

Company Registration No. 01179980

U K Insurance Limited

Annual Report and Financial Statements

31 December 2025

The Wharf
Neville Street
Leeds
LS1 4AZ

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Officers and professional advisors

Directors:

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

Company secretary:

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

Registered office:

The Wharf
Neville Street
Leeds
LS1 4AZ

Company number:

01179980

Auditor:

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

Company registration:

Registered in England and Wales

Other information:

U K Insurance 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**Principal activities**

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 ("**DLIG**").

The principal activity of U K Insurance Limited is the provision of general insurance in the United Kingdom.

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 may take into account proposals provided from within the Group in seeking further opportunities for growth.

Significant events in the year included:

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

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

Overall, there was a 1.4 percentage point increase in the Company's discounted combined operating ratio ("**COR**")² to 99.8% (2024: 98.4%), driven by movement to a lower discount rate which increased net claims incurred and a small increase in other operating expenses in the insurance service result as proportions of net insurance revenue, which has reduced at a greater rate. This has been partially offset by a reduction in acquisition expenses, due largely to the creation of the insurance acquisition cash flows reserve for new insurance contracts initiated in 2025 onwards. Estimates and Judgements relating to the liability for incurred claims were updated to align views with Group on long tailed claims, illiquidity premium, PPO mortality, future inflation and risk adjustment.

Notes:

1. A Part VII transfer is a court-sanctioned legal transfer of some or all of the policies of one company to another, which is governed by Part VII of the Financial Services and Markets Act 2000 (FSMA).
2. COR is defined in the KPI table below and may be calculated as the sum of total insurance service expenses and total amounts recoverable from reinsurance contracts held divided by the sum of insurance revenue and allocation of reinsurance premiums paid. See note 2 for details of the balances contributing to the calculation.

Strategic report

For the year ended 31 December 2025

Key performance indicators

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

KPI	Definition	Aim	2025	2024
Combined operating ratio (discounted)	COR is a financial measure of performance and is calculated as insurance service expenses expressed as a percentage of insurance revenue, presented net of reinsurance. The COR compares the cost of doing business against net premium generated.	The Company aims to produce a profitable insurance service result	99.8%	98.4%
Profit before tax	A measure of overall profitability of the Company, including the insurance service result, investment return, net insurance finance result and other operating income, expenses and finance costs.	Profit before tax includes income and expenses that are outside management control and investment income that is subject to market volatility, although it does aim to operate profitably. When monitoring operational performance the Company excludes movements relating to net fair value gains & losses, the effect of changes to the yield curve, other finance costs and restructuring and one-off costs (including profit or loss on disposals of business).	£10.9m	£169.2m
Solvency capital ratio ¹	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 seeks to hold capital resources such that in the normal course of business, the Solvency II capital ratio is maintained above a minimum threshold of 140%.	153%	172%

Note:

- The 2024 ratio is an estimate based on the Company's Solvency II internal model. For 2025, the ratio was calculated using the standard formula.

Financial position and performance

The financial position of the Company is shown in the statement of financial position on page 30, with its financial performance presented in the income statement on page 29.

At the end of the year, the Company had total assets of £7,325.0 million (2024: £7,016.7 million) and total shareholder's funds of £2,036.1 million (2024: £1,729.1 million). There has been a restatement of the (re) insurance balances as explained in note 1 to the accounts.

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

The discounted net insurance claims ratio¹ increased by 3.2 percentage points to 73.2%, driven primarily by losses in the Company's run-off businesses and a £75 million increase restructuring costs in insurance service expenses.

The net expense ratio² increased by 0.8 percentage points to 21.8%, although this was more than offset by a 2.7 percentage points reduction in the net acquisition ratio, due largely to the creation of the insurance acquisition cash flows reserve.

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

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

The Company recorded a profit of £10.9 million on ordinary activities before taxation (2024: £169.2 million), which includes a £43.8 million reduction in insurance service result. Steady investment income, year on year, was supplemented by an increase in fair value gains but were more than offset by a £137.8 million reduction in the Company's net insurance and reinsurance finance expenses, following changes to the Company's illiquidity premium in order to align with the premium used across the Group, although this is expected to be offset by a lower finance charge as the discount on the related liabilities unwinds, and an increase in other operating expenses due to increases in restructuring costs.

Notes:

- Net insurance claims ratio is a metric of underwriting performance calculated as the sum of current-year and past service claims and current-year and past service reinsurance claims recoveries divided by the sum of insurance revenue and allocation of reinsurance premiums paid.
- Net expense ratio is a metric of expense efficiency calculated as the cum of insurance and reinsurance other directly attributable expenses divided by the sum of insurance revenue and allocation of reinsurance premiums paid.

Solvency capital

The Company's solvency capital ratio at 31 December 2025 was 153% (2024: 172%). The Company's eligible own funds increased by £266 million to £2.20 billion, following the capital injection into the Company, although this was more than offset by an increase in its SCR to £1.44 billion, following the Company's transfer to the standard formula to calculate its SCR.

The Company manages capital in accordance with the Company's capital management minimum standard, the aims of which are to manage capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, and policyholder requirements. The Company seeks to hold capital resources such that, in normal circumstances, the solvency capital ratio is maintained above a risk appetite of 140% of its SCR.

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 activities will continue unchanged during 2026, whilst the Company will work with ALL to bring about a smooth and full integration of its businesses as part of Part VII activity, planned to take place on 31 December 2026.

The Company is well positioned to compete in its key markets by leveraging the power of Aviva's breadth of offering within the UK to deliver compelling propositions to meet its customer needs alongside driving digitisation through customer services, propositions and ensuring that the Company is easy for customers to do business with, however they chose.

Principal risks and uncertainties

The Company's risk management objectives are set out in note 23 to the financial statements. The following are considered to be the Company's principal risks.

Insurance risk

Insurance risk is the risk arising from insurance obligations, 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 insurance and reinsurance obligations as well as to new business expected to be written. It includes the risk of loss, or of adverse change in the value of insurance liabilities resulting from:

- fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements; and
- significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (for example catastrophe risk)

Key drivers of the outlook for Insurance risk include reserve, underwriting, distribution, pricing and reinsurance risks. Ongoing claims inflation uncertainty, motor market premium softening and the uncertainty in economic environment, with continued geopolitical tensions have been key areas of focus for the Company in 2025. Claims trends have been impacted by claims initiatives and large claims, particularly in the motor market, contributing to uncertainty in claims reserving and pricing. Our reserving processes reflect ongoing monitoring of claims experience and inflation trends.

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.

Key drivers of market risk are the sensitivity of the values of our assets and investments to changes in credit spreads, the Company's exposure to losses as a result of changes in interest rate, term structure or volatility, and wider market volatility, including from the macroeconomic environment and geopolitical landscape. In particular, the worldwide and UK economic environment remains uncertain with elevated geopolitical tensions that could affect equity and credit markets leading to credit spread increases, foreign exchange rate volatility and interest rate changes.

Operational risk

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

Following the Company's acquisition by the Aviva Group, integration activity is accelerating, alongside significant broader transformation activity. Whilst the Aviva integration will deliver a stronger, safer and more resilient Personal Lines business, the transition can lead, in particular, to elevated People risks specifically through attrition and management stretch as well as Control Environment risks including maintaining a robust system of controls through integration. Risk to the Company from integration activity are being proactively identified, managed and monitored by the Integration programme. The integration programme has delivered benefits to the Company's operational risk environment from increased interrogation of controls as the control environment is merged.

Conduct and regulatory compliance risk

The risk of failing to put the customer at the heart of our business, failing to deliver on our commitments and/or failing to ensure that acting to deliver good outcomes for customers is a natural outcome of what we do and how we do it.

Credit risk

The risk of loss resulting from default in obligations due from, and/or changes in the credit standing of, issuers of securities, counterparties or any debtors to which the Company is exposed.

Strategic risk

The risk of direct or indirect adverse effects resulting from strategies not being optimally chosen, implemented or adapted to changing conditions.

Emerging risks

Emerging risks are defined by the Company as newly developing or changing threats or opportunities, that are subject to a high degree of uncertainty but have the potential to materially impact the Company either in the short term, due to rapid risk emergence or, over the long term through changing the risk landscape.

Strategic report

For the year ended 31 December 2025

The Company has in place an emerging risks process in place to:

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

The Company's process leverages subject matter expertise across the organisation, including, external horizon scanning and external industry data. Emerging risks are regularly reviewed and reported through risk management governance.

The information below details the company's top emerging risks, in line with developments across the Company.

Generative artificial intelligence

Some of the primary concerns for the Company include AI-generated fraud, model bias leading to unfair pricing, data privacy breaches, regulatory non-compliance with emerging AI legislation, and potential liability for AI-driven decisions affecting policyholders. Existing key mitigations include mandatory training on AI and Data Ethics; continuous monitoring through Threat Intelligence and Pen testing; the AI inventory; effective Third-Party due diligence; Incident Reporting. Likewise emerging opportunities in the use of AI in risk mitigation and operational improvements continue to be investigated.

Climate change

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

For the Company, this risk crystallises from the impact on consumers from the increased frequency and severity of UK weather events increasing; particularly flooding and subsidence. Potential anti-selection issues may arise with customers becoming uninsurable.

Transition to electric vehicles

The risk to the Company includes, impacts to the motor repair networks' capabilities and the ability to effectively serve future demands as the transition to Electric Vehicles accelerates. Existing key mitigations include infrastructure upgrades and continual upskilling, to cater for the changing landscape of vehicles, customer needs and claims requirements. The Group is closely monitoring these changes to assess their implications for underwriting and claims.

Talents of tomorrow

The rapid advancement of AI and robotics is driving global demand for specialist skills.

The impact to the Company is a possible inability to attract and retain the right talent for new sought-after capabilities in specialised fields, such as Digital Journeys, Data Science, Pricing and Underwriting. Existing key mitigations include: the promotion of continuous learning and upskilling through a huge range of online courses; adapting approaches to ensure talent is attracted and retained; aligning with the 'Aviva skills strategy', to maximise shared capabilities.

Geopolitical tension on financial markets

For the Company, this risk may manifest with a severe deterioration in the market value of assets and financial instruments, a fall in consumer demand, and increased costs. Existing key mitigations include the Company's investments in line with prudent principles and the dedicated Financial Crisis Action Taskforce ("FCAT"), successfully deployed to respond to the increased US tariffs. The Company conducts ongoing analysis to monitor exposure to the developing geopolitical environment.

Section 172(1) Statement

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 UKGI. 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.

Strategic report

For the year ended 31 December 2025

Stakeholder engagement

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

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 those companies.

Customers

The aligned Board, and the Conduct Committee, received regular reporting updates on customer outcomes and strategic initiatives throughout the year. The Board attended customer showcases during the Board offsite visits. The Board engaged with colleagues working directly with our customers through visits to the Company's operating offices, following Aviva's acquisition, and meeting with customer facing teams to better understand the culture in those sites, their roles and challenges they face.

Suppliers

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

- All Group 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.

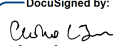
Non-financial and Sustainability Information Statement

The Board is also focused on the wider social context within which the Company operates, including those issues related to climate change which are of fundamental importance to the planet's well-being. The Company is a wholly owned subsidiary of Aviva plc. The Aviva annual report includes the activities of the company and provides the information required by the Non-financial and Sustainability Information Statement for the Group as a whole. Further information on the Group's climate-related financial disclosures can be found on the Sustainability section of the Group's website.

Streamlined Energy and Carbon Reporting ("SECR**") regulations**

The Company consumed less than 40 MWh of energy during the year (2024: under 40 MWh) and is therefore exempt from the UK energy use and carbon emissions disclosure for large companies.

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

DocuSigned by:

 Charlotte Jones

Director

31 March 2026

Directors' report

For the year ended 31 December 2025

In accordance with Section 415 of the Companies Act 2006, 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 changes have taken place:

Director	Appointed	Resigned
R Aronson	1 July 2025	
C J Clark	1 July 2025	
I E Clark	1 July 2025	
F C Fry	1 July 2025	
D V V 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 ¹	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 borrowings (note 19); its contingent liabilities and other risk factors (notes 23 and 24); its capital structure (note 20); management of its risks including market, credit and liquidity risk (note 23); and derivative financial instruments and hedging (note 18).

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 31 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. The Company has also undertaken a number of stress and scenario tests covering a number of the risks listed above and the impact of each test on solvency and liquidity is assessed as part of the 2025 ORSA.

Directors' report

For the year ended 31 December 2025

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.

Events after the balance sheet date

On 11 March 2026 the Bank of England announced that the PRA imposed a fine of £10.6 million on the Company in connection with a miscalculation of its Solvency II balance sheet during 2023 and 2024. The has been fully provided within note 22 in the 2025 accounts and will have no impact on customers, policies, claims or suppliers.

A Part VII transfer of the Company's remaining insurance and reinsurance obligations relating to the sale of its Brokered commercial business to Intact Insurance UK Limited has been approved by the UK High Court on 25 February 2026 and by the Royal Court of Jersey on 7 March 2026 and is scheduled to take place on 1 April 2026.

Outlook

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

Existence of branches outside the UK

The Company has branches in the Republic of South Africa and the Republic of Ireland. During 2024, the Company applied to the Central Bank of Ireland to close the Republic of Ireland branch. The branch's authorisation was withdrawn by the Central Bank of Ireland on 19 December 2024, the process to formally close the branch remains under way. During 2025, the Company's branch in the Republic of South Africa ceased its operations with the process to formally close the branch ongoing.

Statement of corporate governance arrangements

Following the acquisition of the Company by Aviva plc, for the year ended 31 December 2025, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "**Principles**"). We set out below how the Principles have been applied during 2025.

Principle 1 – Purpose and leadership

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

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

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

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

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

The Board monitors culture of the Company and raises any concerns during meetings and the Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours and are focussed on doing the right thing for the customer. The Company complies with the Senior Managers' Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

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

Principle 2 – Board Composition

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

Directors' report

For the year ended 31 December 2025

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

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

The Board undertook a formal effectiveness review of its performance during the year, the results of which were discussed by the Board at its meeting on 27 November 2025. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2025 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The next independent assessment will take place in November 2026. The 2025 Board Effectiveness Review assessed that overall the Company was operating effectively, with a number of areas prioritised for focus during the coming year.

Principle 3 – Director Responsibilities

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

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

The Board held four quarterly meetings this year, plus one additional day's strategic planning. The Board's key areas of focus in 2025 were the acquisition and initial integration of Direct Line Group, including preparation for Part VII of the transaction in 2026 and trading performance.

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

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

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

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

Principle 4 – Opportunity and Risk

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

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

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

Directors' report

For the year ended 31 December 2025

Principle 5 – Remuneration

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy operates in accordance with the Remuneration Policy as approved by the Aviva plc Remuneration Committee, which applies to all employees in entities within the Aviva Group. The Remuneration Policy is aligned with the UK Corporate Governance Code requirements relating to remuneration. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually. Details of Directors' Remuneration is included in note 26.

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual Report and Accounts which is available at <http://www.aviva.com/investors/reports/>. Aviva plc also reports in our gender pay gap, and on the steps it is taking in relation to this which can be found at UK Pay Gap Report 2024 - Aviva plc.

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

All staff are employed by a fellow subsidiary undertaking of the Group, DL Insurance Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of DL Insurance Services Limited.

Principle 6 – Stakeholders

Details about Stakeholders can be found in the Section 172 Statement 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 political or charitable donations during the year (2024: £nil).

Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Late Payment of Commercial Debts (Interest) Act 1998, as amended by the Late Payment of Commercial Debts Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including those relating to, foreign currency exchange and interest rates. Details of the objectives and management of these instruments are contained in note 23 on risk management.

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 reappoint the auditors, Ernst & Young LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

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.

Directors' report

For the year ended 31 December 2025

Statement of Directors responsibilities

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

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

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

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

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

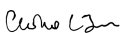
Approved by the Board of Directors and signed on behalf of the Board by:

Charlotte Jones

Director

31 March 2026

DocuSigned by:



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Independent Auditor's Report to the shareholders of U K Insurance Limited

For the year ended 31 December 2025

Opinion

We have audited the financial statements of U K Insurance 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 28, (excluding the components of note 23 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 profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements, 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 U K 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 but 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 financial strength of the parent company to provide support if necessary;
- evaluating the reasonableness of management's forecast analysis to understand the severity of downside scenarios that would result in the elimination of solvency and liquidity headroom and assessed the plausibility of available management actions to mitigate the impact of such key risks;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also obtained management's assessment approved by the Board; 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 U K Insurance 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 £34 million, which represents 0.83% of Insurance revenue

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 23 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 judgements. 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 U K Insurance Limited

For the year ended 31 December 2025

Risk	Our response to the risk
Valuation of gross Insurance contract liabilities (£5,094 million, 2024: £5,090 million). <i>Refer to accounting policy (I) and note 13.</i> The valuation of general insurance contract liabilities is highly judgemental and susceptible to management override. The key judgements and focus of our procedures were: - The risk that inappropriate methodologies are used to estimate incurred but not reported claims ('IBNR'), a key component of the liability for incurred claims ('LIC'); - The determination of bottom-up discount rates, including the selection of illiquidity premiums in the discount rates and payment patterns used to derive the cash flows for incurred claims; - The appropriateness of methodologies and assumptions used to calculate the risk adjustment to reflect the entity's view of the compensation that is required for bearing risk. - The appropriateness of reserves held for Events Not In Data ('ENIDs'), to cover unknown or emerging risks which are judgemental and can be significant in value - The losses arising from bodily injury claims and subsidence claims are significant and can be both large in magnitude and difficult to estimate. Some bodily injury claims may also be expected to settle partly as lump sum amounts and partly as periodic payment orders ('PPOs').	To obtain sufficient audit evidence to conclude on the appropriateness of the valuation of insurance contract liabilities, we performed the following procedures with support from our EY actuaries as part of the audit team: - Assessed the design and implementation of key controls over i) source data collection, extraction, and validation process and ii) the reserving calculations performed. - Assessed the reserving methodology applied by management in order to calculate the gross liabilities. This involved comparing the company's reserving methodology with industry practice. - Performed benchmarking of material industry issues such as assumptions used in inherently uncertain classes. - Assessed whether the assumptions, such as inflation and selected expected loss ratios, applied to key areas of uncertainty are appropriate based on our knowledge of the company, industry practice and regulatory and financial reporting requirements. In particular, we have: - Compared the approach adopted by management to calculate the discount rate – including the illiquidity premium – for consistency across industry benchmarks and re-performed the calculation. We also compared the changes in yield curves against our expectations based on the movement in the Bank of England risk free rates. - Validated the approach adopted by management to calculate the risk adjustment, including comparison to other market participants – particularly where adjustments are applied to the calibration to reflect external events. - We assessed the documentation over the selection and completeness of ENIDs and evaluated the rationale for their inclusion. - Performed independent re-projections of material classes of business by applying our own assumptions to modelled claims, across attritional classes of business by comparing these to management's results. - We used our own independent model to reperform calculations and evaluate the quantum of the liability across a sample of PPOs. - 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. - We considered the adequacy of disclosures in the statutory financial statements in line with applicable accounting standard.

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 gross 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 £34 million (2024 KPMG: £21.6 million), which represents 0.83% of insurance revenue. We believe that insurance revenue provides an appropriate benchmark for determining materiality, as it is a key financial performance metric for the primary users of the financial statements and best reflects the relative size and complexity of the company.

Independent Auditor's Report to the shareholders of U K Insurance Limited

For the year ended 31 December 2025

Performance materiality

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

On the basis of our risk assessments – 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 £17 million.

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 directors all uncorrected misstatements in excess of £2 million. This threshold is derived from 5% of materiality.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the shareholders of U K Insurance Limited

For the year ended 31 December 2025

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework.
- Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulators of the company, which include the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the regulatory bodies, reviewed minutes of the Board and 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.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 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

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 01179980). The principal activity of U K Insurance Limited is the provision of general insurance in the United Kingdom. The Company's registered office is included on the title page. The Company is a private company limited by shares. The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated 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 (i) insurance and reinsurance contract assets and liabilities which are measured at their fulfilment value in accordance with IFRS 17 'Insurance Contracts' ("IFRS 17"); (ii) debt and equity investments held at fair value through profit or loss ("FVTPL") and (iii) investment property and derivative financial instruments, which are measured at fair value (fair value is defined in note 17).

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 the creation of an insurance acquisition cash flows asset, as laid out in note (I), and 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).

A restatement was made to the Company's statement of financial position and insurance and contract assets and liabilities note to align with the requirements of IFRS 17 Insurance Contracts that the combination of rights and obligations arising from a portfolio of (re)insurance contracts is presented as a single (re)insurance contract asset or liability, see note 1.

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 millions of pounds sterling ("**£m**").

The Company has considered the impact that climate change may have on the Company's assets and liabilities and concluded that this is currently immaterial.

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 borrowings (note 19); its contingent liabilities and other risk factors (notes 23 and 24); its capital structure (note 20); management of its risks including market, credit and liquidity risk (note 23); and derivative financial instruments and hedging (note 18).

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 31 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. The Company has also undertaken a number of stress and scenario tests covering a number of the risks listed above and the impact of each test on solvency and liquidity is assessed as part of the 2025 ORSA.

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 financial 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.

Accounting policies

For the year ended 31 December 2025

(A) Basis of preparation continued

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.

(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. This is not relevant to the Company.

(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.

(B) Basis of consolidation

The financial statements contain information about U K Insurance Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempted by section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate parent, Aviva plc, a public company registered in the United Kingdom and which is the controlling party.

The registered address of Aviva plc is 80 Fenchurch Street, London, EC3M 4AE.

(C) Material accounting policies and the use of estimates and judgments

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)	(F), (I)
Fair value of investment properties (IAS 40)	(M)
Financial instruments (IFRS 9)	(O)
Impairment provisions – financial assets (IFRS 9)	(O)

Accounting policies

For the year ended 31 December 2025

(C) Material accounting policies and the use of estimates and judgments continued

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Critical accounting judgements	Policy reference
Level of aggregation and combination of insurance contracts The Company exercises judgment in determining whether a set of insurance and reinsurance contracts with the same or related counterparty should be treated collectively, considering both qualitative and quantitative factors like pricing and credit risk exposure. Additionally, judgment is applied in defining portfolios of insurance contracts by grouping contracts with similar risks that are managed together. This involves assessing which risks are similar and how contracts are operationally managed, with contracts in the same product line typically grouped in the same portfolio.	(I)
Classification of financial instruments The Company exercises judgement in assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding. 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 and has concluded on the classification category of each portfolio of financial instrument in accordance with IFRS 9.	(O)
Impairment of financial assets The measurement of the Expected Credit Losses ("ECL") allowance under IFRS 9 for financial assets measured at amortised cost requires significant judgements and assumption in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.	(O)

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	Notes
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 its 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.	(I)	Notes 13,23.3.1
Fair value of financial instruments and investment property Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial instruments and investment property.	(M), (O)	Notes 17, 23.3.2

There have been the following significant changes in the basis upon which judgement and estimates have been determined, compared to those that applied as at 31 December 2024, apart from those noted below there have been no other significant changes.

During 2025 changes in accounting estimates impacting the measurement of (re) insurance contract balances have been recognised as a result of alignment of methodology for determining discount rates and the risk adjustment with the methodology applied by the Group.

Discount rates

Following acquisition by the Group, the Company aligned its methodology for determination of illiquidity premiums included in the discount rate with that applied by the Aviva Group. The impact of the change in methodology was an increase of £87 million in insurance contract liabilities offset by an increase of £42 million in reinsurance contract assets. Further detail as to the change is included in note 13.5. It is not practical to estimate the impact of the change on future periods.

Risk adjustment

Following acquisition by the Group, the methodology for determining the risk adjustment was aligned with the cost of capital approach applied by the Aviva Group. The change in methodology resulted in an increase of £138 million in insurance contract liabilities, partly offset by an increase of £81 million in reinsurance contract assets. Further detail as to the change is included in note 13.5. It is not practical to estimate the impact of the change on future periods.

Accounting policies

For the year ended 31 December 2025

(D) Foreign currency translation

The Company records transactions in the currency of the primary economic environment in which they operate (their functional currency), translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the foreign exchange rates ruling at the statement of financial position date. Foreign exchange differences arising on the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are reported in the income statement.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into the relevant functional currency at the foreign exchange rates ruling at the dates the values are determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement.

(E) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. There were no changes in valuation techniques during the year.

(F) Insurance service result

Insurance revenue

For insurance contracts applying the premium allocation approach ("PAA"), the insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts and instalment income (being the additional fees payable by a policyholder associated with paying for an insurance contract over 12 months that are considered non-distinct from the underlying insurance policy) to each period of insurance contract services on the basis of the passage of time.

Cash flows associated with arrangement fee and administrative fee income are included within the insurance revenue cash flows as they are considered non-distinct from the underlying insurance policy, and spread evenly over the term of the policy.

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")).

Other expenses not included above are included in other operating expenses in the income statement. Directly attributable overheads are allocated using a systematic and rational basis.

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.

(G) 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).

(H) 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.

Rental income from investment property is recognised in the income statement on a straight-line basis over the period of the contract.

Dividend income is recognised when the right to receive payment is established.

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

Accounting policies

For the year ended 31 December 2025

(H) Investment return continued

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

(I) 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 issues mainly short-term insurance contracts for various products in the normal course of business, under which it accepts significant insurance risk from its policyholders.

The Company has reinsurance treaties and other reinsurance contracts, in the form of quota share and excess of loss ("XoL"), that transfer significant insurance risk. The Company cedes insurance risk by reinsurance in the normal course of business.

The Company applies the following measurement model to its insurance and reinsurance contracts:

Model	Applicable business
PAA	Short duration insurance contracts automatically eligible for PAA
	Longer duration insurance contracts which meet the PAA eligibility requirements
	Reinsurance contracts issued or held automatically eligible for PAA
	Reinsurance contracts issued or held which meet PAA eligibility requirements

The basis for the measurement model is determined as follows:

- the coverage period of each contract in the group is one year or less and therefore automatically eligible, including insurance contract services arising from all premiums within the contract boundary; or
- for groups of insurance and reinsurance contracts longer than one year, the Company has modelled possible future scenarios to test the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced by applying the General Measurement Model. Materiality is a key consideration in the quantitative assessment of results, and qualitative factors about the nature of the contracts, including the timing and size of cash flows are considered when forming conclusions on PAA applicability.

Should the Company have any contracts with a coverage period of greater than one year that do not automatically qualify for PAA, the measurement of the asset for remaining coverage between the PAA and the general model is determined and where the difference in measurement is immaterial, PAA is applied.

Insurance contracts – initial measurement

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- the premiums, if any, received at initial recognition; less
- acquisition costs paid attributable to the group of contracts; plus
- any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

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

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

Any premiums received before the recognition of the corresponding group of insurance contracts are recognised as deferred revenues in trade and other liabilities. When a group of contracts is recognised as per above the premiums received are reclassified to the liability for remaining coverage.

Reinsurance contracts – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Accounting policies

For the year ended 31 December 2025

(I) Insurance and reinsurance contracts continued.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as:

- the liability for remaining coverage at the beginning of the period; plus
- premiums received in the period; minus
- the amount recognised as insurance revenue for the services provided in the period.

Claims reserves are assessed separately for large and attritional claims, typically using standard actuarial methods of projection such as the Chain Ladder and Bornhuetter-Ferguson methods

Reinsurance contracts – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance contracts held.

A credit exposure exists with respect to reinsurance contracts held, to the extent that any reinsurer is unable to meet its obligations.

Combination of insurance contracts

The Company exercises judgment in deciding whether a set of insurance and reinsurance contracts with the same or a related counterparty should be treated collectively. Specifically, the Company assesses whether the direct and reinsurance contracts with Motability should be considered a combined agreement or as separate contracts. Based on management's assessment, it was concluded that each contract should be treated on a standalone basis.

Separating components from insurance and reinsurance contracts

The Company assesses its insurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's contracts do not include any distinct components that require separation.

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. Portfolios and groups may be changed prospectively if there are changes to facts and circumstances.

The Company manages insurance contracts issued by product and brand. Contracts within each product and brand are grouped together into different sub-groups for IFRS 17 reporting based on the criterion of similar risks which are managed together, the nature of the product and brand and profitability.

Portfolios are further divided based on expected profitability and within a calendar year at inception into three categories:

- i. onerous contracts, if any;
- ii. contracts with no significant risk of becoming onerous; and
- iii. the remainder group of contracts in the portfolio.

A group of insurance contracts is considered to be onerous at initial recognition if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. This occurs if the present value of expected claims, attributable expenses and risk adjustment exceeds the premium. As all inwards contracts are measured under the PAA model, due to the short-term nature of the contracts, the Company takes the standard's default assumption that no groups are onerous unless facts and circumstances indicate otherwise.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held based on the criteria of similar risks which are managed together on a product level. The reinsurance contract held portfolios are further divided within a calendar year into three groups that comprise:

- i. contracts for which there is a net gain at initial recognition;
- ii. contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- iii. remaining contracts in the portfolio.

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

Recognition, modification and derecognition

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; or
- for a group of onerous contracts, when facts and circumstances indicate that the group is onerous.

Accounting policies

For the year ended 31 December 2025

(I) Insurance and reinsurance contracts continued

Reinsurance contracts are recognised on the following dates:

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

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 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 reinsurance contracts 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 contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks (insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

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

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

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.

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").

Accounting policies

For the year ended 31 December 2025

(I) Insurance and reinsurance contracts continued

In 2025 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. This represents a change in estimate from the 2024 methodology, when the illiquidity premium was determined by using a fundamental spread approach by deducting the risk free rate and credit premium from corresponding corporate bond reference portfolio which was used to determine the illiquidity premium

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

Loss components and loss offsetting

In utilising the PAA measurement model approach, the Company assumes that no material contracts are onerous at initial recognition unless facts and circumstances indicate otherwise.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis based on the Strategic Business Plan to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in the income statement for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for any such onerous group depicting the losses recognised. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

After initial recognition quarterly reviews are undertaken to determine the likelihood of changes in facts and circumstances which could result in groups of contracts subsequently becoming onerous.

Insurance acquisition cash flows

For new contracts initiated in 2025 the Company has elected that insurance acquisition cash flows are initially deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products.

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

Prior to 2025 the Company took the option to expense insurance acquisition cash flows as they are incurred.

Presentation

The Company presents in the statement of financial position:

- the carrying amount of portfolios of insurance contracts issued that are assets as insurance contract assets;
- the carrying amount of portfolios of insurance contracts issued that are liabilities as insurance contract liabilities;
- the carrying amount of portfolios of reinsurance contracts held that are assets as reinsurance contract assets; and
- the carrying amount of portfolios of reinsurance contracts held that are liabilities as reinsurance contract liabilities.

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

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.

Presentation of reinsurance contract with 'funds withheld' arrangement

The Company has quota share reinsurance contracts that have funds withheld features, whereby the quota share proportion of reinsurance premiums and related recoveries are retained by the Company and will be settled on a net basis at commutation.

Under this arrangement, no assets are transferred to the reinsurer at the inception of the contract. Instead, the asset is deposited within a segregated funds withheld account that is maintained by the Company with a third-party custodian. Cash withheld under funds withheld arrangements is presented in cash and cash equivalents within the statement of financial position.

The funds withheld account balance is adjusted at the agreed commutation date, with any shortfall or surplus resulting from reinsurance premium compared to reinsurance recoveries necessitating an adjustment to funds withheld. The funds withheld account is measured by reference to the fulfilment cash flows (of the reinsurance contract held) that, according to the contractual terms, give rise to the funds withheld feature. Until it is settled in cash, the funds withheld liability is included within reinsurance contract assets or liabilities.

The funds withheld are highly interrelated to the reinsured liabilities and so do not meet the IFRS 17 criteria for unbundling and presentation under IFRS 9.

Accounting policies

For the year ended 31 December 2025

(I) Insurance and reinsurance contracts continued

Whilst the funds withheld arrangement operates on a net settlement basis, the Company's policy is to present the reinsurance results on a gross basis in the notes to the financial statements, but combine them into a single line in the income statement.

(J) Other intangible assets

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement over the assets' economic lives from the point it is operating as intended using methods that best reflect the pattern of economic benefits and is included in operating expenses. Intangible assets are amortised on a straight line method over a period up to 10 years.

Expenditure on indirect advertising costs is written off as incurred. Direct costs relating to the development of internal-use computer software and associated business processes are capitalised once technical feasibility and economic viability have been established. These costs include payroll costs, the costs of materials and services and directly attributable overheads. Capitalisation of costs ceases when the software is capable of operating as intended.

During and after development, accumulated costs are reviewed for impairment against the projected benefits that the software is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred, as are all training costs and general overheads.

(K) Leases

Where the Company is a lessee

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

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

The Company's property leases mainly relate to office space and vehicle repair centres. Leases in respect of motor vehicles relate to recovery and replacement vehicles, and management cars. The Company also leases certain IT equipment which is not a significant portion of the total leased asset portfolio.

Where the Company is a lessor

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

(L) Impairment of non-financial assets

At each reporting date, the Company assesses whether any events or circumstances indicate that the carrying amount of its intangible assets, property, plant and equipment or ROU assets may not be recoverable. If such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss, if any

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value-in-use.

Value-in-use is the present value of future cash flows from the asset or CGU, discounted at a rate that reflects market interest rates, adjusted for risks specific to the asset or CGU that have not been reflected in the estimation of future cash flows.

If the recoverable amount of an intangible or a tangible asset is less than its carrying value, an impairment loss is recognised immediately in the income statement and the carrying value of the asset is reduced by the amount of the impairment loss.

A reversal of an impairment loss on intangible assets, property, plant and equipment or ROU assets is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

(M) Investment property

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. Investment property is not depreciated but is stated at fair value based on valuations completed quarterly by independent registered valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued, and in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Fair value is based on current prices for similar properties adjusted for the specific characteristics of each property. Any gain or loss arising from a change in fair value is recognised in the income statement.

Any significant risk of a material adjustment to the carrying amount of the investment property portfolio within the next financial year will be dependent on a number of factors including the developments in the economic outlook which could result in volatility in market prices, rental yields or occupancy rates. Sensitivity analysis for the investment property portfolio has been independently calculated by the Company's registered valuers by flexing inputs of internal models to a reasonable alternative yield to ascertain the impact on property valuations. There are no significant sources of estimation uncertainty in relation to climate-related matters in valuing the investment property portfolio.

Accounting policies

For the year ended 31 December 2025

(M) Investment property continued

Investment property is derecognised when it has been either disposed of or permanently withdrawn from use and no future economic benefit is expected from disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal.

(N) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value.

The Company accounts for the disposal of business or investment in subsidiary undertakings when it ceases to exert control.

A gain or loss is measured as the difference between the fair value of consideration received or receivable and the value of the assets and liabilities de-recognised, which relate to businesses disposed of. The gain or loss is recognised on the effective date of the completion of the disposal.

(O) 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.

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets not held at FVTPL. Subsequently they are measured at amortised cost, FVOCI or FVTPL, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. 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 and, in the case of loans and borrowings and payables, net of directly attributable transaction costs incurred. Other than derivatives which are recognised and measured at fair value, all other 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 some of the Company's debt security portfolio, loans and receivables, trade and other receivables, and cash and cash equivalents.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial instruments measured at fair value through profit or loss

Financial assets are classified as FVTPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where they are designated at FVTPL to reduce an accounting mismatch. The Company has elected to account for those debt securities which back its insurance contracts as FVTPL to reduce the accounting mismatch caused by fluctuations in values of underlying insurance contracts due to changes in discount rates.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently valued at fair value at each statement of financial position date.

Financial assets measured at FVTPL are recognised in the statement of financial position at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within the investment return in the period in which they occur.

Financial liabilities are measured at FVTPL where they are trading liabilities such as derivative financial instruments. Financial liabilities measured at FVTPL are recognised in the statement of financial position at their fair value. Fair value gains and losses are recognised in the income statement in the period in which they occur.

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Company establishes a fair value by using valuation techniques.

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.

Accounting policies

For the year ended 31 December 2025

(O) Financial instruments continued

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into, and subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement unless the derivative is the hedging instrument in a qualifying hedge.

Impairment of financial assets

The ECL model is used to calculate the impairment to be recognised for all financial assets measured at amortised cost. The general approach, which utilises the three-stage model, is used for financial investment and debt securities, whilst impairment for the remaining assets is measured using the simplified approach.

The assessment of credit risk and the estimation of an ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs.

The ECL three-stage model is based on forward looking information regarding changes in credit quality since inception.

The three stages of ECL are defined and assessed as follows:

Stage 1 – no significant increase in credit risk since inception;

Stage 2 – significant increase in credit risk since inception;

Stage 3 – asset is impaired.

For assets in stage 1, the allowance is calculated as the ECLs from events within 12 months after the reporting date. For assets in stage 2 and 3, the allowance is calculated as the expected credit loss from events in the remaining lifetime of each asset.

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

Note 23.3.3 explains how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and the approach to estimating ECLs.

(P) Cash and cash equivalents and borrowings

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. 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.

Borrowings, which consist of bank overdrafts, are measured at amortised cost using the effective interest rate method. As part of the Company's cash management strategy, they are repayable on demand and are therefore included within cash and cash equivalents in the cash flow statement. Bank overdrafts primarily arise from short-term timing differences between transactions recorded by the Company and those processed by the bank. In the statement of financial position, bank overdrafts are presented within current liabilities under borrowings.

(Q) Income taxes

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

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

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

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

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

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

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

Accounting policies

For the year ended 31 December 2025

(Q) Income taxes continued

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.

(R) 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

	Notes	2025 £m	2024 £m
Insurance revenue	2	4,106.5	4,561.4
Insurance service expenses	2	(3,910.6)	(4,252.0)
Net expense from reinsurance contracts held	2	(189.6)	(259.3)
Insurance service result	2	6.3	50.1
Total interest income calculated using effective interest rate method	3	212.0	213.1
Other interest and similar income	3	15.6	16.4
Investment fees	3	(8.3)	(8.8)
Investment income	3	219.3	220.7
Total net fair value gains on financial assets held at fair value through profit or loss	3	74.0	30.0
Net fair value gains on investment property	3	7.3	6.6
Net credit impairment (losses)/gains on financial investments	3	(1.9)	0.2
Investment return	3	298.7	257.5
Net finance expenses from insurance contracts issued	3	(298.3)	(23.3)
Net finance income/(expenses) from reinsurance contracts held	3	118.6	(18.6)
Investment return and net insurance finance result	3	119.0	215.6
Other operating income		7.9	11.8
Other operating expenses	4	(118.4)	(101.1)
Other finance costs	6	(3.9)	(2.5)
Loss on disposal of business	7	—	(4.7)
Profit before tax		10.9	169.2
Tax charge ¹	8	(3.9)	(42.0)
Profit for the year attributable to the owner of the Company		7.0	127.2

Note:

1. Tax on loss on disposal of business is included in this figure.

The accounting policies (identified alphabetically on pages 17 to 28) and accompanying notes on pages 33 to 75 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. The Company's profit for the year arises from continuing operations.

Statement of financial position

As at 31 December 2025

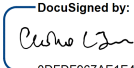
		As at 31 December 2025 £m	2024 £m restated ¹	As at 1 January 2024 £m restated ¹
	Notes			
Assets				
Intangible assets	9	—	—	1.9
Right-of-use assets	10	37.4	52.9	55.1
Investment property	11	285.6	287.6	277.1
Investments in subsidiaries	12	11.5	11.5	11.5
Financial investments	18	3,938.3	4,322.9	3,671.5
Reinsurance contract assets	13	1,555.8	1,233.6	1,208.2
Deferred tax assets	14	56.9	57.0	62.0
Current tax assets	14	75.6	39.9	102.8
Other receivables	15	52.4	52.1	20.7
Prepayments, accrued income and other assets	16	18.7	23.6	38.2
Derivative financial instruments	18	17.9	19.1	27.4
Cash and cash equivalents	19	1,274.9	916.5	1,573.6
Total assets		7,325.0	7,016.7	7,050.0
Equity				
Shareholder's equity		2,036.1	1,729.1	1,601.9
Total equity		2,036.1	1,729.1	1,601.9
Liabilities				
Insurance contract liabilities	13	5,094.0	5,090.3	5,242.0
Borrowings	19	39.9	56.6	72.1
Derivative financial instruments	18	2.8	38.7	15.1
Provisions	22	63.2	—	—
Trade and other payables	21	29.3	39.1	55.4
Lease liabilities	10	59.7	61.9	63.5
Current tax liabilities	14	—	1.0	—
Total liabilities		5,288.9	5,287.6	5,448.1
Total equity and liabilities		7,325.0	7,016.7	7,050.0

Note:

1. Comparatives have been restated to correct an error in classification of (re) insurance contract assets and liabilities as set out in note 1.

The accounting policies (identified alphabetically on pages 17 to 28) and accompanying notes on pages 33 to 75 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:

 00FDF967AE1E4F8...
Charlotte Jones
 Director
 31 March 2026

Statement of changes in equity
For the year ended 31 December 2025

	Share capital (note 20)	Retained earnings	Shareholder's equity
	£m	£m	£m
Balance at 1 January 2024	830.8	771.1	1,601.9
Profit for the year	—	127.2	127.2
Total comprehensive income for the year	—	127.2	127.2
Balance at 31 December 2024	830.8	898.3	1,729.1
Profit for the year	—	7.0	7.0
Total comprehensive income for the year	—	7.0	7.0
New shares issued	300.0	—	300.0
Total transactions with equity holder	300.0	—	300.0
Balance at 31 December 2025	1,130.8	905.3	2,036.1

The accounting policies (identified alphabetically on pages 17 to 28) and accompanying notes on pages 33 to 75 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Net cash used in operating activities before investment of insurance assets	25	(535.4)	(300.1)
Net cash generated from/(used in) investment of insurance assets	25	657.8	(361.2)
Cash generated from/(used in) operating activities	25	122.4	(661.3)
Taxes (paid)/received		(39.7)	25.8
Net cash generated from/(used in) operating activities		82.7	(635.5)
Cash flows generated from/(used in) financing activities			
Other finance costs (including lease interest)	6	(3.9)	(2.5)
Principal element of lease payments		(3.7)	(3.6)
Shares issued	20	300.0	—
Net cash generated from/(used in) financing activities		292.4	(6.1)
Net increase/(decrease) in cash and cash equivalents		375.1	(641.6)
Cash and cash equivalents at the beginning of the year		859.9	1,501.5
Cash and cash equivalents at the end of the year	19	1,235.0	859.9

The accounting policies (identified alphabetically on pages 17 to 28) and accompanying notes on pages 33 to 75 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2025

1. Changes in comparative amounts

The Company has corrected the classification of (re)insurance contract balances on the statement of financial position to align with the requirements of IFRS 17 Insurance Contracts that the combination of rights and obligations arising from a portfolio of (re)insurance contracts is presented as a single (re)insurance contract asset or liability in the statement of financial position.

The Company previously incorrectly presented reinsurance balances separately as liabilities for remaining coverage and assets for incurred claims. This presentation was not consistent with the requirements of IFRS 17, which nets these balances at a portfolio level and presents a single reinsurance asset or liability.

This correction has been retrospectively applied and results in a reclassification between (re)insurance contract assets and (re)insurance contract liabilities on the statement of financial position. There is no impact on the equity or income statement of the Company.

1.1 Changes to the Company's statement of financial position as at 1 January 2024

	As reported £m	Adjustment £m	Restated £m
Assets			
Insurance contract assets	5.4	(5.4)	—
Reinsurance contract assets	1,324.8	(116.6)	1,208.2
Other Assets	5,841.8	—	5,841.8
Total assets	7,172.0	(122.0)	7,050.0
Total equity	1,601.9	—	1,601.9
Liabilities			
Insurance contract liabilities	5,247.4	(5.4)	5,242.0
Reinsurance contract liabilities	116.6	(116.6)	—
Other liabilities	206.1	—	206.1
Total liabilities	5,570.1	(122.0)	5,448.1
Total equity and liabilities	7,172.0	(122.0)	7,050.0

1.2 Changes to the Company's statement of financial position as at 31 December 2024

	As reported £m	Adjustment £m	Restated £m
Assets			
Insurance contract assets	5.7	(5.7)	—
Reinsurance contract assets	1,783.1	(549.5)	1,233.6
Other Assets	5,783.1	—	5,783.1
Total assets	7,571.9	(555.2)	7,016.7
Total equity	1,729.1	—	1,729.1
Liabilities			
Insurance contract liabilities	5,096.0	(5.7)	5,090.3
Reinsurance contract liabilities	549.5	(549.5)	—
Other liabilities	197.3	—	197.3
Total liabilities	5,842.8	(555.2)	5,287.6
Total equity and liabilities	7,571.9	(555.2)	7,016.7

Notes to the financial statements

For the year ended 31 December 2025

2. 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 £m	2024 £m
Insurance revenue	4,106.5	4,561.4
Insurance service expenses		
Incurred claims and other claims expenses	(3,033.8)	(3,422.6)
Past service – incurred claims	(120.7)	57.3
Other directly attributable expenses ^{1,2}	(745.3)	(886.7)
Losses from onerous contracts	(10.8)	—
Total insurance service expenses	(3,910.6)	(4,252.0)
Expenses from reinsurance contracts held		
Reinsurance premium paid	(1,183.9)	(1,356.0)
Movement in asset for remaining coverage	(118.1)	(83.6)
Allocation of reinsurance premiums paid	(1,302.0)	(1,439.6)
Insurance claims recoverable from reinsurance contracts held		
Claims recoveries	1,070.0	1,232.3
Past service – claim recoveries/(payables)	37.9	(84.4)
Other directly attributable expenses ³	4.6	30.8
Effect of non-performance risk of reinsurers	(1.1)	1.6
Loss recovery from onerous underlying contracts	1.0	—
Total amounts recoverable from reinsurance contracts held	1,112.4	1,180.3
Total insurance service result	6.3	50.1

Notes:

- For new contracts initiated in 2025 the Company elected that insurance acquisition cash flows are deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable as part of the liability for remaining coverage. In 2024 this amount included insurance acquisition expenses of £232.6 million which were fully expensed at initial recognition in accordance with the Company's accounting policy at the time and did not form part of the liability for remaining coverage.
- Other directly attributable expenses includes acquisition expenses of £134.2 million (2024: £232.6 million) and other operating expenses of £611.1 million (2024: £654.1 million).
- This includes expenses recoverable under the reinsurance arrangement in place for the Brokered commercial business.

Notes to the financial statements

For the year ended 31 December 2025

3. Insurance finance result

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

	2025 £m	2024 £m
Amounts recognised in profit or loss:		
Interest income calculated using effective interest rate method:		
Debt securities	157.1	130.2
Cash and cash equivalents	34.0	58.1
Infrastructure debt	11.2	14.7
Commercial real estate loans	9.6	10.0
Other loans	0.1	0.1
Total interest income calculated using effective interest rate method	212.0	213.1
Rental income from investment property	15.6	16.4
Other interest and similar income	15.6	16.4
Investment income	227.6	229.5
Investment fees	(8.3)	(8.8)
Net investment income	219.3	220.7
Net fair value gains on financial assets held at fair value through profit or loss:		
Debt securities	71.3	23.5
Derivatives	2.7	6.5
Total net fair value gains on financial assets held at fair value through profit or loss:	74.0	30.0
Net fair value gains on investment property	7.3	6.6
Net credit impairment (losses)/gains on financial investments	(1.9)	0.2
Investment return	298.7	257.5
Insurance finance expense from insurance contracts issued:		
Interest accreted to insurance contracts using current financial assumptions	(298.3)	(23.3)
Reinsurance finance income/(expense) from insurance contracts held:		
Interest accreted to reinsurance contracts using current financial assumptions	118.6	(18.6)
Insurance and reinsurance finance expenses	(179.7)	(41.9)
Total net investment return, insurance and reinsurance finance expenses	119.0	215.6

Note:

1. There are no amounts recognised in other comprehensive income.

The table below analyses the realised and unrealised gains and losses on derivative financial instruments included in investment return.

	2025 £m	2024 £m
Gains on foreign exchange contracts		
Foreign exchange forward contracts ¹	69.5	(11.5)
Associated foreign exchange risk	(66.2)	11.5
Net gains on foreign exchange contracts	3.3	—
Interest rate swaps:		
(Losses)/gains on interest rate swaps ¹	(0.6)	6.5
Total gains on foreign exchange hedging and interest rate hedging instruments	2.7	6.5

Note:

1. Foreign exchange forward contracts and interest rate swaps are measured at fair value through the income statement.

The Company holds fixed rate USD and EUR denominated bonds whose fair value is exposed to movements in interest rates. In order to economically hedge the interest rate risk of these bonds the Company enters into interest rate swaps, paying a fixed rate and receiving a floating rate.

Notes to the financial statements

For the year ended 31 December 2025

4. Other operating expenses

This note analyses the Company's other operating expenses in profit or loss.

	2025	2024
	£m	£m
Non-directly attributable IT and other operating expenses	68.4	82.4
Non-directly attributable recharged staff expenses	36.2	17.9
Depreciation, amortisation and impairment of intangible and fixed assets	13.8	0.8
Total other operating expenses	118.4	101.1

Other operating expenses include cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the acquisition by Aviva plc. 2024 includes response work in relation to the takeover approach from Ageas NV.

5. Auditors 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, included within other operating expenses, are borne and recharged by a related party, DL Insurance Services Limited.

	2025	2024
	£m	£m
Fees paid to the Auditor in respect of the statutory audit of the Company	2.9	2.8
Total Auditor's remuneration¹	2.9	2.8

Note:

Ernst & Young LLP (EY) became the Group's statutory auditor in 2025 replacing KPMG LLP (KPMG) who were the statutory auditors during 2024. Of the 2025 fees £2.9 million were payable to EY and £nil was payable to KPMG, whilst the 2024 fees were paid wholly to KPMG.

6. Other finance costs

This note analyses the Company's other finance costs.

	2025	2024
	£m	£m
Interest expense on lease liabilities	2.4	2.5
Other interest expense	1.5	—
Total	3.9	2.5

7. Loss on disposal of business

On 6 September 2023, the Company announced that it had entered into an agreement with Intact Insurance UK Limited, to dispose of its Brokered commercial business. For further details of the transaction see the Annual Report & Accounts 2023. During 2024 an additional amount of £4.7 million was provided for relating to additional transaction costs. No further gains or losses occurred in the year.

Notes to the financial statements

For the year ended 31 December 2025

8. Tax Charge

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

a. Tax credited/charged to the income statement

i. The total tax credit/charge comprises

	2025 £m	2024 £m
Current taxation:		
Charge for the year	6.4	37.0
Adjustments in respect of prior years	(2.6)	—
	3.8	37.0
Deferred taxation (note 14)		
Origination and reversal of temporary differences	0.1	5.0
	0.1	5.0
Current taxation	3.8	37.0
Deferred taxation (note 14)	0.1	5.0
Tax charge for the year	3.9	42.0

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

ii. No unrecognised tax losses, excess management expenses or temporary differences from previous years were used to adjust the current tax credit, (2024: None).

iii. Deferred tax charged to the income statement represents movements on the following items:

	2025 £m	2024 £m
Provisions and other temporary differences	0.1	5.0
Tax charge for the year	0.1	5.0

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

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

c. Tax reconciliation

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

	2025 £m	2024 £m
Profit for the year	10.9	169.2
Expected tax charge	2.7	42.3
Effects of:		
Disallowable expenses	5.0	—
Non-taxable items	—	(0.3)
Over/(under)-provision in respect of prior year	(3.8)	—
Tax charge for the year	3.9	42.0
Effective income tax rate	35.8%	24.8%

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.

Notes to the financial statements

For the year ended 31 December 2025

9. Intangible assets

This note analyses the changes to the carrying amounts of intangible assets during the year.

	2025 £m	2024 £m
Cost		
At 1 January	4.6	4.6
Disposals and write-off ¹	(4.6)	—
At 31 December	—	4.6
Accumulated amortisation and impairment		
At 1 January	4.6	2.7
Amortisation charge for the year	—	1.0
Disposals and write-off ¹	(4.6)	—
Impairment losses	—	0.9
At 31 December	—	4.6
Carrying amount		
At 31 December	—	—

Note:

1. Disposals and write-offs relate to fully amortised capitalised advance commissions.

10. Lease assets and liabilities

This note contains analysis of the Company's right-of-use assets and operating lease commitments where the Company is the lessor and lessee.

The following table analyses the right-of-use assets relating to property where UKI is the lessee:

	2025 £m	2024 £m
Cost		
At 1 January	93.4	91.6
Additions	1.8	1.8
At 31 December	95.2	93.4
Accumulated depreciation and impairment		
At 1 January	40.5	36.5
Depreciation charge for the year	3.5	4.0
Impairment losses	13.8	—
At 31 December	57.8	40.5
Carrying amount		
At 31 December	37.4	52.9

The weighted average contract duration at inception for property is 25 years (2024: 24.8 years).

Operating lease commitments where the Company is the lessor

The following table analyses future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of property leased to third-party tenants:

	2025 £m	2024 £m
Within one year	15.2	15.9
Between 1 and 2 years	13.1	14.6
Between 2 and 3 years	10.8	13.0
Between 3 and 4 years	10.3	11.0
Between 4 and 5 years	9.7	10.6
Later than 5 years	73.9	84.9
Total¹	133.0	150.0

Note:

1. At year ended 31 December 2025: £133.0 million of the total operating lease commitments where the Company is the lessor relates to the lease of investment properties detailed above (2024: £150.0 million).

Notes to the financial statements

For the year ended 31 December 2025

10. Lease assets and liabilities continued

Where considered necessary to reduce credit risk, the Company may obtain guarantees from parent companies for the terms of the leases.

Other lease disclosures

The following table analyses the amounts that have been included in the income statement for leases:

	31 Dec 2025	31 Dec 2024
	£m	£m
Depreciation of ROU assets	3.5	4.0
Interest on lease liabilities	2.4	2.5
Impairment on ROU assets ¹	13.8	—
Total	19.7	6.5

Note:

1. Impairment losses relate to revaluations undertaken during the year on the Company's properties in Bromley, Doncaster, Leeds and Glasgow.

The Company holds no low value or short term leases, at 31 December 2025 total cash outflows in respect of leases was £6.3 million (2024: £6.1 million). Interest on lease liabilities is recorded within other finance costs.

Lease commitments where the Company is the lessee

Lease liabilities total £59.7 million (2024: £61.9 million). Future contractual aggregate minimum lease payments are as follows:

	2025	2024
	£m	£m
Within one year	6.4	6.3
In the second to fifth year inclusive	25.6	24.8
After five years	43.2	54.4
Sub total	75.2	85.5
Less effect of discounting and unearned interest	(15.5)	(23.6)
Total	59.7	61.9

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed.

The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor.

11. Investment property

This note gives details of the properties that the Company holds for long term rental yields or capital appreciation.

	2025	2024
	£m	£m
At 1 January	287.6	277.1
Capitalised expenditure	0.9	3.9
Fair value adjustments	7.3	6.6
Disposals	(10.2)	—
At 31 December¹	285.6	287.6

Note:

1. The cost included in the carrying value at 31 December 2025 is £206.1 million (2024: £220.8 million).

Investment properties are measured at fair value derived from valuation work carried out at the statement of financial position date by independent property valuers. The valuation conforms to international valuation standards. The fair value was determined using a methodology based on recent market transactions for similar properties, which have been adjusted for the specific characteristics of each property within the portfolio. This approach to valuation is consistent with the methodology used in the year ended 31 December 2024.

The properties are leased to tenants under operating leases with rental income for the majority paid a quarter in advance with an average unexpired lease to expiry (including break clauses and tenants currently in rent free periods) of 10.5 years (2024: 9.8 years). 53% (2024: 49%) of rental income is RPI/index linked.

The Company's investment properties portfolio consists of 17 (2024: 18) properties. All properties are based in the UK with exposure predominantly to the South of England and operate in the following sectors; retail, retail warehouse, supermarkets, industrial, hotels and alternative sectors.

Lease agreements with tenants are drawn up in line with local practice and the Company has no exposure to leases that include contingent rents.

Rental income from investment properties was £15.6 million (2024: £16.4 million).

Notes to the financial statements

For the year ended 31 December 2025

12. Investment in subsidiaries

This note provides details of the Company's investment in its subsidiaries.

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

	2025	2024
	£m	£m
At 1 January and 31 December ¹	11.5	11.5

Notes:

1. The cost and net book value at 31 December 2025 is £11.5 million (2024: £11.5 million).

The Company's subsidiaries are detailed as follows:

Name of subsidiary	Place of incorporation and operation	Type of ownership interest (share type)	Proportion of voting power held	Principal activity
Churchill Insurance Company Limited ¹	United Kingdom	Ordinary	100%	General insurance
Direct Line Insurance Limited ^{1,2}	United Kingdom	Ordinary	100%	Dormant
The National Insurance and Guarantee Corporation Limited ^{1,2}	United Kingdom	Ordinary	100%	Dormant

Notes:

1. Registered office at: Churchill Court, Westmoreland Road, Bromley, BR1 1DP.
2. In accordance with the requirements under sections 394A and 448A of the Companies Act 2006, there is no requirement to audit a dormant company.

The Company did not acquire or dispose of any subsidiaries in the year ended 31 December 2025, (31 December 2024: no acquisitions or disposals).

Investments in subsidiary undertakings are carried at cost less impairments. Accumulated impairment at 31 December 2025 is £nil (2024 : £nil).

Notes to the financial statements

For the year ended 31 December 2025

13. 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.

13.1 Carrying amount

The Company has presented its analyses of insurance contracts issued and reinsurance contracts held for remaining coverage and incurred claims.

During 2025, following acquisition by the Aviva Group, the Company aligned its methodology for determination of discount rates and measurement of the risk adjustment with that applied by the Aviva Group. The details are set out in note 13.5.

	2025 £m	2024 £m restated ¹
Insurance contract balances	(5,118.5)	(5,090.3)
Assets for insurance acquisition cash flows	24.5	—
Total insurance contract liabilities	(5,094.0)	(5,090.3)
Reinsurance contract assets	1,555.8	1,233.6
Total reinsurance contract assets	1,555.8	1,233.6

Note:

1. Comparatives have been restated to correct an error in classification of (re) insurance contract assets and liabilities as set out in note 1.

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 £m	2024 £m
Insurance contract liabilities	(2,857.2)	(2,502.4)
Reinsurance contract assets	1,475.3	1,079.7

The table below analyses insurance and reinsurance contract assets and liabilities for remaining coverage and for incurred claims:

	2025 £m	2024 ¹ £m
2025		
Insurance contracts liabilities		
Remaining coverage	(576.0)	(972.1)
Excluding loss component	(570.6)	(972.1)
Loss component	(5.4)	—
Incurred claims	(4,542.5)	(4,118.2)
Estimate of present value cash flows	(4,199.3)	(3,909.8)
Risk adjustment	(343.2)	(208.4)
Insurance contract balances	(5,118.5)	(5,090.3)
Assets for insurance acquisition cash flows	24.5	—
Total insurance contracts liabilities	(5,094.0)	(5,090.3)

Note:

1. Comparatives have been restated to correct an error in classification of (re) insurance contract assets and liabilities as set out in note 1.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued**13.1 Carrying amount** continued

	2025	2024
	£m	£m
2025		
Reinsurance contracts assets/(liabilities)		
Remaining coverage	(683.4)	(549.5)
Excluding reinsurance loss recovery component	(683.4)	(549.5)
Reinsurance loss recovery component	0.5	—
Incurred claims	2,239.2	1,783.1
Estimate of present value cash flows	2,053.6	1,686.6
Risk adjustment	185.6	96.5
Total reinsurance contracts assets/(liabilities)	1,555.8	1,233.6

13.2 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	2024
		£m	(restated) ¹
Carrying amount	Notes:	£m	£m
At 1 January		(5,090.3)	(5,242.0)
Insurance revenue	2	4,106.5	4,561.4
Insurance service expenses ²	2	(3,831.5)	(4,019.4)
Insurance finance expense	3	(298.3)	(23.3)
Premiums received	13.2.2	(3,794.9)	(4,380.1)
Claims and expenses paid		3,600.1	4,013.1
Acquisition cash flows		189.9	—
At 31 December		(5,118.5)	(5,090.3)

Note:

- Comparatives have been restated to correct an error in classification of (re) insurance contract assets and liabilities as set out in note 1.
- Insurance service expense excluding acquisition, restructuring and one off costs of £79.1 million (2024: £232.6 million).

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 income statement.

Judgement is required when determining the appropriate level of disaggregation for disclosure so that useful information is not obscured either by the inclusion of a large amount of insignificant detail or by the aggregation of items that have different characteristics.

Following acquisition by the Aviva Group in July 2025 the Company has aligned the level of disaggregation at which it presents its disclosures with Aviva Group reporting of key performance indicators where all of the Company's business is presented as "Personal Lines". As such there is no disaggregation of the Company's business for the reconciliations of the change in net carrying amounts of insurance and reinsurance contracts.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued

13.2.1 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for incurred claims – total Company

	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	
	£m	£m	£m	£m	£m	£m	
Insurance/reinsurance contract assets as at 1 January 2024	—	—	—	1,244.4	80.4	1,324.8	1,324.8
Insurance/reinsurance contract liabilities as at 1 January 2024	(3,883.3)	(205.4)	(4,088.7)	—	—	—	(4,088.7)
Net insurance/reinsurance contract liabilities/assets as at 1 January 2024	(3,883.3)	(205.4)	(4,088.7)	1,244.4	80.4	1,324.8	(2,763.9)
Insurance service expense:							
Incurred claims/claims recovered and other attributable expenses	(4,000.0)	(76.7)	(4,076.7)	1,224.0	39.1	1,263.1	(2,813.6)
Past service – incurred claims	(16.3)	73.6	57.3	(61.4)	(23.0)	(84.4)	(27.1)
Effect of non-performance risk of reinsurers				1.6		1.6	1.6
Insurance service result¹	(4,016.3)	(3.1)	(4,019.4)	1,164.2	16.1	1,180.3	(2,839.1)
(Re)/insurance finance expenses	(23.3)		(23.3)	(18.6)		(18.6)	(41.9)
Total amounts recognised in comprehensive income	(4,039.6)	(3.1)	(4,042.7)	1,145.6	16.1	1,161.7	(2,881.0)
Cash flows:							
Claims and other expenses paid/(recovered)	4,013.1		4,013.1	(703.4)		(703.4)	3,309.7
Total cash flows	4,013.1		4,013.1	(703.4)		(703.4)	3,309.7
Insurance/reinsurance contract assets as at 31 December 2024	—	—	—	1,686.6	96.5	1,783.1	1,783.1
Insurance/reinsurance contract liabilities as at 31 December 2024	(3,909.8)	(208.5)	(4,118.3)	—	—	—	(4,118.3)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	(3,909.8)	(208.5)	(4,118.3)	1,686.6	96.5	1,783.1	(2,335.2)
Insurance service expense:							
Incurred claims/claims recovered and other attributable expenses	(3,507.6)	(97.7)	(3,605.3)	1,021.2	53.9	1,075.1	(2,530.2)
Past service – incurred claims	(83.7)	(37.0)	(120.7)	2.7	35.2	37.9	(82.8)
Effect of non-performance risk of reinsurers				(1.1)		(1.1)	(1.1)
Insurance service result	(3,591.3)	(134.7)	(3,726.0)	1,022.8	89.1	1,111.9	(2,614.1)
(Re)insurance finance (expenses)/income	(298.3)		(298.3)	118.6		118.6	(179.7)
Total amounts recognised in comprehensive income	(3,889.6)	(134.7)	(4,024.3)	1,141.4	89.1	1,230.5	(2,793.8)
Cash flows:							
Claims and other expenses paid/(recovered)	3,600.1		3,600.1	(774.5)		(774.5)	2,825.6
Total cash flows	3,600.1		3,600.1	(774.5)		(774.5)	2,825.6
Insurance/reinsurance contract assets as at 31 December 2025	—	—	—	2,053.5	185.6	2,239.1	2,239.1
Insurance/reinsurance contract liabilities as at 31 December 2025	(4,199.3)	(343.2)	(4,542.5)	—	—	—	(4,542.5)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2025	(4,199.3)	(343.2)	(4,542.5)	2,053.5	185.6	2,239.1	(2,303.4)

Note:

1. The amounts recognised in Insurance service result for 2024 (£4,019.4 million) do not include insurance acquisition expenses of £232.6 million.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued

13.2.2 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – total Company (restated¹)

	Insurance contracts issued - liability for remaining coverage			Reinsurance contracts held - asset for remaining coverage			Net
	Excluding loss component	Loss component	Total	Excluding loss recovery component	Loss recovery component	Total	Total
	£m	£m		£m	£m		£m
Insurance/reinsurance contract assets as at 1 January 2024	—	—	—	(116.6)	—	(116.6)	(116.6)
Insurance/reinsurance contract liabilities as at 1 January 2024	(1,153.3)	—	(1,153.3)	—	—	—	(1,153.3)
Net insurance/reinsurance contract liabilities/assets as at 1 January 2024	(1,153.3)	—	(1,153.3)	(116.6)	—	(116.6)	(1,269.9)
Insurance revenue/reinsurance expenses	4,561.4		4,561.4	(1,439.6)		(1,439.6)	3,121.8
Insurance service expense:							
Incurred claims/claims recovered and other attributable expenses		—	—		—	—	—
Losses/loss recovery and reversal of losses from onerous contracts		—	—		—	—	—
Insurance service result	4,561.4	—	4,561.4	(1,439.6)	—	(1,439.6)	3,121.8
(Re)insurance finance expenses/income		—	—		—	—	—
Total amounts recognised in comprehensive income	4,561.4	—	4,561.4	(1,439.6)	—	(1,439.6)	3,121.8
Cash flows:							
Premium received/paid	(4,380.1)		(4,380.1)	1,006.7		1,006.7	(3,373.4)
Total cash flows	(4,380.1)		(4,380.1)	1,006.7		1,006.7	(3,373.4)
Insurance/reinsurance contract assets as at 31 December 2024	—	—	—	(549.5)	—	(549.5)	(549.5)
Insurance/reinsurance contract liabilities as at 31 December 2024	(972.0)	—	(972.0)	—	—	—	(972.0)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	(972.0)	—	(972.0)	(549.5)	—	(549.5)	(1,521.5)
Insurance revenue/reinsurance expenses	4,106.5		4,106.5	(1,302.0)		(1,302.0)	2,804.5
Insurance service expense:							
Incurred claims/claims recovered and other attributable expenses		5.4	5.4		(0.5)	(0.5)	4.9
Amortisation of insurance acquisition cash flows	(100.1)		(100.1)				(100.1)
Losses/loss recovery and reversal of losses from onerous contracts		(10.8)	(10.8)		1.0	1.0	(9.8)
Insurance service result	4,006.4	(5.4)	4,001.0	(1,302.0)	0.5	(1,301.5)	2,699.5
(Re)insurance finance expenses/income		—	—		—	—	—
Total amounts recognised in comprehensive income	4,006.4	(5.4)	4,001.0	(1,302.0)	0.5	(1,301.5)	2,699.5
Cash flows:							
Insurance acquisition cash flows	189.9		189.9			—	189.9
Premium received/paid	(3,794.9)		(3,794.9)	1,167.7		1,167.7	(2,627.2)
Total cash flows	(3,605.0)		(3,605.0)	1,167.7		1,167.7	(2,437.3)
Insurance/reinsurance contract assets as at 31 December 2025	—	—	—	(683.8)	0.5	(683.3)	(683.3)
Insurance/reinsurance contract liabilities as at 31 December 2025	(570.6)	(5.4)	(576.0)	—	—	—	(576.0)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2025	(570.6)	(5.4)	(576.0)	(683.8)	0.5	(683.3)	(1,259.3)

Note:

1. Comparatives have been restated to correct an error in classification of (re) insurance contract assets and liabilities as set out in note 1.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued**13.3 Insurance and reinsurance contract assets and liabilities - claims development tables**

The tables below illustrate how estimates of cumulative claims have developed over time on a gross and net of reinsurance basis.

Each table shows how the Company's estimates of total claims for each underwriting year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. For accident years prior to 2016, the information is aggregated into one row.

Gross insurance liabilities

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Accident year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of ultimate gross claims costs:											
At end of accident year	2,226.1	2,308.9	2,437.7	2,198.2	1,849.9	2,020.3	2,438.1	2,993.9	3,502.3	2,944.7	
One year later	(93.7)	(142.6)	(129.6)	(72.0)	(78.9)	(5.7)	151.0	189.8	(204.7)		
Two years later	(63.9)	(108.8)	(48.7)	(43.5)	(13.8)	(35.9)	45.3	(32.4)			
Three years later	(89.5)	(38.0)	(6.0)	3.7	35.9	(3.6)	44.4				
Four years later	(42.9)	(20.4)	25.5	14.1	(63.6)	52.8					
Five years later	(13.5)	1.5	23.8	13.1	(7.6)						
Six years later	(12.0)	21.6	(42.5)	(50.0)							
Seven years later	9.2	2.8	(24.9)								
Eight years later	7.0	(17.4)									
Nine years later	(15.7)										
Current estimate of cumulative claims	1,911.1	2,007.6	2,235.3	2,063.6	1,721.9	2,027.9	2,678.8	3,151.3	3,297.6	2,944.7	
Cumulative payments to date	(1,884.1)	(1,956.2)	(2,189.8)	(2,007.7)	(1,635.1)	(1,775.0)	(2,304.1)	(2,438.5)	(2,480.2)	(1,690.1)	
	27.0	51.4	45.5	55.9	86.8	252.9	374.7	712.8	817.4	1,254.6	3,679.0
2015 and prior											1,887.0
Claims handling provision											114.6
Adjustment for non-financial risk											473.4
Effect of discounting											(1,667.8)
Other LIC											56.3
Gross liability for incurred claims included in the statement of financial position											4,542.5

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued**13.3 Insurance and reinsurance contract assets and liabilities - claims development tables** continued**Net insurance contract liabilities**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Accident year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of ultimate net claims costs:											
At end of accident year	1,990.2	2,094.0	2,241.3	2,035.4	1,687.1	1,863.7	2,339.1	2,480.7	2,176.9	1,886.2	
One year later	(29.3)	(95.9)	(82.2)	(37.2)	(53.5)	2.4	184.5	(7.4)	(74.3)		
Two years later	(47.2)	(61.4)	(20.7)	(40.7)	(39.2)	(12.5)	33.8	6.3			
Three years later	(43.4)	(17.7)	(24.0)	(4.5)	50.0	(9.9)	64.6				
Four years later	(15.2)	(27.5)	7.3	11.6	(15.3)	33.4					
Five years later	(10.1)	(9.4)	24.1	11.2	7.8						
Six years later	(11.6)	9.5	3.6	(12.1)							
Seven years later	(3.8)	2.8	(9.5)								
Eight years later	9.0	(7.5)									
Nine years later	(7.3)										
Current estimate of cumulative claims	1,831.3	1,886.9	2,139.9	1,963.7	1,636.9	1,877.1	2,622.0	2,479.6	2,102.6	1,886.2	
Cumulative payments to date	(1,822.0)	(1,867.0)	(2,110.0)	(1,922.6)	(1,565.4)	(1,717.3)	(2,294.1)	(1,976.8)	(1,630.1)	(1,072.3)	
	9.3	19.9	29.9	41.1	71.5	159.8	327.9	502.8	472.5	813.9	2,448.6
2015 and prior											922.4
Claims handling provision											80.6
Adjustment for non-financial risk											202.5
Effect of discounting											(807.5)
Other LIC											(543.2)
Net liability for incurred claims included in the statement of financial position											2,303.4

13.4 Assets for insurance acquisition cashflows

	Total £m
Balance at 1 January 2025	—
Amounts incurred during the year	24.5
Balance at 31 December 2025	24.5

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

	Total £m
31 December 2025	
Less than one year	16.4
One to two years	7.5
Two to three years	0.6
Total	24.5

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued

13.4 Assets for insurance acquisition cashflows continued

For new contracts initiated in 2025 and subsequently, the Company has elected that insurance acquisition cash flows are initially deferred on the statement of financial position as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products.

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

Prior to 2025 the Company took the option to expense insurance acquisition cash flows as incurred.

13.5 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. For cash flows which are contractually linked to an index of prices or wages, the Company derives and assumption for future RIP from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Claims

The Company makes provision for the full cost of outstanding claims from its general insurance business at the statement of financial position date, including claims estimated to have been incurred but not yet reported at that date and associated claims handling costs. Outstanding claims provisions net of related reinsurance recoveries at 31 December 2025 amounted to £2,303.3 million (2024: £2,335.1 million¹).

Claims reserves are assessed using standard actuarial methods of projection. Key sources of estimation uncertainty include those arising from the selection of specific methods as well as assumptions for claims frequency and severity through the review of historical claims and emerging trends. The Company factors the probability-weighted expected value outcome from the range of possible outcomes in assessing claim liabilities, taking account of all the uncertainties involved.

The corresponding amount recoverable from reinsurance contracts held is calculated on an equivalent basis, with similar estimation uncertainty, as discussed in note 1.5. A credit exposure exists with respect to reinsurance contracts held, to the extent that any reinsurer is unable to meet its obligations.

Note:

1. Restated

Bodily injury claims

The most common method of settling bodily injury claims is by a lump sum. When this includes an element of indemnity for recurring costs, such as loss of earnings or ongoing medical care, the settlement calculations apply the statutory discount rate (known as the Ogden discount rate) to reflect the fact that payment is made on a one-off basis rather than periodically over time. The current Ogden discount rate is 0.5%.

The Ogden discount rate for England and Wales has increased from minus 0.25% on 11 January 2025. For Scotland and Northern Ireland, the bodily injury discount rate increased on 24 September 2024 from minus 0.75% and minus 1.5%, respectively.

If the claimant prefers, large bodily injury claims can be settled using a PPO. This is an alternative way to provide an indemnity for recurring costs, making regular payments, usually for the rest of the claimant's life. These claims are reserved for using a discount rate, which is progressively unwound over time. As it is likely to take time to establish whether a claimant will prefer a PPO or a lump sum, until a settlement method is agreed we make assumptions about the likelihood that claimants will opt for a PPO. This is known as the PPO propensity.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued

13.5 Significant judgements, estimates and assumptions continued

The table below provides an analysis of outstanding PPO claims provisions on a discounted and an undiscounted basis at 31 December 2025 and 31 December 2024 and further details on sources of estimation uncertainty. These represent the total cost of PPOs rather than any costs in excess of purely Ogden-based settlements. Details of sensitivity analysis to the discount rate applied to PPO claims are shown in note 23.3.1.

	Discounted	Undiscounted	Discounted	Undiscounted
	2025	2025	2024	2024
	£m	£m	£m	£m
At 31 December				
Gross claims				
Approved PPO claims provisions	569.6	1,780.0	486.0	1,494.9
Anticipated PPOs	—	—	151.1	458.9
Total	569.6	1,780.0	637.1	1,953.8
Reinsurance				
Approved PPO claims provisions	(320.6)	(1,033.1)	(278.8)	(854.8)
Anticipated PPOs	—	—	(98.6)	(308.1)
Total	(320.6)	(1,033.1)	(377.4)	(1,162.9)
Net of reinsurance				
Approved PPO claims provisions	249.0	746.9	207.2	640.1
Anticipated PPOs	—	—	52.5	150.8
Total	249.0	746.9	259.7	790.9

The provisions for PPOs have been categorised as either claims which have already been determined by the courts as PPOs (approved PPO claims provisions) or those expected to settle as PPOs in the future (anticipated PPOs). The Company estimates the likelihood of large bodily injury claims settling as PPOs and the uplift over an equivalent lump sum settlement. As at 31 December 2025, the uplift for a PPO settlement relative to a Lump Sum settlement was determined to be zero on a discounted basis, indicating that the two types of claim are economically equivalent. The reserves held for anticipated PPOs has been set to zero correspondingly.

Claims inflation

The assessment of claims inflation, and the underlying drivers of claims inflation, remains a key consideration in deriving the reserves. Claims inflation is correlated with price inflation but there are several individual factors that are considered in addition, for example the salary of care workers, the price of used cars, judicial costs and repair costs. A range of general and specific scenarios for excess inflation has been considered in the reserving process. A range of data types and methods are used with historical comparators to assess the underlying position separate from the timing effects to mitigate the uncertainty.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Company generally uses the risk-free interest rate curves published by the PRA and the European Insurance and Occupational Pensions Authority ("EIOPA") for regulatory reporting.

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

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 £87 million in insurance contract liabilities offset by an increase of £42 million in reinsurance contract assets.

For 2025 the illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds which represents the additional return above the risk free rate that could be generated by investing in illiquid assets.

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. For non-PPOs, the reference portfolio is A-rated bonds with terms of 1 to 3 years and for PPOs, 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.

Notes to the financial statements

For the year ended 31 December 2025

13. Insurance contract assets and liabilities - gross and reinsurance continued**13.5 Significant judgements, estimates and assumptions** continued*Yield curves used to discount PPO and Non-PPO cash flows*

As at 31 December 2025

Spot rate	1 year	3 year	15 year
PPOs	3.8 %	3.8 %	4.7 %
Non-PPOs	3.7 %	3.7 %	4.5 %

As at 31 December 2024

Spot rate	1 year	3 year	15 year
PPOs	5.7 %	5.4 %	5.4 %
Non-PPOs	5.0 %	4.7 %	4.7 %

Risk adjustment

The percentile reflects the scale and diversification of the Company's risk profile and is an estimate made as at 31 December. It may reasonably change within the next twelve months due to changes in risk profile, model quantification, movements in risk-free rates or other economic conditions, or changes in the composition of insurance liabilities. The figures assume no change in expected future cash flows, although in practice many of the drivers that influence the calibration of the risk adjustment would also affect those estimates. A sensitivity illustrating the effect of applying 70th, 75th and 85th percentile confidence levels on profit before tax is included in Note 23.3.1.

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 £138 million in insurance contract liabilities, partly offset by an increase of £81 million in reinsurance contract assets.

The calibration of the risk adjustment reflects the Company's pricing and capital allocation framework and is informed by the Solvency UK view of non-financial risk. It incorporates a lifetime perspective and includes diversification across risks and portfolios using correlation-matrix techniques. Diversification is recognised between portfolios of insurance contracts, between financial and non-financial risks, and between expired and unexpired insurance groups

For 2025, the risk adjustment for non-financial risk corresponds to the 81st percentile (2024: 75th percentile) confidence level on a net-of-reinsurance basis. This percentile reflects the Company's confidence that the value of the liability for incurred claims — including adverse development covers treated as incurred for this purpose — is adequate to meet the ultimate cost of claims. The disclosed percentile is derived solely from the incurred-claims distribution and excludes remaining-coverage balances and the implicit risk adjustment within the loss component.

The percentile reflects the scale and diversification of the Company's risk profile and is an estimate made as at 31 December. It may reasonably change within the next twelve months due to changes in risk profile, model quantification, movements in risk-free rates or other economic conditions, or changes in the composition of insurance liabilities. The figures assume no change in expected future cash flows, although in practice many of the drivers that influence the calibration of the risk adjustment would also affect those estimates. A sensitivity illustrating the effect of applying 70th, 75th and 85th percentile confidence levels on profit before tax is included in note 23.3.1.

14. Tax assets and liabilities

This note analyses tax assets and liabilities that appear in the statement of financial position and explains movements in these balances in the year.

	2025	2024
	£m	£m
Current tax		
Current tax assets	75.6	39.9
Current tax liabilities	—	(1.0)
Net current tax asset	75.6	38.9
Deferred tax		
Deferred tax assets	56.9	57.0
Deferred tax liabilities	—	—
Net deferred tax asset	56.9	57.0

Notes to the financial statements

For the year ended 31 December 2025

14. Tax assets and liabilities continued

a. Current tax

Current tax assets recoverable in more than one year are £nil (2024: £nil).

b. Deferred tax

The net deferred tax asset arises on the following items:

	2025	2024
	£m	£m
Provisions and other temporary differences	56.9	57.0
Net deferred tax asset	56.9	57.0

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

	2025	2024
	£m	£m
At 1 January	57.0	62.0
Amounts charged to the income statement	(0.1)	(5.0)
Net deferred tax asset as at 31 December	56.9	57.0

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

15. Other receivables

This note analyses the Company's other receivables.

	2025	2024
	£m	£m
Other debtors	7.9	6.4
Receivables from related parties	44.5	45.7
Total other receivables	52.4	52.1

Note:

1. Of which £43.7 million from fellow subsidiaries and £0.8 million from subsidiaries (2024: £45.0 million and £0.7 million respectively)

16. Prepayments, accrued income and other assets

	2025	2024
	£m	£m
Prepayments	11.1	13.7
Accrued income from contracts with customers and other assets	7.6	9.9
Total¹	18.7	23.6

Note:

1. Of which £18.7 million (2024: £20.0 million) is expected to be recovered within one year.

17. Fair value

Basis for determining fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. There were no changes in valuation techniques during the year.

For disclosure purposes, fair value measurements are classified as level 1, 2 or 3 based on the degree to which fair value is observable.

Level 1 financial assets are measured in whole or in part by reference to published quotes in an active market. In an active market quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Level 2 financial assets and liabilities are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 financial assets are measured using a valuation technique that includes inputs that are unobservable.

Financial instruments classified as level 2 include:

- Debt securities for which pricing is obtained via pricing services, but where prices have not been determined in an active market; and
- Derivatives valued using broker quotes or appropriate valuation models. Model inputs include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of underlying instruments.

Notes to the financial statements

For the year ended 31 December 2025

17. Fair value continued

Financial instruments classified as level 3 due to unobservable inputs include:

- Investment properties are measured at fair value derived from valuation work carried out at the statement of financial position date by independent property valuers. The valuation conforms to international valuation standards. The fair value was determined using a methodology based on recent market transactions for similar properties, which have been adjusted for the specific characteristics of each property within the portfolio.
- Debt securities which do not trade on active markets are valued using discounted cash flow models designed to appropriately reflect the credit and illiquidity of these instruments. The key unobservable input elements from the discount rate used across private debt securities is the credit spread which is based on the credit quality of the assets and the illiquidity premium; and
- Infrastructure debt, commercial real estate debt and other loans are loans which do not trade on active markets. Valuations are derived from external asset managers' credit assessment and pricing models. These aim to take into account movements in broader credit spreads and are aligned to varying degrees with external credit rating equivalents.

Carrying value and fair value of financial instruments

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

	Carrying value	Level 1	Level 2	Level 3	Fair value
	£m	£m	£m	£m	£m
At 31 December 2025					
Assets held at fair value through profit or loss:					
Investment property	285.6	—	—	285.6	285.6
Derivative assets	17.9	—	17.9	—	17.9
Debt securities	3,583.8	982.2	2,601.6	—	3,583.8
Assets held at amortised cost:					
Debt securities	45.8	—	6.5	35.9	42.4
Infrastructure debt	171.9	—	—	172.1	172.1
Commercial real estate loans	131.8	—	—	131.4	131.4
Other loans	5.0	—	—	5.0	5.0
Total	4,241.8	982.2	2,626.0	630.0	4,238.2
Liabilities held at fair value through profit or loss:					
Derivative liabilities	2.8	—	2.8	—	2.8
Total	2.8	—	2.8	—	2.8
At 31 December 2024					
	Carrying value	Level 1	Level 2	Level 3	Fair value
	£m	£m	£m	£m	£m
Assets held at fair value through profit or loss:					
Investment property	287.6	—	—	287.6	287.6
Derivative assets	19.1	—	19.1	—	19.1
Debt securities	3,937.9	746.1	3,190.3	1.5	3,937.9
Assets held at amortised cost:					
Debt securities	55.7	—	16.3	34.4	50.7
Infrastructure debt	188.7	—	—	190.5	190.5
Commercial real estate loans	135.5	—	—	134.8	134.8
Other loans	5.1	—	—	5.1	5.1
Total	4,629.6	746.1	3,225.7	653.9	4,625.7
Liabilities held at fair value through profit or loss:					
Derivative liabilities	38.7	—	38.7	—	38.7
Total	38.7	—	38.7	—	38.7

Differences arise between carrying value and fair value where the measurement basis of the asset or liability is not fair value (for example; assets and liabilities carried at amortised cost). Fair values of the following assets and liabilities approximate their carrying values:

- cash and cash equivalents;
- other receivables;
- borrowings; and
- trade and other payables, including insurance payables.

The movements in assets held at fair value and classified as level 3 in the fair value hierarchy relate to investment property and debt securities. Investment property is analysed in note 11 along with further details on the Company's valuation approach and a summary of realised and unrealised gains or losses.

There were no changes in the categorisation of assets between levels 1, 2 and 3 for assets and liabilities held by the Company since 31 December 2024.

Notes to the financial statements

For the year ended 31 December 2025

17. Fair value continued

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, as at 31 December 2025 and 31 December 2024 are shown below:

	Fair value £m		Valuation technique	Unobservable input	Range (weighted average)	
	2025	2024			2025	2024
Investment property	285.6	287.6	Income capitalisation	Equivalent yield (note 11. Investment property)	4.69% – 7.56% (average 5.94%)	5.00% – 13.50% (average 6.17%)
				Estimated rental value per square foot	£7.50 – £28.00 (average £19.46)	£7.50 – £35.00 (average £19.85)
Debt securities	35.9	34.4	Discounted cash flow	Credit spread	74.85 – 185.92 (average 119.58)	80.87 – 190.02 (average 126.83)
Infrastructure debt	172.1	190.5	Credit assessment and pricing models	Credit spread	SONIA + 0.88% - 2.98% (average SONIA + 1.33%)	SONIA + 0.88% - 2.98% (average SONIA + 1.33%)
Commercial real estate loans	131.4	134.8	Credit assessment and pricing models	Credit spread	SONIA + 235bps – 300bps (average SONIA +271bps)	SONIA + 230bps – 325bps (average SONIA +270bps)

The table below analyses the movement in assets carried at fair value classified as level 3 in the fair value hierarchy.

	Debt securities £m	Investment property £m
At 1 January 2025	1.5	287.6
Additions	—	0.9
Increase in fair value in the period	—	7.3
Disposals	(1.5)	(10.2)
At 31 December 2025	—	285.6

18. Financial instruments

This note analyses the Company's financial instruments by type and amounts arising from expected credit loss.

	2025 £m	2024 £m
Debt securities measured at fair value through the profit or loss:		
Corporate	2,601.6	3,161.0
Supranational	—	17.9
Local government	—	13.0
Sovereign	982.2	746.0
Total	3,583.8	3,937.9
Debt securities measured at amortised cost:		
Corporate	45.8	55.7
Total	45.8	55.7
Total debt securities	3,629.6	3,993.6
Of which:		
Fixed interest rate ¹	3,629.6	3,992.9
Floating interest rate	—	0.7
Loans and receivables measured at amortised cost:		
Infrastructure debt	171.9	188.7
Commercial real estate loans	131.8	135.5
Other loans	5.0	5.1
Total loans and receivables	308.7	329.3
Total	3,938.3	4,322.9

Note:

- The Company swaps a fixed interest rate for a floating rate of interest on its US dollar and Euro corporate debt securities by entering into interest rate derivatives. The hedged amount at 31 December 2025 was £218.8 million (2024: £227.1 million).

Notes to the financial statements

For the year ended 31 December 2025

18. Financial instruments continued

Within the analysis of debt securities above are bank debt securities at 31 December 2025 of £1,007.4 million (2024: £1,135.0 million) that can be further analysed as: secured £nil (2024: £4.2 million); unsecured £796.8 million (2024: £935.4 million); and subordinated £210.6 million (2024: £195.4 million).

Financial instruments measured at amortised cost

The Company has a portfolio of financial investments measured at amortised cost, primarily comprising infrastructure debt and commercial real estate loans (total 31 December 2025: £308.7 million; 31 December 2024: £329.3 million). During the year the effect of changes in assessing the ECL relating to these financial investments amounted to an increase in the allowance of £2.6 million (2024: £0.1 million). The Company has a small portfolio of debt securities measured at amortised cost (31 December 2025: £45.8 million; 31 December 2024: £55.7 million). During the year the effect of changes in assessing the ECL on these securities amounted to a reduction in the allowance of £0.1 million (2024: £0.3 million).

Amounts arising from ECL: financial investments measured at amortised cost

The table below shows the gross carrying value of financial investments and ECL in stages 1 to 3:

	Gross carrying amount	ECL allowance	Carrying amount	Carrying amount	Carrying amount
	2025	2025	2025	31 Dec 2024	1 Jan 2024
	£m	£m	£m	£m	£m
Stage 1	317.1	(1.1)	316.0	374.3	415.5
Stage 2	36.3	(1.2)	35.1	5.1	12.2
Stage 3	13.3	(9.9)	3.4	5.7	5.7
Total	366.7	(12.2)	354.5	385.1	433.4

The following table shows the Company's updated ECL allowances for financial investments measured at amortised cost should there be a three-notch downgrade. This reflects an immediate downgrade on the issuers' current credit ratings. The key driver of such a scenario could be a change in the economic outlook which could impact the portfolio as a whole, or a response to an unexpected negative event, for a specific company or industry.

	ECL	3 notch immediate downgrade	ECL	3 notch immediate downgrade
	2025	2025	2024	2024
	£m	£m	£m	£m
Infrastructure debt	(1.4)	(6.2)	(1.0)	(3.8)
Commercial real estate loans	(10.0)	(11.6)	(7.8)	(11.3)
Debt securities held at amortised cost	(0.2)	(1.2)	(0.3)	(1.7)
Other loans	(0.6)	(0.6)	(0.5)	(0.5)
Total	(12.2)	(19.6)	(9.6)	(17.3)

Derivative financial instruments

The table below shows the carrying values of the Company's derivative financial assets and liabilities.

	2025	2024
	£m	£m
Derivative assets		
At fair value through profit or loss:		
Foreign exchange contracts (forwards)	16.5	14.9
Interest rate swaps	1.4	4.2
Total	17.9	19.1
Derivative liabilities		
At fair value through profit or loss:		
Foreign exchange contracts (forwards)	2.0	36.4
Interest rate swaps	—	2.3
Designated as hedging instruments:		
Interest rate swaps	0.8	—
Total	2.8	38.7

Notes to the financial statements

For the year ended 31 December 2025

19. Cash and cash equivalents and borrowings

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

	2025	2024
	£m	£m
Cash at bank and in hand	65.2	85.4
Short term deposits with credit institutions ¹	1,209.7	831.1
Cash and cash equivalents	1,274.9	916.5
Bank overdrafts ²	(39.9)	(56.6)
Cash and bank overdrafts³	1,235.0	859.9

Notes:

1. This represents money market funds.
2. Bank overdrafts represent short-term timing differences between transactions posted in the records of the Company and transactions flowing through the accounts at the bank.
3. Cash and bank overdrafts total is included for the purposes of the cash flow statement.

The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2025 was 4.11% (2024: 5.28%) and average maturity was 10 days (2024: 10 days).

Of the total amount of short-term deposits with credit institutions of £1,209.7 million (2024: £831.1 million), £186.5 million (2024: £298.1 million) is invested within money market funds under the 100% quota share reinsurance treaty for the Brokered commercial business, which is operated on a funds withheld basis and is retained as security against the reinsurer's obligations.

20. Share capital

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

	2025	2024
	£m	£m
Issued and fully paid: equity shares		
880.8 million (2024: 508.8 million) Ordinary Shares of £1 each	880.8	580.8
Share premium	250.0	250.0
Total	1,130.8	830.8

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

The Company does not have a limited amount of authorised capital.

On 16 December 2025, the Company issued 300 million fully paid Ordinary shares of £1 each for a total consideration of £300 million.

21. Trade and other payables

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

	2025	2024
	£m	£m
Accruals	11.8	11.2
Other taxes	1.3	1.3
Other creditors	2.5	1.1
Deferred income	8.2	3.7
Payables due to related parties	5.5	21.8
Total	29.3	39.1

Notes to the financial statements

For the year ended 31 December 2025

22. Provisions

This note analyses the movement in provisions as shown in the statement of financial position.

Movement in provisions during the year

	Total £m
At 1 January 2025	—
Additional provision	69.5
Released to the income statement	(6.3)
At 31 December 2025	63.2

Of the above, £54.6 million (2024: £nil) is due to be settled in under 12 months.

Provisions include amounts set aside for reconciliation remediation, dilapidations and onerous leases. Provisions also include a regulatory fine imposed on the Company by the PRA (see note 28) and the respective remediation activity required to strengthen the control environment in the Company around an issue on historic reporting of Solvency own funds data that the Company has already disclosed to the public.

23 Risk management

23.1 The risk management framework

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 companies 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 model 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

Direct Line’s 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

UKI’s Solvency Risk Appetite (**“SRA”**) is to hold sufficient Own Funds at the start of the year such that it can sustain a 1-in-10 stress over the course of the year and continue to meet regulatory Solvency Capital Requirement (SCR) at the end of the year. It is expressed as a percentage of the start of year SCR and is currently 140%.

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.

23.2 Risk and capital management modelling

The Directors, guided by the aligned Board, have ultimate responsibility for ensuring that the Company has sufficient funds to meet its liabilities as they fall due. As part of integration activity with Aviva Group, in 2025 a variation in permissions was approved by the PRA to move the Company onto the Standard Formula basis for calculating its solvency capital requirement (**“SCR”**). This was approved and took effect from quarter 4 2025. The SCR is subject to supervisory assessment. The SCR quantifies the insurance, market, credit, and operational risks that its regulated entities are undertaking.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3 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. These factors may also influence the Company's ability to meet the evolving needs and preferences of its target markets, including a possible shift towards "essential" products.

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 which can increase the costs of car parts, used car prices, services, care worker labour rates and construction materials. In recent years, there have been several inflationary drivers in the Company's claims, especially for motor. The inflationary drivers have 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 23.3.1.

Environmental

The Group is acting now through its Sustainability Ambitions to mitigate and manage its impacts both today and in the future. The Ambition is to lead the UK financial services sector in taking action on climate change, building stronger, more resilient communities and running ourselves as a sustainable business. Through these actions, resilience to climate-related transition, physical and liability risks will continue to be built.

The Company recognises that the effects of climate change are wide-ranging, and it reflects the effects of climate change in the drivers of the risks defined in the Risk Taxonomy. This has the effect of embedding the management of climate related risks in the normal risk management processes for managing risks across the Company's risk profile. In addition, the Risk Taxonomy includes an environmental, social, and governance risk that provides coverage of the operational and strategic aspects of climate change that are not addressed within other core risk types.

The Company has continued to enhance its climate risk management and governance as it worked through the actions included in the Company's Climate Action Roadmap, enabling its closure during 2025. The roadmap set out a range of actions, to further integrate climate risk management across the business and to build additional capabilities in areas such as climate risk modelling and scenario analysis. Further progress in the Company's climate risk management sophistication, will be considered as part of the integration activities with the Group.

23.3.1 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 mainly exposed to the following insurance risks:

Reserve risk

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

- the uncertain nature of claims, in particular large bodily injury claims;
- the unexpected future impact of socio-economic trends or regulatory changes, for example changes to the Ogden discount rate;
- data issues and changes to the claims reporting process;
- operational failures;
- failure to recognise claims trends in the market including a slow-down in the processing of recoveries and liabilities with third party insurers which increases the estimation risk of these amounts; and
- changes in underwriting and business written so that past trends are not necessarily a predictor of the future

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

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.1 Insurance risk continued

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

- regular reviews of the claims and premiums future cash flows, 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;
- use of reinsurance programmes, through motor, liability, property catastrophe and travel, which are renewable annually;
- oversight of the reserving process by relevant senior management and the 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 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.

There is the risk that claims are reserved or paid inappropriately, including the timing of such activity. However, there are claims management controls in place to mitigate this risk, as outlined below:

- claims are managed utilising a range of IT system-driven controls coupled with manual processes outlined in detailed policies and procedures to ensure claims are handled in an appropriate, timely and accurate manner;
- each Reserving exercise for on-going business includes meetings with Pricing, Underwriting and Claims to ensure that any operational changes are understood with appropriate adjustments made;
- each member of staff has a specified handling authority, with controls preventing them handling or paying claims outside their authority, as well as controls to mitigate the risk of paying invalid claims. In addition, there are various outsourced claims handling arrangements, all of which are monitored closely by management, with similar principles applying in terms of the controls and procedures;
- loss adjusters are used in certain circumstances to handle claims to conclusion. This involves liaising with the policyholder, third parties, suppliers and the Claims Function;
- specialist bodily injury claims teams are responsible for handling these types of losses, with the nature of handling dependent on the level and type of claim. Claims exceeding a certain threshold are referred to the technical and large loss teams who also deal with all other claim types above defined limits or within specific criteria; and
- a process is in place to deal with major weather and other catastrophic events, known as the 'Surge Demand Plan'. A surge is the collective name given to an incident which significantly increases the volume of claims reported to the Company's Claims Function. The plan covers surge demand triggers, stages of incident, operational impact, communication and management information monitoring of the plan.

The table below provides a sensitivity analysis of the potential net impact of a change in a single factor (for example the illiquidity premium ("ILP")) with all other assumptions left unchanged. Other potential risks beyond the ones described could have additional financial impacts on the Company.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.1 Insurance risk continued

	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	£m	£m	£m	£m
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	91.1	84.2	42.7	38.1
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	(122.8)	(111.5)	(57.7)	(50.9)
Discount curve - other claims⁴				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	69.5	65.1	41.7	41.3
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	(72.9)	(68.3)	(43.6)	(43.2)
Ogden discount rate⁵				
Impact of the Group reserving at a discount rate of 1.5% compared 0.5%	156.0	143.6	61.9	57.7
Impact of the Group reserving at a discount rate of minus 0.5% compared to 0.5%	(222.6)	(204.9)	(79.5)	(73.8)
Claims inflation				
Impact of a decrease in claims inflation by 200 basis points for two consecutive years	147.7	129.0	86.1	73.8
Impact of an increase in claims inflation by 200 basis points for two consecutive years	(150.1)	(131.0)	(87.4)	(75.0)
Risk adjustment⁶				
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)	175.0	52.0	68.5	26.9
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)	116.2	—	40.4	—
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)	47.4	(61.1)	7.3	(30.1)

The PPO sensitivity above is calculated on the basis of a change in the discount rate used for the actuarial best estimate reserves as at 31 December. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.

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 sensitivities relating to an increase or decrease in the yield curve used to discount all reserves excluding PPOs illustrate a movement in the time value of money from the assumed level at the statement of financial position dates. The sensitivity has been calculated on the direct impact of the change in the discount curve with all other factors remaining unchanged.
- Ogden discount rate sensitivity has been calculated on the direct impact of a permanent change in the discount rate in England and Wales with all other factors remaining unchanged.
- 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

23 Risk management continued

23.3.1 Insurance risk continued

Underwriting risk

This is the risk that future claims experience on business written is materially different from the results expected, resulting in current-year losses. The Company predominantly underwrites personal lines insurance including motor, residential property, roadside assistance, creditor, travel and pet business. The launch of Direct Line on price comparison websites ("**PCWs**") has increased the Company's existing exposure to personal lines motor business written through price comparison websites (previously obtained through the Churchill and Privilege brands). The Company also underwrites commercial risks primarily for low-to-medium risk trades within the small and medium-sized enterprises market. Contracts are typically issued on an annual basis which means that the Company's liability usually extends for a 12-month period, after which the Company is entitled to decline to renew or can revise renewal terms by amending the premium or other policy terms and conditions such as the excess as appropriate. Since 2023, the Company also underwrites vehicle insurance under a fleet arrangement for the Motability Scheme that is reviewed and repriced every 6 months.

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

The key underwriting risks relating to climate change today are UK floods and major UK windstorms. The Company recognises that climate change may impact its business over the longer term. In particular, there is a risk that climate change affects the frequency and severity of extreme weather events (physical risk), which may change the Company's view of underwriting risk, reinsurance and pricing. The Company has continued to develop its risk management systems and monitoring tools over 2025 in line with the Company's Climate Risk Roadmap. Low-frequency, high-severity weather losses are significantly mitigated by the catastrophe reinsurance programme, the ceding of Home high flood risks to Flood Re, and the commercial direct underwriting strategy which actively reduces high flood risk exposure. The Company expects these specific risks to materialise in the medium to longer term. Furthermore, there is a risk that the Company's insurance products will not meet its customers' needs as a result of changes in market dynamics and customer behaviour in relation to climate change, for example a rapid shift towards electric vehicle usage. The Company anticipates that its continued strategic and operational response to the transition to a lower-carbon economy, which will be considered as part of the integration activities with the Group, will support mitigation of these risks and the associated impacts in the long term.

When underwriting policies, the Company is subject to concentration risk in a variety of forms, including:

- geographic concentration risk – the Company's business is almost wholly written in the UK general insurance market. The Company participates in a Group catastrophe reinsurance programme which was entered into on 1 January 2026 and will cover a 12 month period; and
- product concentration risk – the Company offers a diversified portfolio of products and a variety of brands sold through a range of distribution channels to its customers.

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

Pricing risk

This is the risk of economic loss arising from business being incorrectly priced or inappropriately underwritten. Pricing risk may occur due to errors in pricing models, pricing or underwriting rule change implementation or through inappropriately accepting business. The Company manages these risks through the operational controls including controls around model build, data usage, permitted factors and rate deployment. The effectiveness of these controls is assessed through the Risk and Control Assessment process and control testing. Governance around pricing changes includes the Model Governance Board which approves pricing models for use and pricing committees that approve pricing and underwriting change deployment and monitor rate performance.

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 Company's Reinsurance Credit Risk Framework
- reinsurance capacity being reduced and/or withdrawn;
- underwriting risk appetite and reinsurance contract terms not being aligned;
- 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;
- inappropriate or inaccurate management information and/or modelling being used to determine the value for money and purchasing of reinsurance (including aggregate modelling); 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.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.1 Insurance risk continued

The Company uses a range of external reinsurance to:

- protect its insurance results against the impact of major individual or catastrophic events such as windstorms, storm surge or floods;
- protect its insurance results against unexpected volumes of, or adverse trends in, individual large claims, in order to reduce volatility and to improve stability of earnings;
- 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.

The Company may also utilise reinsurance in respect of risks that are within risk appetite but where there could be other reasons to reinsure. The Company does not have a significant exposure to a single reinsurer outside of strategic placements.

23.3.2 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 the following market risk factors:

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

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 Direct Line ALCo. The Committee also determines policy and controls, covering such areas as risk, liquidity and performance, as well as evaluating risk exposure, the current strategy, associated policies and investment guidelines, and considering investment recommendations submitted to it.

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

The investment management objectives are to:

- maintain the safety of the portfolio's principal both in economic terms and from a capital, accounting and reporting perspective;
- maintain sufficient liquidity to provide cash requirements for operations, including in the event of a catastrophe; and
- maximise the portfolio's total return within the constraints of the other objectives and the limits defined by the investment guidelines and capital allocation.

The Company has a property portfolio and invests in index linked gilts and infrastructure debt to generate a real return which, from an asset and liability matching perspective, is used to offset the liability arising from longer duration PPOs.

When setting the strategic asset allocation, the Company is subject to concentration risk in a variety of forms including:

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

Concentration risk on investments arises through excessive exposure to particular industry sectors, groups of business undertakings or similar activities. The Company may suffer significant losses in its investment portfolio as a result of over-exposure to particular sectors engaged in similar activities or having similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued**23.3.2 Market risk** continued

The table below analyses the distribution of debt securities by geographical area (commercial real estate loans and infrastructure debt are all within the UK):

	Corporate	Local government	Sovereign	Supranational	Debt securities total
At 31 December 2025	£m	£m	£m	£m	£m
Australia	115.8	—	—	—	115.8
Austria	5.8	—	—	—	5.8
Belgium	17.2	—	—	—	17.2
Canada	83.2	—	—	—	83.2
Denmark	14.1	—	—	—	14.1
Finland	6.3	—	—	—	6.3
France	208.7	—	—	—	208.7
Germany	122.0	—	—	—	122.0
Hong Kong	10.5	—	—	—	10.5
Ireland	7.7	—	—	—	7.7
Italy	26.0	—	—	—	26.0
Japan	59.0	—	—	—	59.0
Luxembourg	5.0	—	—	—	5.0
Mexico	9.1	—	—	—	9.1
Netherlands	105.0	—	—	—	105.0
New Zealand	0.6	—	—	—	0.6
Norway	1.7	—	—	—	1.7
South Africa	6.7	—	—	—	6.7
Spain	69.0	—	—	—	69.0
Sweden	32.8	—	—	—	32.8
Switzerland	36.1	—	—	—	36.1
United Kingdom	746.5	—	980.2	—	1,726.7
USA	958.6	—	2.0	—	960.6
Total	2,647.4	—	982.2	—	3,629.6

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.2 Market risk continued

The table below analyses the distribution of debt securities by geographical area (commercial real estate loans and infrastructure debt are all within the UK):

	Corporate	Local government	Sovereign	Supranational	Debt securities total
	£m	£m	£m	£m	£m
At 31 December 2024					
Australia	131.2	—	—	—	131.2
Austria	4.9	—	—	—	4.9
Belgium	30.0	12.0	—	—	42.0
Canada	90.1	—	—	—	90.1
Cayman Islands	0.4	—	—	—	0.4
China	6.6	—	—	—	6.6
Denmark	19.7	—	—	—	19.7
Finland	13.2	—	—	—	13.2
France	241.8	—	—	—	241.8
Germany	174.0	—	—	—	174.0
Hong Kong	8.2	—	—	—	8.2
Ireland	3.2	—	—	—	3.2
Italy	25.5	—	—	—	25.5
Japan	58.8	—	—	—	58.8
Luxembourg	5.1	—	—	—	5.1
Mexico	9.1	—	—	—	9.1
Netherlands	118.5	—	—	—	118.5
New Zealand	0.3	—	—	—	0.3
Norway	—	1.0	—	—	1.0
South Africa	6.4	—	—	—	6.4
Spain	57.9	—	—	—	57.9
Sweden	26.4	—	—	—	26.4
Switzerland	57.2	—	—	—	57.2
United Kingdom	813.3	—	746.0	—	1,559.3
USA	1,314.9	—	—	—	1,314.9
Supranational	—	—	—	17.9	17.9
Total	3,216.7	13.0	746.0	17.9	3,993.6

The table below analyses the distribution of debt securities by industry sector classifications:

	2025		2024	
	£m	%	£m	%
At 31 December				
Basic materials	34.0	1%	67.1	2%
Communications	114.7	3%	156.6	4%
Consumer, cyclical	233.1	7%	329.3	8%
Consumer, non-cyclical	252.3	7%	352.3	9%
Diversified	14.4	0%	16.8	0%
Energy	25.4	1%	77.9	2%
Financial	1,512.2	42%	1,678.8	42%
Industrial	143.3	4%	220.2	6%
Sovereign, supranational and local government	982.2	27%	776.9	20%
Technology	77.7	2%	97.4	2%
Transport	13.2	0%	13.1	0%
Utilities	227.1	6%	207.2	5%
Total	3,629.6	100%	3,993.6	100%

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.2 Market risk continued

The table below analyses the distribution of infrastructure debt by industry sector classifications:

At 31 December	2025		2024	
	£m	%	£m	%
Social, of which:				
Education	79.6	46%	86.7	46%
Health	51.8	30%	56.4	30%
Other	37.0	22%	41.5	22%
Transport	3.5	2%	4.1	2%
Total	171.9	100%	188.7	100%

The Company uses the standard formula to determine its regulatory capital requirements and monitors its market risk exposure based on a 99.5% value-at-risk measure. The Company also conducts market risk stress and scenario testing to determine the economic impact of specific severe market conditions. The results of this analysis are used to enhance the Company's understanding of market risk. The market risk minimum control standard, which is part of the Company's Risk Policy and Minimum Control Standard Framework, explicitly prohibits the use of derivatives for speculative or gearing purposes. However, the Company is able to and does use derivatives to hedge its currency risk and interest rate risk exposures in some mandates.

Spread risk

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

Net Interest rate risk

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

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

The market value of the Company's financial investments with fixed coupons is affected by the movement of interest rates. At 31 December 2025, £218.8 million (2024: £227.1 million) fixed rate investment grade US dollar and Euro corporate debt securities were hedged using interest rate swaps.

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

Property risk

This is the risk of loss arising from sensitivity of assets and financial investments to the level or volatility of market prices, rental yields, or occupancy rates of properties. At 31 December 2025, the value of these property investments was £285.6 million (2024: £287.6 million). The property investments are located in the UK.

Currency risk

This is the risk of loss from changes in the level or volatility of currency exchange rates. Exposure to currency risk is generated by the Company's investments in US dollar and Euro denominated debt bonds.

The Company maintains exposure to US dollar securities through £851.5 million (2024: £1,214.0 million) of investments in US dollar bonds and Euro securities through £218.5 million (2024: £232.8 million) of Euro bonds. The foreign currency exposure of these investments is hedged by foreign currency forward contracts, maintaining a minimal unhedged currency exposure on these portfolios, as well as a low basis risk on the hedging contracts.

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

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.2 Market risk continued

Use of derivatives

The Company uses derivatives to hedge against interest rate and currency risk.

The tables below analyse the maturity of the Company's derivative assets and liabilities:

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2025	£m	£m	£m	£m	£m
Derivative assets					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	1,626.0	16.5	—	—	16.5
Interest rate swaps	87.5	—	0.3	1.1	1.4
Total	1,713.5	16.5	0.3	1.1	17.9

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2025	£m	£m	£m	£m	£m
Derivative liabilities					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	627.3	2.0	—	—	2.0
Designated as hedging instruments					
Interest rate swaps	120.6	—	0.2	0.6	0.8
Total	747.9	2.0	0.2	0.6	2.8

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2024	£m	£m	£m	£m	£m
Derivative assets					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	907.4	14.9	—	—	14.9
Interest rate swaps	106.7	—	0.8	3.4	4.2
Total	1,014.1	14.9	0.8	3.4	19.1

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2024	£m	£m	£m	£m	£m
Derivative liabilities					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	2,007.0	36.4	—	—	36.4
Interest rate swaps	93.3	—	0.7	1.6	2.3
Total	2,100.3	36.4	0.7	1.6	38.7

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.2 Market risk continued

Sensitivity analysis

The table below provides a sensitivity analysis of the impact on financial investments and derivatives of a change in a single factor that is reasonably possible, with all other assumptions left unchanged. Other potential risks beyond the ones described in the table could have an additional financial impact on the Company.

	Decrease in profit before tax and total equity ¹ at 31 December	
	2025	2024
	£m	£m
Spread		
Impact of a 100 basis points increase in spreads on financial investments ²	(68.5)	(80.5)
Interest rate		
Impact of a 100 basis points increase in interest rates on financial investments and derivatives ^{2,3}	(152.9)	(108.7)
Investment property		
Impact of a 15% decrease in property markets	(42.8)	(43.1)

Notes:

1. These sensitivities exclude the impact of taxation and have not considered the impact of the general market changes on the value of the Company's insurance liabilities. They reflect one-off impacts at 31 December and should not be interpreted as predictions.
2. The impact on profit or loss does not reflect any fair value movement in infrastructure debt, commercial real estate loans and private placement debt securities that would not be recorded in the financial statements under IFRS 9 as they are classified as loans and receivables and private placement respectively, which are carried at amortised cost. It is estimated that a fair value reduction in these asset categories resulting from a 100 basis points increase in credit spreads would have been £9.4 million (2024: £10.2 million) and a 100 basis points increase in interest rates would have been £1.7 million (2024: £2.1 million).
3. The sensitivities set out above reflect one-off impacts at 31 December, with the exception of the income statement interest rate sensitivity on financial investments and derivatives, which projects a movement in a full year's interest charge as a result of the increase in the interest rate applied to these assets or liabilities on those positions held at 31 December.

The Company has a number of open interest rate and foreign exchange derivative positions. Collateral management arrangements are in place for significant counterparty exposures. At 31 December 2025, the UKI has pledged £6.3 million in cash (2024: £8.3 million) to cover initial margins and out-of-the-money derivative positions. At 31 December 2025, counterparties have pledged £7.8 million in cash (2024: £7.6 million in cash) to the Company to cover in-the-money derivative positions.

The terms and conditions of collateral pledged for both assets and liabilities are market-standard. When securities are pledged they are required to be readily convertible to cash, and as such no policy has been established for the disposal of assets not readily convertible into cash.

23.3.3 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.

An account is deemed to have defaulted when the Company considers that a customer is in significant financial difficulty or that the customer meets certain quantitative and qualitative criteria regarding their ability to make contractual payments when due. This includes instances where the customer makes a declaration of significant financial difficulty, or the account has been transferred to recoveries and the relationship is terminated.

The main sources of counterparty default risk for the Company are:

- investments – this arises from the investment of funds in a range of investment vehicles permitted by the investment policy;
- reinsurance recoveries – this 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; and
- consumer credit – exposure from offering monthly instalments on annual insurance contracts.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.3 Credit risk continued

The Company cedes insurance risk to reinsurers but, in return, assumes counterparty default risk against recoveries as it remains liable for claims payments to policyholders in case of reinsurer default. The financial security of the Company's panel of reinsurers is therefore important and both the quality and amount of the assumed counterparty default risk are subject to an approval process whereby reinsurance is only purchased from reinsurers that hold a credit rating of at least A- for short tail reinsurance and the majority of long tail reinsurance to be purchased from reinsurers rated A+ or above. Exceptions to the above or strategic reinsurance arrangements are assessed on a case-by-case basis and follow internal credit risk processes. The reinsurance team monitors the credit rating of the Company's current and potential reinsurance counterparties on a regular basis. The Company aims to deal with a diverse range of reinsurers on its contracts to mitigate the credit and/or non-payment risks associated with its reinsurance exposures.

The following tables analyse the carrying value of the Company's financial, insurance and reinsurance contracts assets that bear counterparty default risk between those assets that have not been impaired by age in relation to due date and those that have been impaired.

The Company's maximum exposure to credit risk is represented by the carrying value of financial investments, cash and cash equivalent, the carrying value of loans and advances and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements which are settled on a net basis. In addition, the Company operated a 100% quota share reinsurance treaty on its brokered commercial business which was sold to Intact Insurance UK Limited ("**Intact**") on a funds withheld basis, which substantially reduced credit risk, as the Company retained the cash received from policyholders. This is not renewed in 2026 given the impending Part VII transfer of that business to Intact. The Company does not use credit derivatives or similar instruments to mitigate exposure.

All financial investments held at amortised cost have been assessed for impairment using the ECL model under IFRS 9.

The assessment has been made on mark to model credit ratings which would adopt similar processes to those applied by external rating agencies on corporate debt securities.

Infrastructure debt and commercial real estate loans are categorised as loans and receivables and thus reported within the statutory accounts at amortised cost. The credit rating of these loans are monitored regularly and are considered low risk under IFRS 9, with the majority remaining within stage 1 and a 12 month ECL for the impairment provision. Any loans downgraded to below BBB or any sub BBB loan that is downgraded by 1 full credit rating, are considered by the Company to have significantly increased in credit risk, and therefore are stage 2 or stage 3 under IFRS 9. Credit ratings for Investment assets held at FVTPL are market observable from a combination of external credit ratings agencies.

	Neither past due nor impaired	Past due 1 – 90 days	Past due more than 90 days	Carrying value in the statement of financial position
At 31 December 2025	£m	£m	£m	£m
Reinsurance contract assets ¹	1,551.0	4.8	—	1,555.8
Other receivables	52.4	—	—	52.4
Derivative financial instruments	17.9	—	—	17.9
Debt securities	3,629.6	—	—	3,629.6
Infrastructure debt	171.9	—	—	171.9
Commercial real estate loans	131.8	—	—	131.8
Cash and cash equivalents ²	1,274.9	—	—	1,274.9
Other loans	5.0	—	—	5.0
Total	6,834.5	4.8	—	6,839.3

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.3 Credit risk continued

	Neither past due nor impaired	Past due 1 – 90 days	Past due more than 90 days	Carrying value in the statement of financial position
	£m	£m	£m	£m
At 31 December 2024				
Reinsurance contract assets ^{1,3}	1,217.4	8.4	7.8	1,233.6
Other receivables	52.1	—	—	52.1
Derivative financial instruments	19.1	—	—	19.1
Debt securities	3,993.6	—	—	3,993.6
Infrastructure debt	188.7	—	—	188.7
Commercial real estate loans	135.5	—	—	135.5
Cash and cash equivalents ²	916.5	—	—	916.5
Other loans	5.1	—	—	5.1
Total	6,528.0	8.4	7.8	6,544.2

Notes:

- Before the recognition of the £186.5 million (2024: £298.1 million) funds withheld amount associated with the quota share arrangement with Intact Insurance UK Limited.
- This represents money market funds with no notice period for withdrawal and cash at bank and in hand.
- The reinsurance contract assets figure has been restated on a net basis, see note 1.

The Company's maximum exposure to credit risk from insurance contracts is £nil (2024: £nil). The Company's maximum exposure to credit risk from reinsurance contract assets is the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements which are settled on a net basis, being £1,364.5 million (2024: £919.3 million).

The tables below analyse the credit quality of debt securities that are neither past due nor impaired:

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Not rated	Total
	£m	£m	£m	£m	£m	£m	£m
At 31 December 2025							
Corporate	21.3	142.7	1,460.9	1,022.5	—	—	2,647.4
Sovereign	—	982.2	—	—	—	—	982.2
Total	21.3	1,124.9	1,460.9	1,022.5	—	—	3,629.6

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Not rated	Total
	£m	£m	£m	£m	£m	£m	£m
At 31 December 2024							
Corporate	69.0	221.1	1,549.5	1,074.4	301.2	1.5	3,216.7
Supranational	17.9	—	—	—	—	—	17.9
Local government	1.0	12.0	—	—	—	—	13.0
Sovereign	—	746.0	—	—	—	—	746.0
Total	87.9	979.1	1,549.5	1,074.4	301.2	1.5	3,993.6

The tables below analyse the credit quality of financial and insurance assets that are neither past due nor impaired (excluding debt securities analysed above). The tables include reinsurance exposure, after provision. The Company's approach to reinsurance counterparty default risk is detailed on page 65.

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Not rated	Total
	£m	£m	£m	£m	£m	£m	£m
At 31 December 2025							
Reinsurance contract assets ¹	—	624.5	915.5	5.8	5.4	(0.2)	1,551.0
Other receivables	—	—	—	—	—	52.4	52.4
Derivative financial instruments	—	9.6	8.3	—	—	—	17.9
Infrastructure debt	—	—	5.0	136.8	30.1	—	171.9
Commercial real estate loans	29.7	27.7	70.9	0.1	3.4	—	131.8
Cash and cash equivalents ²	1,209.7	6.3	58.9	—	—	—	1,274.9
Other loans	—	—	—	—	—	5.0	5.0
Total	1,239.4	668.1	1,058.6	142.7	38.9	57.2	3,204.9

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.3 Credit risk continued

	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	BB+ and below £m	Not rated £m	Total £m
At 31 December 2024							
Reinsurance contract assets ^{1,3}	—	321.9	893.1	2.4	—	—	1,217.4
Other receivables	—	—	—	—	—	52.1	52.1
Derivative financial instruments	—	17.6	1.5	—	—	—	19.1
Infrastructure debt	—	—	31.0	157.7	—	—	188.7
Commercial real estate loans	19.8	38.0	40.4	31.6	5.7	—	135.5
Cash and cash equivalents ²	823.2	14.8	77.6	0.9	—	—	916.5
Other loans	—	—	—	—	—	5.1	5.1
Total	843.0	392.3	1,043.6	192.6	5.7	57.2	2,534.4

Notes:

1. Maximum credit exposure is net of £186.5 million (2024: £298.1 million) million funds withheld.
2. This represents money market funds with no notice period for withdrawal and cash at bank and in hand.
3. The reinsurance contract assets figure has been restated on a net basis, see note 1.

Debt instruments measured at amortised cost.

The table below shows the credit quality and the maximum exposure to credit risk per the Company's internal credit rating model. The amounts presented are gross of ECL allowances:

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
	£m	£m	£m	£m	£m	£m
AA+ to AA-	17.5	—	17.5	11.6	—	11.6
A+ to A-	10.2	—	10.2	16.0	—	16.0
BBB+ to BBB-	18.4	—	18.4	28.5	—	28.5
Total	46.1	—	46.1	56.1	—	56.1

Loans and receivables measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per the Company's internal credit rating model. The amounts presented are gross of ECL allowances:

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
	£m	£m	£m	£m	£m	£m
AAA	29.7	—	29.7	19.8	—	19.8
AA+ to AA-	27.7	—	27.7	38.0	—	38.0
A+ to A-	76.1	—	76.1	71.5	—	71.5
BBB+ to BBB-	137.5	—	137.5	190.4	—	190.4
BB+ and below	—	44.1	44.1	—	13.2	13.2
Not rated	—	5.5	5.5	—	5.6	5.6
Total	271.0	49.6	320.6	319.7	18.8	338.5

The Company's Investment and Treasury team prepares internal ratings for instruments held in which its counterparties are rated using internal grades (AAA to BB+ and below). The ratings are determined incorporating both qualitative and quantitative information that builds on information from credit agencies, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.3 Credit risk continued

The tables below analyse the change in the carrying amount and loss allowance of debt securities measured at amortised cost and the corresponding ECL.

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
Carrying amount	£m	£m	£m	£m	£m	£m
Amortised cost as at 1 January	56.1	—	56.1	61.3	10.1	71.4
Assets derecognised or matured	(9.9)	—	(9.9)	(15.3)	—	(15.3)
Accrued interest capitalised	(0.1)	—	(0.1)	(0.1)	—	(0.1)
Transfer to 12 month ECL	—	—	—	10.1	(10.1)	—
Amortised cost as at 31 December	46.1	—	46.1	56.1	—	56.1

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
Loss allowance	£m	£m	£m	£m	£m	£m
Loss allowance as at 1 January	(0.4)	—	(0.4)	(0.2)	(0.5)	(0.7)
Transfer to lifetime ECL	—	—	—	(0.5)	0.5	—
Effect of changes in assessed ECL	0.1	—	0.1	0.3	—	0.3
Loss allowance as at 31 December	(0.3)	—	(0.3)	(0.4)	—	(0.4)

The tables below analyse the change in the carrying amount and loss allowance of loans and receivables measured at amortised cost and the corresponding ECL.

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
Carrying amount	£m	£m	£m	£m	£m	£m
Amortised cost as at 1 January	319.7	18.8	338.5	355.6	31.9	387.5
New assets originated or purchased	29.3	—	29.3	24.2	2.5	26.7
Assets derecognised or matured	(46.4)	—	(46.4)	(59.3)	(15.6)	(74.9)
Accrued interest capitalised	(0.8)	—	(0.8)	(0.8)	—	(0.8)
Transfer to lifetime ECL	(30.8)	30.8	—	—	—	—
Amortised cost as at 31 December	271.0	49.6	320.6	319.7	18.8	338.5

	2025			2024		
	12 month expected credit loss	Lifetime expected credit loss	Total	12 month expected credit loss	Lifetime expected credit loss	Total
Loss allowance	£m	£m	£m	£m	£m	£m
Loss allowance as at 1 January	(1.1)	(8.2)	(9.3)	(1.1)	(23.6)	(24.7)
New assets originated or purchased	(0.1)	—	(0.1)	—	(0.2)	(0.2)
Assets derecognised or matured	0.1	—	0.1	0.1	15.6	15.7
Transfer to lifetime ECL	0.7	(0.7)	—	—	—	—
Effect of changes in assessed ECL	(0.3)	(2.3)	(2.6)	(0.1)	—	(0.1)
Loss allowance as at 31 December	(0.7)	(11.2)	(11.9)	(1.1)	(8.2)	(9.3)

23.3.4 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:

Change risk

Change risk is defined as the risk of failing to manage the change portfolio and associated change initiatives, within desired scope, time, cost, quality and Company risk appetite, leading to a failure to deliver strategic benefits, good customer outcomes and possibly causing business disruption.

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.

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.4 Operational risk continued

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.

Partnership contractual obligations

This is the risk of contractual obligations not being delivered for business partners resulting in damaged reputation, the loss of contract at renewal, significant liability payments and/or the early termination of a partnership scheme.

The Company has in place agreed policies and standards to establish and monitor key controls relating to operational risk.

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.

23.3.5 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 Direct Line ALCo. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

The following table analyses the carrying value of financial investments, derivative assets 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
At 31 December 2025	£m	£m	£m	£m	£m	£m
Debt securities	646.6	1,248.0	724.3	517.1	493.6	3,629.6
Infrastructure debt	18.4	33.3	36.6	64.5	19.1	171.9
Commercial real estate loans	23.5	51.2	57.1	—	—	131.8
Cash and cash equivalents ¹	1,274.9	—	—	—	—	1,274.9
Other receivables	52.4	—	—	—	—	52.4
Other loans	—	5.0	—	—	—	5.0
Derivative assets	17.9	—	—	—	—	17.9
Total	2,033.7	1,337.5	818.1	581.6	512.7	5,283.6

	Within 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total
At 31 December 2024	£m	£m	£m	£m	£m	£m
Debt securities	937.0	1,565.4	803.6	422.9	264.7	3,993.6
Infrastructure debt	17.8	33.1	34.5	76.0	27.3	188.7
Commercial real estate loans	23.7	64.2	47.6	—	—	135.5
Cash and cash equivalents ¹	916.5	—	—	—	—	916.5
Other receivables	52.1	—	—	—	—	52.1
Other loans	—	5.1	—	—	—	5.1
Derivative assets	19.1	—	—	—	—	19.1
Total	1,966.2	1,667.8	885.8	498.8	292.0	5,310.6

Note:

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

Notes to the financial statements

For the year ended 31 December 2025

23 Risk management continued

23.3.5 Liquidity risk continued

The following table analyses the undiscounted cash flows of reinsurance contract assets, based on the future cash flows expected to be paid out in the periods presented.

	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
Reinsurance contract assets	£m	£m	£m	£m	£m	£m	£m	£m	£m
2025	548.2	307.0	269.2	234.1	178.4	398.3	893.3	2,828.5	2,053.6
2024	573.4	237.6	175.8	168.7	135.1	390.8	821.2	2,502.6	1,686.6

The following table analyses the undiscounted cash flows of financial, derivatives and other liabilities by maturity dates.

	Less than 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
At 31 December 2025	£m	£m	£m	£m	£m	£m	£m
Borrowings ²	39.9	—	—	—	—	39.9	39.9
Lease liabilities	6.4	12.8	12.8	32.0	11.2	75.2	59.7
Trade and other payables	29.2	—	—	—	—	29.2	29.3
Derivative liabilities	2.8	—	—	—	—	2.8	2.8
Total	78.3	12.8	12.8	32.0	11.2	147.1	131.7

	Less than 1 year	1 – 3 years	3 – 5 years	5 – 10 years	Over 10 years	Total	Carrying value
At 31 December 2024	£m	£m	£m	£m	£m	£m	£m
Borrowings ¹	56.6	—	—	—	—	56.6	56.6
Lease liabilities	6.3	12.4	12.4	31.1	23.3	85.5	61.9
Trade and other payables	39.1	—	—	—	—	39.1	39.1
Derivative liabilities	38.7	—	—	—	—	38.7	38.7
Total	140.7	12.4	12.4	31.1	23.3	219.9	196.3

Note:

1. See note 19 for details of borrowings.

The following table analyses the undiscounted cash flows of insurance contract liabilities, based on the future cash flows expected to be paid out in the periods presented:

	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
Insurance contract liabilities ¹	£m	£m	£m	£m	£m	£m	£m	£m	£m
2025	1,340.3	730.1	597.9	494.3	369.3	698.8	1,449.8	5,680.5	4,199.3
2024 ²	1,447.8	623.7	495.0	446.4	337.7	741.4	1,439.6	5,531.6	3,909.8

Notes:

- Insurance contract liabilities represent the estimate of present value cash flows as disclosed in note 13.1 and are presented gross of reinsurance.
- Data for 2024 has been restated on a net basis, see note 1.

23.4 Capital management

Capital

At 31 December 2025, the Company capital position was comprised of shareholder's equity of £2,036.1 million (31 December 2024: £1,729.1 million).

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

Capital adequacy

The Company's regulatory capital position is assessed against the Solvency II framework. Following the Company's acquisition by Aviva on 1 July 2025, and following regulatory approval, and in order to support the plan to move the Company's business onto Aviva's internal model, from 31 December 2025 the Company has assessed its solvency capital requirement ("SCR") using the standard formula approach. Prior to this, the Company assessed its SCR using an internal model.

During the year, the Company complied with all external capital requirements.

Using the standard formula there is a capital surplus of approximately £762 million above an estimated SCR of £1,445 million as at 31 December 2025 (As at 31 December 2024 using the internal model: £810 million and £1,130 million respectively). The Company's capital requirements and solvency position are produced and presented to the aligned Board on a regular basis. This information is estimated and is therefore subject to change. This paragraph is unaudited.

At 31 December 2025 the Company's (unaudited) solvency capital ratio was 153% (31 December 2024: 172%).

Notes to the financial statements

For the year ended 31 December 2025

24. Commitments and contingent liabilities

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

25. Notes to the cash flow statement

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

	Notes	2025 £m	2024 £m
Profit for the year		7.0	127.2
Adjustments for:			
Net investment return excluding investment fees	3	(307.0)	(266.2)
Finance costs	6	3.9	2.5
Tax charge	8	3.9	42.0
Losses from onerous contracts	2	—	—
Depreciation and amortisation charge	9, 10	3.5	5.0
Impairment of property, plant and equipment, goodwill and intangible assets	10	13.8	—
Provisions	22	63.2	—
Loss on disposal of business	7	—	4.7
Operating cash flows before movements in working capital		(211.7)	(84.8)
Movements in working capital:			
Net decrease in reinsurance contract assets		(322.2)	(458.3)
Net decrease in insurance contract assets		—	(0.3)
Net increase in reinsurance contract liabilities		—	433.0
Net increase in insurance contract liabilities		3.7	(151.3)
Net decrease in other receivables		(0.3)	(31.2)
Net decrease in accrued income and other assets		4.9	14.6
Net increase in trade and other payables		(9.8)	(21.8)
Net cash used in operations		(535.4)	(300.1)
Net cash used in operating activities before investment of insurance assets		(535.4)	(300.1)
Interest received		183.4	195.8
Rental income received from investment property	3	15.6	16.4
Purchase of investment property		(0.9)	(3.8)
Proceeds on disposal of investment property		10.2	—
Proceeds from maturity of debt securities at amortised cost		10.0	15.2
Proceeds on disposal/maturity of financial investments measured through profit or loss		2,011.1	1,131.0
Net (increase)/decrease in investment loans and receivables		—	—
Advances made for commercial real estate loans		(29.3)	(24.2)
Repayments of infrastructure debt and commercial real estate loans		47.8	60.5
Purchase of financial investments measured at fair value through profit or loss		(1,590.1)	(1,749.6)
Advances for other loans		—	(2.5)
Cash generated/(used) from investment of insurance assets		657.8	(361.2)

Notes to the financial statements

For the year ended 31 December 2025

25. Notes to the cash flow statement continued

The table below details changes in liabilities arising from the Company's financing activities.

	Leases	
	2025	2024
	£m	£m
At 1 January	61.8	63.6
Lease repayments	(6.2)	(6.1)
Financing cash flows	(6.2)	(6.1)
Additions of leases	1.8	1.8
Interest on lease liabilities	2.4	2.5
Non-cash changes	4.2	4.3
At 31 December	59.8	61.8

26. 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.

As at 31 December 2025, the immediate parent company was Direct Line Insurance Group Limited, incorporated in the UK and registered in England and Wales.

Reinsurance contracts provided to subsidiary

	2025	2024
	£m	£m
Movement in reinsurance recoveries from subsidiary	(0.1)	0.5

Purchases of services

	2025	2024
	£m	£m
DL Insurance Services Limited	1,526.3	1,585.2
UK Assistance Accident Repair Centres Limited	290.4	298.2
Green Flag Limited	14.9	15.1
U K Insurance Business Solutions Limited	—	0.6
Fellow subsidiaries	1,831.6	1,899.1

Directors' remuneration 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 £131.8 million (2024: £151.7 million). Employee costs recharged to 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**Receivables from related parties**

	2025	2024
	£m	£m
DL Insurance Services Limited	33.7	35.6
Churchill Insurance Company Limited	0.8	0.7
Green Flag Limited	10.0	9.4
Total	44.5	45.7

Notes to the financial statements

For the year ended 31 December 2025

26. Related party transactions continued

Movements in receivables from related parties

	2025	2024
	£m	£m
At 1 January	45.7	5.9
Payments made on behalf of subsidiary	53.0	146.6
Settled in the year	(54.2)	(106.8)
At 31 December	44.5	45.7

Due to related parties

	2025	2024
	£m	£m
DL Insurance Services Limited	—	1.1
Green Flag Limited	1.0	3.8
UK Assistance Accident Repair Centres Limited	4.5	16.9
Total	5.5	21.8

Movements in amounts due to related parties

	2025	2024
	£m	£m
At 1 January	21.8	36.5
Transactions in the year	1,864.4	1,902.1
Settled in the year	(1,880.7)	(1,916.8)
At 31 December	5.5	21.8

The balances in receivables from and due to related parties tables above represent outstanding trading balances which are unsecured and repayable in cash. Included in claims reserves are amounts due to other subsidiaries amounting to £1.3 million (2024: £1.2 million).

Reinsurance liabilities due to related parties

	2025	2024
	£m	£m
Amounts payable in respect of technical provisions to subsidiary	1.3	1.2

Movements in respect of related party balances in respect of reinsurance contracts

	2025	2024
	£m	£m
At 1 January	1.2	1.7
Movement in claims provision	0.1	(0.5)
At 31 December	1.3	1.2

Notes to the financial statements

For the year ended 31 December 2025

27. Directors remuneration

Directors remuneration

The aggregate remuneration paid to Directors in respect of qualifying services was £0.5 million (2024: £nil). No amounts were received or receivable under long-term incentive schemes, no amounts were contributed to pension schemes and in respect of qualifying service (2024: £nil and £nil respectively).

The aggregate remuneration in respect of qualifying service paid to directors or past Directors as compensation for loss of office during the year was £nil (2024: £nil).

No directors received shares under long-term incentive schemes, no Directors accrued benefits under pension schemes in respect of qualifying service and no Directors accrued benefits under pension schemes (2024: £nil and £nil respectively).

The highest paid director had emoluments of £0.2 million (2024: £nil).

Compensation of key management

	2025	2024
	£m	£m
Termination benefits	—	—
Short-term employee benefits	1.0	—
Post-employment benefits	0.1	—
Share-based payments	—	—
Total	1.1	—

28. Post balance sheet events

On 11 March 2026 the Bank of England announced that the PRA imposed a fine of £10.6 million on the Company in connection with a miscalculation of its Solvency II balance sheet during 2023 and 2024. This has been fully provided within note 22 in the 2025 accounts and will have no impact on customers, policies, claims or suppliers.

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