility of available management actions to mitigate the impact of such key risks;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period up to 31 March 2027, being 12-months from when the financial statements are authorised for issue.

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

Independent Auditor's Report to the shareholders of Churchill Insurance Company Limited

For the year ended 31 December 2025

Overview of our audit approach

Key audit matters	Valuation of Gross Insurance contract liabilities
Materiality	Overall materiality of £265k, which represents 1.75% of Net Assets

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of 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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 note 12.2 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.

First year audit considerations

In preparation for our first-year audit of the 31 December 2025 financial statements, we performed a number of transitional procedures, including review of KPMG's 2024 audit work papers, and obtaining an understanding of their risk assessment and key judgement. Prior to appointment as the statutory auditor, we undertook procedures to establish our independence of the Company, including ensuring that all staff who work on the audit are independent of the Company.

We held a number of meetings with management to understand the key judgements made for the 31 December 2024 year end. We used this understanding to establish our audit base and assist in the formalisation of our audit strategy for the 2025 audit. This involved obtaining an understanding of the Company's key processes and controls over financial reporting via walkthroughs.

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.

Independent Auditor's Report to the shareholders of Churchill Insurance Company Limited

For the year ended 31 December 2025

Risk	Our response to the risk
Valuation of Gross Insurance contract liabilities (£29,883k, 2024: £21,967k) <i>Refer to accounting policy (F) 'Insurance and reinsurance contracts'; and Note 5 – Insurance contract assets and liabilities.</i> Insurance contract liabilities are entirely comprised of settled period payment orders ("PPOs") within the liability for incurred claims, representing the Company's most material liability. The valuation of these liabilities requires the application of significant judgment and is inherently susceptible to potential management override. PPOs constitute a significant area of estimation uncertainty, complexity, and subjectivity, and accordingly, the principal focus of our audit procedures and professional judgment were: – The risk of inappropriate methodologies and assumptions being used to estimate the liability for incurred claims ("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; and – 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 gross 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 ii) the assumptions for setting actuarial assumptions and the calculations performed by management. – Using our own independent model we reperformed calculations across a sample of PPOs, to assess the reasonableness of booked reserves. – Assessed and challenged the reserving methodology applied by management on a gross basis – comparing the reserving methodology with industry practice. – Assessed whether the assumptions produced by management to develop the best estimate of liabilities are appropriate based on our knowledge of the Company, industry practice and regulatory and financial reporting requirements. – Compared the approach adopted to calculate the discount rate – including the illiquidity premium – for consistency across periods and industry benchmarks. 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 to calculate the risk adjustment, including 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. – Assessed the adequacy of the Company's disclosures to applicable accounting standards.

Key observations communicated to the Audit Committee

Based on our procedures performed, we are satisfied that, in all material respects, the methodology and assumptions used in the valuations of insurance contract liabilities are reasonable and the resultant estimates are within an acceptable range.

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 £265k (2024 KPMG: £325k), which is 1.75% of Net assets. We believe the main users of the financial statements, being policyholders and the regulators, are most focussed on balance sheet strength and ability to pay future claims as the principal activity of the Company during the year continued to be managing existing liabilities through to run-off rather than writing new business. Net assets is a generally accepted auditing benchmark and is considered to address the needs of the users of the financial statements in the current year and the future.

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.

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 – which included consideration of the fact that the current period is our first as auditors of the Company – our judgement was that performance materiality should be 50% of materiality, namely £133k.

Independent Auditor's Report to the shareholders of Churchill Insurance Company Limited

For the year ended 31 December 2025

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

Our reporting threshold is the amount below which identified misstatements are considered to be clearly trivial. We have reported to the Audit Committee all uncorrected misstatements in excess of £13k. This threshold is 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Independent Auditor's Report to the shareholders of Churchill Insurance Company Limited

For the year ended 31 December 2025

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 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 Gross 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.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Company on 2 July 2025 to audit the financial statements for the year ending 31 December 2025 and subsequent financial periods.
- The period of total uninterrupted engagement is one year, covering the year ending 31 December 2025.
- Other than the non-audit services described in the independence section above, 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:



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Heidi Burton (Senior Statutory Auditor)

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

Chartered Accountants

25 Churchill Place

London

E14 5EY

31 March 2026

Accounting Policies

For the year ended 31 December 2025

Statement of compliance

The Company is incorporated and domiciled in the UK and registered in England and Wales (company number 02258947). The principal activity of Churchill Insurance Company Limited (the "**Company**") continues to be the provision of general insurance, in so far as it relates to the handling and final settlement of outstanding motor claims. The Company is a private company limited by shares. 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 in the basis of preparation.

(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 ("**IASs**") and the legal requirements of the Companies Act 2006.

The financial statements are prepared on the historical cost basis except for insurance and reinsurance contract assets and liabilities which are measured at their fulfilment value in accordance with IFRS 17 'Insurance Contracts'.

The policies set out below have been applied consistently throughout the years ended 31 December 2025 and 31 December 2024 to items considered material to the financial statements. The accounting policies are consistent with those set out in the Company's 2024 annual financial statements, with the exception of new accounting standards which became effective for periods beginning on or after 1 January 2025. The nature and effect of these changes are disclosed in note (A).

The Company's financial statements are presented in sterling, which is the functional currency of the Company. Unless otherwise noted, the amounts shown in these financial statements are in whole thousands of pounds sterling ("**£000**").

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 (notes 12 and 11); capital structure (note 9); and management of its risks including market, credit and liquidity risk (note 12).

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.

On 1 July 2025, Aviva plc completed the acquisition of Direct Line Group and its subsidiaries. The Company has begun plans to Part VII transfer in-scope insurance portfolios to Aviva Insurance Limited (AIL), with a planned target effective date of December 2026.

A detailed going concern review has been undertaken as part of the 2025 reporting process, which includes consideration of the Company's current and forecasted liquidity position and overall performance. A cashflow forecast up to March 2027 shows that the Company will have sufficient liquidity to meet its liabilities as they fall due. A 4-year Strategic Plan has also been prepared and it is projected that the Company will be profitable over this period.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months (to 31 March 2027) from the date of approval of the financial statements. For this reason, the Directors continued to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

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 statements.

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

IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18, which aims to improve how companies communicate in their financial statements by:

- Requiring additional defined subtotals in the income statement;
- 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 of Financial Instruments

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

Accounting policies continued

For the year ended 31 December 2025

(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

For the year ended 31 December 2025

(B) Material accounting policies and the use of estimates and judgements

Material accounting policies

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.

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

Material accounting policies	Policy reference
Insurance and reinsurance contracts (IFRS 17)	(C), (F)

Key sources of estimation uncertainty

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

Key sources of estimation uncertainty	Policy reference	Note & Sensitivity
Measurement of insurance and reinsurance contracts The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. Key estimates involved in determining both the insurance liabilities and their corresponding recoverable amount from reinsurance contracts include the amount and timing of future claims payments in relation to claims already incurred, the allowance for illiquidity premium in the determination of discount rates, and the calibration of risk adjustment.	(F)	5, 23.3.2

There has been a strengthening of the Company's PPO claim provisions following updates to the Company's estimates and judgements to align views with those of the Group on long-tailed claims, illiquidity premium, PPO mortality, future inflation and risk adjustment.

(C) Insurance service result

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and other claims expenses; other incurred directly attributable expenses, such as marketing and acquisition costs; and
- changes that relate to past service (i.e. changes in fulfilment cash flows relating to liability for incurred claims ("LIC")).

Income and expenses from reinsurance contracts held

Income and 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.

(D) Investment return

Interest income on financial assets held at amortised cost is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

(E) Insurance finance result

Insurance finance income and expenses comprise the change in the carrying amount of the group of insurance contracts in respect of incurred claims arising from:

- the effect of the time value of money and changes in the time value of money. This mainly comprises interest accreted on the LIC; and
- the effect of financial risk and changes in financial risk. This mainly includes the effect of changes in interest rates (i.e discount rates) and the inflation assumptions for Periodic Payment Orders ("PPOs")(which are predominantly inflated with respect to the ASHE 6115 index).

The Company does not disaggregate finance income and expenses.

Accounting policies continued

For the year ended 31 December 2025

(F) Insurance and reinsurance contracts

IFRS 17 measurement models

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

The Company cedes insurance risk by reinsurance in the normal course of business and it has reinsurance contracts that transfer significant insurance risk.

The Company's principal activity relates to the handling and final settlement of outstanding motor claims and it ceased underwriting activities on 10 December 2011. These insurance and reinsurance contracts qualify for the premium allocation approach as their liability and asset for remaining coverage at the transition date to IFRS 17 'Insurance contracts' was £nil under both the general measurement model and premium allocation approach.

Level of aggregation

Insurance contracts are aggregated into groups for management purposes at initial recognition. The grouping of contracts is not subsequently reconsidered. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios.

The Company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. The general principles for defining the portfolio of insurance contracts for level of aggregation are equally applicable to reinsurance contracts held.

The grouping of insurance and reinsurance contracts is determined at initial recognition and is not subsequently reassessed.

Modification and derecognition

The Company derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification of the contract as an adjustment to the estimate of fulfilment cash flows.

Estimates of future cash flows

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

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 reflects the Company's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices. However, these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations.

Cash flows are modelled separately for gross and reinsurance contracts for which the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes is included.

Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised as such amounts relate to future insurance contracts.

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.

The contract boundary for a reinsurance contract is dependent on the terms and conditions of the reinsurance contract and therefore may not necessarily be the same as for the underlying insurance contracts. For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

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.

Accounting policies continued

For the year ended 31 December 2025

(F) Insurance and reinsurance contracts continued

The impact of discounting of the risk adjustment for PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

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 that are contractually linked to an inflation index are treated as a financial assumption.

Presentation of financial assumption changes

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

Insurance acquisition cash flows

The Company took the option to expense insurance acquisition cash flows when they were incurred.

Presentation

The Company presents separately, in the statement of financial position:

- portfolios of insurance contracts issued that are liabilities; and
- portfolios of reinsurance contracts held that are assets;

The Company presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued net.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims recoverable from reinsurance contract held and treats amounts not dependent on the underlying claims, such as ceding commissions, as a reduction in the premiums paid to the reinsurer.

(G) Financial instruments**Recognition and initial measurement**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at fair value net of transaction costs. Subsequently they are measured at amortised cost. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities are initially recognised at fair value net of transaction costs incurred. All financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Classification and subsequent measurement**Financial instruments measured at amortised cost**

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income is accounted for using the effective interest method. Such assets held by the Company include other receivables and cash and cash equivalents.

Financial liabilities are measured at amortised cost.

Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from that asset have expired or when the Company has transferred its rights to receive cash flows from the asset and either the Company has transferred substantially all the risks and rewards of ownership of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of ownership and the Company has not retained control.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets

The expected credit loss model is used to calculate impairment to be recognised for all financial assets measured at amortised cost. Impairment for other receivables is measured using the simplified approach.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. Expected credit loss impairment charges are recognised in the income statement within the investment return.

Accounting policies continued

For the year ended 31 December 2025

(H) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition. The average maturity of short-term highly liquid investments is 10 days (2024: 10 days).

(I) 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 to 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 by the end of the reporting period.

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

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

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

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

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

(J) Share capital**Ordinary share capital**

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Interim dividends on Ordinary Shares are recognised in equity in the period in which they are paid. Final dividends on Ordinary Shares are recognised when they have been approved at the Annual General Meeting ("**AGM**").

Income Statement

For the year ended 31 December 2025

		2025	2024
	Notes	£'000	£'000
Insurance service (expenses)/income	1	(7,859)	3,163
Net income/(expenses) from reinsurance contracts held	1	5,046	(1,595)
Insurance service result	1	(2,813)	1,568
Investment return	2	866	963
Net finance (expenses)/income from insurance contracts issued	2	(847)	2,376
Net finance income/(expenses) from reinsurance contracts held	2	747	(1,701)
Investment return and net insurance finance result	2	766	1,638
(Loss)/profit before tax		(2,047)	3,206
Tax credit/(charge)	4	512	(802)
(Loss)/profit for the year attributable to the owner of the Company		(1,535)	2,404

The accounting policies (identified alphabetically) on pages 13 to 18 and accompanying notes on pages 23 to 35 form an integral part of these financial statements.

There were no other items of comprehensive income or expense for the year ended 31 December 2025 (31 December 2024: none) and accordingly no separate statement of other comprehensive income has been presented.

Statement of Financial Position

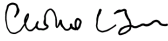
As at 31 December 2025

	Notes	2025 £'000	2024 £'000
Assets			
Reinsurance contract assets	5	24,779	19,562
Current tax assets	4	512	—
Other receivables	7	72	1,588
Cash and cash equivalents	8	21,278	19,055
Total assets		46,641	40,205
Shareholder's equity			
Shareholder's equity		15,165	16,700
Total equity		15,165	16,700
Liabilities			
Insurance contract liabilities	5	29,883	21,967
Trade and other payables	10	1,593	736
Current tax liabilities	4	—	802
Total liabilities		31,476	23,505
Total equity and liabilities		46,641	40,205

The Company has 100 issued and fully paid £1 shares.

The accounting policies (identified alphabetically) on pages 13 to 18 and accompanying notes on pages 23 to 35 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 31 March 2026 and were signed on its behalf by:

DocuSigned by:

0DFDF967AE1E4F8...
Charlotte Jones
Director
31 March 2026

Registered in England and Wales No. 02258947

Statement of Changes in Equity

For the year ended 31 December 2025

	Total equity £'000
Balance at 1 January 2024	14,296
Profit for the year	2,404
Total comprehensive income for the year	2,404
Balance at 31 December 2024	16,700
Loss for the year	(1,535)
Total comprehensive loss for the year	(1,535)
Balance at 31 December 2025	15,165

Total equity represents retained earnings and share capital. The Company has 100 issued and fully paid £1 shares. There have been no changes to the Company's share capital across the reported periods.

The accounting policies (identified alphabetically) on pages 13 to 18 and accompanying notes on pages 23 to 35 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2025

		2025	2024
	Notes	£'000	£'000
Cash generated from/(used in) operating activities before investment of insurance assets	13	2,159	(1,416)
Cash generated from investment of insurance assets	13	866	963
Cash generated from/(used in) operating activities		3,025	(453)
Taxes paid		(802)	(54)
Net cash generated from/(used in) operating activities		2,223	(507)
Net increase/(decrease) in cash and cash equivalents		2,223	(507)
Cash and cash equivalents at the beginning of the year		19,055	19,562
Cash and cash equivalents at the end of the year		21,278	19,055

The accounting policies (identified alphabetically) on pages 13 to 18 and accompanying notes on pages 23 to 35 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2025

1 Insurance service result

The table below analyses insurance and reinsurance revenue and expenses that comprise the Company's insurance service result in profit or loss:

	2025 £'000	2024 £'000
Insurance service (expenses)/income		
Past service – incurred claims	(7,859)	3,163
Total insurance service (expenses)/income	(7,859)	3,163
Insurance claims recoverable from reinsurance contracts held		
Past service – claim recoveries	5,216	(1,842)
Effect of non-performance risk of reinsurers	(170)	247
Total amounts recoverable from/(payable to) reinsurance contracts held	5,046	(1,595)
Total insurance service result	(2,813)	1,568

2 Insurance finance result

This note analyses the Company's finance result¹, including its Insurance and reinsurance finance (expenses)/income in profit or loss.

	2025 £'000	2024 £'000
Interest income calculated using effective interest rate method:		
Cash and cash equivalents	866	963
Total interest income calculated using effective interest rate method	866	963
Investment return	866	963
Insurance finance (expenses)/income from insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions	(847)	2,376
Reinsurance finance income/(expenses) from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions	747	(1,701)
Insurance and reinsurance finance (expenses)/income¹	(100)	675
Total investment return, insurance and reinsurance finance income/(expenses)	766	1,638

Notes:

- Investment return, Insurance and reinsurance finance (expenses)/income and Total investment return, insurance and reinsurance finance income/(expenses) are represented by amounts recognised in the income statement only.
- There are no amounts recognised in other comprehensive income.

3 Auditor's remuneration

This note analyses the Auditor's remuneration in respect of the Company's operations.

Fees for audit and non-audit services of the Company's financial statements, are borne by a related party, DLIS.

	2025 £'000	2024 £'000
Fees paid to the Auditor in respect of the statutory audit of the Company	77	75
Total Auditor's remuneration	77	75

Note:

Ernst & Young LLP (EY) became the Company's statutory auditor in 2025 replacing KPMG LLP (KPMG) who were the statutory auditors during 2024. Of the 2025 fees £77,000 were payable to EY and £nil was payable to KPMG, whilst the 2024 fees were paid wholly to KPMG.

Notes to the financial statements

For the year ended 31 December 2025

4 Tax charge

This note analyses the tax charge for the year and explains the factors that affect it.

Tax (credited)/charged to the income statement

The total tax (credit)/charge comprises:

	2025 £'000	2024 £'000
Current taxation:		
(Credit)/charge for the year	(512)	802
Tax (credit)/charge for the year	(512)	802

Current tax prior year adjustments includes a credit of £512,000 (2024: £nil) for current year losses carried back against profits of the prior year

- No unrecognised tax losses, excess management expenses or temporary differences from previous years were used to adjust the current tax credit (2024: None).
- No deferred tax was charged or (credited) to the income statement during the year (2024: none).

Tax (credited)/charged to other comprehensive income

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

Tax reconciliation

The following table analyses the difference between the actual income tax (credit)/charge and the expected income tax (credit)/charge computed by applying the standard rate of corporation tax of 25.0% (2024: 25.0%).

	2025 £'000	2024 £'000
(Loss)/profit for the year	(2,047)	3,206
Expected tax (credit)/charge	(512)	802
Tax (credit)/charge for the year	(512)	802
Effective income tax rate	25.0%	25.0%

The Company (as part of the Aviva Group and Direct Line Group in 2024) is subject to the reform of the international tax system proposed by The Organisation for Economic Co-operation and Development ("OECD") which introduced a global minimum effective rate of corporation tax of 15% and was enacted in the UK with effect from 1 January 2024. There is no expectation of any exposure to Pillar Two Top-up Taxes and accordingly no accrual has been recorded in these 2025 Financial Statements.

Aviva Group (and Direct Line Group in 2024) applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

5 Insurance contract assets and liabilities - gross and reinsurance

This note analyses the following in respect of insurance and reinsurance contracts:

- carrying amount;
- movements in the year;
- claims development; and
- significant judgements, estimates and assumptions.

5.1 Movement in carrying amounts of insurance and reinsurance contracts

The following movements have occurred in the carrying amounts of insurance contract balances in the year:

	2025 £'000	2024 £'000
Carrying amount		
At 1 January	(21,967)	(28,188)
Insurance service (expenses)/income	(7,859)	3,163
Insurance finance (expenses)/income	(847)	2,376
Claims and expenses paid, including investment component	790	682
At 31 December	(29,883)	(21,967)

The carrying amount for reinsurance contracts is recognised separately from insurance contract balances. Detailed movements on both are included in the notes below.

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit and loss.

Notes to the financial statements

For the year ended 31 December 2025

5 Insurance contract assets and liabilities - gross and reinsurance continued

5.1.1 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for incurred claims

	Insurance contracts issued - liability for incurred claims			Reinsurance contracts held - amounts recovered on incurred claims			Net
	Estimate of present value cash flows	Risk adjustment for non-financial risk	Total	Estimate of present value cash flows	Risk adjustment for non-financial risk	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Insurance/reinsurance contract assets as at 1 January 2024	—	—	—	22,422	1,204	23,626	23,626
Insurance/reinsurance contract liabilities as at 1 January 2024	(26,706)	(1,482)	(28,188)	—	—	—	(28,188)
Net insurance/reinsurance contract liabilities/assets as at 1 January 2024	(26,706)	(1,482)	(28,188)	22,422	1,204	23,626	(4,562)
Insurance service expenses:							
Past service – incurred claims	2,834	329	3,163	(1,676)	(166)	(1,842)	1,321
Effect of non-performance risk of reinsurers				247		247	247
Insurance service result	2,834	329	3,163	(1,429)	(166)	(1,595)	1,568
(Re)insurance finance expense/(income)	2,376		2,376	(1,701)		(1,701)	675
Total amounts recognised in comprehensive income	5,210	329	5,539	(3,130)	(166)	(3,296)	2,243
Cash flows:							
Claims and other expenses paid/(recovered)	682		682	(768)		(768)	(86)
Total cash flows	682		682	(768)		(768)	(86)
Insurance/reinsurance contract assets as at 31 December 2024	—	—	—	18,524	1,038	19,562	19,562
Insurance/reinsurance contract liabilities as at 31 December 2024	(20,814)	(1,153)	(21,967)	—	—	—	(21,967)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	(20,814)	(1,153)	(21,967)	18,524	1,038	19,562	(2,405)
Insurance service expenses:							
Past service – incurred claims	(6,666)	(1,193)	(7,859)	4,235	981	5,216	(2,643)
Effect of non-performance risk of reinsurers				(170)		(170)	(170)
Insurance service result	(6,666)	(1,193)	(7,859)	4,065	981	5,046	(2,813)
(Re)insurance finance (income)/expense	(847)		(847)	747		747	(100)
Total amounts recognised in comprehensive income	(7,513)	(1,193)	(8,706)	4,812	981	5,793	(2,913)
Cash flows:							
Claims and other expenses paid/(recovered)	790		790	(576)		(576)	214
Total cash flows	790		790	(576)		(576)	214
Insurance/reinsurance contract assets as at 31 December 2025	—	—	—	22,760	2,019	24,779	24,779
Insurance/reinsurance contract liabilities as at 31 December 2025	(27,537)	(2,346)	(29,883)	—	—	—	(29,883)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2025	(27,537)	(2,346)	(29,883)	22,760	2,019	24,779	(5,104)

5.2 Carrying amount

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

	2025	2024
	£'000	£'000
Insurance contract liabilities	(26,962)	(19,981)
Reinsurance contract assets	22,287	17,783

Notes to the financial statements

For the year ended 31 December 2025

5 Insurance contract assets and liabilities - gross and reinsurance continued

5.3 Insurance and reinsurance contract assets and liabilities - claims development tables

The Company ceased writing business in 2011.

	Gross 2011 and prior years £'000	Net 2011 and prior years £'000
Estimates of undiscounted cumulative claims	(108,105)	(24,322)
Adjustment for non-financial risk	(2,346)	5,853
Effect of discounting	80,568	13,175
Other LIC	—	190
Gross/net liability for incurred claims included in the statement of financial position	(29,883)	(5,104)

5.4 Significant judgements, estimates and assumptions

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, participating investment and reinsurance contracts.

Accounting policy (C) 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 judgments, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

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 will incorporate, 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 will reflect the Company's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices. However, these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations. The Company applies the premium allocation approach to simplify the measurement of insurance contracts.

Analysis of outstanding PPO claims provisions on a discounted and an undiscounted basis

The Company settles its remaining claims (all classified as large bodily injury) as PPOs rather than lump sum payments.

The table below analyses the outstanding PPO claims provisions on a discounted and an undiscounted basis at 31 December 2025 and 31 December 2024. These balances represent an actuarial best estimate excluding events not in data.

	Discounted 2025 £'000	Undiscounted 2025 £'000	Discounted 2024 £'000	Undiscounted 2024 £'000
At 31 December				
Gross claims				
Approved PPO claims provisions	27,149	106,714	20,552	97,581
Total	27,149	106,714	20,552	97,581
Reinsurance				
Approved PPO claims provisions	(22,281)	(91,679)	(18,238)	(84,993)
Total	(22,281)	(91,679)	(18,238)	(84,993)
Net of reinsurance				
Approved PPO claims provisions	4,868	15,035	2,314	12,588
Total	4,868	15,035	2,314	12,588

Details of sensitivity analysis to the discount rate applied to PPO claims are shown in note 12.2.1.

Notes to the financial statements

For the year ended 31 December 2025

5 Insurance contract assets and liabilities - gross and reinsurance continued

5.4 Significant judgements, estimates and assumptions continued

Discount rates

The Company determines the risk-free discount rate using Solvency II risk-free rates sourced from the Bank of England. This results in alignment between IFRS 17 and Solvency II and ensures consistency with the Bank of England credit risk premiums used in the illiquidity premium calculations.

The Company has selected to apply the 'bottom up' approach to determine discount rates which requires the use of the risk free rate curves and adding the illiquidity premium.

During 2025, following acquisition by the Aviva Group, the Company aligned its methodology for determination of illiquidity premiums with that applied by the Aviva Group, with effect from 1 January 2025. The impact of the change in methodology was an increase of £6 million in insurance contract liabilities offset by an increase of £5 million in reinsurance contract assets.

For 2025 the illiquidity premium has been 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.

Prior to 2025, the illiquidity premium was determined by using a fundamental spread approach by deducting the risk-free rate and credit risk premium from corresponding corporate bond reference portfolios. The reference portfolio is BBB-rated bonds with a remaining term of 15 or more years.

Judgement was then applied when determining the illiquidity premium with respect to allowances for past and future trends, considering changes in the economic environment.

Yield curves used to discount PPO cash flows

As at 31 December 2025

Spot rate	1 year	3 year	15 year
PPOs	3.8 %	3.8 %	4.6 %

As at 31 December 2024

Spot rate	1 year	3 year	15 year
PPOs	5.7 %	5.4 %	5.4 %

Risk adjustment

The risk adjustment represents the compensation required for bearing non-financial risk. During 2025, following acquisition by the Aviva Group, the methodology for determining the risk adjustment was aligned with the approach applied across the Aviva Group. Under this approach, the risk adjustment is derived using a cost-of-capital method informed by internal model outputs, replacing the previous confidence-level approach set at the 75th percentile. The change in methodology resulted in an increase of £514,000 in insurance contract liabilities, partly offset by an increase of £421,000 in reinsurance contract assets.

Following this alignment the risk adjustment for non-financial risk 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's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, and includes diversification between risks within the Company.

The risk adjustment for non-financial risk corresponds to a 81st percentile (2024: 75th 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 percentile 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 lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

Prior to 2025 the Company applied a confidence level approach for determining the risk adjustment with a target confidence level of the 75th percentile for the liability for incurred claims.

A sensitivity which demonstrates the impact of the confidence level being at the 70th, 75th and 80th percentiles on profit before tax is included in the note 12.2.1.

Mortality

The impact of the Company aligning its methodology for determining PPO mortality was an increase in insurance contract liabilities of £2,400,000 and an increase of £2,166,000 in reinsurance contract assets.

6 Tax assets and liabilities

Current tax

Current tax assets recoverable and liabilities payable in more than one year are £512,000 and £nil (2024: £nil and £802,000), respectively.

Deferred tax

Deferred tax assets recoverable and liabilities payable are £nil and £nil (2024: £nil and £nil), respectively.

Notes to the financial statements

For the year ended 31 December 2025

7 Other receivables

This note analyses the Company's other receivables at the end of the year:

	2025	2024
	£'000	£'000
Other debtors	72	76
Receivables from related parties	—	1,512
Total¹	72	1,588

Note:

1. Of which £72,000 (2024: £1,588,000) are expected to be recovered within one year.

8 Cash and cash equivalents

This note provides detail of the Company's cash position as disclosed in the cash flow statement:

	2025	2024
	£'000	£'000
Short term deposits with credit institutions ¹	21,270	19,040
Cash and cash equivalents	8	15
Cash and cash equivalents	21,278	19,055

Note:

1. This represents money market funds.

The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2025 was 4.26% (2024: 5.13%) and average maturity was 10 days (2024: 10 days).

9 Share capital

This note gives details of the Company's Ordinary Share capital:

	2025	2024
	£	£
Authorised, Issued and fully paid: equity shares		
100 Ordinary Shares of £1 each	100	100
Total	100	100

The Company is a member of the Aviva Group headed by Aviva plc.

10 Trade and other payables

This note analyses the Company's trade and other payables at the end of the year:

	2025	2024
	£'000	£'000
Payables due to related parties	1,593	736
Total	1,593	736

11 Commitments and contingent liabilities

The Company did not have any material commitments and contingent liabilities at 31 December 2025 (2024: none).

12 Risk management

12.1 Risk management overview

The Risk Management Framework sets out at a high level, the Company's approach to setting risk strategy, and managing risks to the strategic objectives and day-to-day operations of the business. The Company is managed by an ('aligned' Board) with Aviva Insurance Limited ("AIL"). The aligned Board has responsibility for setting the respective Company's overall strategic aims and priorities relating to risk appetite and risk management, subject to an appropriate application of the Aviva Group's Risk Management policies and standards. The aligned Board approves and monitors adherence to risk appetite and tolerances and reviews the effectiveness of the risk management and system of internal controls. The aligned Board has established a risk management model that separates the business's risk management responsibilities into "Three lines of defence" as set out below.

- First line of defence - Risk ownership
- Second line of defence - Oversight, challenge and support of first line
- Third line of defence - Independent assurance

The Aviva annual report contains a comprehensive review of the risk management framework for the Group. Copies can be obtained from the Group's website at www.aviva.com

Notes to the Financial Statements

For the year ended 31 December 2025

12.1.1 Risk strategy and risk appetite

The risk appetite statements express the level of risk the Company is prepared to accept to achieve its business objectives. These statements, supported by a suite of Key Risk Indicators ("KRIs"), support management in making decisions aligned to the risk appetite of the Company. Risk appetite statements are both qualitative and quantitative risk statements and forward- and backward-looking, and these risk appetite statements and KRIs are reviewed annually through formal governance.

The Risk Appetite Framework is comprised of Overarching Risk Appetite Objectives, set out below, that are approved by the aligned Board annually, with risk appetite statements documented in our Risk Policies.

Three strategic risk objectives:

Maintain capital adequacy

The Company's Solvency Risk Appetite is to seek to hold own funds with a green threshold of 200% of the Minimum Capital Requirement.

Stable/efficient access to funding and liquidity

The Company aims to meet both planned and unexpected cash outflow requirements, including those requirements that arise following a 1-in-200 year insurance, market or credit risk event.

Maintain stakeholder confidence

Statements summarising the Company's employee engagement, and its engagement with suppliers, customers and its other stakeholders are included in the strategic report.

12.2 Principal risks from insurance activities and use of financial instruments

The risk management section of the strategic report sets out the material risks assessed by the Company as principal risks and provides details of emerging risks that the Company has considered as part of its emerging risk process. Also detailed in this section is the Company's risk exposure arising from its insurance activities and use of financial instruments specifically in respect of insurance risk, market risk, credit risk, operational risk and liquidity risk.

Geopolitical Risks

The global and UK economic environment remains uncertain, influenced by heightened geopolitical tensions, particularly ongoing conflicts in the Middle East and Ukraine. In the UK, these geopolitical risks may impact government economic policies, with potential effects on the Company through claims inflation, rising living costs, and interest rate fluctuations affecting the Company's investment portfolio.

A geopolitical event may also increase the risk of a cyber-attack on critical infrastructure, disruption in supply chains or trigger a need to onshore outsourced activities. Impacts on supply chains and operations could cause significant disruption to business processes leading to an increased potential for customer and conduct risk, and a distraction from other strategic business priorities.

The Company's Investment and Treasury function continues to assess the impact of adverse economic conditions on the Company's investment portfolio holdings as part of its ongoing investment management oversight.

Claims Inflation

The insurance sectors in which the Company operates are affected by inflation. In particular, reserves and claims from policies underwritten are exposed to the risk of claims inflation. In recent years, there have been several inflationary drivers in the Company's claims, especially for motor. The inflationary drivers have both both come from specific external market factors, such as the geopolitical risks mentioned above, as well as general price inflation in 2021 and 2022. Although general price inflation has returned to lower levels, the uncertainty from future inflation volatility and its outlook continues to be closely monitored. Details of the Company's sensitivity to claims inflation are included in note 12.2.1.

Environmental

Environmental risk is managed by Aviva Group, for details of the Groups climate and environmental risk management see page 281 of the 2025 Aviva Group Annual Report and Accounts.

12.2.1 Insurance risk

The Company is exposed to insurance risk as a primary consequence of its business. Key insurance risks focus on the risk of loss due to fluctuations in the timings, amount, frequency and severity of an insured event relative to the expectations at the time of underwriting.

The Company is in run-off with reserves held in respect of a small number of PPOs. The primary risk for this entity relates to mortality and life expectancy assumptions, which could impact the overall reserve adequacy and long-term cost projections.

The Company is mainly exposed to the following insurance risks:

Reserve risk

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

- the uncertain nature of claims, in particular large bodily injury claims;
- unexpected future impact of socio-economic trends or regulatory changes;
- data issues and changes to the claims reporting process; and
- operational failures.

Understatement of reserves may result in not being able to pay claims when they fall due. Alternatively, overstatement of reserves can lead to a surplus of funds being retained resulting in opportunity costs.

Notes to the Financial Statements

For the year ended 31 December 2025

12 Risk management continued**12.2.1 Insurance risk** continued

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

- regular reviews of the claims, in line with IFRS 17 requirements for the main classes of business by the internal actuarial team;
- the use of external and independent Aviva group actuaries to review periodically the actuarial best estimate reserves produced internally, either through peer review or through provision of independent reserve estimates;
- accompanying reserve reviews with actuarial assessment of the uncertainties through a variety of techniques including scenario analysis;
- use of reinsurance programmes;
- oversight of the reserving process by relevant senior management and the Board;
- quarterly reconciliation of the data used in the actuarial reviews against general ledger data and reconciliation of the claims data history against the equivalent data from prior reviews; and
- regular assessment of the uncertainty in the reserves to help the set the risk adjustment within the Liability for Incurred Claims.

The Company's reserves are subject to the risk of retrospective changes in judicial conditions such as changes in the Ogden discount rate.

Uncertainty in claims reserves estimation is larger for claims such as PPOs for which annually indexed payments are made, typically over the lifetime of the injured party. Under IFRS 17 all claims reserves are held on a discounted basis and so are sensitive to changes in the discount rate, however this sensitivity tends to be more significant to the Company's PPO reserves given their longer duration.

The table below provides a sensitivity analysis of the potential net impact of a change in a single factor (the illiquidity premium ("ILP") in the discount curve used for PPOs and other claims, claims inflation or risk adjustment with all other assumptions left unchanged. Other potential risks beyond the ones described could have additional financial impacts on the Company.

	Increase/(decrease) in profit before tax and equity gross of reinsurance ^{1,2}		Increase/(decrease) in profit before tax and equity net of reinsurance ^{1,2}	
	2025	2024	2025	2024
At 31 December	£'000	£'000	£'000	£'000
Discount curve - PPOs³				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	5,110	2,717	1,171	340
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	(7,253)	(3,597)	(1,680)	(454)
Claims inflation				
Impact of a decrease in claims inflation by 200 basis points for two consecutive years	1,170	686	258	73
Impact of an increase in claims inflation by 200 basis points for two consecutive years	(1,193)	(697)	(263)	(75)
Risk adjustment⁴				
Impact of a risk adjustment at the 70th percentile compared to booked risk adjustment (Risk adjustment booked at 81st percentile in 2025; 75th percentile in 2024)	1,230	288	148	28
Impact of a risk adjustment at the 75th percentile compared to booked risk adjustment (Risk adjustment booked at 81st percentile in 2025; 75th percentile in 2024)	837	—	92	—
Impact of a risk adjustment at the 80th percentile compared to booked risk adjustment (Risk adjustment booked at 81st percentile in 2025; 75th percentile in 2024)	378	(338)	25	(31)

Notes:

- These sensitivities exclude the impact of taxation.
- These sensitivities reflect one-off impacts at the statement of financial position date and should not be interpreted as predictions.
- The sensitivities relating to an increase or decrease in the discount rate used for PPOs illustrate a movement in the time value of money. The PPO sensitivity has been calculated on the direct impact of the change in the discount rate with all other factors remaining unchanged. The sensitivity is calculated on the basis of a change in the discount rate used for the actuarial best estimate reserves as at 31 December 2025. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.
- The risk adjustment as at 31st December 2025 has been booked using a Cost of Capital approach. The risk adjustment is at the 81st percentile. Last year, the risk adjustment was set at the 75th percentile. For comparison, the 75th percentile is given as a new sensitivity this year. Relative to the 81st percentile, each risk adjustment sensitivity represents an increase in profit.

Notes to the Financial Statements

For the year ended 31 December 2025

12 Risk management continued**12.2.1 Insurance risk** continued**Reinsurance risk**

This is the risk of inappropriate selection and/or placement of reinsurance arrangements, with either individual or multiple reinsurers, which renders the transfer of insurance risk to the reinsurer(s) inappropriate and/or ineffective.

Other risks include:

- reinsurance credit risk – the management of concentration of credit exposure to any given counterparty is controlled by the Group Reinsurance Credit Risk Framework
- reinsurance capacity being reduced and/or withdrawn;
- reinsurance contract terms being inappropriate or ineffective resulting in classes or types of business not being appropriately reinsured;
- non-adherence to the reinsurance policy terms and conditions, in terms of both policy management and claims not being handled within the reinsurance contract terms and conditions, or paid on an ex-gratia basis, resulting in reinsurance recoveries not being made in full; and
- changes in the external legal, regulatory, social or economic environment (including changes resulting from climate change) altering the definition and application of reinsurance policy wordings or the effectiveness or value for money of reinsurance.

The Company uses a range of (external) reinsurance to:

- facilitate effective capital management and protection of the Company's capital position; and
- transfer risk that is not within its current risk appetite or where there is limited expertise or regulatory constraints on underwriting that business.

12.2.2 Market risk

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

The Company is mainly exposed to net interest rate risk. This is the loss from changes in the term structure of interest rates or interest rate volatility which impacts on assets and liabilities. The Company's interest rate risk is considered to be immaterial but would arise mainly from its assets and liabilities exposed to fixed interest rates.

The Company has clearly defined market risk policies which include a range of parameters that are subject to approval by the Direct Line Asset and Liability Committee ("ALCo").

These policies also set out the principles to which the Company should adhere when considering investment strategy, including risk appetites and capital efficiency.

The Company monitors its market risk exposure on a daily basis and, has established an aggregate exposure limit consistent with its risk objective to maintain capital adequacy. Interdependencies across risk factors have also been considered within the aggregate exposure limit. The allocation of the Company's investments across asset classes has been approved by the Investment Committee. The Committee also determines policy and controls, covering such areas as risk, liquidity and performance. The Investment Committee meets at least three times a year to evaluate risk exposure, the current strategy, associated policies and investment guidelines and to consider investment recommendations submitted to it.

12.2.3 Credit risk

This is the risk of loss resulting from defaults in obligations due and/or changes in credit standing of either issuers of securities, counterparties or any debtors to which the Company is exposed. The Company's credit risk policy, sets out the assessment and determination of what constitutes credit risk for it. The Company is mainly exposed to counterparty default risk.

Counterparty default risk

This is the risk of loss from unexpected default or deterioration in the credit standing of the counterparties and debtors of Company undertakings and is monitored at the Company level.

The main source of counterparty default risk for the Company is:

- reinsurance recoveries – this represents amounts receivable from the reinsurer to cover claims paid to policyholders. PPOs have the potential to increase the ultimate value of a claim and, by their very nature, to increase significantly the length of time to reach final payment. This can increase reinsurance counterparty default risk in terms of both amount and longevity;

The Company cedes insurance risk to reinsurers but, in return, assumes counterparty default risk against which a reinsurance bad debt provision is assessed. The Company's leading counterparty exposures are reviewed on a regular basis.

Reinsurance contracts have long durations as a result of PPO claims, and reinsurance reserves therefore include provisions beyond the levels created for shorter term reinsurance bad debt.

Notes to the Financial Statements

For the year ended 31 December 2025

12 Risk management continued

12.2.3 Credit risk continued

The tables below analyse the credit quality of financial and insurance assets that are neither past due nor impaired, including reinsurance exposure after provisions:

	AAA £'000	AA+ to AA- £'000	A+ to A- £'000	Not rated £'000	Total £'000
At 31 December 2025					
Reinsurance contract assets	—	24,779	—	—	24,779
Other receivables	72	—	—	—	72
Cash and cash equivalents ¹	21,270	—	8	—	21,278
Total	21,342	24,779	8	—	46,129
	AAA £'000	AA+ to AA- £'000	A+ to A- £'000	Not rated £'000	Total £'000
At 31 December 2024					
Reinsurance contract assets	—	19,562	—	—	19,562
Other receivables	76	768	—	744	1,588
Cash and cash equivalents ¹	19,040	—	15	—	19,055
Total	19,116	20,330	15	744	40,205

Note:

1. This represents money market funds with no notice period for withdrawal and cash at bank and in hand.

12.2.4 Operational risk

This is the risk of loss due to inadequate or failed internal processes, systems, human error or from external events. Material sources of operational risk for the Company include:

Technology and infrastructure risk

Technology and infrastructure risk is defined as the risk of disruption to technology services due to poorly designed, implemented and maintained technology, resulting in customer, financial, reputational and/or regulatory impact.

Supplier management and outsourcing risk

This is the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of suppliers, outsourcers, and intra-group relationships.

Cyber risk

Cyber risk is the risk of loss or corruption of company and / or customer data, intellectual property or failure of business-critical systems, resulting in reputational damage, regulatory censure, supervisory fines and / or loss of competitive advantage.

Risk concentrations management

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

The Company proactively manages its operational risks to mitigate potential customer harm, regulatory or legal censure, financial and reputational impacts. The Company has in place operational processes and systems, including prevention and detection measures. These include processes which seek to ensure the Company can absorb and/or adapt to internal or external events that could impact customer operations and the wider business, as well as to learn from these situations to improve the Company's overall risk and control systems moving forward.

12.2.5 Liquidity risk

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

The measurement and management of the Company's liquidity risk is undertaken within the limits and other policy parameters of the Company's liquidity risk appetite and is detailed in the Company's liquidity risk minimum control standard. As part of this process, the Investment and Treasury team is required to put in place a liquidity plan which must consider expected and stressed scenarios for cash inflows and outflows that is reviewed at least annually by the ALCo. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

Notes to the Financial Statements

For the year ended 31 December 2025

12 Risk management continued

12.2.5 Liquidity risk continued

The following table analyses the carrying value of financial investments and cash and cash equivalents, by contractual maturity, which can fund the repayment of liabilities as they crystallise.

	Within 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2025						
Cash and cash equivalents	21,278	—	—	—	—	21,278
Other receivables	72	—	—	—	—	72
Total	21,350	—	—	—	—	21,350

	Within 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2024						
Cash and cash equivalents	19,055	—	—	—	—	19,055
Other receivables	1,588	—	—	—	—	1,588
Total	20,643	—	—	—	—	20,643

The following table analyses the reinsurance contract assets (undiscounted) by maturity dates.

Reinsurance contract assets	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 15 years	Over 15 years	Total	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2025	453	652	674	696	716	8,436	72,345	83,972	22,760
2024	0	634	662	682	703	8,267	65,767	76,715	18,524

Note:

1. This represents money market funds with no notice period for withdrawal and cash at bank and in hand.

The following table analyses the undiscounted cash flows of financial liabilities by maturity dates.

	Less than 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2025							
Trade and other payables	1,593	—	—	—	—	1,593	1,593
Total	1,593	—	—	—	—	1,593	1,593

	Less than 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2024							
Trade and other payables	736	—	—	—	—	736	736
Total	736	—	—	—	—	736	736

The following table analyses the insurance contract liabilities (undiscounted) based on the future cash flows expected to be paid out in the periods presented.

Insurance contract liabilities	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 15 years	Over 15 years	Total	Carrying value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2025	581	852	879	906	1,034	10,664	93,190	108,106	27,537
2024	0	804	838	861	885	10,204	85,054	98,646	20,814

Note:

1. Insurance contract liabilities represent the estimate of present value cash flows as disclosed in note 5 and are presented gross of reinsurance.

12.3 Capital management

Capital

At 31 December 2025, the Company capital position was comprised of shareholder's equity of £15,165,000 (31 December 2024: £16,700,000).

The Solvency II financial information in this note is estimated, unaudited and is not part of the financial statements.

Risk management and Capital adequacy

The Company manages capital in accordance with the capital management minimum standard, the aims of which are to manage capital efficiently while balancing operational, regulatory and policy holder requirements.

The Company's regulatory capital position is assessed against the Solvency II framework, as modified by the PRA's 2024 reforms. The Company uses the standard formula to assess its SCR.

Notes to the Financial Statements

For the year ended 31 December 2025

The Company's SCR has been calculated as £1,755,000 (2024: £1,391,000) using the standard formula approach. However, the absolute floor of the MCR specified in the Solvency II Directive is £3,500,000 (2024: £3,500,000). This paragraph is unaudited.

13 Notes to the cash flow statement

This note gives further detail behind the figures in the cash flow statement:

	Notes	2025 £'000	2024 £'000
(Loss)/profit for the year		(1,535)	2,404
Adjustments for:			
Investment return	2	(866)	(963)
Tax (credit)/charge	4	(512)	802
Operating cash flows before movements in working capital		(2,913)	2,243
Movements in working capital:			
Net (increase)/decrease in reinsurance contract assets	5	(5,217)	4,064
Net decrease/(increase) in trade and other receivables	7	1,516	(1,500)
Net increase/(decrease) in trade and other payables	10	857	(3)
Net increase/(decrease) in insurance contract liabilities	5	7,916	(6,221)
Cash generated from/(used in)operations		2,159	(1,416)
Interest received	2	866	963
Cash generated from investment of insurance assets		866	963

14 Related party transactions

As at 31 December 2025, the ultimate controlling entity, and parent of the largest and smallest groups which consolidates 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.

The immediate parent company is U K Insurance Limited, whose registered office is The Wharf, Neville Street, Leeds, LS1 4AZ. Both companies are incorporated in the UK and registered in England and Wales.

Reinsurance payments to parent company

	2025 £'000	2024 £'000
Reinsurance payments to parent company	682	—

Purchases of services

There were no purchases of services from other related parties in the Group during the year (2024: £nil).

Directors' emoluments and Employees

The Company had no employees during the year ended 31 December 2025 (2024: none).

All employees are employed by DLIS and AES, subsidiaries of Aviva plc. Total employee costs, including Directors' remuneration, recharged to the Company during the year were nil, (2024: £nil). Employee costs recharged o the Company include the full costs of key managers and other staff in respect of share-based payments.

Directors of the Company were remunerated for their services to the Group as a whole. The Directors were not remunerated for their services as a Director of the Company and the amount of their time spent performing their duties were incidental to their roles 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.

Year end balances arising from sales and purchases of products and services

Reinsurance contract asset from related parties

There were no reinsurance contract assets from related parties (2024: £nil).

Receivables from related parties

	2025 £'000	2024 £'000
U K Insurance Limited	—	769
DL Insurance Services Limited	—	743
Total	—	1,512

All of the above balances are due to be settled within 12 months.

Notes to the Financial Statements

For the year ended 31 December 2025

14 Related party transactions continued

Movements in receivables from related parties

	2025	2024
	£'000	£'000
At 1 January	1,512	—
Payments made on behalf parent company	—	769
Payments made on behalf of related Group undertaking	—	743
Settled in the year	(1,512)	—
At 31 December	—	1,512

Due to related parties

	2025	2024
	£'000	£'000
U K Insurance Limited	791	682
DL Insurance Services Limited	802	53
Total	1,593	735

All of the above balances are due to be settled within 12 months.

Movements in amounts due to related parties

	2025	2024
	£'000	£'000
At 1 January	735	739
Transactions in the year	1,593	735
Settled in the year	(735)	(739)
At 31 December	1,593	735

15 Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.