Scheme Report of the Independent Expert on the proposed transfer of insurance business from

U K Insurance Limited to Aviva Insurance Limited

in accordance with Part VII of the Financial Services and Markets Act 2000

For the High Court of Justice of England and Wales

7 July 2026

Prepared by:

Charl Cronje FIA

LCP

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1. Executive summary

1.1. The Proposed Transfer

The firms involved

1.1.1. U K Insurance Limited (UKIL) (the Transferor) is a direct wholly-owned subsidiary of Direct Line Insurance Group Limited (Direct Line). It underwrites a variety of non-life insurance products, including motor, home, rescue and commercial policies. These products are marketed under brands such as Direct Line, Churchill, Privilege and Green Flag. UKIL became the sole active insurer writing business in the Direct Line Group following a consolidation of Direct Line's insurance business by way of an insurance business transfer scheme sanctioned in 2011 ("the 2011 Transfer"). Pursuant to the 2011 Transfer, the insurance business of Churchill Insurance Company Limited (CIC), Direct Line Insurance Plc (DLI) and the National Insurance and Guarantee Corporation Limited (NIG) was consolidated into UKIL.

1.1.2. Aviva Insurance Limited (AIL) (the Transferee) is an indirect wholly-owned subsidiary of Aviva plc (Aviva). AIL is Aviva's primary UK general insurance entity, and the principal activity of the company is the transaction of general and health (non-life) insurance business in the UK, together with risks insured from Aviva's Irish GI business. The main classes of business underwritten by AIL are personal lines (motor, home and other), health and commercial lines (property, liability, motor and other). In addition, AIL owns Aviva Canada Inc (Aviva Canada) which conducts general insurance business in Canada and various other UK & Ireland general insurance subsidiaries.

1.1.3. In December 2024, Aviva announced its intention to acquire Direct Line. The transaction was subsequently completed on 1 July 2025. Following completion of the acquisition, Aviva undertook an internal restructuring and UKIL is now an indirect subsidiary of AIL. Aviva holds substantially all[1] of the issued share capital of Direct Line, with the balance held by a sanctioned shareholder. The sanctioned shareholding is at Direct Line level and is not a direct shareholding in UKIL. In addition, the sanctioned shareholding represents a very small proportion of the share capital of Direct Line, and is therefore not a controlling holding. Aviva's legal team has informed me that the Proposed Transfer will have no bearing on the sanctioned shareholding, and that there is nothing under UK sanctions legislation to preclude the transfer of business from UKIL as a result of the small minority shareholding that is sanctions affected. As such, Aviva's legal team has informed me that there is no reason for the Part VII Scheme to be impacted by the existence of the sanctioned shareholder.

1.1.4. Following the 2011 Transfer, substantially all of Direct Line's insurance business was consolidated into UKIL. However, CIC retained its authorisation in order to continue to administer a small number of run-off policies and their associated periodical payment orders (PPOs). CIC is a wholly-owned subsidiary of UKIL and, following the completion of Aviva's acquisition of Direct Line, is now an indirect wholly-owned subsidiary of AIL.

1.1.5. At the time of the 2011 Transfer, it was identified that CIC benefited from a number of Swiss law-governed excess of loss reinsurance agreements. Local legal advice sought in 2011 confirmed that the 2011 Transfer may not be effective in transferring the benefit of those reinsurance contracts to UKIL. Therefore, these reinsurance agreements were not included in the business transferring from CIC to UKIL as at the effective date of the 2011 Transfer. In addition, UKIL and CIC agreed that the transfer of the underlying insurance policies within CIC, in respect of which there was an open claim which exceeded (or might exceed) the applicable deductible under the relevant non-transferring reinsurance agreement, and their associated PPOs, would be delayed. 19 such policies were identified as meeting this threshold in 2011. As of January 2026, 6 of the original 19 policies, together with their associated PPOs, remain in CIC, and the associated reinsurance agreements also remain in place covering 4 of the remaining 6 PPOs.

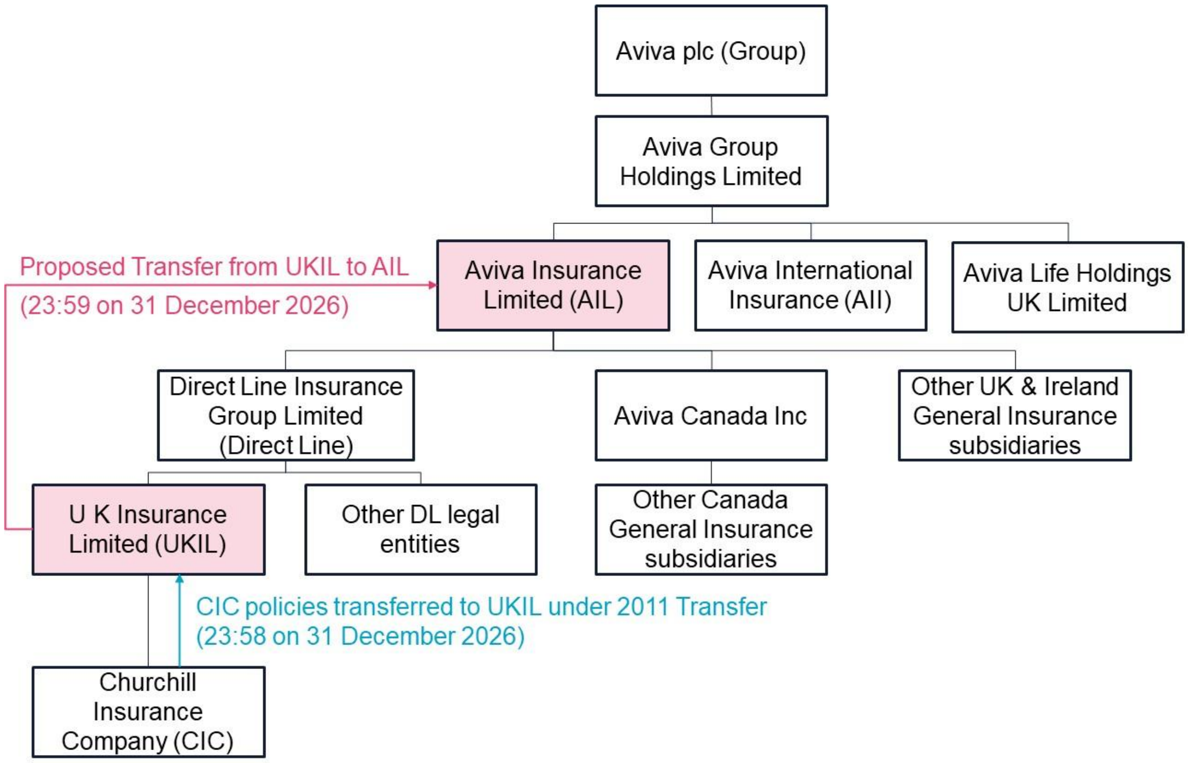
[1] Aviva holds 99.99999574489% of the total equity of Direct Line. The balance of which is held by a sanctioned shareholder and will transfer automatically to Aviva at such point that the sanctioned shareholder ceases to be sanctioned or upon clearance by the Office of Financial Sanctions Implementation.

1.1.6. Aviva's intention in relation to the remaining CIC policies is for these to transfer from CIC to UKIL (under the 2011 Transfer) immediately prior to the Proposed Transfer, and for these policies to subsequently transfer from UKIL to AIL as part of the Proposed Transfer. That is, the CIC policies are intended to be transferred from CIC to UKIL at 23:58 on 31 December 2026, and from UKIL to AIL at 23:59 on 31 December 2026.

1.1.7. Aviva has agreed to a novation of the Swiss law-governed reinsurance agreements, with a novation agreement to be signed in early July 2026. These reinsurance arrangements will novate from CIC to UKIL prior to the Proposed Transfer, and will subsequently novate from UKIL to AIL at the same time as the Proposed Transfer. Further detail is provided in section 3.1.13.

1.1.8. Aviva received legal advice from counsel on the treatment of the CIC policies under the 2011 Transfer. This advice concluded that it is clear from the 2011 Transfer Document that the CIC policies and the PPOs are intended to be able to transfer from CIC to UKIL on a Subsequent Transfer Date as Residual Policies. Further detail is provided in section 3.1.14.

1.1.9. Below is a simplified organisational chart showing the entities involved in the Proposed Transfer.



The Transferring Business

1.1.10. The Part VII transfer (Proposed Transfer) seeks to legally transfer to AIL all insurance business underwritten, issued or assumed by UKIL ("the Transferring Business").

1.1.11. The Transferring Business represents all of the Transferor's current liabilities as at 31 December 2025 and if the transfer is sanctioned will represent approximately 33% (by number of open claims) and 30% (by value of net IFRS 17 reserves) of the Transferee's Existing Business based on data as at 31 December 2025.

1.1.12. The Transferring Business consists of a range of personal (primarily motor and home) and commercial insurance products. These products have been sold both directly to consumers as well as through price comparison websites and partners including banks, brokers and managing general agents.

1.1.13. UKIL and AIL have confirmed that the majority of the Transferring Policies are governed by English law, and a small number of the Transferring Policies are Isle of Man, Guernsey or Jersey law governed, based on the residence of the policyholder at the time the policy was issued. In addition, the majority of Transferring Policyholders are residents of the UK. However, there is a small subset of Transferring Policies where the current address of the policyholder is located in Jersey, Guernsey and the Isle of Man. UKIL and AIL have sought legal advice regarding these Transferring Policyholders. A summary of this legal advice is provided in section 3. This concluded that a Jersey court-sanctioned transfer scheme is required, but no other transfer scheme is required in Guernsey or the Isle of Man in respect of the Proposed Transfer.

1.1.14. As of 30 April 2026, UKIL had identified approximately 8.2 million in-force Transferring Policies. Within the Transferring Policies are 2,021 Jersey policies.

1.1.15. On 6 September 2023, UKIL and Intact Insurance UK Limited (IIUK) entered into a business transfer agreement for the sale of UKIL's brokered commercial insurance business to IIUK. This covered largely brokered commercial lines insurance for small and medium-sized companies/enterprises and the mid-market companies segment of the UK market underwritten by UKIL through the NIG and FarmWeb brands. The transfer of such business, amounting to approximately 548,000 policies, concluded with an insurance business transfer scheme in accordance with Part VII, Section 109 of FSMA. This transfer was sanctioned in the UK on 25 February 2026 and in Jersey on 5 March 2026 and became effective on 1 April 2026. The transfer effectively transferred all policies written by UKIL after 1 October 2023 as well as the unearned exposure from the UKIL policies that were live as at that date. The exposure from UKIL's policies that expired on or before 1 October 2023, and the earned exposure from policies that were live as at that date, remained with UKIL. The business that transferred to IIUK as part of that transfer is outside the scope of this Proposed Transfer. Due to the timing of the transfer, the business that transferred to IIUK is included in UKIL's gross of reinsurance figures as at 31 December 2025 presented in this report (as well as the pro-forma pre- and post-transfer position). However, even at 31 December 2025, UKIL's net of reinsurance exposure to this business was nil due to the reinsurance in place. This business is excluded from the indicative UKIL Day 0 and Day 1 projections as the transfer became effective prior to the Effective Date of this Proposed Transfer. There are no live policies for the brokered commercial insurance business that remained with UKIL following that transfer. The open claims for this remaining business are currently handled by UKIL. The remaining business will transfer to AIL under the Proposed Transfer, alongside all other UKIL insurance business.

1.1.16. Further detail of the Transferring Business is set out in section 3.

Effective Date

1.1.17. The Effective Date (the date when the Proposed Transfer is expected to occur) is expected to be at 23:59 on 31 December 2026, both in the UK and Jersey. This is shortly after the Sanction Hearings, which are scheduled for 15 December 2026 in the UK and 18 December 2026 in Jersey.

1.1.18. For the purpose of this report, I refer to "Day 0" as the position immediately before the Effective Date of the Proposed Transfer, and "Day 1" as the position immediately after the Effective Date.

Jersey policies

1.1.19. The Transferring Business includes policies issued as part of the business carried on by UKIL in or from within Jersey, and the transfer of this business (the Jersey Transfer) is subject to approval by the Royal Court of Jersey under the Insurance Business (Jersey) Law 1996 and will take effect on the Effective Date.

1.1.20. These policyholders will be treated the same as the UK policyholders upon transfer, and my conclusions in this report apply equally to the Jersey policyholders and the Jersey Transfer. It is expected that this report will be made available to the Jersey Financial Services Commission and to the Royal Court of Jersey by UKIL and AIL when seeking approval for the transfer of these policies.

1.1.21. The Proposed Transfer is not contingent on the Jersey transfer going ahead, but the Jersey transfer would not go ahead if the Proposed Transfer is not sanctioned by the UK Court.

Reinsurance

1.1.22. UKIL and AIL have confirmed that all outwards reinsurance arrangements that are in place immediately prior to the Proposed Transfer (i.e. at Day 0) in respect of the Transferring Business will continue following the Proposed Transfer. AIL will assume all of UKIL's rights and obligations as the ceding insurer under the relevant transferring reinsurance arrangements. The Proposed Transfer will not affect the underlying terms and conditions of any existing reinsurance arrangements covering the Transferring Business.

1.1.23. There is currently a quota share reinsurance agreement in place between AIL and Aviva International Insurance Limited (AII), under which AII reinsures 50% of AIL's insurance business. AII is another entity within the Aviva Group and is an indirect wholly-owned subsidiary of Aviva plc. The AII reinsurance covers all of AIL's direct insurance business and (inward) reinsurance eg from AIIDAC (Aviva Insurance Ireland DAC) (including existing and new business), and there are no limits or material exclusions to the cover. The AII intra-group reinsurance applies after all external reinsurance (ie AII covers 50% of AIL's claims net of external reinsurance recoveries received). In the unlikely event of default of any of AIL's external reinsurers, the liability for outstanding reinsurance recoveries would fall to AII. The reinsurance arrangement between AIL and AII does not include AIL's subsidiaries, some of which have their own direct reinsurance arrangements with AII (eg Aviva Canada).

1.1.24. The Transferring Business is not currently reinsured by AII. Immediately following the Proposed Transfer, AII will reinsure 50% of the Transferring Business under the existing 50% quota share reinsurance agreement in place with AIL. Overall, I do not expect this reinsurance arrangement to have a materially adverse impact on Transferring Policyholders or Existing Policyholders.

1.1.25. Post-transfer, the Transferring Policyholders will be exposed to the risk of AII defaulting on its reinsurance obligations. The Existing Policyholders are also exposed to the risk of AII default both before and after the Proposed Transfer. I regard the risk of AII defaulting to be very low, given its financial strength. In addition, the risk and impact of an AII default on AIL is mitigated by a number of factors:

- The reinsurance provided by AII will be on a funds withheld basis, whereby an amount equal to the best estimate (IFRS) liabilities is retained by AIL in a funds withheld account. If the IFRS liabilities were to increase, then the funds withheld would be topped up by AII periodically. This means that, in order for a default by AII to directly impact AIL's own funds, it would need to occur before the funds withheld had been topped up in response to an increase in the IFRS liabilities. I consider this combination of events to have a remote likelihood. Even then, the direct impact on AIL's own funds would only be the value of AII's share of the increase in IFRS liabilities.
- Aviva has provided me with the results of its stress and scenario testing to assess the resilience of AII's business, including two extreme Group recovery scenarios. Even in these extreme scenarios, AII remains able to pay its claims in full and is projected to recover to above its solvency risk appetite within 2 years.
- I have considered the impact of a default of AII followed by a reserve deterioration in section 6.10 (scenario M). Even in this remote scenario, AIL is projected to be able to pay its claims in full.
- The risks associated with the intra-group reinsurance arrangement following the Proposed Transfer are reflected in AIL's projected Day 1 SCR, which allows for reinsurance default risk. AIL is currently projected to be at least well capitalised immediately after the Proposed Transfer. As the SCR captures reinsurance default risk over a one-year time horizon, I have also considered the effect of this risk over a longer time horizon through the scenario analysis in section 6.10.

1.1.26. In addition, as explained in section 3.4.4, if the Effective Date of the Proposed Transfer is delayed into 2027, and the major model change (MMC) is implemented in 2026 in line with Aviva's plan, a whole account quota share (WAQS) agreement will be implemented between UKIL and AIL. Aviva's aim is for this WAQS to offer a contingency in the event of any delays to the Proposed Transfer. Under this WAQS, AIL would reinsure 100% of the Transferring Business (net of external reinsurance recoveries received), and 50% of AIL's exposure to the Transferring Business would then be reinsured by AII. This would effectively replicate the intended post-transfer economic position of UKIL, AIL and AII in this respect. Therefore, under this contingency option, AIL would continue to be exposed to the risk of AII default.

1.1.27. Therefore, a key point to note is that, regardless of whether or not the Proposed Transfer goes ahead, the Transferring Policyholders will from year-end 2026 be exposed to the risks within AIL, either directly (if the Proposed Transfer goes ahead) or via default risk on AIL's reinsurance of UKIL (if the Proposed Transfer does not proceed). Likewise, the Transferring Policyholders will from year-end 2026 be exposed to default risk by AII, either directly (if the Proposed Transfer proceeds) or indirectly via AII's reinsurance of AIL (if the Proposed Transfer does not proceed).

1.1.28. In order for AII to reinsure the Transferring Business, the AII Board needs to agree changes to the existing reinsurance treaty with AIL, give its non-objection and the Aviva Plc Board needs to give its approval. Prior to reinsuring the Transferring Business, AII is undertaking due diligence, assessing the impact of reinsuring the Transferring Business and ensuring its operational readiness. Further detail is provided in section 3.2. I will provide an update on activities relating to AII's reinsurance of the Transferring Business in my Supplementary Report.

Ongoing integration activity

1.1.29. Following Aviva's acquisition of Direct Line, Aviva commenced a business plan to integrate Direct Line into the Aviva business. The Proposed Transfer is part of this integration business plan.

1.1.30. Various integration activities are underway to align processes covering (amongst other things) risk management, capital, reserving, reinsurance, claims handling, policy administration, systems and governance. Aviva has conducted a detailed review of all integration activities to identify those which are linked to the Proposed Transfer. Through this process, two projects were identified as being critical to the Proposed Transfer and needing to be successfully executed to support the Proposed Transfer. These are the AIL major model change (MMC) and finance system integration.

1.1.31. Aviva has shared details of the wider integration activities with me as they have progressed. For the avoidance of doubt, with the exception of the MMC, the wider integration activities are independent of the Proposed Transfer and do not rely on the Proposed Transfer being implemented. As such, they do not require the review of an Independent Expert. Nevertheless, I have considered the integration activities to the extent that they may impact my conclusions in respect of the Proposed Transfer. I am satisfied that, having reviewed the information provided to me, the integration activities do not change my conclusions in respect of the Proposed Transfer.

1.1.32. The incorporation of the Transferring Business into the existing AIL partial internal model represents a major model change (MMC) under Aviva's Model Change policy and, as such, requires regulatory approval. I have considered the MMC in section 6. This has consisted of a review of AIL's MMC pre-application letter, the supporting addendum to AIL's 2024 SCR report and AIL's independent internal model validation that has been performed. See section 6.7 for detail.

1.1.33. In addition, the parties have kept me informed of their progress on the integration of finance systems to ensure financial reporting and accounting alignment. During 2025, as part of initial integration activity, Aviva developed an integrated financial reporting solution to ensure that Direct Line results could be fully consolidated within the FY25 Aviva Group Plc Report and Accounts. A plan is in place to enhance this existing solution during 2026 as part of the preparations for the FY26 consolidated Group and legal entity reporting. This plan involves Aviva being ready to complete its FY26 financial reporting in advance of the Effective Date of the Proposed Transfer, regardless of whether or not the Proposed Transfer goes ahead.

1.1.34. Aviva has also kept me informed of its ongoing risk management oversight in relation to integration activity. I have been provided with a copy of AIL's Interim Own Risk and Solvency Assessment (ORSA) report, which focuses on a review of AIL's Risk Management Framework (RMF) to ensure it remains appropriate and effective following the acquisition of Direct Line. I have also had discussions with senior risk personnel to understand the processes in place to effectively monitor and manage the risks associated with integration activity.

Claims handling

1.1.35. Both AIL and UKIL have established claims handling philosophies and standards that focus on ensuring fair outcomes for customers. Detail on AIL's and UKIL's claims handling philosophies is provided in section 3.

1.1.36. As part of ongoing integration activity following Aviva's acquisition of Direct Line, there are a range of updates underway to align UKIL's claims handling approach, methodology and systems with those of AIL. Some of these updates have already been implemented as at the date of this report. Other updates are planned to be implemented prior to the Proposed Transfer, and some changes are expected following the Proposed Transfer. Aviva's ultimate aim is to have one claims team and consistent platforms for handling both AIL's and UKIL's claims post-transfer. I have provided detail on some of these changes below. I do not expect the Proposed Transfer to have any materially adverse impact on Transferring Policyholders from a claims handling perspective. This is because the parties intend to implement the proposed changes to claims handling regardless of whether or not the Proposed Transfer goes ahead. The Proposed Transfer itself has no direct impact on claims handling arrangements for either Existing Policyholders or Transferring Policyholders.

1.1.37. Aviva is currently working on producing a detailed plan with associated timescales for the various changes expected to be made to claims handling. I will provide an update on the expected timescales for alignment of UKIL's and AIL's claims handling approach in my Supplementary Report.

1.1.38. Aviva has provided me with information on the governance processes and controls that will be in place to manage the transition and ensure policyholders are not materially adversely impacted by any changes to claims handling. In line with Aviva's internal governance and controls processes, any material changes to the claims process (both before and after the Proposed Transfer) will be subject to appropriate governance, planning and communication as part of its ongoing integration plans, and will be guided by the core principle of fair and reasonable customer outcomes. These governance processes and controls will include a customer impact assessment, adherence to Consumer Duty principles, review by governance and risk teams and a control environment impact assessment where required. In my Supplementary Report, I will provide an update on the governance process and controls that Aviva has followed for any changes in claims handling between now and the date of my Supplementary Report.

1.1.39. Examples of the planned changes to UKIL's claims handling are:

- Both AIL and UKIL currently operate on the Guidewire claims system and are scheduled to migrate to Guidewire SaaS. AIL is scheduled to migrate during August 2026 (i.e. prior to the Proposed Transfer) and UKIL is scheduled to migrate during January 2027 (i.e. following the Proposed Transfer). These system upgrades relate only to the internal claims handling platform used by claims handlers and the parties do not expect any impact on customers. Aviva will use a series of customer-related metrics to monitor performance and ensure service levels remain stable throughout each phase of the transition. The Guidewire SaaS migration will not change the way in which UKIL Transferring Policyholders interact with UKIL or report their claims. All existing claims communication channels will continue to remain available to them.
- Ahead of the Proposed Transfer, Aviva is making a small number of carefully considered operational changes to align UKIL's claims handling with that of AIL, where Aviva considers that these changes can be made safely and will benefit customers. This includes changes to operational structure, processes and the use of analytics tools.
- The parties are exploring a change in process for UKIL in the bodily injury team, which may result in certain claims handling activities being moved to an outsourced provider. This would align UKIL with the existing approach used by AIL. The outsourced provider carries out this process for AIL currently and provides other services for UKIL. The outsourcing agreement would be subject to existing monitoring and assurance frameworks, and the parties have confirmed that they are confident this change will not alter the claims experience for customers.

1.1.40. Aviva has confirmed to me that, following the Proposed Transfer, it does not expect any negative impact on average claims settlement times. Claims handling performance will continue to be subject to ongoing monitoring to ensure settlement times remain stable and that any improvements identified through integration activity are delivered safely and effectively.

1.1.41. Resource and capacity considerations are embedded in Aviva's integration plans. Processes are in place to ensure sufficient availability to service customers is maintained. Customer impact assessments and business readiness assessments are completed for all planned changes, which includes an assessment of operational readiness for any such change.

1.1.42. I will provide an update on these ongoing changes to claims handling for Transferring Policyholders in my Supplementary Report.

1.1.43. For Existing Policyholders, there are no expected changes to claims handling philosophy or procedures as a result of the Proposed Transfer.

Sanctions

1.1.44. UKIL and AIL have policies and processes in place for managing sanctions risks. The AIL business is subject to the Aviva Financial Crime Minimum Compliance standards and, since 1 April 2026, the UKIL business has also been subject to the Aviva Financial Crime Minimum Compliance standards.

1.1.45. A gap analysis has been completed between the sanctions-related standards of the two firms. The parties concluded that both organisations' approaches meet regulatory requirements. The screening process for AIL consists of greater risk identification, including screening against 3rd party jurisdiction risks and OFAC United States sanctions lists, due to AIL's exposure to Global Corporate Specialty business. UKIL does not screen against OFAC lists as it writes UK-based business only. In addition, outside of the formal screening process, UKIL relies on suspicious activity reporting processes for identifying financial crime risks.

1.1.46. AIL has confirmed to me that sanctions checks have been conducted in line with their policies and are up to date. UKIL does not currently screen against the OFAC list and a project is currently in place to bring UKIL in line with AIL's approach by the end of Q1 2027.

1.1.47. As at the date of this report, outside of ordinary course sanctions screening processes, one UKIL policyholder has been identified who is sanctioned under the OFAC sanctions list, and whose policy will accordingly not transfer to AIL on the Effective Date but will remain in UKIL as a "Residual Policy" pursuant to the terms of the Scheme. Aviva has informed me that any policies subject to sanctions are treated as Residual Policies under the Scheme, and will remain in UKIL until they can be transferred to AIL. This will include any sanctioned policies that may be identified after the Effective Date of the Proposed Transfer. I will provide an update on any sanctions-exposed policies in my Supplementary Report.

1.1.48. As part of ongoing integration activity following Aviva's acquisition of Direct Line, the parties' intention is to pass all customers through the AIL screening tool and shut down the UKIL tool. Testing of this approach is planned for 2026, dual-running of both tools will be implemented in early 2027 to ensure stability and effectiveness, and the UKIL tool will be shut down before 30 June 2027. Once this process has been integrated, Aviva's standards and controls will be applied going forward.

1.2. My role as Independent Expert

1.2.1. UKIL and AIL have jointly appointed me to act as the Independent Expert (IE) for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.

1.2.2. As IE, my overall role is to assess whether:

- The security provided to policyholders of UKIL and AIL will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by Transferring or Existing Policyholders.
- Any reinsurer of UKIL or AIL covering the Transferring Business will be materially adversely affected by the Proposed Transfer.

1.2.3. This report is my Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new issues that arise.

1.3. Summary of my conclusions

1.3.1. I have set out below my summary conclusions, considering the effect of the Proposed Transfer on the following three parties:

- "Transferring Policyholders", i.e. all UKIL policyholders whose policies will transfer to AIL under the Proposed Transfer.
- "Existing Policyholders", i.e. policyholders of AIL immediately prior to the Proposed Transfer, who will remain policyholders with AIL after the Proposed Transfer.
- Reinsurers of UKIL and AIL covering the Transferring Business.

1.3.2. There are no "Non-transferring Policyholders", as all UKIL policies will transfer to AIL under the Proposed Transfer.

1.3.3. In drawing my conclusions, I have considered the impact of the Proposed Transfer on all underlying Claimants and Beneficiaries (these terms are defined in Section 4).

Definition of "well capitalised" and "very well capitalised"

1.3.4. For the purposes of this report, I describe a company as being "sufficiently capitalised, "well capitalised" or "very well capitalised", with these terms defined as follows:

Definition	SCR coverage ratio
Sufficiently capitalised	Between 100% and 150%
Well capitalised	Between 150% and 200%
Very well capitalised	200% or greater

1.3.5. SCR coverage ratio is defined in section 6.1.

Transferring Policyholders

1.3.6. All UKIL policyholders will have their policies transferred to AIL as part of the Proposed Transfer. As of 30 April 2026, UKIL had identified approximately 8.2 million in-force Transferring Policies.

I have concluded that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer. I have concluded that no material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.

1.3.7. When drawing my conclusions, I have considered the nature and magnitude of each of the individual points below, as well as the aggregate nature and magnitude of all of the below impacts.

Summary rationale:

1.3.8. The best estimate liabilities within the IFRS 17 and Solvency UK technical provisions for the Transferring Business will not change directly as a result of the Proposed Transfer. I am satisfied that the approaches used to calculate the IFRS 17 and Solvency UK technical provisions for the Transferring Business are appropriate, and AIL has confirmed that these will be materially unchanged post-transfer. In particular:

- UKIL's and AIL's best estimate reserves and assumptions underlying the IFRS17 and Solvency UK technical provisions for the Transferring Business as at 31 December 2025 are the same.
- My opinion is also based on:
  - an independent review of UKIL's reserves by the Aviva Group as at 30 June 2025.
  - an external actuarial review of UKIL's reserves performed as at 31 December 2025 as part of the annual audit.

1.3.9. If the Proposed Transfer had been implemented on 31 December 2025, the Transferring Policyholders would have been transferred from one well capitalised entity (UKIL) to another well capitalised entity (AIL). On this basis I consider that the security provided to Transferring Policyholders would not have been materially adversely affected by the Proposed Transfer if it had occurred on 31 December 2025. I note that UKIL uses the standard formula to calculate its SCR. AIL uses a partial internal model to calculate its SCR. These are both intended to measure the same underlying concept of risk, but they do so in different ways. Accordingly, differences between the two firms' SCR coverage ratios do not, by themselves, indicate that one firm is more or less secure than the other, without considering the basis on which those figures have been calculated. See section 6.4 for details.

1.3.10. In addition to the pro-forma position as at 31 December 2025, UKIL and AIL have provided me with indicative projections of the balance sheet positions immediately before and after the Proposed Transfer (i.e. as at 23:58 (and following the transfer of CIC policies to UKIL) and 23:59 on 31 December 2026), taking into account the changes expected to take place over this period, including forecast dividends expected to be paid during 2026, the MMC being approved and becoming effective, and AIL ceding 50% of the Transferring Business to AII. Based on my analysis of these projections, I am satisfied that AIL is expected to be at least well capitalised immediately after the Proposed Transfer, after allowing for each of the above items. This further supports my opinion that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

1.3.11. Further, AIL has provided capital projections until 31 December 2028 which indicate that AIL will remain very well capitalised prior to the payment of dividends, and well capitalised after payment of dividends.

1.3.12. I am satisfied that AIL is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. In more extreme adverse scenarios, where AIL's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote that Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.

1.3.13. Prior to the Proposed Transfer, in the event of financial difficulty, the Transferring Policyholders would be reliant on support from the wider group, including AIL as a parent company. Following the Proposed Transfer, the Transferring Business will sit directly on AIL's balance sheet and, therefore, will be directly supported by AIL's capital resources. On the other hand, following the Proposed Transfer, Transferring Policyholders will also be exposed to the risks within AIL's business. However, overall, I consider that the benefits of being part of a significantly larger and more diversified entity (AIL) outweigh these risks.

1.3.14. Following the Proposed Transfer, AII will reinsure 50% of the Transferring Business (net of external reinsurance recoveries received). Therefore, post-transfer, the Transferring Policyholders will be exposed to the risk of AII defaulting on its reinsurance obligations. I regard the risk of AII defaulting to be very low, given its financial strength. In addition, the risk and impact of an AII default on AIL is mitigated by a number of factors:

- The reinsurance provided by AII will be on a funds withheld basis, whereby an amount equal to the best estimate (IFRS) liabilities is retained by AIL in a funds withheld account. If the IFRS liabilities were to increase, then the funds withheld would be topped up by AII periodically. This means that, in order for a default by AII to directly impact AIL's own funds, it would need to occur before the funds withheld had been topped up in response to an increase in the IFRS liabilities. I consider this combination of events to have a remote likelihood. Even then, the direct impact on AIL's own funds would only be the value of AII's share of the increase in IFRS liabilities.
- Aviva has provided me with the results of its stress and scenario testing to assess the resilience of AII's business, including two extreme Group recovery scenarios. Even in these extreme scenarios, AII remains able to pay its claims in full and is projected to recover to above its solvency risk appetite within 2 years.
- I have considered the impact of a default of AII followed by a reserve deterioration in section 6.10 (scenario M). Even in this remote scenario, AIL is projected to be able to pay its claims in full.
- The risks associated with the intra-group reinsurance arrangement following the Proposed Transfer are reflected in AIL's projected Day 1 SCR, which allows for reinsurance default risk. AIL is currently projected to be at least well capitalised immediately after the Proposed Transfer. As the SCR captures reinsurance default risk over a one-year time horizon, I have also considered the effect of this risk over a longer time horizon through the scenario analysis in section 6.10.

Note there are a number of governance and due diligence activities in progress in order for AII to reinsure the Transferring Business - see section 3.2 for detail.

1.3.15. AIL is a UK entity so the Transferring Policyholders will continue to be regulated in the UK following the Proposed Transfer. The rights of policyholders in respect of access to the Financial Services Compensation Scheme (FSCS) or Financial Ombudsman Service (FOS) will not change as a result of the Proposed Transfer.

1.3.16. There are no proposed changes to UKIL's claims handling arrangements arising directly as a result of the Proposed Transfer. As part of ongoing integration activity following Aviva's acquisition of Direct Line, there are a range of updates underway to align UKIL's claims handling approach, methodology and systems with those of AIL. Some of these updates have already been implemented as at the date of this report. Other updates are planned to be implemented prior to the Proposed Transfer, and some changes are expected following the Proposed Transfer. Aviva's ultimate aim is to have one claims team and consistent platforms for handling both AIL's and UKIL's claims post-transfer. I do not expect the Proposed Transfer to have any materially adverse impact on Transferring Policyholders from a claims handling perspective. This is because the parties intend to implement the proposed changes to claims handling regardless of whether or not the Proposed Transfer goes ahead. The Proposed Transfer itself has no direct impact on claims handling arrangements for either Existing Policyholders or Transferring Policyholders.

Existing Policyholders

1.3.17. As at 30 April 2026, AIL had identified approximately 12.9 million existing policies which are in-force. UKIL's c. 8.2 million transferring policies will therefore make up approximately 40% of AIL's projected post-transfer policies. The Existing Business will make up approximately 70% of AIL's projected post-transfer IFRS 17 net of reinsurance provisions (based on figures as at 31 December 2025).

I have concluded that the security provided to Existing Policyholders will not be materially adversely affected by the Proposed Transfer. I have concluded that no material impact on service standards is expected for Existing Policyholders following the Proposed Transfer.

1.3.18. When drawing my conclusions, I have considered the nature and magnitude of each of the individual points below, as well as the aggregate nature and magnitude of all of the below impacts.

Summary rationale:

1.3.19. I am satisfied that the approaches used to calculate the IFRS 17 and Solvency UK technical provisions for AIL are appropriate. AIL has confirmed that these will be materially unchanged post-transfer. My opinion is based on AIL's reserves as at 31 December 2025 and:

- an independent review of AIL's reserves by the Aviva Group as at 31 March 2025.
- an external actuarial review of AIL's reserves as at 31 December 2025 performed as part of the annual audit.

1.3.20. If the Proposed Transfer had been implemented on 31 December 2025, AIL's SCR coverage ratio would have been expected to be unchanged at 192% as a result of the Proposed Transfer. On this basis I consider that the security provided to Existing AIL Policyholders would not have been materially adversely affected by the Proposed Transfer if it had occurred on 31 December 2025.

1.3.21. In addition to the pro-forma figures as at 31 December 2025, AIL has provided me with indicative projections of the balance sheet positions immediately before and after the Proposed Transfer (i.e. as at 23:58 (and following the transfer of CIC policies to UKIL) and 23:59 on 31 December 2026), taking into account the changes expected to take place over this period, including forecast dividends expected to be paid during 2026, the MMC being approved and becoming effective, and AIL ceding 50% of the Transferring Business to AII. Based on my analysis of these projections, I am satisfied that AIL is expected to be at least well capitalised immediately after the Proposed Transfer, after allowing for each of the above items. In addition, AIL's SCR coverage ratio is expected to be higher at Day 1 than Day 0 due to the completion of the MMC and ceding 50% of the Transferring Business to AII. This further supports my opinion that the security provided to Existing Policyholders will not be materially adversely affected by the Proposed Transfer.

1.3.22. Further, AIL has provided capital projections until 31 December 2028 which indicate that AIL will remain very well capitalised prior to the payment of dividends, and well capitalised after the payment of dividends.

1.3.23. I am satisfied that AIL is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. In more extreme adverse scenarios, where AIL's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote such that Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer.

1.3.24. AIL is not planning any material changes to how its Existing Policyholders are serviced following the Proposed Transfer.

Reinsurers covering the Transferring Business

1.3.25. I have considered the position of reinsurers of UKIL who currently provide cover for the Transferring Business.

I have concluded that reinsurers who provide cover for the Transferring Business will not be materially adversely affected by the Proposed Transfer.

1.3.26. When drawing my conclusions, I have considered the nature and magnitude of each of the individual points below, as well as the aggregate nature and magnitude of all of the below impacts.

Summary rationale:

1.3.27. UKIL and AIL have both confirmed that all existing outwards reinsurance arrangements that are in place immediately prior to the Proposed Transfer (i.e. at Day 0) in respect of the Transferring Business will continue following the Proposed Transfer. AIL will assume all of UKIL's rights and obligations as the ceding insurer under the relevant transferring reinsurance arrangements, including any entitlements to reinsurance recoveries, with effect from the Effective Date. The Proposed Transfer will not affect the underlying terms and conditions of any existing reinsurance arrangements covering the Transferring Business.

1.3.28. The existing reinsurers of the Transferring Business will be exposed to the same claims following the Proposed Transfer.

1.3.29. All reinsurers of the Transferring Business will be informed of the Proposed Transfer.

1.4. Next steps

1.4.1. The remainder of this report sets out my conclusions and other supporting information in more detail.

1.4.2. I will be reviewing these conclusions and preparing a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions based on any new material or issues that arise.

1.4.3. Specific items that I have highlighted in this report which require further review in due course include:

- Any updates to the financial information provided in this report e.g. updated reserve estimates and financial projections including SCR coverage ratios and balance sheets;
- An update on the ongoing integration activity relating to the Proposed Transfer following Aviva's acquisition of Direct Line, including an update on UKIL's claims handling approach;
- An update on findings and developments since the MMC pre-application submission;
- An update on the progress of the novation or commutation of the CIC Swiss-law governed reinsurance arrangements;
- An update on activities relating to AII's reinsurance of the Transferring Business;
- An update on sanctions checks and any sanctions-exposed policies within the Transferring Business;
- The implementation of the communication plan for Transferring Policyholders;
- Any policyholder objections received; and
- Any developments regarding the structure of the Proposed Transfer.

2. Introduction

2.1. Background

2.1.1. Part VII, Section 109 of the Financial Services and Markets Act 2000 (FSMA) requires that a Scheme Report must accompany an application to the High Court of Justice of England and Wales (High Court) to approve an insurance business transfer scheme (Part VII transfer).

2.1.2. The Scheme Report should be produced by a suitably qualified independent person (the Independent Expert or IE) who has been nominated or approved by the Prudential Regulation Authority (PRA) having consulted with the Financial Conduct Authority (FCA). The Scheme Report should address the question of whether any policyholders or reinsurers impacted by the insurance business transfer are adversely affected to a material extent.

2.1.3. This report is the Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new material or issues that arise.

Jersey policies

2.1.4. The Transferring Business includes policies issued as part of the business carried on by UKIL in or from within Jersey, and the transfer of this business (the Jersey Transfer) is subject to approval by the Royal Court of Jersey under the Insurance Business (Jersey) Law 1996 and will take effect on the Effective Date.

2.1.5. These policyholders will be treated the same as the UK policyholders upon transfer, and my conclusions in this report apply equally to the Jersey policyholders and the Jersey Transfer. It is expected that this report will be made available to the Jersey Financial Services Commission and to the Royal Court of Jersey by UKIL and AIL when seeking approval for the transfer of these policies.

2.1.6. UKIL has identified 2,021 policies registered with policyholders in Jersey.

2.2. Independent Expert appointment

My appointment

2.2.1. UKIL and AIL have jointly appointed me to act as the IE for the Proposed Transfer. The PRA, in consultation with the FCA, has approved my appointment. AIL will bear the costs associated with the production of my report. I understand that no costs or expenses of the Proposed Transfer will be borne by policyholders.

My experience

2.2.2. I am a Partner in the Insurance Consulting practice at LCP. I am an actuary with over 30 years' experience. My experience covers a wide range of general insurance actuarial work including reserving, capital, pricing and transactions.

2.2.3. I am a Fellow of the Institute and Faculty of Actuaries (IFoA). I hold a Lloyd's Syndicate Actuary practising certificate and a UK Chief Actuary (non-Life with Lloyd's) practising certificate.

2.2.4. I have acted as the IE on a number of previous Part VII transfers. I have also acted as the peer reviewer on a number of other Part VII transfers.

2.2.5. Appendix 3 contains my CV with further details of my experience.

Independence statement

2.2.6. I confirm that I, Charl Cronje, and all members of the LCP team assisting me in my IE role are independent from the parties of the transfer and that I am able to act as the IE for the Proposed Transfer.

2.2.7. I confirm that neither I, nor any of the team, have any material direct or indirect interests in UKIL or AIL (the firms), either personally or via LCP.

In particular:

- Neither I, nor any member of the team, is a shareholder in the firms or subsidiaries nor a member of any pension scheme under the management of any of these entities.
- Neither I, nor any member of the team, hold any insurance policies issued by the firms, other than one member who holds household and valuables insurance policies with Aviva.
- Aviva provides income protection to LCP partners, life insurance to LCP staff and travel insurance to LCP partners and staff, all on a commercial, arms-length basis.

2.2.8. I do not consider that any of these instances represent a conflict for the proposed transfer.

2.2.9. LCP has performed work for the firms in the last five years, including:

- Advice and support in relation to pensions arrangements for DLG and Aviva.
- Independent Internal Model validation support for DLG.
- Providing arms-length commercial independent advice to clients on Aviva life and healthcare products and Aviva Investors.
- A separate LCP team also provided Independent Expert services to DLG for another Part VII transfer. This Proposed Transfer has no direct overlap with that separate transfer. I was the peer reviewer for that separate transfer, in which my role was to review the draft Independent Expert reports, which subsequently became public documents. I did not review the detailed materials provided by DLG for that project. Other than myself, none of the other LCP team members who worked on that transfer have been involved in this Proposed Transfer.
- UKI underwrites policies on behalf of Simply Business. Simply Business licenses LCP's reserving software.

2.2.10. The fees for current work represent less than 0.3% of LCP's current annual income. I do not consider that any of this work represents a conflict for the Proposed Transfer.

2.3. Scope of this Scheme Report

2.3.1. Appendix 2 contains an extract from my terms of reference, which defines the scope of my work in relation to the Proposed Transfer. The actual work performed is in line with this agreed scope.

2.3.2. This Scheme Report considers the effect of the Proposed Transfer upon the policyholders of UKIL and AIL and reinsurers of the Transferring Business. It contains a description of the Proposed Transfer, the methodology I have used to analyse the Proposed Transfer, the opinions I have formed, and the rationale for my opinions.

2.3.3. The use of "I", "me" and "my" in this report generally refers to work carried out by me or by the team operating under my direct supervision. However, when it is used in reference to an opinion, it is mine and mine alone.

2.4. Use of this Scheme Report

2.4.1. This Scheme Report has been produced by Charl Cronje FIA of LCP under the terms of LCP's written agreement with UKIL and AIL.

2.4.2. This Scheme Report is subject to any stated limitations (e.g. regarding accuracy or completeness).

2.4.3. This Scheme Report has been prepared for the purpose of accompanying the application to the High Court in respect of the proposed insurance business transfer scheme described in this report, in accordance with Part VII, Section 109 of the Financial Services and Markets Act (FSMA) 2000, and to accompany the application to the Royal Court of Jersey in respect of the Jersey Transfer in accordance with the Insurance Business (Jersey) Law 1996. The Scheme Report is not suitable for any other purpose.

2.4.4. A copy of the Scheme Report will be sent to the PRA and the FCA and will accompany the Scheme application to the High Court. A copy of the Scheme Report will also be sent to the Jersey Financial Services Commission and will accompany the application in respect of the Jersey Transfer to the Royal Court of Jersey.

2.4.5. This report is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Scheme Report for any other purpose other than that set out above.

2.5. Reliances

2.5.1. I have based my work on the data and other information made available to me by UKIL and AIL. Appendix 4 contains a list of key data and other information that I have considered. I have also held discussions with the relevant staff of UKIL, AIL and their advisors.

2.5.2. My analysis is generally based on UKIL and AIL data as at 31 December 2025 (the latest available figures at the time of my writing of my report). UKIL and AIL have also provided me with projections as at the Effective Date of the Proposed Transfer.

2.5.3. Prior to the Sanction Hearing for the Proposed Transfer, I will prepare a Supplementary Report to confirm and/or update my conclusions in this report, based on any new material or issues that arise.

2.5.4. I have received all of the information that I have requested for the purposes of the production of my report. In this respect:

- UKIL and AIL will submit witness statements to the High Court stating that all information provided to me by UKIL and AIL respectively is correct and complete in all material aspects to the best of their knowledge, information and belief.
- Each of UKIL and AIL has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer is accurate and complete in all material respects.
- UKIL and AIL have provided attestations that there have been no material adverse changes to the financial position of UKIL or AIL since that information was provided to me which, in their opinion, might have a material impact on the Proposed Transfer and which have not been communicated to me.
- UKIL and AIL have each agreed that this IE Scheme Report is correct in terms of all factual elements of the Proposed Transfer.
- I have conducted basic checks on the data provided to me for internal consistency and reasonableness.
- My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely on the information provided for the purpose of this report.

2.5.5. The conclusions in my report take no account of any information that I have not received, or of any inaccuracies in the information provided to me.

2.5.6. I have not considered it necessary to take any third-party legal advice on any aspects of the Proposed Transfer.

2.5.7. Figures in this report may be subject to small rounding differences and so totals within the tables may not equal the sum of the rounded components.

2.6. Professional standards

2.6.1. This report complies with the applicable rules on expert evidence and with the guidance for scheme reports set out by the PRA in their Statement of Policy issued in January 2022, the FCA guidance to their approach to review of Part VII transfers issued in February 2022 and by the PRA Rulebook and the FCA Handbook.

2.6.2. This report complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) and Technical Actuarial Standard 200: Insurance (TAS 200) issued by the Financial Reporting Council (FRC). The FRC is responsible for setting technical actuarial standards in the UK.

2.6.3. I have considered The Actuaries' Code as issued by the IFoA as part of producing this report.

2.6.4. This report has been subject to independent peer review prior to its publication, in line with Actuarial Professional Standard X2: Review of Actuarial Work (APS X2) as issued by the IFoA. This peer review has been undertaken by another Partner at LCP. The peer reviewer was not involved in the production of the report. They have appropriate experience and expertise to act as peer reviewer of this report.

2.7. Materiality

2.7.1. The FRC considers that matters are material if they could, individually or collectively, influence the decisions to be taken by users of the actuarial information. It accepts that an assessment of the materiality is a matter of reasonable judgement that requires consideration of the users and the context.

2.7.2. I have applied this concept of materiality in performing the work described in this Scheme Report. In particular, I have applied this concept of materiality when using my professional judgement to determine the risks of material misstatement or omission and to determine the nature and extent of my work.

2.7.3. In complying with the reporting requirements of TAS 100, I have made judgements on the level of information to include in this Scheme Report. For example, to make the report easier to read, I have not included all the details that would normally be included in a formal actuarial report, such as details of the methodologies and assumptions underlying the reserve and capital assessments.

2.8. Definition of "materially adverse"

2.8.1. For the purpose of assessing whether any policyholders or reinsurers are adversely affected to a material extent, I have considered whether, as a result of the Proposed Transfer, any group of policyholders or reinsurers would experience a deterioration in matters relevant to their interests compared with the position that would otherwise have applied if the Proposed Transfer had not occurred. Such matters may include, for example, the security of policyholder benefits, the likelihood of claims being paid in full, and the level of policyholder service.

2.8.2. In order to determine whether the Proposed Transfer will have a "materially adverse" impact on any group of policyholders, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed. In this assessment, I have considered both quantitative and qualitative factors, including the nature, likelihood, duration and magnitude of the impact, and the extent to which it could reasonably affect the interests of the relevant group of policyholders or reinsurers.

2.8.3. In practice, I have assessed the effect of the Proposed Transfer on each relevant group of policyholders or reinsurers by comparing their position immediately before and after the Proposed Transfer. This includes considerations relating to overall policyholder security and service standards, as well as any other relevant factors impacted by the Proposed Transfer.

2.8.4. The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a “materially adverse” impact on any particular group of policyholders or reinsurers, I have considered both:

- the nature and magnitude of any individual adverse impacts of the Proposed Transfer for that group; and
- the nature and magnitude of the aggregate of all impacts of the Proposed Transfer for that group.

2.8.5. In the Court of Appeal judgment in The Prudential Assurance Company Ltd and Rothesay Life plc [2020] EWCA Civ 1626, the judge commented on the word ‘material’ and drew the distinction between ‘real’ and ‘fanciful’ risks and that the Court should address the former rather than the latter. I have borne this distinction in mind when reaching my conclusions as to whether any set of policyholders is materially adversely affected. Throughout this report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether policyholders are materially adversely affected or otherwise.

3. Outline of Proposed Transfer

3.1. The firms involved

U K Insurance Limited (UKIL)

3.1.1. U K Insurance Limited (UKIL) is a direct wholly-owned subsidiary of Direct Line Insurance Group Limited (Direct Line). It underwrites a variety of non-life insurance products, including motor, home, rescue and commercial policies. These products are marketed under brands such as Direct Line, Churchill, Privilege and Green Flag. UKIL is the sole insurer currently writing business in the Direct Line Group.

3.1.2. Direct Line was founded in 1985, with backing from the Royal Bank of Scotland (RBS), as the first telephone-only insurance company in the UK, offering direct to consumer motor insurance. In 2003, RBS expanded its insurance arm by acquiring brands including Churchill and Privilege, and combining them with Direct Line into a single RBS insurance division.

3.1.3. After the 2008 financial crisis, RBS was nationalised following an EU and UK government bailout. One of the conditions of the bailout was the divestment of its insurance assets. In September 2012, RBS confirmed plans to spin off its insurance division – as the "Direct Line Group" - ahead of an Initial Public Offering ("IPO"). The IPO of Direct Line Insurance Group plc took place in October 2012, with RBS initially selling 35% of its shares. Over the following 18 months, RBS divested its remaining shares, exiting fully by February 2014. Direct Line Insurance Group plc was listed on the London Stock Exchange in 2014. In 2019, Direct Line launched Darwin, a digital first motor insurance product via price comparison websites.

3.1.4. UKIL became the sole active insurer in the Direct Line Group following a consolidation of Direct Line's insurance business by way of an insurance business transfer scheme sanctioned in 2011 (the "2011 Transfer"). Pursuant to the 2011 Transfer, the insurance business of Churchill Insurance Company Limited (CIC), Direct Line Insurance Plc (DLI) and The National Insurance and Guarantee Corporation Limited (NIG) was consolidated into UKIL.

Aviva Insurance Limited (AIL)

3.1.5. Aviva Insurance Limited (AIL) (the Transferee) is an indirect wholly-owned subsidiary of Aviva plc (Aviva). AIL is Aviva's primary UK general insurance entity, and the principal activity of the company is the transaction of general and health (non-life) insurance business in the UK, together with risks insured from Aviva's Irish GI business. The main classes of business underwritten by AIL are personal lines (motor, home and other), health and commercial lines (property, liability, motor and other). In addition, AIL owns Aviva Canada Inc (Aviva Canada) which conducts general insurance business in Canada and various other UK & Ireland general insurance subsidiaries.

3.1.6. In December 2024, Aviva announced its intention to acquire Direct Line. The transaction was subsequently completed on 1 July 2025. Following completion of the acquisition, Aviva undertook an internal restructuring and UKIL is now an indirect subsidiary of AIL. Aviva holds substantially all[2] of the issued share capital of Direct Line, with the balance held by a sanctioned shareholder. The sanctioned shareholding is at Direct Line level and is not a direct shareholding in UKIL. In addition, the sanctioned shareholding represents a very small proportion of the share capital of Direct Line, and is therefore not a controlling holding. Aviva's legal team has informed me that the Proposed Transfer will have no bearing on the sanctioned shareholding, and that there is nothing under UK sanctions legislation to preclude the transfer of business from UKIL as a result of the small minority shareholding that is sanctions affected. As such, Aviva's legal team has informed me that there is no reason for the Part VII Scheme to be impacted by the existence of the sanctioned shareholder.

[2] Aviva holds 99.99999574489% of the total equity of Direct Line. The balance of which is held by a sanctioned shareholder and will transfer automatically to Aviva at such point that the sanctioned shareholder ceases to be sanctioned or upon clearance by the Office of Financial Sanctions Implementation.

Churchill Insurance Company Limited (CIC)

3.1.7. Following the 2011 Transfer, substantially all of Direct Line's insurance business was consolidated into UKIL. However, CIC retained its authorisation in order to continue to administer a small number of run-off policies and their associated periodical payment orders (PPOs).

3.1.8. CIC is a direct wholly-owned subsidiary of UKIL and, following the completion of Aviva's acquisition of Direct Line, is now an indirect wholly-owned subsidiary of AIL.

3.1.9. At the time of the 2011 Transfer, it was identified that CIC benefited from a number of Swiss law-governed excess of loss reinsurance agreements. Local legal advice sought in 2011 confirmed that the 2011 Transfer may not be effective in transferring the benefit of those reinsurance contracts to UKIL. Therefore, these reinsurance agreements were not included in the business transferring from CIC to UKIL as at the effective date of the 2011 Transfer.

3.1.10. In addition, UKIL and CIC agreed that the transfer of the underlying insurance policies within CIC, in respect of which there was an open claim which exceeded (or might exceed) the applicable deductible under the relevant non-transferring reinsurance agreement, and their associated PPOs, would be delayed. 19 such policies were identified as meeting this threshold in 2011.

3.1.11. As of January 2026, 6 of the original 19 policies, together with their associated PPOs, remain in CIC. The Swiss law governed reinsurance agreements also remain in place covering 4 of the remaining 6 PPOs.

3.1.12. Aviva's intention in relation to the remaining CIC policies is for these to transfer from CIC to UKIL (under the 2011 Transfer) immediately prior to the Proposed Transfer, and for these policies to subsequently transfer from UKIL to AIL as part of the Proposed Transfer. That is, the CIC policies are intended to be transferred from CIC to UKIL at 23:58 on 31 December 2026, and from UKIL to AIL at 23:59 on 31 December 2026.

3.1.13. Aviva has agreed to a novation of the Swiss law-governed reinsurance agreements, with a novation agreement to be signed in early July 2026. The novation of the Swiss law-governed reinsurance arrangements will take place in two steps: (i) a novation from CIC to UKIL at 23:58 on 31 December 2026, and (ii) a subsequent novation from UKIL to AIL at the same time as the Proposed Transfer. Accordingly, the 6 remaining CIC policies and their associated PPOs will transfer, in parallel to the reinsurance arrangements, from CIC to UKIL pre-transfer, and subsequently transfer from UKIL to AIL under (in the case of the underlying policies) or at the same time as (in the case of the reinsurance arrangements) the Proposed Transfer.

3.1.14. Aviva received legal advice from counsel on the treatment of the CIC policies under the 2011 Transfer. This advice concluded that it is clear from the 2011 Transfer Document that the CIC policies and the PPOs are intended to be able to transfer from CIC to UKIL on a Subsequent Transfer Date as Residual Policies. The legal advice noted that the 2011 Transfer Document does not include an explicit mechanism for the determination of an applicable Subsequent Transfer Date for Residual Policies, although it would be a reasonable construction of the relevant terms to conclude that Residual Policies may transfer under the 2011 Transfer. The legal advice noted that the parties to the 2011 Transfer Document were entitled under its terms to approach the PRA and FCA to approve an amendment to the 2011 Scheme to correct a "non-material or technical error, including a manifest error", in this case specifically to include the term "Residual Policies" within the scope of the definition of Subsequent Transfer Date, in order to put the matter beyond doubt. Accordingly, Aviva wrote to the PRA and FCA on this matter on 20 March 2026, and the PRA and the FCA both confirmed their non-objection approval to the proposed amendment on 26 March 2026.

3.2. Description of the Proposed Transfer

The Transferring Business

3.2.1. The Part VII transfer (Proposed Transfer) seeks to legally transfer to AIL all insurance business underwritten, issued or assumed by UKIL ("the Transferring Business").

3.2.2. The Transferring Business represents all of the Transferor's current liabilities as at 31 December 2025 and if the transfer is sanctioned will represent approximately 33% (by number of open claims) and 30% (by value of net IFRS 17 reserves) of the Transferee's Existing Business based on data as at 31 December 2025.

3.2.3. The Transferring Business consists of a range of personal (primarily motor and home) and commercial insurance products. These products have been sold both directly to consumers as well as through price comparison websites and partners including banks, brokers and managing general agents. As of 30 April 2026, UKIL had identified approximately 8.2 million in-force Transferring Policies.

3.2.4. The table below summarises all products and brands within the Transferring Business. In the underwriting period column of the table, business underwritten by UKIL means either UKIL itself or one of its predecessor firms.

Brand	Products	Underwriting period*
Direct Line	Motor, home, HR24 (home emergency), pet and travel	Underwritten by UKIL since 1985. HR24 and travel are now in run-off.
Privilege	Motor and home	Underwritten by UKIL since 1994.
Churchill	Motor, home, pet and travel	Underwritten by UKIL since 1989. Travel is now in run-off.
Green Flag	Rescue	Underwritten by UKIL since 2000. Began as National Breakdown Recovery Club, rebranded as Green Flag in 1994.
Darwin	Motor	Underwritten by UKIL since 2019.
By Miles	Motor	Acquired by UKIL in 2023. This business is now in run-off.
Commercial – Direct Line	DL4B (Direct Line for Business): Landlord, Van, SME and Tradesperson	Underwritten by UKIL since 2007.
Commercial - Churchill	Van, Landlord and SME	Underwritten by UKIL since 2014.
Private – Direct Line	Motor, home, pet and travel	Underwritten by UKIL since 2011. Motor and travel are now in run-off. Home and pet remain live but are closed to new business.

Brand	Products	Underwriting period*
NatWest Group (NatWest, RBS, Ulster Bank)	Home, motor and travel	Relationship with NatWest Group pre-dates the divestment of RBS' insurance division in 2012. This product will be in run-off from 30 September 2026 as it is being transitioned to a new provider.
Premier - NatWest Group (NatWest, RBS, Coutts)	Motor, home, pet and travel	Underwritten by UKIL since 2011. Motor and travel are now in run-off. Home and pet remain live but are closed to new business.
Virgin Money	Rescue	Underwritten by UKIL since 2013 (previously Clydesdale & Yorkshire).
Prudential	Home and motor	Underwritten by UKIL since 2001. Now in run-off.
Sainsburys	Home and motor	Underwritten by UKIL since 2011. Now in run-off.
Motability	Motor and fleet	Underwritten by UKIL since 2023.
Royal London	Home	Underwritten by UKIL since 2009. Now in run-off.
Premier	Motor	Underwritten by UKIL since 2014.
Caravan & Motorhome Club (CaMC) – including Devitt	Rescue	Underwritten by UKIL since 1979.
PSA / Stellantis	Motor	Underwritten by UKIL since 2002 (originally Banque PSA Finance, Citroën & Peugeot)
VW Group (Volkswagen, Audi, Skoda, Seat)	Motor	Underwritten by UKIL since July 2018.
Simply Business (sold under the Churchill brand)	All commercial	Underwritten by UKIL since 2005.
Intelligent Insurance	Home	Underwritten by UKIL since 2023. Now in run-off.
NIG (FarmWeb)	Commercial brokered business	Underwritten by UKIL since 2011**.
Tesco (Tesco Personal Finance, TPF)	Motor and home	Underwritten by UKIL between 2005 and 2011.
Egg	Motor	Underwritten by UKIL between 2003 and 2014.

Brand	Products	Underwriting period*
Lloyds	Motor	Underwritten by UKIL between 2003 and 2010.
Nationwide	Motor and home	Underwritten by UKIL between 2001 and 2017.

**It is believed that the dates quoted in the table are the earliest date since when business has been written, but there may be some examples where policies were written before this time.*
***Underwritten by UKIL since 2011, following a Part VII transfer of business from The National Insurance and Guarantee Corporation Limited (another entity within the Direct Line Group). The original date from which The National Insurance and Guarantee Corporation Limited commenced underwriting this business is unknown.*

3.2.5. On 6 September 2023, UKIL and Intact Insurance UK Limited (IIUK) entered into a business transfer agreement for the sale of UKIL's brokered commercial insurance business to IIUK. This covered largely brokered commercial lines insurance for small and medium-sized companies/enterprises and the mid-market companies segment of the UK market underwritten by UKIL through the NIG and FarmWeb brands. The transfer of such business, amounting to approximately 548,000 policies, concluded with an insurance business transfer scheme in accordance with Part VII, Section 109 of FSMA. This transfer was sanctioned in the UK on 25 February 2026 and in Jersey on 5 March 2026 and became effective on 1 April 2026. The transfer effectively transferred all policies written by UKIL after 1 October 2023 and the unearned exposure from the UKIL policies that were live as at that date. The exposure from UKIL's policies that expired on or before 1 October 2023, as well as the earned exposure from policies that were live as at that date, remained with UKIL. The business that transferred to IIUK as part of that transfer is outside the scope of this Proposed Transfer. Due to the timing of the transfer, the business that transferred to IIUK is included in UKIL's gross of reinsurance figures as at 31 December 2025 presented in this report (as well as the pro-forma pre- and post-transfer position). However, even at 31 December 2025, UKIL's net of reinsurance exposure to this business was nil due to the reinsurance in place. This business is excluded from the indicative UKIL Day 0 and Day 1 projections as the transfer became effective prior to the Effective Date of this Proposed Transfer. There are no live policies for the brokered commercial insurance business that remained with UKIL following that transfer. The open claims for this remaining business are currently handled by UKIL. The remaining business will transfer to AIL under the Proposed Transfer, alongside all other UKIL insurance business.

3.2.6. UKIL and AIL have confirmed that the majority of the Transferring Policies are governed by English law, and a small number of the Transferring Policies are Isle of Man, Guernsey or Jersey law governed, based on the residence of the policyholder at the time the policy was issued. In addition, the majority of Transferring Policyholders are residents of the UK. However, there is a small subset of Transferring Policies where the current address of the policyholder is located in Jersey, Guernsey and the Isle of Man. UKIL and AIL have sought legal advice regarding these Transferring Policyholders as set out below. In summary, a Jersey court-sanctioned transfer scheme is required, but no other transfer scheme is required in Guernsey or the Isle of Man in respect of the Proposed Transfer:

- Jersey: Under the Insurance Business (Jersey) Law 1996, any transfer of insurance business carried on in or from within Jersey by a permit holder must be sanctioned by the Royal Court of Jersey. Both UKIL and AIL are registered as Category A permit holders under the Jersey Law and UKIL carries on insurance business in Jersey, including motor insurance for Jersey residents. Therefore, a Jersey court-sanctioned transfer scheme is required to effect the transfer of the Jersey business to AIL.
- Guernsey: UKIL and AIL have received legal advice which confirmed that they anticipate the English court order will be effective to transfer all of the UKIL policies, including the Guernsey policies. There is no statutory scheme of transfer for general insurance business in Guernsey. However, the legal advice stated that UKIL must obtain consent of the Guernsey Financial Services Commission (GFSC) in respect of any transfer or novation of the Guernsey policies. Aviva has written to the Guernsey Financial Services Commission (GFSC) explaining that the transfer of all of UKIL's business (including the Guernsey policies) will be occurring via a UK court-ordered scheme and will be subject to PRA consent. UKIL and AIL submitted a consent letter to the GFSC on 25 February 2026 and received confirmation of the GFSC's consent on 26 March 2026.

- Isle of Man: UKIL and AIL have received legal advice on the Isle of Man policies which concluded that there is nothing under Isle of Man law that would prevent a transfer of the Isle of Man Transferring Policies by a competent English court in accordance with the terms of the proposed UK Scheme. However, as a courtesy, the lawyers recommended advising the Isle of Man Financial Services Authority (IOMFSA) of any UK schemes that involve Isle of Man policyholders, and UKIL and AIL made a voluntary notification to the IOMFSA on 1 May 2026.

Effective Date

3.2.7. The Effective Date (the date when the Proposed Transfer is expected to occur) is expected to be at 23:59 on 31 December 2026, both in the UK and Jersey. This is shortly after the Sanction Hearings which are scheduled for 15 December 2026 in the UK and 18 December 2026 in Jersey.

Jersey policies

3.2.8. The Transferring Business includes policies issued as part of the business carried on by UKIL in or from within Jersey, and the transfer of this business (the Jersey Transfer) is subject to approval by the Royal Court of Jersey under the Insurance Business (Jersey) Law 1996 and will take effect on the Effective Date.

3.2.9. These policyholders will be treated the same as the UK policyholders upon transfer, and my conclusions in this report apply equally to the Jersey policyholders and the Jersey Transfer. It is expected that this report will be made available to the Jersey Financial Services Commission and to the Royal Court of Jersey by UKIL and AIL when seeking approval for the transfer of these policies.

3.2.10. The Proposed Transfer is not contingent on the Jersey transfer going ahead, but the Jersey transfer would not go ahead if the Proposed Transfer is not sanctioned by the UK Court.

Reinsurance

3.2.11. UKIL and AIL have confirmed that all outwards reinsurance arrangements that are in place immediately prior to the Proposed Transfer (i.e. at Day 0) in respect of the Transferring Business will continue following the Proposed Transfer. AIL will assume all of UKIL's rights and obligations as the ceding insurer under the relevant transferring reinsurance arrangements. **The Proposed Transfer will not affect the underlying terms and conditions of any existing reinsurance arrangements covering the Transferring Business.**

3.2.12. There is currently a quota share reinsurance agreement in place between AIL and Aviva International Insurance Limited (AII) under which AII reinsures 50% of AIL's insurance business. AII is another entity within the Aviva Group and is an indirect wholly-owned subsidiary of Aviva plc. The AII reinsurance covers all of AIL's direct insurance business and (inward) reinsurance eg from AIIDAC (including existing and new business), and there are no limits or material exclusions to the cover. The AII intra-group reinsurance applies after all external reinsurance (ie AII covers 50% of AIL's claims net of external reinsurance recoveries received). The reinsurance arrangement between AIL and AII does not include AIL's subsidiaries, some of which have their own direct reinsurance arrangements with AII (eg Aviva Canada).

3.2.13. At present, the Transferring Business is not reinsured by AII. Immediately following the Proposed Transfer, AII will reinsure 50% of the Transferring Business under the existing 50% quota share reinsurance agreement in place with AIL. Overall, I do not expect this reinsurance arrangement to have a materially adverse impact on Transferring Policyholders or Existing Policyholders.

3.2.14. Post-transfer, the Transferring Policyholders will be exposed to the risk of AII defaulting on its reinsurance obligations. The Existing Policyholders are also exposed to the risk of AII default both before and after the Proposed Transfer. I regard the risk of AII defaulting to be very low, given its financial strength. In addition, the risk and impact of an AII default on AIL is mitigated by a number of factors:

- The reinsurance provided by AII will be on a funds withheld basis, whereby an amount equal to the best estimate (IFRS) liabilities is retained by AIL in a funds withheld account. If the IFRS liabilities were to increase, then the funds withheld would be topped up by AII periodically. This means that, in order for a default by AII to directly impact AIL's own funds, it would need to occur before the funds withheld had been topped up in response to an increase in the IFRS liabilities. I consider this combination of events to have a remote likelihood. Even then, the direct impact on AIL's own funds would only be the value of AII's share of the increase in IFRS liabilities.
- Aviva has provided me with the results of its stress and scenario testing to assess the resilience of AII's business, including two extreme Group recovery scenarios. Even in these extreme scenarios, AII

remains able to pay its claims in full and is projected to recover to above its solvency risk appetite within 2 years.

- I have considered the impact of a default of AII followed by a reserve deterioration in section 6.10 (scenario M). Even in this remote scenario, AIL is projected to be able to pay its claims in full.
- The risks associated with the intra-group reinsurance arrangement following the Proposed Transfer are reflected in AIL's projected Day 1 SCR, which allows for reinsurance default risk. AIL is currently projected to be at least well capitalised immediately after the Proposed Transfer. As the SCR captures reinsurance default risk over a one-year time horizon, I have also considered the effect of this risk over a longer time horizon through the scenario analysis in section 6.10.

3.2.15. In addition, as explained in section 3.4.4, if the Effective Date of the Proposed Transfer is delayed into 2027, and the major model change (MMC) is implemented in 2026 in line with Aviva's plan, a whole account quota share (WAQS) agreement will be implemented between UKIL and AIL. Aviva's aim is for this WAQS to offer a contingency in the event of any delays to the Proposed Transfer. Under this WAQS, AIL would reinsure 100% of the Transferring Business (net of external reinsurance recoveries received), and 50% of AIL's exposure to the Transferring Business would then be reinsured by AII. This would effectively replicate the intended post-transfer economic position of UKIL, AIL and AII in this respect. Therefore, under this contingency option, AIL would continue to be exposed to the risk of AII default.

3.2.16. In order for AII to reinsure the Transferring Business, the AII Board needs to give its non-objection and the Aviva Plc Board needs to give its approval. The AII Board gave a preliminary non-objection in its Board meeting on 24 June 2026. The AII Board will need to give a final non-objection in late November 2026 ahead of the Sanction Hearing, and a final go/no-go decision in late December 2026. The Aviva Plc Board approval is planned for 10 November 2026.

3.2.17. In addition, prior to reinsuring the Transferring Business, AII is undertaking due diligence, assessing the impact of reinsuring the Transferring Business and ensuring its operational readiness.

3.2.18. There are some amendments required to AII's existing quota share treaty with AIL ahead of the Proposed Transfer, including to reflect a suitable reinsurance premium for the transaction. Any changes will be agreed by both AII and AIL, and are subject to the PRA not raising any concerns. The amended draft treaty was approved in principle by the AII Board on 24 June 2026 and is expected to be approved in principle by the AIL Board on 30 July 2026. A final amended treaty will be presented to the AII Board in late-November 2026 for approval to support its final non-objection.

3.2.19. I will provide an update on activities relating to AII's reinsurance of the Transferring Business in my Supplementary Report.

Ongoing integration activity

3.2.20. Following Aviva's acquisition of Direct Line, Aviva commenced a business plan to integrate Direct Line into the Aviva business. The Proposed Transfer is part of this integration business plan.

3.2.21. Various integration activities are underway to align processes covering (amongst other things) risk management, capital, reserving, reinsurance, claims handling, policy administration, systems and governance. Aviva has conducted a detailed review of all integration activities to identify those which are linked to the Proposed Transfer. Through this process, two projects were identified as being critical to the Proposed Transfer and needing to be successfully executed to support the Proposed Transfer. These are the AIL major model change (MMC) and finance system integration.

3.2.22. Aviva has shared details of the wider integration activities with me as they have progressed. For the avoidance of doubt, with the exception of the MMC, the wider integration activities are independent of the Proposed Transfer and do not rely on the Proposed Transfer being implemented. As such, they do not require the review of an Independent Expert. Nevertheless, I have considered the integration activities to the extent that they may impact my conclusions in respect of the Proposed Transfer. **I am satisfied that, having reviewed the information provided to me, the integration activities do not change my conclusions in respect of the Proposed Transfer.**

3.2.23. The incorporation of the Transferring Business into the existing AIL partial internal model represents a major model change (MMC) under Aviva's Model Change policy and, as such, requires regulatory approval. I have considered the MMC in section 6. This has consisted of a review of AIL's MMC pre-application letter, the supporting addendum to AIL's 2024 SCR report and AIL's independent internal model validation that has been performed. See section 6.7 for detail.

3.2.24. In addition, the parties have kept me informed of their progress on the integration of finance systems to ensure financial reporting and accounting alignment. During 2025, as part of initial integration activity, Aviva developed an integrated financial reporting solution to ensure that Direct Line results could be fully consolidated within the FY25 Aviva Group Plc Report and Accounts. A plan is in place to enhance this existing solution during 2026 as part of the preparations for the FY26 consolidated Group and legal entity reporting. This plan involves Aviva being ready to complete its FY26 financial reporting in advance of the Effective Date of the Proposed Transfer, regardless of whether or not the Proposed Transfer goes ahead.

3.2.25. Aviva has also kept me informed of its ongoing risk management oversight in relation to integration activity. I have been provided with a copy of AIL's Interim Own Risk and Solvency Assessment (ORSA) report, which focuses on a review of AIL's Risk Management Framework (RMF) to ensure it remains appropriate and effective following the acquisition of Direct Line. I have also had discussions with senior risk personnel to understand the processes in place to effectively monitor and manage the risks associated with integration activity.

Claims handling

3.2.26. Both AIL and UKIL have established claims handling philosophies and standards that focus on ensuring fair outcomes for customers.

3.2.27. AIL's claims handling philosophy focusses on fairness, transparency and prompt resolution, especially for motor injury claims. AIL's claims authority is skills-based, and high-value or sensitive cases are escalated to Major and Complex Claims in a structured manner. UKIL's claims handling philosophy has a strong emphasis on fraud detection, validation and operational efficiency. Escalation of claims is based on complexity of the case and fraud indicators.

3.2.28. AIL's claims estimation philosophy is centred on realistic, adequate and accurate estimates throughout the claim lifecycle. Estimates are not intended to be "best case" or "worse case" but are intended to reflect potential liabilities. Any standard estimate must be reviewed within 30 days and when new information becomes available. Claims handlers are expected to review and update estimates at every claim interaction to ensure accuracy and adequacy.

3.2.29. UKIL also prioritises early and accurate case estimation, and focusses on projected ultimate cost including legal and investigation expenses. UKIL's claims estimation philosophy distinguishes between standard reserves and case-specific reserves, with a proactive transition to case-specific reserves as more information becomes available. Similarly to AIL, UKIL's case estimates are not intended to be overly optimistic or pessimistic.

3.2.30. UKIL and AIL have differing operational approaches to claims handling but the parties' view is that these differences do not result in any adverse impact to customers.

3.2.31. As part of ongoing integration activity following Aviva's acquisition of Direct Line, there are a range of updates underway to align UKIL's claims handling approach, methodology and systems with those of AIL. Some of these updates have already been implemented as at the date of this report. Other updates are planned to be implemented prior to the Proposed Transfer, and some changes are expected following the Proposed Transfer. Aviva's ultimate aim is to have one claims team and consistent platforms for handling both AIL's and UKIL's claims post-transfer. I have provided detail on some of these changes below. **I do not expect the Proposed Transfer to have any materially adverse impact on Transferring Policyholders from a claims handling perspective.** This is because the parties intend to implement the proposed changes to claims handling regardless of whether or not the Proposed Transfer goes ahead. **The Proposed Transfer itself has no direct impact on claims handling arrangements for either Existing Policyholders or Transferring Policyholders.**

3.2.32. Aviva is currently working on producing a detailed plan with associated timescales for the various changes expected to be made to claims handling. I will provide an update on the expected timescales for full alignment of UKIL's and AIL's claims handling approach in my Supplementary Report.

3.2.33. Aviva has provided me with information on the governance processes and controls that will be in place to manage the transition and ensure policyholders are not materially adversely impacted by any changes to claims handling. In line with Aviva's internal governance and controls processes, any material changes to the claims process (both before and after the Proposed Transfer) will be subject to appropriate governance, planning and communication as part of its ongoing integration plans, and will be guided by the core principle of fair and reasonable customer outcomes. These governance processes and controls will include a customer impact assessment, adherence to Consumer Duty principles, review by governance and risk teams and a control environment impact assessment where required. In my Supplementary Report, I will provide an update on the governance process and controls that Aviva has followed for any changes in claims handling between now and the date of my Supplementary Report.

3.2.34. Examples of the planned changes to UKIL's claims handling are:

- Both AIL and UKIL currently operate on the Guidewire claims system and are scheduled to migrate to Guidewire SaaS. AIL is scheduled to migrate during August 2026 (i.e. prior to the Proposed Transfer) and UKIL is scheduled to migrate during January 2027 (i.e. following the Proposed Transfer). These system upgrades relate only to the internal claims handling platform used by claims handlers and the parties do not expect any impact on customers. Aviva will use a series of customer-related metrics to monitor performance and ensure service levels remain stable throughout each phase of the transition. The Guidewire SaaS migration will not change the way in which UKIL Transferring Policyholders interact with UKIL or report their claims. All existing claims communication channels will continue to remain available to them.
- Ahead of the Proposed Transfer, Aviva is making a small number of carefully considered operational changes to align UKIL's claims handling with that of AIL, where Aviva considers that these changes can be made safely and will benefit customers. This includes changes to operational structure, processes and the use of analytics tools.
- The parties are exploring a change in process for UKIL in the bodily injury team, which may result in certain claims handling activities being moved to an outsourced provider. This would align UKIL with the existing approach used by AIL. The outsourced provider carries out this process for AIL currently and provides other services for UKIL. The outsourcing agreement would be subject to existing monitoring and assurance frameworks, and the parties have confirmed that they are confident this change will not alter the claims experience for customers.

3.2.35. Aviva has confirmed to me that, following the Proposed Transfer, it does not expect any negative impact on claims settlement times. Claims handling performance will continue to be subject to ongoing monitoring to ensure settlement times remain stable and that any improvements identified through integration activity are delivered safely and effectively. Settlement times will continue to be used as a key indicator to monitor performance and support timely, fair and appropriate claim resolution.

3.2.36. Resource and capacity considerations are embedded in Aviva's integration plans. Processes are in place to ensure sufficient availability to service customers is maintained. Customer impact assessments and business readiness assessments are completed for all planned changes, which includes an assessment of operational readiness for any such change.

3.2.37. I will provide an update on these ongoing changes to claims handling for Transferring Policyholders in my Supplementary Report.

3.2.38. For Existing Policyholders, there are no expected changes to claims handling philosophy or procedures as a result of the Proposed Transfer.

3.3. Purpose of the Proposed Transfer

3.3.1. In December 2024, Aviva announced its intention to acquire Direct Line. The transaction was subsequently completed on 1 July 2025. The Proposed Transfer is part of a wider programme of activity to integrate Direct Line into Aviva following this acquisition. The primary purpose of the Proposed Transfer is to consolidate business within the Aviva Group, including the simplification of processes and realisation of capital efficiencies.

3.4. Alternative options considered

3.4.1. As part of the integration planning for Aviva's acquisition of Direct Line, various options for the ongoing operation of Direct Line and its insurance entities were considered including:

- Moving the business into AIL as it renewed ("renewal rights").
- Reinsuring the ongoing business to AIL.
- Reinsuring the premiums and reserves to AIL ("quota share-type arrangement").

3.4.2. In considering these alongside the proposed Part VII transfer, the Proposed Transfer was Aviva's preferred option as it gave the business a cleaner operational and capital structure.

3.4.3. A pre-requisite for achieving the Proposed Transfer is to receive approval from the PRA for an update to Aviva's partial internal model that incorporates the risks of the insurance business of Direct Line (the major model change (MMC)). The process of obtaining regulatory approval is currently underway and the PRA's final decision on the MMC is expected at the end of November 2026.

3.4.4. If the Effective Date of the Proposed Transfer is delayed into 2027, and the major model change (MMC) is implemented in 2026 in line with Aviva's plan, a whole account quota share (WAQS) agreement will be implemented between UKIL and AIL. Aviva's aim is for this WAQS to offer a contingency in the event of any delays to the Proposed Transfer. Under this WAQS, AIL would reinsure 100% of the Transferring Business (net of external reinsurance recoveries received). 50% of AIL's exposure to the Transferring Business would then be reinsured by AII (subject to ongoing governance and due diligence activities - see section 3.2 for detail). This would effectively replicate the intended post-transfer economic position of UKIL, AIL and AII. The WAQS is a contingency option and would only be implemented if the timelines of the Proposed Transfer are extended beyond December 2026.

3.4.5. If the WAQS contingency option is implemented, and AII successfully completes its ongoing governance and due diligence activities in order to reinsure the Transferring Business, the risks faced by the Transferring Policyholders would be similar to if the Proposed Transfer had been implemented. Transferring Policyholders would remain policyholders of UKIL, rather than becoming policyholders of AIL. However, the Transferring Business would be 100% reinsured by AIL, which in turn would be 50% reinsured by AII. Therefore, under both the Proposed Transfer and the WAQS contingency option, the Transferring Policyholders would be reliant on AIL (either as the direct insurer or the reinsurer), and exposed to the risk of AII defaulting (either as a direct or indirect reinsurer).

3.4.6. Under the WAQS contingency option, Existing (AIL) Policyholders would have priority over Transferring (UKIL) Policyholders on a winding-up of AIL, as the Existing Policyholders would be direct (non-reinsurance) policyholders of AIL whereas the Transferring Policyholders would be reinsurance cedants. However, I regard the winding up of AIL to be a remote possibility given its financial strength.

3.4.7. The Proposed Transfer is contingent on the MMC being approved and implemented in 2026. If the MMC is not implemented in 2026 in line with Aviva's plan, the Proposed Transfer will be delayed.

3.5. Key dependencies

3.5.1. The key dependencies of the Proposed Transfer are as follows:

- High Court approval is required for the Proposed Transfer – an initial hearing for directions in relation to the approach of publicising the Proposed Transfer (the Directions Hearing) is planned for 17 July 2026 in the UK and 22 July 2026 in Jersey, and the Sanction Hearing is planned for 15 December 2026 in the UK and 18 December 2026 in Jersey. As part of this, the High Court will take into account the views of the PRA and FCA on the Proposed Transfer.
- I will comment in my Supplementary Report on any objections raised by policyholders, reinsurers or any other interested parties who consider they would be adversely affected by the Proposed Transfer, following the approval of the policyholder communications strategy by the Court at the Directions Hearing.

- The incorporation of the Transferring Business into the existing AIL partial internal model represents a major model change (MMC) under Aviva's Model Change policy and, as such, requires regulatory approval. The process of obtaining regulatory approval for the MMC is ongoing, with the PRA's final decision on the MMC expected at the end of November 2026. The Proposed Transfer will be delayed if PRA approval of the MMC is not granted in 2026.

4. My approach as IE

Overall role

4.1.1. As IE, my overall role is to assess whether:

- The security provided to policyholders of UKIL and AIL will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by Transferring or Existing Policyholders.
- Any reinsurers of UKIL or AIL covering the Transferring Business will be materially adversely affected.

The key affected parties

4.1.2. To make these assessments, I have considered the effect of the Proposed Transfer on the following parties:

- Transferring Policyholders, defined as all UKIL policyholders whose policies will transfer to AIL under the Proposed Transfer.
- Existing Policyholders, i.e. policyholders of AIL immediately prior to the Proposed Transfer, who will remain policyholders with AIL after the Proposed Transfer.
- Reinsurers of UKIL and AIL covering the Transferring Business.

4.1.3. I understand that current and potential future third party claimants (Claimants) who make a claim against a policyholder, which would be covered by a policy, are also considered to be policyholders by the FCA and PRA, as are all potential beneficiaries (Beneficiaries). In drawing my conclusions, I have considered the impact of the Proposed Transfer on all potential Claimants and Beneficiaries.

Five-step approach to analysing the Proposed Transfer

4.1.4. My approach to assessing the Proposed Transfer has been to perform the following five steps analysing evidence provided by UKIL and AIL to support the Proposed Transfer:

Step 1: Assessing the provisions of UKIL and AIL

4.1.5. The first important form of security that an insurer provides to policyholders is the level of provisions (also known as reserves). Provisions are based on an estimate of the amount of money the insurer will need to pay policyholders' claims and to cover the other costs associated with running the insurer.

4.1.6. Therefore, I have assessed the appropriateness of the provisions included on UKIL's and AIL's balance sheets and the approach to be used for the calculation of provisions for UKIL and AIL pre- and post-transfer. Details of this step are set out in section 5.

Step 2: Assessing the capital positions of UKIL and AIL

4.1.7. In addition to the level of provisions, insurers hold capital designed to withstand more extreme levels of claims or other sources of financial stress. The level of capital held is the second important form of security provided to policyholders.

4.1.8. For both UKIL and AIL, the level of capital required is set under the Solvency UK Regulation. A key regulatory solvency metric is the Solvency Capital Requirement (SCR). This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. sufficient capital such that there is no more than a 1 in 200 probability of the insurer becoming insolvent over the next year).

4.1.9. I have assessed the appropriateness of the calculated capital requirements of UKIL and AIL. Details of this step are set out in section 6.

Step 3: Assessing overall policyholder security

4.1.10. Under this step, I have considered the level of provisions and capital (from steps 1 and 2) in the context of the assets held by each of UKIL and AIL and other forms of security such as compensation schemes.

4.1.11. For this analysis, I have considered the current balance sheets of UKIL and AIL as well as the post-transfer pro-forma balance sheets for each of UKIL and AIL. Details of this step are set out in section 7.

Step 4: Assessing policyholder communications

4.1.12. I have assessed the appropriateness of UKIL's and AIL's communication strategy to inform policyholders and other stakeholders of the Proposed Transfer. The key focus of my assessment was whether the policyholders and other stakeholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them. Details of this step are set out in section 8.

Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders

4.1.13. I have considered how the level of customer service provided to policyholders could change following the Proposed Transfer. I have also considered a range of other factors that might affect policyholders, such as ongoing expense levels and tax implications. Details of this step are set out section 9.

5. Reserving considerations

5.1. Introduction to insurance reserving

5.1.1. For an insurance firm, the primary purpose of reserving is to assess the provisions that need to be set in order to pay policyholders' claims and to cover the other costs associated with running an insurer.

5.1.2. Depending on how they are set, the provisions may be on a "best estimate" basis (with no deliberate optimism or pessimism) or include a "margin for prudence" (additional provisions to cover higher than expected claims). Where the provisions include a margin for prudence, this is typically designed to cover claims that are moderately higher than expected rather than more extreme levels of claims. A best estimate basis may involve setting a single point estimate of the provisions, but practically there normally exists a range of estimates that could be justified as best estimates.

5.1.3. In addition to any margin for prudence, the insurer would hold additional capital designed to withstand significantly more adverse levels of claims. My considerations related to capital for the Proposed Transfer are set out in section 6.

Introduction to reserving bases

5.1.4. Insurers use a range of different reserving bases (i.e. different measures of the provisions), for different purposes.

5.1.5. For example, financial accounting standards require the provisions to be calculated in particular ways, and an insurer may also use a different basis for internal management accounts. Solvency Regulations require provisions to be calculated in yet another way.

5.1.6. For the Proposed Transfer, I have considered the provisions under two reserving bases, which are each relevant for different purposes, namely:

- International Financial Reporting Standard 17 (IFRS 17) – these are the accounting standards used to set the provisions underlying the published financial accounts of UKIL and AIL.
- Regulatory technical provisions e.g. Solvency UK technical provisions – these are calculated in line with Solvency UK regulations that came into effect on 31 December 2024, replacing the European Solvency II regulations.

5.2. My considerations relating to reserving

5.2.1. As IE, my overall assessments related to reserving are:

- whether an appropriate level of provisions is maintained for each relevant group of policyholders i.e. Transferring Policyholders and Existing Policyholders; and
- whether any aspects of the reserving may lead to any of these groups of policyholders being materially adversely affected by the Proposed Transfer.

5.2.2. To make these assessments, I have considered the following areas:

- Appropriateness of provisions for UKIL and AIL (sections 5.3-5.5);
- Approach for setting Solvency UK technical provisions (section 5.6);
- Key uncertainties when setting the provisions (section 5.7);
- Current UKIL and AIL reserving processes and governance (section 5.8); and
- Future reserving approach and governance (section 5.9).

5.2.3. Within these areas, I have also considered any differences in the reserving approach between UKIL and AIL to understand how this may affect policyholders.

5.2.4. Further details on each of these considerations are set out below, and I have stated my overall conclusion related to reserving in section 5.10.

Approach to my review

5.2.5. I have reviewed a number of documents provided by UKIL and AIL relating to the setting of provisions, including the reserving processes and governance. I have had conversations with staff of UKIL and AIL to discuss the information provided and any questions I have had on the reserving approach. A list of the key data and documentation is provided in Appendix 4.

5.2.6. I have considered the appropriateness of the following:

- IFRS 17 provisions for UKIL and AIL as at 31 December 2025;
- Solvency UK technical provisions for UKIL and AIL as at 31 December 2025; and
- Reserving approach for the transferring liabilities.

5.3. UKIL provisions (IFRS 17)

5.3.1. The following table shows the level of IFRS 17 insurance contract liabilities as at 31 December 2025 (the latest available figures at the time of my writing of my report) for UKIL. A breakdown of provisions by line of business on a Solvency UK basis has been included in section 5.6.

5.3.2. The provisions for Transferring Business represent 100% of UKIL's IFRS 17 provisions as at 31 December 2025 plus 100% of CIC's IFRS 17 provisions as at 31 December 2025 (i.e. provisions for the 6 remaining PPOs). The CIC provisions will be transferred to UKIL prior to the Proposed Transfer. The CIC provisions as at 31 December 2025 are included in the table below.

UKIL – Summary of IFRS 17 insurance contract liabilities at 31 December 2025 (£m)

£m	Total gross	Total net
UKIL	**5,094**	**3,538**
CIC	**30**	**5**

Source: UKIL

The provisions in the table above are made up of the insurance liabilities and reinsurance assets as reported in the UKIL and CIC annual report and financial statements as at 31 December 2025. Insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM).

5.3.3. UKIL is Direct Line's primary UK general insurance entity. The main classes of business underwritten by UKIL are personal lines (motor, home, pet, creditor, travel and other) and small and medium enterprise (SME) commercial lines (property, liability, motor and other). These products are marketed under a range of brands, including Direct Line, Churchill, Privilege, Darwin, By Miles and Green Flag. Over half of UKIL's provisions are in respect of personal motor business (55% of ABE (actuarial best estimate) earned claims reserves net of reinsurance).

UKIL's approach for setting IFRS 17 provisions

5.3.4. I have reviewed the process by which UKIL calculates its IFRS 17 provisions.

5.3.5. UKIL performs a reserving exercise each quarter using standard actuarial techniques, including Development Factor Model (DFM), Bornhuetter-Ferguson (BF) and loss ratio methods. The process involves a bottom-up assessment of claims experience, trends and key assumptions, along with consideration of operational, environmental and risk-mix changes. Methods are selected by product and peril and are applied consistently across brands. Projections are typically performed using incurred claims development, with paid claims used as a cross-check or where incurred data is distorted. Actual development in paid claims, incurred claims and numbers of reported claims is assessed against expected movements to support selections. Where standard reserving techniques cannot sufficiently capture a best estimate of the future payments, alternative methods may be used. Where necessary, booking adjustments are included to ensure the reserves reflect a best estimate given all the available data and information.

5.3.6. Actuarial best estimates include an allowance for Events Not in Data (ENIDs).

5.3.7. UKIL projects discounted reserves for settled Periodical Payment Orders (PPOs) using a cashflow based approach, which is standard actuarial practice. As at 31 December 2025, UKIL has moved from using Direct Line's model to using Aviva's model to calculate PPO cashflows. The underlying economic assumptions for settled PPOs are also now aligned with Aviva. These updates were completed as part of the ongoing integration activity following Aviva's acquisition of Direct Line. Moving from calculating PPO cashflows using Direct Line's model to using Aviva's model led to a small increase in actuarial best estimate reserves for settled PPOs. The key changes in methodology and assumptions were a change in mortality curves and a change in future ASHE inflation. An allowance for potential future PPO claims is considered separately using assumptions regarding average claim costs and the probability of these claims settling as PPOs.

5.3.8. To get comfortable with the reasonableness of the booked reserves for UKIL, I performed a series of independent sense checks, considering UKIL's approach and assumptions, results and supplementary analysis presented to the Reserving Oversight Committee. Following these checks, I have queried specific movements, assumptions and data trends with UKIL, in order to understand these better. The explanations and supporting evidence provided in response to my queries were reasonable and consistent with observed experience. Key checks included:

- Movement analysis: I have reviewed how the reserves have changed since Q4 2024, taking account of shifts in business volumes and updates to assumptions. This helped identify whether the pattern of movements was consistent with the underlying drivers and whether any features required further investigation. I have also reviewed the movement in reserves for CIC since Q4 2024.

- Paid and incurred diagnostics: I have reviewed paid- and incurred-to-ultimate ratios by accident year and claim type, to test whether paid and incurred claims are emerging at a pace that is consistent with past patterns, with the underlying claims processes, and with the expected development for each claim type given known changes to the business and wider market.

- IBNR to outstanding case estimate ratios: I have considered the ratio of IBNR to outstanding claims by cohort and peril, checking the stability of these ratios and alignment with expected development patterns and the underlying case reserving practice.

- Case reserving: I have reviewed the consistency of case reserve levels over time and any recent changes to UKIL's case reserving guidelines, including assumptions for Periodical Payment Orders. This helped assess whether any shifts in case reserves could be influencing reported development patterns.

- Benchmarking: I have compared trends in selected loss ratios and burning cost (the average amount an insurer expects to pay out in claims for each unit of exposure e.g. per policy) to UKIL's history and external benchmarks for motor and property perils.

5.3.9. These checks support the view that the booked reserves for both entities, as at 31 December 2025, lie within a reasonable range for the underlying risks and recent experience.

5.3.10. The Aviva Group Actuarial Function carried out an independent review of UKIL's reserves as at 30 June 2025, and UKIL strengthened its provisions in response. See section 5.5 for further detail.

5.3.11. An external actuarial review of UKIL's reserves as at 31 December 2025 was performed as part of the annual audit. This included an independent estimate of 91% of the gross of reinsurance liabilities and 89% of the net of reinsurance liabilities. This external review concluded that UKIL's actuarial best estimate lies within a range of reasonable best estimates on both a gross and net undiscounted basis. It also concluded that the IFRS 17 Liability for Incurred Claims (LIC) is within a range of reasonable best estimates. In this context, "reasonable" means that UKIL's actuarial best estimate and IFRS 17 LIC were sufficiently close to the external actuaries' own assessment, when considering the nature of the underlying business, the uncertainty involved in estimating future insurance liabilities, and the range of alternative assumptions and methodologies that could be justified. In my view, the external actuaries' view of UKIL's reserves supports the level of provisions held by UKIL as at 31 December 2025.

5.3.12. The IFRS 17 figures are used as the basis and starting point for the calculation of the Solvency UK technical provisions.

5.3.13. **On this basis, in my opinion, UKIL's reserving approach is reasonable.**

5.4. AIL provisions (IFRS 17)

5.4.1. The following table shows the level of IFRS 17 provisions as at 31 December 2025 (the latest available figures at the time of my writing of my report) for AIL. A breakdown of provisions by line of business on a Solvency UK basis has been included in section 5.6.

5.4.2. AIL's IFRS 17 provisions predominantly consist of general insurance (GI) business in the UK and overseas. This is a combination of business written directly to AIL and other general insurance business reinsured to AIL from other entities within the Aviva Group.

AIL – Summary of IFRS 17 insurance contract liabilities at 31 December 2025 (£m)

£m	Personal lines	Commercial lines	Health	Assumed reinsurance	Total gross	Total net
AIL	2,406	6,606	72	773	**9,857**	**8,257**

Source: AIL

The provisions in the table above are made up of the insurance liabilities and reinsurance assets as reported in the AIL annual report and financial statements as at 31 December 2025. Insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM).

5.4.3. AIL is Aviva's primary UK general insurance entity, encompassing business underwritten directly, together with risks reinsured into AIL from Aviva's Irish GI business, and other insurance subsidiaries. The main classes of business underwritten by AIL are personal lines (motor, home and other), health and commercial lines (property, liability, motor and other). The majority of AIL's provisions are in respect of UKGI non-latent claims.

AIL's approach for setting IFRS 17 provisions

5.4.4. I have reviewed the process by which AIL calculates its IFRS 17 provisions.

5.4.5. Aviva performs a reserving exercise for its standard (non-latent claims and excluding PPOs) business each quarter using standard actuarial techniques, such as Development Factor Model (DFM) methods, and consideration of a variety of measures, including claims frequency (including and excluding nil claims), average incurred and paid costs (including and excluding nil claims), burning cost and other standard actuarial methods. Large claims are considered separately from attritional claims. This includes business written directly to AIL and business reinsured into AIL from other entities within the Aviva Group.

5.4.6. AIL projects discounted reserves for existing Periodical Payment Orders (PPOs) using a cashflow based approach, which is standard actuarial practice. Individual features of each PPO are factored into the projected cashflows. Potential future PPO claims are allowed for separately using assumptions regarding the expected number of PPOs still to emerge and an average expected PPO cost.

5.4.7. For latent claims, the number of future disease claim notifications are projected and multiplied by a selected average cost per claim for each future notification year. Nil cost claim settlements are included in these projections, with a separate assumption made for the proportion of claims which will ultimately settle at nil cost.

5.4.8. Certain very small parts of the portfolio (less than 1% of AIL's net provisions) are reviewed less frequently than quarterly (but still at least annually). For some of this business, reserve estimates are provided by third parties and reviewed and signed off by AIL.

5.4.9. To get comfortable with the reasonableness of the booked reserves for AIL, I performed a series of independent sense checks, considering AIL's approach and assumptions, results and supplementary analysis presented to the Reserve & Projections Committee. Following these checks, I have queried specific movements, assumptions and data trends with AIL, in order to understand these better. The explanations and supporting evidence provided in response to my queries were reasonable and consistent with observed experience. Key checks included:

- Movement analysis: I have reviewed how the reserves have changed since Q4 2024, taking account of shifts in business volumes and updates to assumptions. This helped identify whether the pattern of movements was consistent with the underlying drivers and whether any features required further investigation.
- Paid and incurred diagnostics: I have reviewed paid- and incurred-to-ultimate ratios by accident year and claim type, to test whether paid and incurred claims are emerging at a pace that is consistent with past patterns, with the underlying claims processes, and with the expected development for each claim type given known changes to the business and wider market.
- IBNR to outstanding case estimate ratios: I have considered the ratio of IBNR to outstanding claims by cohort and peril, checking the stability of these ratios and alignment with expected development patterns and the underlying case reserving practice.
- Case reserving: I have reviewed the consistency of case reserve levels over time and any recent changes to AIL's case reserving guidelines, including assumptions for Periodical Payment Orders. This helped assess whether any shifts in case reserves could be influencing reported development patterns.
- Benchmarking: I have compared trends in selected loss ratios and burning cost (the average amount an insurer expects to pay out in claims for each unit of exposure e.g. number of policies) to AIL's history and external benchmarks for motor and property perils.

5.4.10. In addition to the checks listed above, which are consistent with the sense checks I have performed on the UKIL reserves, I have reviewed the selected ultimate claim frequency and severity over time and compared the emerging trends with known internal and external factors, such as post-COVID adjustments in behaviour, weather-related variability and shifts in the mix of claims. This helped assess whether the observed patterns were in line with what would reasonably be expected for the underlying portfolio.

5.4.11. An external actuarial review of AIL's reserves was carried out as at 31 December 2025 as part of the annual audit. The differences between AIL's estimate and the external estimate of the reserves were within what I consider to be a reasonable range given the nature of the underlying business and its inherent uncertainties. The outcome of this review was that AIL's reserves and IFRS 17 Liability for Incurred Claims (LIC) were within the range of reasonable best estimates. In this context, "reasonable" means that AIL's reserves and IFRS 17 LIC were sufficiently close to the external actuaries' own assessment, when considering the nature of the underlying business, the uncertainty involved in estimating future insurance liabilities, and the range of alternative assumptions and methodologies that could be justified.

5.4.12. The Aviva Group Actuarial Function also carried out an independent review of AIL's reserves as at 31 March 2025. This consisted of a review of 85% of AIL's undiscounted, net of reinsurance reserves. The differences between AIL's view and Aviva Group's view of the reserves were within what I consider to be a reasonable range given the nature and uncertainty of the underlying business.

5.4.13. These independent reviews as at 31 March 2025 and 31 December 2025 support the level of provisions held by AIL.

5.4.14. The IFRS 17 figures are used as the basis and starting point for the calculation of the Solvency UK technical provisions.

5.4.15. **On this basis, in my opinion, AIL's reserving approach is reasonable.**

5.5. Reserving estimates for the Transferring Business

5.5.1. Most of the outstanding liabilities from the Transferring Business are in respect of personal motor business, personal home and FLP and, to a lesser extent, commercial motor, property and personal accident business. As for any book of insurance business, the future claims experience of the Transferring Business is subject to inherent uncertainty and, as such, there is a range of reasonable best estimates for the provisions.

5.5.2. The Transferring Business contains PPOs. As at 31 December 2025, UKIL's approach and assumptions for modelling settled PPOs are materially aligned to AIL. For potential future PPOs, UKIL and AIL use similar methodologies, but there were some small differences in the underlying assumptions as at 31 December 2025. However, UKIL's assumptions for potential future PPOs are planned to be aligned to AIL's ahead of the Proposed Transfer. I have considered the impact of a deterioration in reserves arising from a severe PPO scenario (see section 6.10).

5.5.3. The security of Transferring Policyholders depends on: (pre-transfer) the combined reserves and capital held by UKIL; and (post-transfer) the combined reserves and capital held by AIL. As such, this section on reserving estimates for the Transferring Business should be considered in conjunction with the capital considerations in section 6.

5.5.4. To support Aviva's acquisition of Direct Line, the Aviva Group Actuarial Function, supported by an external consultancy and the AIL Actuarial Function, carried out an independent review of UKIL's reserves as at 30 June 2025. The primary purpose of this review was to align UKIL to Aviva's accounting and actuarial policies. Following this review, Aviva proposed an increase to UKIL's best estimate claims provisions and IFRS 17 provisions. In response, during the 2025 Q3 review, UKIL reviewed its reserves, updated underlying assumptions to align to AIL and strengthened its reserves and IFRS 17 provisions as at 30 September 2025.

5.5.5. Since then, UKIL's reserving approach and assumptions continue to be materially aligned with AIL's where appropriate, whilst continuing to reflect underlying differences in the portfolios. As at 31 December 2025, UKIL's and AIL's best estimate reserves and assumptions underlying the IFRS17 provisions for the Transferring Business are the same.

5.6. Approach for setting Solvency UK technical provisions

5.6.1. I have reviewed the approach taken by UKIL and AIL to convert the IFRS 17 provisions into Solvency UK technical provisions (TPs). I have not sought to re-perform the calculation of the TPs or to perform detailed checks of the calculations performed by UKIL and AIL. Instead, I have focused on the appropriateness of the approach and the reasonableness of the results.

5.6.2. I have focused my review on the areas which, in my experience, are of greatest relevance to an independent reviewer. This includes Events Not in Data (ENIDs) and the risk margin.

5.6.3. The table below shows the main steps involved in going from IFRS 17 provisions to Solvency UK TPs for both UKIL and AIL, based on data as at 31 December 2025.

5.6.4. In addition, I have included a breakdown of the Solvency UK TPs by line of business.

Steps from IFRS 17 to Solvency UK technical provisions as at 31 December 2025

5.6.5. UKIL's and AIL's Solvency UK TPs comprise the claims provision and the premium provision. The starting point for the calculation of the claims provision is the IFRS 17 Liability for Incurred Claims (LIC). The starting point for the calculation of the premium provision is the IFRS 17 Liability for Remaining Coverage (LRC). A number of adjustments are applied to these IFRS 17 provisions to reflect Solvency UK requirements.

5.6.6. Key adjustments to the claims provision include allowances for future claims handling and investment expenses. Note that ENIDs are already included in AIL's and UKIL's IFRS17 reserves.

5.6.7. Future cashflows are discounted using the rates prescribed by the PRA.

5.6.8. A risk margin is added to reflect the notional cost of capital required to support the run-off of liabilities. This is different to the risk adjustment included in the IFRS 17 provisions which represents management's view of the compensation required for bearing non-financial risk.

5.6.9. I have discussed UKIL and AIL's approach to these adjustments in the following sections. The tables below show the walk-through from IFRS 17 provisions to Solvency UK technical provisions:

UKIL

£m	Gross of reinsurance
IFRS Technical Provisions	**5,094**
Unearned future profits	(104)
Discounting differences	(225)
Replacing risk adjustment with risk margin	(211)
Expenses not in IFRS	62
Solvency UK Technical Provisions	**4,616**

AIL (excluding Aviva Canada)

£m	Gross of reinsurance
IFRS Technical Provisions*	**9,006**
Unearned future profits	(270)
Discounting differences	(40)
Replacing risk adjustment with risk margin	(255)
Solvency UK Technical Provisions	**8,442**

**The IFRS technical provisions are shown after presentational adjustments of -£851m (related to premium debtors due from intermediaries that are not part of the IFRS 17 provisions but are reclassified to Solvency UK TPs).*
****Expenses not in IFRS (related to investments) are grouped in with the "discounting differences" item in the above table on the grounds of materiality.*

UKIL – Summary of Solvency UK technical provisions at 31 December 2025 (£m)

£m	Gross of reinsurance	Net of reinsurance
Income protection insurance	1	1
Motor vehicle liability insurance	3,010	2,044
Other motor insurance	(17)	220
Fire and other damage to property insurance	653	853
General liability insurance	234	267
Legal expenses insurance	39	39
Assistance	47	49
Miscellaneous financial loss	17	2
Non-life annuities	632	315
Total	**4,616**	**3,788**

AIL – Summary of Solvency UK technical provisions at 31 December 2025 (£m)

£m	Gross of reinsurance	Net of reinsurance
Medical expense insurance	75	(105)
Income protection insurance	27	5
Motor vehicle liability insurance	2,890	1,290
Other motor insurance	102	(51)
Marine, aviation and transport insurance	65	14
Fire and other damage to property insurance	2,008	486
General liability insurance	2,690	916
Credit and suretyship insurance	118	33
Assistance	73	38
Miscellaneous financial loss	5	0
Non-life annuities	388	58
Total	**8,442**	**2,684**

Events Not In Data (ENIDs)

5.6.10. The best estimate assumptions allow for rare events and asymmetries. The term ENID refers to any events not deemed to be captured by the data which need to be allowed for within the best estimate calculation to allow for the uncertainty in the future cash flows.

5.6.11. Both AIL and UKIL consider two types of ENID:

- 'Known unknowns' – possible future scenarios that can be anticipated; and
- 'Unknown unknowns' – future scenarios that are completely unexpected.

No explicit allowance is made for 'unknown unknowns' within technical provisions as, by definition, they cannot be known or quantified.

5.6.12. Allowances for 'known unknowns' are made using scenario analysis to cover any foreseeable event with a potentially material impact. AIL and UKIL specify a core list of events which are considered as the starting point for the analysis. Impacts are estimated gross of reinsurance, with recoveries estimated separately. The amounts included within the best estimate liabilities are on a discounted basis. ENID are considered both at line of business level, and at portfolio level with allocations to lines of business, depending on the scenario being considered.

5.6.13. **Having reviewed UKIL's and AIL's ENIDs allowances, I am satisfied that these are reasonable and proportionate and are in line with approaches commonly used in the market.**

Risk margin

5.6.14. The risk margin within the TPs under Solvency UK represents the amount in addition to the best estimate provisions that a third-party insurer would require to take over the insurance obligations of an insurer.

5.6.15. In line with Solvency Regulations, both UKIL and AIL calculate the risk margin using a cost of capital approach, to represent the present value of the cost of holding the SCR over the lifetime of insurance liabilities, were they to be transferred to a (notional) third party who then effectively manages the transferred business. The calculation is the product of the cost of capital rate and the SCR in respect of non-hedgeable risks at each future year, discounted using the risk-free rate.

5.6.16. As at 31 December 2025, UKIL's risk margin is £132m (3.6% of the total net best estimate technical provisions) and AIL's risk margin is £100m (3.9% of the total net best estimate technical provisions).

5.6.17. AIL's risk margin allowance as a percentage of the total best estimate technical provisions is not expected to change materially post-transfer.

5.6.18. LCP's market review of Solvency II reporting as at 2023 year-end, based on 100 non-life insurers in the UK and Ireland, showed that, across the market, the risk margin was c. 6% of total net best estimate technical provisions. The majority of UKIL and AIL's business relates to the 'Motor vehicle liability insurance', 'Other motor insurance' and 'Fire and other damage to property insurance' Solvency UK lines of business, where the risk margin allowance ranged from 3% - 6%. Both UKIL and AIL's risk margins are in the range of what is typically observed for insurers writing similar lines of business.

5.6.19. **I have reviewed the approach adopted by both UKIL and AIL for calculating the risk margin. In my experience, I consider:**

- **UKIL's and AIL's risk margin to be in line with those typically held by insurers writing similar lines of business; and**
- **The approach used to calculate both UKIL's and AIL's risk margins to be appropriate given the nature of the liabilities.**

Conclusion on Solvency UK technical provisions

5.6.20. In my opinion, the approaches used by UKIL and AIL to calculate the Solvency UK TPs are appropriate.

5.7. Key uncertainties when setting provisions

5.7.1. The ultimate cost of settling general insurance claims is subject to uncertainty in terms of both the frequency (i.e. how many valid claims there will be) and severity (i.e. the cost of settling each claim), including exposure to inflation in claim amounts over time. Therefore, there are uncertainties when setting the corresponding provisions.

5.7.2. Below I have described some of the key uncertainties in setting the provisions. The uncertainties in this section are not intended to represent an exhaustive list. Rather, they highlight the most material areas of uncertainty for UKIL and AIL. Other additional sources of uncertainty that could impact the provisions may emerge in the future.

5.7.3. In section 6, where I discuss my considerations regarding capital, I have considered the impact of various adverse scenarios on each of UKIL and AIL. These include a number of scenarios relating to uncertainty in the reserves.

5.7.4. There are several uncertainties in setting provisions for the lines of business written by UKIL and AIL:

- AIL's Existing Business and the Transferring Business contain some liabilities that are very long-tailed in nature (i.e. they can have relatively long reporting and settlement periods), for example Motor Liability and UK Disease liabilities, including in the latent claim portfolio. These long-tailed liabilities carry a higher level of uncertainty. They may also be exposed to a range of emerging risks over time.
- AIL and UKIL are both exposed to PPOs. Reserving for PPOs requires a number of key assumptions, which are subject to uncertainty. For example, a different mix of claims than expected, such as a higher proportion of young claimants with long-life expectancies, could materially impact the value of the gross and net PPO liabilities. There is also uncertainty around longevity, Annual Survey of Hours Earnings (ASHE6115) inflation (which determines the rate of annual increases to PPOs), investment return, and propensity (i.e. the likelihood of claims settling as PPOs).
- General price inflation rates have returned to a more normal level compared to recent years, but remain above the long-term Bank of England target of 2% for the Consumer Price Index. However, average costs of settling damage claims continue to inflate at a faster rate. In addition, the ongoing conflict in the Middle East has introduced further uncertainty by sharply increasing global energy prices and disrupting key shipping routes, placing upward pressure on materials and labour costs. The disruption to the Strait of Hormuz and wider trade routes may also drive higher supply-chain costs, which may feed through to future claims cost inflation.

- The inflationary drivers of injury claims are very different from those for damage claims and will depend on the extent to which high price inflation feeds through to wage inflation, legal fees and statutory injury-claim tariff awards. Bodily Injury claims develop slowly and recently settled claims are unlikely to fully reflect recent high inflation. Given the long-term nature of liabilities, reserves for the Transferring Business are sensitive to heightened uncertainty around inflation.

- The threat of increasing global trade barriers and associated import/export tariffs may result in further inflationary pressure over 2026. The potential impact of increased trade-related tariffs, the timing, scope, and scale of such changes remain highly uncertain.

- Historical claims trends can in some cases not be a reliable guide for future projections due to changing external and internal factors.

- Legislative changes, including Whiplash Reforms, Judicial College Guidelines and changes in the Ogden Discount Rate, may alter claims frequency, claim severity and claimant behaviour.

- Shifts in weather patterns may lead to more frequent, severe, and unpredictable natural catastrophe events, making events like storms, floods, and wildfires more difficult to predict and manage. This introduces additional uncertainty when projecting future claims experience for business already written. In particular, 2025 saw a sustained period of dry, hot weather, resulting in a notable increase in subsidence claims, which both UKIL and AIL are moderately exposed to. Due to the long-tailed nature of this peril, the ultimate cost of this event remains uncertain.

- AIL's Existing Business is exposed to general insurance liability claims, including claims in respect of pollution and other environmental hazards, professional negligence and injuries suffered from participating in sporting activities. The uncertainty is inherently higher for such claims due to their complex nature and protracted period of resolution. In particular, the ultimate cost of claims relating to asbestos production and handling cannot be determined with certainty given the significant delays that are experienced in the notification of these claims, and the uncertainties associated with establishing liability and the availability of legacy reinsurance.

5.7.5. Both UKIL and AIL regularly review sources of uncertainties as part of their Reserve Committee meetings. A mix of expert judgement and manual adjustments is applied to deal with these uncertainties. Some of the uncertainties described above are materially mitigated by reinsurance.

5.8. Current reserving process and governance

UKIL – reserving process and governance

5.8.1. UKIL performs a reserving exercise each quarter. The results for each class are reviewed by the reserving lead and Head of Reserving before being discussed with UKIL's Chief Actuary. "Pre-close" results are presented to the Reserving Oversight Committee. Final IFRS 17 provisions are then calculated, incorporating actions from the pre-close review and considering experience over the period.

5.8.2. The Direct Line Actuarial Director is responsible for recommending the best estimate liabilities to the Audit Committee. Direct Line's Chief Accounting Officer is responsible for the liability for incurred claims. Both are presented to and approved by Direct Line's Reserve Oversight Committee (ROC) prior to recommendation to the Audit Committee.

5.8.3. The reserving for UKIL is performed by the Direct Line reserving team. The reserving approach and assumptions are aligned between AIL and UKIL as at 31 December 2025. In particular, the AIL Chief Actuary is a member of the Direct Line Reserves Oversight Committee.

5.8.4. The Aviva Group Actuarial Function performed an independent review of UKIL's reserves as at 30 June 2025 to support Aviva's acquisition of Direct Line. The primary purpose of this review was to align UKIL to Aviva's accounting and actuarial policies. UKIL strengthened its provisions in response to this review. See section 5.5 for details.

5.8.5. An external actuarial review of UKIL's reserves as at 31 December 2025 was performed as part of the annual audit. This included an independent estimate of 91% of the gross of reinsurance liabilities and 89% of the net of reinsurance liabilities. This external review concluded that UKIL's actuarial best estimate lies within a range of reasonable best estimates on both a gross and net undiscounted basis. It also concluded that the IFRS 17 Liability for Incurred Claims (LIC) is within a range of reasonable best estimates. The difference between UKIL's estimate and the independent review estimate is within what I consider to be a reasonable range. This review supports the level of provisions held by UKIL as at 31 December 2025.

AIL – reserving process and governance

5.8.6. AIL's reserves for ongoing business are reviewed on a quarterly basis. The Monthly Actuarial View (MAV) process for UKGI and Ireland GI reviews actual versus expected claims experience each month. UKGI PPOs are reviewed as part of main valuation cycle but are also subject to revision each month to allow for the impact of new PPOs and any changes in economic assumptions.

5.8.7. AIL's reserves for latent claims and other run-off and lower materiality classes of business are reviewed half-yearly or on an ad-hoc basis when considered appropriate. Where data is received from or reserving is informed by subsidiaries or external consultancies, the AIL Chief Actuary and Reserve & Projections Committee will review and challenge and remain ultimately responsible for the reserves.

5.8.8. The AIL CFO is responsible for the overall claims provisions booked on the AIL balance sheet (including any management adjustments), and the Chief Actuary is responsible for the underlying Actuarial Mean Estimate. Oversight and review are provided by the AIL Reserve & Projections Committee.

5.8.9. The Aviva Group Actuarial Function performs an independent reserve review of AIL's UKGI reserves on a regular basis, at least every two years. External support may be utilised as part of these reviews, e.g. in the Aviva Group review as at 31 March 2025, external support was provided in focused areas and included market benchmarking.

5.9. Future reserving approach and governance

5.9.1. Following Aviva's acquisition of Direct Line, Aviva commenced a business plan to integrate Direct Line into the Aviva business. Various integration activities are underway to align processes covering (amongst other things) risk management, capital, reserving, reinsurance, claims handling, policy administration, systems and governance.

5.9.2. As at 31 December 2025, the reserving approach for the Transferring Business is materially aligned between AIL and UKIL. The majority of reserving assumptions are also materially aligned. There are a small number of remaining immaterial differences in assumptions between UKIL and AIL, for example for potential future PPOs. However, these assumptions will be aligned ahead of the Proposed Transfer.

5.9.3. As at 31 December 2025, the reserving for UKIL is performed by the Direct Line reserving team. The AIL Chief Actuary is a member of the Direct Line Reserves Oversight Committee. The Aviva Group provides oversight of the reserves for both UKIL and AIL and will continue to do so following the Proposed Transfer.

5.9.4. UKIL's reserves as at 31 December 2025 were set using Direct Line's reserving tools. Prior to the Proposed Transfer, the AIL reserving tools will be adopted for setting UKIL's reserves.

5.9.5. AIL has confirmed it plans to continue to use the same approach to reserving for the Transferring Business and its Existing Business after the Proposed Transfer.

5.9.6. No changes are expected to the AIL governance process.

5.10. Overall conclusion: reserving considerations

5.10.1. I set out below my overall conclusions related to reserving. These reserving considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on the level of capital held, and a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

Transferring Policyholders

5.10.2. **I have concluded that the Transferring Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer.** My key reasons are as follows:

- I am satisfied that the approaches used to calculate the IFRS 17 and Solvency UK technical provisions for AIL's Existing Business and the Transferring Business are appropriate, and AIL has confirmed that these will be materially unchanged post transfer.
- The Aviva Group Actuarial Function carried out an independent review of reserves for the Transferring Business as at 30 June 2025. Following this review, UKIL strengthened its IFRS 17 provisions. As at 31 December 2025, UKIL's and AIL's best estimate reserves and assumptions underlying the IFRS 17 provisions for the Transferring Business are the same.
- Immediately prior to the Proposed Transfer, UKIL's and AIL's reserving approach, assumptions, methodologies and tools for the Transferring Business will be aligned.
- AIL has confirmed that the future reserving process and governance for AIL will be unchanged post-transfer.

Existing Policyholders

5.10.3. **I have concluded that the Existing Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer.** My key reasons are as follows:

- I am satisfied that the approaches used by AIL to calculate the IFRS 17 and Solvency UK technical provisions for the existing and Transferring Business are appropriate, and AIL has confirmed that these will be materially unchanged post transfer.
- The conclusion of an independent review of reserves as at 31 December 2025 was that AIL's reserves and IFRS 17 LIC were within the range of reasonable best estimates. In addition, the differences between AIL's view and Aviva Group's view of AIL's reserves as at 31 March 2025 were within what I consider to be a reasonable range. These independent reviews support the level of provisions held by AIL.
- AIL has confirmed that the future reserving process and governance for AIL will be unchanged post-transfer.

6. Capital considerations

6.1. Introduction to insurance capital setting

6.1.1. A key reason why insurers hold capital is to withstand adverse or extreme levels of claims and other losses. The capital is held in excess of the provisions for policyholders' claims and for the other costs associated with running an insurer.

6.1.2. A key metric under Solvency UK Regulations is the Solvency Capital Requirement (SCR). This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. a 1 in 200 probability adverse outcome). Firms are required to hold capital equal to at least 100% of the SCR.

6.1.3. An insurer's SCR coverage ratio is calculated as the available capital in excess of provisions (also known as Eligible Own Funds), divided by the SCR. This is a measure of capital strength, with a higher ratio indicating there is more capital available per £ of capital required. The SCR coverage ratio does not capture all aspects of policyholder protection, but a higher coverage ratio indicates more protection, all else being equal.

6.1.4. I consider the SCR coverage ratio an appropriate measure to consider as part of my assessment of policyholder security before and after the transfer for the following reasons:

- I consider the SCR to be a suitable measure for the overall quantifiable risks of UKIL and AIL;
- The SCR coverage ratio is an objective measure of the financial strength of an insurer that can be compared on a consistent basis between insurers or for an insurer at different points in time; and
- The SCR is a risk-based metric that is disclosed to both regulators and the public.

6.1.5. My assessment of the capital considerations regarding policyholder security is also supported by a review of the impact of a range of adverse scenarios on each of UKIL and AIL (section 6.10) and consideration of capital beyond a "one-year" view (section 6.4).

6.1.6. The Transferring Business contains long-tailed liabilities, including PPOs. These liabilities are exposed to risks that can emerge over many years. The SCR is calibrated on a one-year time horizon. However, the one-year SCR considers not only cashflows arising over the next year, but also changes in the present value of ultimate liabilities. The SCR therefore captures the risks that, over the coming year, the value of ultimate liabilities and supporting assets could develop adversely compared to expectations. This includes the risk of adverse development in the expected cost of claims (including PPOs), for example through changes in assumptions and experience, including relating to inflation, longevity, discount rates and potential regulatory changes.

6.1.7. I therefore consider the SCR to be an appropriate measure to rely on as part of my assessment of policyholder security. However, my assessment of policyholder security is not based on the SCR in isolation. I have also considered the nature of the liabilities being transferred, AIL's projections of SCR coverage ratios beyond the one-year view until 31 December 2028, and the impact of a range of adverse scenarios.

Definition of "well capitalised" and "very well capitalised"

6.1.8. For the purposes of this report, I describe a company as being "sufficiently capitalised, "well capitalised" or "very well capitalised", with these terms defined as follows:

Definition	SCR coverage ratio
Sufficiently capitalised	Between 100% and 150%
Well capitalised	Between 150% and 200%
Very well capitalised	200% or greater

6.2. My considerations related to capital

6.2.1. As IE, my overall assessments related to capital are:

- whether the projected capital requirements have been calculated appropriately for both UKIL and AIL;
- whether there are expected to be any material adverse changes in the strength of capital protection for any group of policyholders (I have assessed this by comparing the pro-forma SCR coverage ratios pre- and post- the Proposed Transfer if the Proposed Transfer had been implemented on 31 December 2025, as well as indicative projections of the SCR coverage ratios as at 23:58 (and following the transfer of CIC policies to UKIL) and 23:59 on 31 December 2026);
- whether UKIL and AIL can withstand adverse experience and whether, under these circumstances, appropriate security is still provided to policyholders (I have assessed this by considering the impact of a range of adverse scenarios); and
- whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.

6.2.2. To make these assessments, I have considered the following areas:

- UKIL's and AIL's approaches to calculating capital requirements (section 6.4);
- Capital requirements beyond a "one-year" view (section 6.4);
- Components of UKIL's and AIL's capital requirements (section 6.5);
- Risk appetites for UKIL and AIL (section 6.6);
- Standard formula appropriateness for UKIL and internal model appropriateness for AIL (section 6.7);
- Pro-forma SCR coverage ratios pre- and post- the Proposed Transfer, if the Proposed Transfer had been implemented on 31 December 2025 (section 6.8);
- Indicative projections of the SCR coverage ratios as at the Effective Date (i.e. 23:58 (and following the transfer of CIC policies to UKIL) and 23:59 on 31 December 2026)
- The planned capital structures for UKIL and AIL (section 6.9); and
- The SCR under stressed scenarios (section 6.10).

6.3. Approach to my review

6.3.1. I have reviewed a number of documents provided by UKIL and AIL relating to the calculation of capital requirements and projected coverage ratios. A list of the key data and documentation reviewed is provided in Appendix 4.

6.4. Calculating capital requirements

6.4.1. For both UKIL and AIL, the level of capital required is set in line with the Solvency UK standard.

6.4.2. Under Solvency UK, there are three ways in which the SCR can be calculated:

- Standard formula: under this approach, the SCR is set using a prescribed calculation and parameters, as specified in the Solvency UK regulations. Within the standard formula framework, insurers can use undertaking-specific parameters (USPs) to tailor specific aspects of the parameterisation of the calculation to better reflect their risk profile.
- Internal model: under this approach, the SCR is set using the insurer's own internal capital model. The internal model is developed and parameterised by the insurer to reflect their specific business.
- Partial internal model: under this approach, the SCR is set using a combination of the standard formula and the insurer's own internal capital model. Some aspects of the SCR are calculated using the internal model, and the remainder is calculated using the standard formula.

6.4.3. The choice of approach is made by the insurer. An insurer needs to obtain regulatory approval in order to use USPs, an internal model or a partial internal model to calculate its SCR. An insurer does not need approval to calculate its SCR using the standard formula without USPs. All insurers are required to complete their own assessment of the appropriateness of the standard formula for their own business.

How each firm calculates its SCR

6.4.4. UKIL uses the standard formula to calculate its SCR. AIL uses a partial internal model to calculate its SCR.

6.4.5. AIL's existing partial internal model is approved by the PRA. AIL is currently seeking approval from the PRA for a major model change (MMC) to incorporate the Transferring Business within its partial internal model. If approved, this model will be used by AIL to calculate its SCR post-transfer. The process of obtaining regulatory approval for the MMC includes a pre-application phase running from January to April 2026 and a final application submission planned for 31 May 2026. The PRA's final decision on the MMC is expected at the end of November 2026. As the MMC process is ongoing, AIL's projections based on its proposed post-MMC model are uncertain. Therefore, all figures in this report are based on AIL's existing approved model. See section 6.7 for details.

6.4.6. The standard formula and a partial internal model are both recognised regulatory approaches for calculating the SCR, which is intended to represent the amount of capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. a 1 in 200 probability adverse outcome). Although both approaches are designed to measure the same underlying concept of risk, they do so in different ways. The standard formula approach applies a prescribed methodology and parameters, whereas a partial internal model uses a firm-specific approach tailored to the insurer's own risk profile. As a result, the two approaches can produce different SCR results, and the results are not necessarily directly comparable on a like-for-like-basis. Accordingly, differences between the two firms' SCR coverage ratios do not, by themselves, indicate that one firm is more or less secure than the other, without considering the basis on which those figures have been calculated.

Capital requirements beyond a "one-year" view

6.4.7. The SCR is a "one-year" view of risk, covering risks that insurers face over the next 12 months.

6.4.8. AIL has provided me with projections of SCR coverage ratios as at the Effective Date and until 31 December 2028. **These projections indicate that AIL is projected to remain well capitalised over this period.**

Minimum Capital Requirement

6.4.9. Another key measure of capital under Solvency UK is the Minimum Capital Requirement (MCR).

6.4.10. The MCR is calculated using a prescribed formula based on volumes of net written premiums and Solvency UK net best estimate technical provisions, subject to a corridor of 25% to 45% of the SCR and an absolute minimum capital floor.

6.4.11. The MCR is subject to a minimum of £2.4m or £3.5m depending on the business written. This minimum typically only applies to the smallest insurers. The MCR as at 31 December 2025 for UKIL was £522.9m and for AIL was £562.6m.

6.4.12. Firms need to hold Eligible Own Funds at least equal to the greater of the SCR and the MCR. The MCR is intended to represent a minimum level of capital. Breaching the MCR will result in significantly more intensive regulatory intervention than would be the case for a breach of the SCR.

6.4.13. The MCR coverage ratio is calculated as the Eligible Own Funds divided by the MCR. As at 31 December 2025, UKIL and AIL had MCR coverage ratios of 422% and 583% respectively. AIL will continue to be very well capitalised on this measure immediately Pre- and Post-Transfer and through to 31 December 2028.

6.4.14. For UKIL and AIL, both pre- and post-transfer, the SCR is higher than the MCR. Therefore, I have not considered the MCR further as part of my assessment of capital considerations, and my primary focus is on the SCR.

6.5. Components of capital requirements

6.5.1. The key components of the SCR are:

- *Underwriting risk:* the risk that the value of insurance claims proves to be higher than expected. This includes the risk of an increase in claims and uncertainties related to existing liabilities included on the balance sheet (reserving risk). This also includes the risk of experience being worse than planned for business that will be earned or written over the following year (premium risk).
- *Operational risk*: the risk of losses caused by failure in an insurer's operational processes due to internal processes, people and systems, or from events that are external to the insurer. For example, this would include the risk of fraud or IT failure.
- *Market risk*: the risk of changes in an insurer's financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this includes the risk of falls in the value of investment assets that are being held to make future claims payments.
- *Counterparty default risk:* the risk of defaults or downgrades by counterparties that either owe the insurer money or hold money on its behalf. For example, this includes the risk of the failure of a reinsurer.

6.5.2. For AIL, the most material component of the SCR is market risk, which reflects that UKIL's risks are captured as equity market risk in AIL's balance sheet (see section 6.5.10).

6.5.3. For UKIL, the most material component of the SCR is underwriting risk.

6.5.4. I have summarised the key risks as a percentage of the total SCR as at 31 December 2025 below.

UKIL: Breakdown of SCR risk components as at 31 December 2025

Risk components	£m	% of SCR
Underwriting risk	1,186	82%
Operational risk	120	8%
Market risk	284	20%
Counterparty default risk	112	8%
Diversification and other adjustments	(257)	(18%)
SCR	**1,445**	**100%**

Source: UKIL

6.5.5. The most material component of the SCR for UKIL is underwriting risk, which represents 82% of the 31 December 2025 SCR.

6.5.6. UKIL has also provided me with SCR projections as at the Effective Date of the Proposed Transfer (31 December 2026).

6.5.7. UKIL's SCR is not expected to change materially between 31 December 2025 and immediately prior to the Proposed Transfer. Immediately following the Proposed Transfer, UKIL's SCR is expected to decrease materially. This is driven by all of UKIL's insurance liabilities and associated risks being transferred to AIL under the Proposed Transfer.

6.5.8. All UKIL policies will transfer to AIL under the Proposed Transfer, so there will be no remaining UKIL Policyholders following the Proposed Transfer. However, UKIL's Day 1 SCR is not expected to be zero because UKIL continues to hold assets post-transfer. In particular, assets are expected to be held in UKIL at Day 1 to fund the subsequent redemption of a debt instrument by the payment of a dividend to Direct Line during 2027 Q1.

AIL: Breakdown of SCR risk components as at 31 December 2025

Risk components	£m	% of SCR
Underwriting risk	721	40%
Operational risk	417	23%
Market risk	1,394	77%
Counterparty default risk	66	4%
Diversification and other adjustments	(779)	(43%)
SCR	**1,819**	**100%**

Source: AIL

6.5.9. The most material component of the SCR for AIL is market risk, which represents 77% of the 31 December 2025 SCR. This includes the risks associated with some of AIL's subsidiaries, which are treated as equity investments to AIL for capital purposes. The subsidiaries that are modelled using the internal model and are not treated as equity investments to AIL for capital purposes include Aviva Canada and Ocean Marine.

6.5.10. AIL's 31 December 2025 SCR was calculated using its approved partial internal model. As UKIL is a subsidiary of AIL, AIL's 31 December 2025 SCR already includes an allowance for the UKIL risks. In AIL's existing model, UKIL is modelled as follows:

- Within the standard formula component of AIL's partial internal model, UKIL is modelled as a strategic equity participation, together with an allowance for concentration risk.
- In addition to this, AIL's SCR includes a significant risk profile deviation capital add-on via voluntary requirement (under section 55M(5) of the Financial Services and Markets Act 2000). This is described as a Voluntary Capital Add-On (VCAO), which was agreed with the PRA, to reflect the fact that modelling UKIL as a strategic equity participation is expected to understate the capital requirement for UKIL's underlying risks.

6.5.11. After the Proposed Transfer, AIL intends to model the UKIL risks (i.e. the risks associated with the Transferring Business) directly within the internal model component of its partial internal model. AIL is currently seeking approval for a major model change (MMC) to incorporate the Transferring Business within its partial internal model. If approved, this model will be used by AIL to calculate its Solvency Capital Requirement (SCR) post-transfer. The process of obtaining regulatory approval for the MMC includes a pre-application phase running from January to April 2026 and a final application submission planned for 31 May 2026. The MMC process is ongoing and the PRA's final decision on the MMC is expected by the end of November 2026. Therefore, all figures in this report are based on AIL's existing approved model (whereby UKIL is modelled using the standard formula plus a VCAO).

6.5.12. AIL has provided me with indicative SCR projections immediately before and after the Proposed Transfer (i.e at Day 0 (23:58 (and following the transfer of CIC policies to UKIL) on 31 December 2026) and Day 1 (23:59 on 31 December 2026)), using its proposed post-MMC model. These indicative projections show that AIL's SCR is expected to reduce between Day 0 and Day 1, assuming the approval of the MMC, the Proposed Transfer and ceding 50% of the Transferring Business to AII. The expected reduction in AIL's SCR post-transfer is predominantly driven by AIL ceding 50% of the Transferring Business to AII (see section 3.2.13 for detail). There is also expected to be a smaller reduction due to the MMC itself, i.e. the change to modelling the risks associated with the Transferring Business within the internal model components of its partial internal model, rather than modelling these risks using the standard formula plus a VCAO. See section 6.7 for further details.

6.6. Risk appetite for UKIL and AIL

6.6.1. I have reviewed UKIL's and AIL's 2024 and 2025 Own Risk Solvency Assessments (ORSAs) and their capital risk appetite assessments.

6.6.2. In addition, I have considered AIL's review of its Risk Management Framework (RMF) in July 2025. This review was completed to ensure that AIL's RMF remained effective following the DLG acquisition.

6.6.3. Insurers set solvency risk appetites to express the level of capital coverage that they aim to maintain. It is often expressed as a percentage of the SCR.

6.6.4. In December 2025, UKIL's solvency risk appetite was updated to align to that of AIL. This was part of a wider programme of updates to transition UKIL onto Aviva's Risk Management Framework. UKIL's strategic risk objective to maintain capital adequacy 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 its SCR at the end of the year. UKIL's capital management targets feed into its dividend policy. **As at 31 December 2025, UKIL's SCR coverage ratio was in excess of its solvency risk appetite.**

6.6.5. AIL follows a set of Group-wide principles for setting its Solvency Risk Appetite (SRA). AIL's SRA is selected primarily based on top-down considerations, supported by sensitivity testing and bottom-up analysis. As set out in its Risk Appetite Framework, AIL's solvency position is monitored on an ongoing basis and its SRA forms part of AIL's dividend policy.

6.6.6. **As at 31 December 2025, AIL's SCR coverage ratio was 192%. AIL has provided me with projections up to 31 December 2028 showing that it expected to remain well capitalised, and well in excess of its solvency risk appetite over this period.**

6.7. Standard formula appropriateness for UKIL and internal model appropriateness for AIL

6.7.1. I have considered the appropriateness of the standard formula for UKIL by:

- Reviewing UKIL's assessment of the appropriateness of using the standard formula for the purposes of setting the SCR.
- Reviewing UKIL's documentation of its standard formula SCR processes and calculations, to satisfy myself that the SCR is being calculated materially in line with the Solvency UK framework and the PRA Rulebook.

6.7.2. I have considered internal model appropriateness of AIL's existing model for the purpose of setting AIL's 31 December 2025 SCR by considering the robustness of the internal model validation that has been performed.

6.7.3. AIL is currently seeking approval from the PRA for a major model change (MMC) to incorporate the Transferring Business within its existing partial internal model. Once approved, this model will be used by AIL to calculate its Solvency Capital Requirement (SCR) post-transfer. The MMC process is ongoing and the PRA's final decision on the MMC is expected by the end of November 2026. Therefore, all figures in this report are based on AIL's existing approved model. However, AIL has provided me with several documents that have been submitted to the PRA as part of the pre-application phase, as well as indicative SCR projections following the Proposed Transfer, using its proposed post-MMC model. I have reviewed the MMC pre-application letter, AIL's 2024 SCR report reflecting the impact of adding Direct Line as at 31 December 2024 and AIL's independent model validation that has been performed. I have also had several discussions with AIL's management team to understand the proposed model changes and the validation performed.

UKIL - appropriateness of standard formula

6.7.4. UKIL uses the standard formula to calculate its SCR. Previously, UKIL used an approved internal model to calculate its SCR.

6.7.5. Aviva performed an assessment of the appropriateness of the standard formula for the purpose of calculating UKIL's SCR in December 2025. This assessment explained that Aviva remains fundamentally committed to an internal model as the best way of assessing its risk profile. Aviva considers the use of the Standard Formula for UKIL to be a temporary measure only, in anticipation of the approval of the MMC. Following the approval of the MMC and the Proposed Transfer, the UKIL risks are intended to be modelled within AIL's internal model. I have considered the MMC in detail below when reviewing the appropriateness of AIL's internal model.

6.7.6. UKIL's standard formula appropriateness assessment was carried out by analysing the risk profile of the UKIL business and considering the impact of standard formula assumptions and methodology. For each SCR risk area, UKIL has identified the key risk drivers and the relevant standard formula underlying assumptions. Commentary has been provided on the appropriateness of the underlying standard formula assumptions for each risk area.

6.7.7. UKIL has concluded that the standard formula sufficiently captures UKIL's risk profile and balance sheet exposures and is therefore appropriate for calculating its SCR overall.

6.7.8. Aviva has noted that the ongoing integration process may lead to elevated operational risk exposure for UKIL which may be greater than allowed for in the standard formula calculation for UKIL. However, Aviva has reviewed the impact of this elevated operational risk and has concluded that the allowance for operational risk in the standard formula SCR for UKIL remains reasonable overall.

6.7.9. Based on my review, I am satisfied that using the standard formula for the purpose of setting the SCR for UKIL is appropriate for the purposes of my opinion on the Proposed Transfer.

UKIL – review of SCR calculation process

6.7.10. I have reviewed UKIL's SCR and Risk Margin report as at 31 December 2025. This includes documentation of its process for calculating the SCR using standard formula. The document also covers the calculation of CIC's SCR using the standard formula. The documentation of the SCR calculation process summarises the calculation required for each risk area as well as an analysis of change since the previous exercise. UKIL's standard formula documentation aims to provide a clear understanding of the SCR calculation process, identifies the key judgements in the process and documents the weaknesses and limitations of the calculations.

6.7.11. I have been provided with a copy of UKIL's SCR report which outlines the standard formula calculation and governance process. Based on my review, I am comfortable that UKIL's SCR calculation is subject to an appropriate level of review and oversight.

6.7.12. UKIL's standard formula SCR calculation is completed at least quarterly. In addition, a set of triggers exists to determine when the appropriateness of the standard formula is to be reassessed.

6.7.13. UKIL's standard formula calculation has been subject to external audit. I have been provided with a copy of the findings from this audit as at 31 December 2025. The audit included an assessment of whether the key data inputs used in the SCR calculation are appropriate, a review of the methodology and simplifications applied to ensure they align with the Standard Formula requirements, and an independent recalculation of all of the SCR components, including the total diversified SCR and MCR, to verify that the standard formula calculations have been correctly applied. This external audit concluded that UKIL's SCR as at 31 December 2025 is materially correct.

6.7.14. I am satisfied that UKIL's approach to calculating its SCR is reasonable and the level of review and oversight provided is appropriate. The external audit of UKIL's standard formula calculation did not identify any areas where UKIL's approach to calculate its SCR was materially different to that expected based on the Solvency UK framework and the PRA Rulebook.

AIL - appropriateness of existing internal model

6.7.15. AIL's existing partial internal model has been approved by the PRA to calculate its SCR.

6.7.16. AIL's partial internal model consists of internal model results for UK&I GI (UK GI and the part of Ireland GI reinsured into AIL, together "UK&I GI"), Ocean Marine and Aviva Canada, in addition to capital requirements relating to some of AIL's subsidiaries, determined under the standard formula strategic equity participation approach, with VCAOs incorporated where appropriate.

6.7.17. AIL's Chief Actuary is responsible for the methodology and assumptions, risk calibrations and results of the internal model. The Internal Model is subject to independent model validation at least annually to ensure it remains fit for purpose. The Chief Risk Officer (CRO) is the overall owner of the internal model.

6.7.18. Aviva has a business standard that sets out the approach to Internal Model Independent Validation (IMIV). It articulates the minimum requirements that are necessary to independently validate that the Internal Model is fit for purpose and complies with the Solvency UK regulatory requirements relating to Internal Models. This business standard was last updated effective 1 January 2026.

6.7.19. The business standard states that the Chief Risk Officer (CRO) must ensure that a designated individual, referred to as the 'IMIV Lead', is appointed with responsibility for delivering IMIV in accordance with the Aviva IMIV business standard. The IMIV Lead must detail the internal model validation scope and approach, satisfying the requirements of the business standard, for each annual validation cycle. A report setting out these plans must be submitted to the AIL Board Risk Committee for approval. The IMIV Lead must also ensure that all changes to the AIL internal model are subjected to proportionate independent validation.

6.7.20. UKIL's SCR is currently calculated using the standard formula (see section 6.7.4). AIL's investment holding in UKIL is currently modelled under the standard formula as a strategic equity participation, together with an allowance for concentration risk. In addition to this, AIL's SCR includes a VCAO to reflect the fact that modelling UKIL as a strategic equity participation is expected to understate the capital requirement for UKIL's underlying risks. The VCAO was based on analysis performed by AIL and was agreed by the PRA. This is intended to be a temporary approach in anticipation of the approval of the MMC. If the MMC is approved, it is expected that the VCAO would then no longer be required at the point the MMC is effective.

6.7.21. I have reviewed a summary of the internal model validation performed by the actuarial team as at 31 December 2025 provided within the AIL SCR Report, as well as the independent validation performed by IMIV in the YE25 AIL IMIV Report. Overall, the IMIV Lead concluded that AIL's internal model as at 31 December 2025 remains an appropriate reflection of AIL's risk profile for its ongoing use, pending completion of ground-up integration of the Direct Line risk profiles under the MMC.

AIL - appropriateness of post-MMC internal model

6.7.22. As discussed in section 6.5, in AIL's existing partial internal model, the UKIL risks (i.e. the risks associated with the Transferring Business) are recognised on a standard formula basis (whereby UKIL is modelled as a strategic equity participation) plus a Voluntary Capital Add-On (VCAO). Following the Proposed Transfer, the Transferring Business will become a direct part of the AIL insurance portfolio, and AIL intends to model the risks associated with the Transferring Business directly within the internal model component of its partial internal model. The process of PRA approval for this major model change (MMC) is ongoing, with a decision expected in November 2026. Therefore, all figures in this report are based on AIL's existing approved model (whereby UKIL is modelled using the standard formula plus a VCAO).

6.7.23. AIL has provided me with documents that have been submitted to the PRA as part of the pre-application phase, as well as indicative SCR projections following the Proposed Transfer, using its proposed post-MMC model. I have reviewed the MMC pre-application letter, the supporting addendum to AIL's 2024 SCR report and AIL's independent model validation that has been performed. I have also had discussions with AIL's MMC team to understand the proposed model changes and the validation performed as part of the pre-application phase. This has helped me to understand the expected impacts of the MMC on AIL's SCR.

6.7.24. In my Supplementary Report, I will show AIL's expected SCR and SCR coverage ratios based on its anticipated post-MMC model. My Supplementary Report will be based on the results and information provided in the final MMC application to be submitted in May 2026 and will also provide an update on findings and developments since the pre-application submission.

6.7.25. In this Scheme Report, whilst all figures are based on AIL's existing approved model, I have commented on the expected impacts of the MMC based on the work performed so far as part of the pre-application phase.

6.7.26. A full cycle of independent validation has been performed by AIL to ensure the proposed post-MMC partial internal model continues to be appropriate for the calculation of AIL's SCR. In addition, triggers have been established to ensure that the calibration of AIL's partial internal model is up to date and the model continues to reflect AIL's risk profile.

6.7.27. I have reviewed AIL's analysis of the expected impact of the MMC as well as a summary of the validation performed by AIL's internal model team. In addition, I have had discussions with the AIL internal model team to understand the various expected impacts of the MMC in more detail.

6.7.28. I have also reviewed the Internal Model Independent Validation (IMIV) report, provided by AIL's Enterprise Risk Director in conjunction with the Aviva Group Model Validation Director, who have been confirmed as independent from the design, build and operation of the partial internal model.

6.7.29. The IMIV report confirms that a complete risk identification exercise has been completed. This exercise concluded that UKIL and AIL are exposed to materially similar underlying sources of risk, although differences in balance sheet structure, asset mix and capital modelling approach result in differing relative contributions to the SCR. This provides the IMIV team with assurance that AIL's existing partial internal model and its methodology "represents a solid foundation to capture the combined risk profile, subject to appropriate calibration". Where weaknesses or limitations have been raised by IMIV, there is a clear plan in place to address or mitigate these in advance of the final MMC application.

6.7.30. At the time of writing this report, the work on the MMC is ongoing. I will provide an update on this work, as well as the results of the final MMC application, in my Supplementary Report.

6.8. Pro-forma SCR coverage ratios for UKIL and AIL

Pro-forma SCR coverage ratios immediately pre- and post-transfer

6.8.1. The Effective Date of the Proposed Transfer is expected to be at 23:59 on 31 December 2026.

6.8.2. The tables below set out UKIL's and AIL's pro-forma pre and post-transfer SCR and coverage ratios, if the Proposed Transfer had been implemented on 31 December 2025.

6.8.3. Note that, as explained in section 6.4, UKIL uses the standard formula to calculate its SCR, whereas AIL uses a partial internal model. These are both intended to measure the same underlying concept of risk, but they do so in different ways. As a result, the two approaches can produce different SCR results, and the results are not necessarily directly comparable on a like-for-like basis. Accordingly, differences between the two firms' SCR coverage ratios do not, by themselves, indicate that one firm is more or less secure than the other, without considering the basis on which those figures have been calculated.

6.8.4. The pro-forma figures in the below tables are based on the balance sheets and SCR coverage ratios for each entity as at 31 December 2025.

Pro-forma pre-transfer and post-transfer SCR coverage ratios as at 31 December 2025

	Standard Formula basis	
£m	**UKIL (pre-transfer)**	**UKIL (post-transfer)**
Eligible Own Funds	2,207	367
SCR	1,445	8
Eligible Own Funds minus SCR	762	359
SCR coverage ratio	153%	4,587%

Source: UKIL

6.8.5. For UKIL, the pro-forma pre-transfer balance sheet has been adjusted to reflect the assumption that CIC policies will have transferred to UKIL pre-transfer. See section 3 for detail on the planned transfer of the CIC policies to UKIL ahead of the Proposed Transfer.

Pro-forma pre-transfer and post-transfer SCR coverage ratios as at 31 December 2025

	Partial Internal Model basis	
£m	AIL (pre-transfer)	AIL (post-transfer)
Eligible Own Funds	3,487	3,487
SCR	1,819	1,819
Eligible Own Funds minus SCR	1,668	1,668
SCR coverage ratio	192%	192%

Source: AIL

6.8.6. The pro-forma post-transfer AIL SCR coverage ratio is expected to be unchanged compared to pre-transfer. This is because the risks associated with the Transferring Business (i.e. the UKIL risks) are already on AIL's balance sheet pre-transfer, as UKIL is a subsidiary of AIL. UKIL will change from being a subsidiary of AIL pre-transfer, to becoming a direct part of the AIL insurance portfolio post-transfer. This will result in changes in AIL's balance sheet (see section 7.2), but will not change the overall Eligible Own Funds or SCR.

6.8.7. In summary, based on the above figures:

- **Transferring Policyholders:** if the Proposed Transfer had been implemented on 31 December 2025, the Transferring Policyholders would have been transferred from one well capitalised entity (UKIL) to another well capitalised entity (AIL). On this basis, **I consider the security provided to Transferring Policyholders would not have been materially adversely affected if the Proposed Transfer had occurred on 31 December 2025.**
- **Existing Policyholders**: if the Proposed Transfer had been implemented on 31 December 2025, AIL's SCR coverage ratio would have been expected to be unchanged at 192% as a result of the Proposed Transfer. On this basis, **I consider that the security provided to Existing AIL Policyholders would not have been materially adversely affected if the Proposed Transfer had occurred on 31 December 2025.**

6.8.8. In addition to the above pro-forma figures as at 31 December 2025, UKIL and AIL have provided me with indicative projections immediately before and after the Proposed Transfer (i.e. as at 23:58 and following the transfer of CIC policies to UKIL) and 23:59 on 31 December 2026). There are a number of changes expected to take place over this period, which I have discussed with Aviva. On this basis, I have concluded that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of these changes. In particular:

- **Forecast dividends expected to be paid during 2026**: UKIL and AIL are forecast to make dividend payments during 2026. This reflects that UKIL's and AIL's 31 December 2025 SCR coverage ratios are in excess of their solvency risk appetite and dividend policy coverage ratios, as well as forecast capital generation expected during 2026. The forecast dividend payments are expected to reduce UKIL's and AIL's SCR coverage ratios. However, UKIL is expected to remain sufficiently capitalised and AIL is expected to remain well capitalised after the payment of dividends. In addition, both UKIL's and AIL's SCR coverage ratios are expected to remain in excess of their solvency risk appetites.
- **The impact of the MMC being approved and becoming effective**: as discussed in section 6.7, AIL is currently seeking approval from the PRA for a MMC to incorporate the Transferring Business within its partial internal model. The MMC process is ongoing and the PRA's final decision on the MMC is expected by the end of November 2026. At this stage, the results of the proposed post-MMC model are uncertain. If approved, this model will be used by AIL to calculate its SCR post-transfer. AIL has provided me with indicative projections of its SCR and coverage ratio immediately following the Proposed Transfer using its proposed post-MMC model. These projections show the expected impact of the MMC on AIL's SCR, based on AIL's MMC pre-application. Based on these projections, AIL is expecting its SCR to reduce, and therefore its coverage ratio to increase, following the MMC. This further supports my opinion that the security provided to Transferring Policyholders and Existing

Policyholders will not be materially adversely affected by the Proposed Transfer. I will provide an update on the MMC, including projected post-transfer SCR coverage ratios, in my Supplementary Report.

- **AIL ceding 50% of the Transferring Business to AII**: immediately following the Proposed Transfer, AII is intending to reinsure 50% of the Transferring Business. In order for AII to reinsure the Transferring Business, the AII Board needs to agree changes to the existing reinsurance treaty with AIL, give its non-objection and the Aviva Plc Board needs to give its approval. Further detail is provided in section 3.2. AII reinsuring the Transferring Business is expected to lead to a reduction in AIL's SCR, and therefore an increase in AIL's coverage ratio. AIL's ability to model this reinsurance appropriately is dependent on the MMC being approved. As such, the quantum of the impact of this reinsurance on AIL's SCR coverage ratio is currently uncertain. However, based on work performed to date, AIL is expecting this reinsurance agreement to lead to a reduction in its SCR, and therefore an increase in its coverage ratio. This further supports my opinion that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer.

6.8.9. In summary, based on projections provided to me by AIL as at Day 0 (immediately prior to the Proposed Transfer) and Day 1 (immediately after the Proposed Transfer), **AIL is currently projected to be at least well capitalised immediately after the Proposed Transfer, after allowing for each of the above items.** In addition, AIL's SCR coverage ratio is expected to be higher at Day 1 than Day 0 due to the completion of the MMC and ceding 50% of the Transferring Business to AII. **I am therefore satisfied that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer.**

Projected SCR coverage ratios after the Proposed Transfer

6.8.10. AIL has provided me with its SCR coverage ratio projections following the Proposed Transfer through to 31 December 2028. These projections indicate that AIL will remain very well capitalised (as defined in section 6.1) over this period, prior to the payment of dividends. Even after allowance for payment of dividends, AIL is projected to remain well capitalised.

6.8.11. In practice, the actual coverage ratios may be higher or lower than projected depending on the actual claims and other experience. AIL will continue to monitor its capital and projected capital position in line with its capital management policy and risk appetite (considered in section 6.6 above).

6.9. The planned capital structures for UKIL and AIL

6.9.1. Based on data as at 31 December 2025, 99.95% of UKIL's total Eligible Own Funds (£2.2bn) were classified as unrestricted tier 1, i.e. the highest quality. For AIL, 91% of AIL's total Eligible Own Funds (£3.5bn total) were classified as unrestricted tier 1, 7% as tier 2 and 2% as tier 3.

6.9.2. The table below provides a breakdown of the Eligible Own Funds between different tiers as at 31 December 2025.

Projected breakdown of Eligible Own Funds between different tiers as at 31 December 2025

Capital tier	UKIL	AIL
Unrestricted Tier 1	99.95%	90.84%
Restricted Tier 1	0.00%	0.00%
Tier 2	0.00%	7.45%
Tier 3	0.05%	1.71%
Total	**100.00%**	**100.00%**

6.9.3. For both UKIL and AIL, the proportion of Eligible Own Funds held across different tiers is not expected to change materially between 31 December 2025 and 31 December 2026 (i.e. the Effective Date of the Proposed Transfer).

6.9.4. The Transferring Policyholders will move to an insurer with relatively lower proportion of tier 1 assets. However, I do not consider these policyholders to be materially adversely affected given that a significant proportion of AIL's Eligible Own Funds relates to the highest quality assets.

6.9.5. In the extreme scenario where no tier 3 funds were available, the pro-forma post-transfer SCR coverage ratio for AIL would decrease marginally and AIL would still be well capitalised. In the more extreme scenario where no tier 2 and tier 3 funds are available, the post-transfer AIL SCR coverage ratio would drop further, but AIL would remain well capitalised.

6.9.6. **Therefore, I do not expect the changes in capital structure as a result of the Proposed Transfer to lead to any material adverse changes in the strength of capital protection for either Existing or Transferring Policyholders.**

6.10. Scenario analysis

6.10.1. I have considered the impact of a range of adverse scenarios for UKIL and AIL, based on projections prepared by each entity at my request.

6.10.2. The purpose of the scenario analysis is to assess whether UKIL and AIL can withstand adverse experience and whether, under these circumstances, appropriate security is still provided to policyholders. The scenarios considered do not attempt to represent the full range of possible adverse events to which the insurers may be exposed. Rather, they aim to focus on key areas relevant to UKIL and AIL.

6.10.3. **The scenarios are intended to represent extreme events, rather than events Aviva considers to be likely. The analysis deliberately considers severe adverse scenarios that stress the balance sheets of UKIL and AIL, in order to demonstrate each firm's resilience to such events.**

6.10.4. I have considered the impact of a range of scenarios at Day 0 (i.e. 23:58 on 31 December 2026 and following the transfer of CIC policies to UKIL) for both UKIL and AIL. For AIL, I have also considered the impact of each scenario at Day 1 (i.e. 23:59 on 31 December 2026). All UKIL policies will transfer to AIL as part of the Proposed Transfer, so I have not considered the impacts of the scenarios on UKIL at Day 1.

6.10.5. As explained in paragraph 7.2.8, there are a number of changes expected to take place between now and 31 December 2026. This includes forecast dividends expected to be paid during 2026, the impact of the MMC being approved and becoming effective, and AIL ceding 50% of the Transferring Business to AIl. The Eligible Own Funds shown below as at Day 0 and Day 1 include an estimate of the impact of these changes.

6.10.6. AIL is currently seeking approval from the PRA for a major model change (MMC). If approved, this model will be used by AIL to calculate its SCR post-transfer. The MMC process is currently ongoing and the PRA's final decision on the MMC is expected at the end of November 2026. Until the PRA's final decision has been made, AIL's projections based on its proposed post-MMC model are uncertain. Nonetheless, I have shown the impact of each scenario on UKIL's and AIL's projected Eligible Own Funds.

6.10.7. Eligible Own Funds are the financial resources available to an insurer to absorb losses and support the payment of claims. They are based mainly on the excess of assets over liabilities shown on the insurer's Solvency UK balance sheet, together with certain other qualifying capital items and adjustments. Only those Own Funds that meet the relevant regulatory criteria can be counted as "Eligible Own Funds". Insurers are required to hold Eligible Own Funds at least sufficient to cover the SCR. Where Eligible Own Funds exceed the SCR, the insurer meets its regulatory capital requirement, and the amount of excess represents a buffer above the requirement. If, under extreme adverse scenarios, Eligible Own Funds fall below the SCR but remain positive, this indicates the insurer would still be expected to have sufficient financial resources to pay its claims in full, even if it was no longer able to meet its SCR.

6.10.8. The scenarios I have considered were specified and reviewed for reasonableness by me. The calculations have been performed by UKIL and AIL respectively.

6.10.9. UKIL's and AIL's business plans allow for dividends expected to be paid out of UKIL and AIL. In the adverse scenarios, I have assumed the forecast dividend payments expected to be paid out of UKIL and AIL during 2026 continue to be paid. In reality, under stressed conditions, these dividend payments might reduce (in some cases to zero). Dividend decisions are reserved for the respective Boards of each firm. In this respect, the scenarios can be seen as conservative. In particular, UKIL's and AIL's largest dividend payments are typically paid near the end of the calendar year. The scenarios assume the adverse stress occurs immediately after making this dividend payment.

6.10.10. I have not allowed for any management actions that could be taken to mitigate the impact of stressed scenarios. In this respect, the scenarios can be seen as conservative.

6.10.11. The scenarios also allow for the potential mitigating effect of deferred tax assets.

6.10.12. The scenarios I have considered include the following:

- Reserve deteriorations: I have considered a range of scenarios whereby UKIL's and AIL's reserves deteriorate materially. I consider the likelihood of these scenarios to be remote given the historical volatility of reserves, the size and diversified nature of AIL's business, the independent reviews of reserves which support the level of provisions held by UKIL and AIL (see section 5), and independent views of the reasonable range of outcomes around the best estimate IFRS 17 provisions. In each of these scenarios considered, both UKIL and AIL are expected to still have sufficient Eligible Own Funds to pay their claims.
- Adverse profitability: I have considered a scenario that results in an increase in combined ratio and reduction in business volumes. Both UKIL and AIL remain sufficiently capitalised in this scenario.
- Adverse claims experience: I have considered scenarios involving PPO experience and motor bodily injury claims experience being worse than expected. In these scenarios, UKIL is projected to remain sufficiently capitalised and AIL is projected to be at least sufficiently capitalised.
- Market risk: I have considered market risk scenarios including a fall in interest rates and an increase in credit spreads. In the interest rate scenario, both UKIL and AIL are expected to remain sufficiently capitalised. In the credit spreads scenario, UKIL is expected to remain sufficiently capitalised and AIL is expected to remain well capitalised.
- Default of large external reinsurer: I have considered the impact of a significant default by an external reinsurance counterparty. In this scenario, AIL is expected to remain sufficiently capitalised at Day 0 and well capitalised at Day 1.
- I have also considered a more remote scenario involving a combination of a material reserve deterioration and a reduction in nominal interest rates at the same time. Even in this extreme scenario, UKIL and AIL are expected to still have sufficient assets to pay their claims in full.
- Default of AII and reserve deterioration: I have considered the impact on AIL of a significant default by AII (intra-group reinsurer) followed by a reserve deterioration. For the purpose of this scenario, I have not assessed the specific circumstances leading to default of AII. The reinsurance provided by AII is on a funds withheld basis, whereby an amount equal to the best estimate (IFRS) liabilities is retained by AIL in a funds withheld account. If the IFRS liabilities were to increase, then the funds withheld would be topped up by AII periodically. In this scenario, AII is assumed to default immediately prior to the 20% reserve deterioration. The funds withheld asset therefore covers only the original IFRS liabilities prior to the reserve deterioration. Therefore, the full value of the reserve deterioration is assumed to be non-recoverable from AII. In this scenario, AIL is projected to be able to pay its claims in full.
- A 'reverse stress test' has also been considered by each firm. This is a remote scenario which, by design, considers potential events that could lead to the unviability or insolvency of an insurer. Even in this remote scenario, UKIL and AIL are still expected to be able to pay their claims.

6.10.13. The table below summarises the impact of each scenario on UKIL's and AIL's Eligible Own Funds based on projections to 31 December 2026. I have shown the impact on Eligible Own Funds only, because AIL's MMC has not yet been approved and therefore AIL's projected SCR based on its post-MMC model is uncertain.

Scenario description	Scenario type	Eligible Own Funds (£m)					
		UKIL		AIL		AIL	
		Day 0	Impact on Day 0	Day 0	Impact on Day 0	Day 1	Impact on Day 1
Base result (including planned dividends)		**2,039**		**3,145**		**2,967**	
A) 20% deterioration of reserves for all Transferring (UKIL) Business and all AIL personal lines business (no impact on AIL subsidiaries).	Reserve deterioration	1,406	-633 (-31%)	2,321	-824 (-26%)	2,460	-507 (-17%)
B) 20% deterioration of reserves for all Transferring (UKIL) Business and all Existing (AIL) Business.	Reserve deterioration	1,406	-633 (-31%)	1,727	-1,418 (-45%)	1,864	-1,103 (-37%)
C) 30% deterioration of reserves for all Transferring (UKIL) Business and all AIL personal lines business (no impact on AIL subsidiaries).	Reserve deterioration	1,010	-1,029 (-50%)	1,829	-1,316 (-42%)	2,209	-758 (-26%)
D) 30% deterioration of reserves for all Transferring (UKIL) Business and all Existing (AIL) Business.	Reserve deterioration	1,010	-1,029 (-50%)	938	-2,207 (-70%)	1,288	-1,679 (-57%)
E) 10% increase in combined ratio in 2026 & 2027 and 10% reduction in business volumes in 2026 & 2027.	Adverse profitability	1,828	-211 (-10%)	2,571	-574 (-18%)	2,358	-609 (-21%)
F) 1.5% pa increase in assumed ASHE increases, 1.5% pa decrease in discount rate, 5-year increase in life expectancy and doubling of propensity assumption compared to base assumptions.	Adverse PPO experience	1,824	-215 (-11%)	2,617	-528 (-17%)	2,571	-396 (-13%)
G) For motor bodily injury claims: 10% increase in future number of claims and 3% pa increase in claims inflation for 6 consecutive years.	Adverse motor bodily injury claims experience	1,926	-113 (-6%)	2,930	-215 (-7%)	2,814	-153 (-5%)
H) UK windstorm and UK inland flood event.	Significant catastrophe	1,961	-78 (-4%)	2,941	-204 (-6%)	2,801	-166 (-6%)
I) Nominal interest rate curve falls by 3% pa.	Fall in interest rates (market risk)	2,086	+47 (+2%)	3,053	-92 (-3%)	2,785	-182 (-6%)

Scenario description	Scenario type	Eligible Own Funds (£m)					
		UKIL		AIL		AIL	
		Day 0	Impact on Day 0	Day 0	Impact on Day 0	Day 1	Impact on Day 1
J) 5% pa increase in global corporate bond credit spreads as well as an instantaneous 3-notch downgrade of the corporate bond portfolio.	Increase in credit spreads (market risk)	1,776	-263 (-13%)	2,751	-394 (-13%)	2,705	-262 (-9%)
K) A combination of Scenario B and Scenario I.	Reserve deterioration and interest rate shock	1,453	-586 (-29%)	1,636	-1,509 (-48%)	1,682	-1,285 (-43%)
L) Default of large external reinsurer.	Reinsurance default	1,927	-113 (-6%)	2,865	-280 (-9%)	2,741	-226 (-8%)
M) Default of intra-group reinsurer (AII) followed by Scenario B, resulting in a loss of reinsurance recoveries above the funds withheld asset	Reinsurance default and reserve deterioration	1,406	-633 (-31%)	709	-2,436 (-77%)	426	-2,541 (-86%)
N) Reverse stress test: two UK windstorms and a flood, full default of large external reinsurer, 5% pa increase in global corporate bond credit spreads and a 20% deterioration in reserves for Transferring (UKIL) Business and AIL personal lines business (no impact on AIL subsidiaries).	Reverse stress test	284	-1,755 (-86%)	18	-3,127 (-99%)	647	-2,320 (-78%)

6.10.14. Under all scenarios considered, UKIL's and AIL's Eligible Own Funds remain above 0. That is, UKIL and AIL would still be able to pay their claims in full under each adverse scenario.

6.10.15. In the base scenario, AIL's Day 1 Eligible Own Funds are lower than AIL's Day 0 Eligible Own Funds. This is due to the overall impact of AIL ceding 50% of the Transferring Business to AII post-transfer. For the majority of scenarios considered, the impact of the scenario on AIL's Eligible Own Funds is lower at Day 1 than at Day 0. This shows that the reinsurance with AII post-transfer is expected to be a valuable risk management tool, as it is expected to mitigate the impact of adverse scenarios on AIL.

My conclusions from the scenario analysis

6.10.16. My conclusions from this scenario analysis are set out below. For each group of policyholders, I have considered how being exposed to the stressed scenarios post-transfer would compare to being exposed to the stressed scenarios pre-transfer.

6.10.17. In addition to the scenarios considered in this report, AIL has provided me with its Own Risk and Solvency Assessment (ORSA). Within the ORSA, AIL has considered the impacts of an alternative set of stress and scenario tests on its projected SCR coverage ratio for each year up to 31 December 2028. These stress and scenario tests have formed part of AIL's business plan. The results of the ORSA stress and scenario testing show that, over the period to 31 December 2028, AIL expects to remain within its solvency risk appetite for the majority of scenarios considered. In some of the more extreme scenarios considered, AIL's SCR coverage ratio is projected to fall below 100% if dividends are paid in line with plan. However, management actions (including reducing dividend payments) would in these cases restore AIL's SCR coverage ratio to above 100% and above its solvency risk appetite threshold.

Transferring Policyholders

6.10.18. Under all scenarios considered, including the most extreme and remote scenarios such as the reverse stress test, AIL is still expected to be able to pay its claims in full after the Proposed Transfer.

6.10.19. As explained in section 6.10.7, the adverse scenarios assume the forecast dividend payments expected to be paid out of UKIL and AIL during 2026 continue to be paid. UKIL's and AIL's largest dividend payments are typically paid near the end of the calendar year. The scenarios assume the adverse stress occurs immediately after making this dividend payment. Even in these circumstances, AIL is still expected to be able to pay its claims in full under all scenarios. In reality, under stressed conditions, these dividend payments might reduce (in some cases to zero).

6.10.20. I am satisfied that the scenarios considered show that AIL can withstand material adverse experience and would continue to provide appropriate security to its policyholders under these scenarios.

6.10.21. **Therefore, under these scenarios, I am satisfied that the Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.**

Existing Policyholders

6.10.22. For the majority of scenarios considered (all except scenario F), the SCR coverage ratio for Existing Policyholders immediately after the Proposed Transfer (i.e. AIL at Day 1) is expected to be higher than immediately prior to the Proposed Transfer (i.e. AIL at Day 0). For scenario F, which considers adverse PPO experience, the SCR coverage ratio for Existing Policyholders at Day 1 is expected to be slightly lower than at Day 0. This is because of the move from a standard formula basis to a partial internal model basis for UKIL risks. However, even under this scenario, at Day 1, AIL is expected to remain well capitalised. I am therefore satisfied that, under this scenario, Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer.

6.10.23. Under all scenarios considered, including the most extreme and remote scenarios such as the reverse stress test, AIL is still expected to be able to pay its claims in full after the Proposed Transfer. I am satisfied that the scenarios considered show that AIL can withstand material adverse experience and would continue to provide appropriate security to its policyholders under these scenarios.

6.10.24. Under the majority of scenarios, the impact of the scenario on AIL's Eligible Own Funds is lower at Day 1 than at Day 0.

6.10.25. **Therefore, under these scenarios, I am satisfied that the Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer.**

6.11. Overall conclusion: Capital considerations

6.11.1. I have set out below my overall conclusions related to capital. These capital considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

6.11.2. Based on the work and rationale described above I have concluded that:

- For Transferring Policyholders, if the Proposed Transfer had been implemented on 31 December 2025, the Transferring Policyholders would have been transferred from UKIL, with an SCR coverage ratio of 153%, to AIL which, after allowance for the implementation of the Proposed Transfer, would be expected to have had an SCR coverage ratio of 192%. On this basis, I consider that the security provided to Transferring Policyholders would not have been materially adversely affected if the Proposed Transfer had occurred on 31 December 2025.

- For Existing Policyholders, if the Proposed Transfer had been implemented on 31 December 2025, AIL's SCR coverage ratio would have been expected to be unchanged at 192% as a result of the Proposed Transfer. On this basis, I consider that the security provided to Existing AIL Policyholders would not have been materially adversely affected if the Proposed Transfer had occurred on 31 December 2025.

- In addition to the pro-forma figures as at 31 December 2025, UKIL and AIL have provided me with indicative projections immediately before the Proposed Transfer (i.e. as at 23:58 on 31 December 2026 and following the transfer of CIC policies to UKIL) and after the Proposed Transfer (i.e. as at 23:59 on 31 December 2026). There are a number of changes expected to take place over this period, including forecast dividends expected to be paid during 2026, the MMC being approved and becoming effective, and AIL ceding 50% of the Transferring Business to AII. I have discussed these changes with Aviva and, based on projections provided to me by AIL as at Day 0 and Day 1, AIL is projected to be at least well capitalised immediately after the Proposed Transfer, after allowing for each of the above items. In addition, AIL's SCR coverage ratio is expected to be higher at Day 1 than Day 0 due to the completion of the MMC and ceding 50% of the Transferring Business to AII. I have therefore concluded that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of these changes.

- I have also considered a number of stress scenarios for both UKIL and AIL. Under all scenarios, even the most extreme and remote scenarios considered, UKIL and AIL are still expected to be able to pay their claims.
- Further, AIL has provided capital projections up to 31 December 2028 which indicate that AIL will remain very well capitalised over this period, prior to the payment of dividends, and well capitalised after the payment of dividends.
- I do not expect there to be any materially adverse changes in the strength of capital protection for any group of policyholders as a result of the Proposed Transfer

6.11.3. **Overall, considering all of the above factors, I have concluded that there is no materially adverse impact from the Proposed Transfer for Transferring Policyholders or Existing Policyholders in terms of capital security.**

7. Policyholder security

7.1. My considerations relating to policyholder security

7.1.1. As IE, my overall assessments related to policyholder security are:

- whether the likelihood of valid policyholder claims being paid is maintained following the Proposed Transfer for Transferring Policyholders and Existing Policyholders.
- whether any change in policyholder security results in policyholders being materially adversely affected by the Proposed Transfer.

7.1.2. To make these assessments, I have considered the following areas:

- The Solvency UK balance sheets of UKIL and AIL (section 7.2)
- The solvency positions of UKIL and AIL (section 7.3)
- Reinsurance arrangements (section 7.4)
- Access to the Financial Services Compensation Scheme (section 7.5)
- Access to the Financial Ombudsman Service (section 7.6)
- Insurance regulation (section 7.7)

7.1.3. Further details on each of these considerations are set out below. My overall conclusion related to policyholder security is set out in section 7.8.

7.2. Impact on the balance sheets of UKIL and AIL

7.2.1. I have based my analysis on the pro-forma pre and post-transfer balance sheets of UKIL and AIL, if the Proposed Transfer had been implemented on 31 December 2025.

7.2.2. For AIL, the 31 December 2025 balance sheet is the same as the pro-forma pre-transfer position. For UKIL, the pro-forma pre-transfer balance sheet is slightly different to the 31 December 2025 position, because it has been assumed that the CIC policies will have transferred to UKIL pre-transfer. See section 3 for detail on the planned transfer of the CIC policies to UKIL ahead of the Proposed Transfer.

Solvency UK balance sheets of UKIL and AIL: £m

	UKIL as at 31 December 2025		AIL as at 31 December 2025		Projected movement due to Proposed Transfer	
	Pre-transfer*	Post-transfer	Pre-transfer	Post-transfer	UKIL	AIL
Property	46	0	9	55	-46	+46
Investments (incl. subsidiaries)	5,161	181	10,941	14,081	-4,980	+3,140
Loans and mortgages	308	0	690	998	-308	+308
Reinsurance recoverables	851	0	5,758	6,609	-851	+851
Cash	65	187	140	18	+121	-121
Other assets	804	0	814	1,618	-804	+804
Total assets	**7,235**	**367**	**18,352**	**23,380**	**-6,868**	**+5,028**
Technical provisions	4,645	0	8,442	13,087	-4,645	+4,645
Other liabilities	383	0	6,683	7,066	-383	+383
Total liabilities	**5,028**	**0**	**15,125**	**20,153**	**-5,028**	**+5,028**
Excess of assets over liabilities	**2,207**	**367**	**3,227**	**3,227**	**-1,840**	**0**
Add back: subordinated debt	0	0	260	260	0	0
Total Eligible Own Funds to meet the SCR	**2,207**	**367**	**3,487**	**3,487**	**-1,840**	**0**
Tier 1	2,206	367	3,167	3,166	-1,839	-1
Tier 2	0	0	260	260	0	0
Tier 3	1	0	60	61	-1	+1
Total capital requirement (SCR)	**1,445**	**8**	**1,819**	**1,819**	**-1,437**	**0**
SCR coverage ratio	**153%**	**4587%**	**192%**	**192%**	**+4434%**	**0%**

Source: *UKIL and AIL*
**Note UKIL pre-transfer position assumes the CIC policies will have transferred to UKIL pre-transfer.*
Increases due to the Proposed Transfer are shaded orange, decreases are shaded blue and grey shading is used to denote areas where there is expected to be no change.

7.2.3. The table above shows the simplified Solvency UK balance sheets for UKIL and AIL pre- and post- the Proposed Transfer, if the Proposed Transfer had been implemented on 31 December 2025.

Key movements between pro-forma pre-transfer and post-transfer positions

7.2.4. UKIL's Eligible Own Funds and SCR reduce significantly as a result of the Proposed Transfer. This is because all of UKIL's business will be transferring to AIL under the Proposed Transfer. If the Proposed Transfer had been implemented on 31 December 2025, UKIL's Eligible Own Funds would have reduced from £2.2bn to £367m and the SCR would have reduced from £1.4bn to £8m. UKIL's pro-forma post-transfer Eligible Own Funds and SCR are non-zero because UKIL will continue to hold assets post-transfer. In particular, assets are expected to be held in UKIL immediately after the Proposed Transfer to fund the subsequent redemption of a debt instrument by the payment of a dividend to Direct Line during 2027 Q1.

7.2.5. Pre-transfer, because UKIL is a subsidiary of AIL, the value of AIL's participation in UKIL is classified as an investment on AIL's balance sheet. Post-transfer, all of UKIL's liabilities and the majority of UKIL's assets transfer to AIL. However, the value of AIL's participation in UKIL also reduces due to the reduction in UKIL's Eligible Own Funds. This means that, overall, AIL's Eligible Own Funds do not change as a result of the Proposed Transfer. Detail on the key movements in assets and liabilities pre- and post-transfer is provided below.

7.2.6. Overall, AIL's SCR, Eligible Own Funds and SCR coverage ratio are expected to be unchanged as a result of the Proposed Transfer. This is because the risks associated with the Transferring Business (i.e. the UKIL risks) are already on AIL's balance sheet pre-transfer as UKIL is a subsidiary of AIL.

7.2.7. The key movements in UKIL's and AIL's balance sheets as a result of the Proposed Transfer are as follows:

- Technical provisions - UKIL's technical provisions reduce from approx. £4.6bn to zero as a result of the Proposed Transfer because all of UKIL's business will be transferring to AIL. AIL's technical provisions increase accordingly.
- Reinsurance recoverables – UKIL's reinsurance recoverables reduce to zero and AIL's reinsurance recoverables increase accordingly (i.e. by £851m).
- Other liabilities – AIL's other liabilities increase by £383m as a result of the Proposed Transfer, in line with the reduction in UKIL's other liabilities.
- Investments – UKIL's investments reduce by approx. £5.0bn and AIL's investments increase by approx. £3.1bn as a result of the Proposed Transfer. AIL's investments increase by less than the reduction in UKIL's investments because the value of AIL's participation in UKIL reduces following the Proposed Transfer. As UKIL is a subsidiary of AIL, the value of AIL's participation in UKIL is classified as an investment on AIL's balance sheet. The value of AIL's participation in UKIL reduces by the value of the Eligible Own Funds transferred from UKIL to AIL (i.e. approx. £1.8bn).
- For all other assets (property, loans and mortgages, cash and other assets), the reduction in UKIL's assets is equal to the increase in AIL's assets.

Key movements between the pro-forma 31 December 2025 balance sheets and the Effective Date of the Proposed Transfer (31 December 2026)

7.2.8. In addition to the above pro-forma figures as at 31 December 2025, UKIL and AIL have provided me with indicative projections immediately before and after the Proposed Transfer. There are a number of changes expected to take place over this period, which I have discussed with Aviva. There is uncertainty associated with these expected changes, and there is ongoing work to confirm if they will be implemented as currently expected. I have concluded that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of these expected changes. In particular:

- **Forecast dividends expected to be paid during 2026**: UKIL and AIL are forecast to make dividend payments during 2026. This reflects that UKIL's and AIL's 31 December 2025 SCR coverage ratios are in excess of their solvency risk appetite and dividend policy coverage ratio thresholds, as well as forecast capital generation expected during 2026. The forecast dividend payments are expected to reduce UKIL's and AIL's SCR coverage ratios. However, UKIL is expected to remain at least sufficiently capitalised and AIL is expected to remain well capitalised after the payment of dividends. In addition, both UKIL's and AIL's SCR coverage ratios are expected to remain in excess of their solvency risk appetites. Further, the expected payment of dividends during 2026 is planned regardless of whether or not the Proposed Transfer goes ahead. I am therefore satisfied that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of these forecast dividends.
- **The impact of the MMC being approved and becoming effective**: as discussed in section 6.7, AIL is currently seeking approval from the PRA for a MMC to incorporate the Transferring Business within its partial internal model. The MMC process is ongoing and the PRA's final decision on the MMC is expected by the end of November 2026. At this stage, the results of the proposed post-MMC model are uncertain. If approved, this model will be used by AIL to calculate its SCR post-transfer. AIL has provided me with indicative projections of its SCR and coverage ratio immediately following the Proposed Transfer using its proposed post-MMC model. These projections show the expected impact of the MMC on AIL's SCR, based on AIL's MMC pre-application. The quantum of this impact is currently uncertain as AIL has not yet received regulatory approval to calculate its SCR using the proposed post-MMC model. However, based on work performed to date, AIL is expecting its SCR to reduce, and therefore its coverage ratio to increase, following the MMC. I am therefore satisfied that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of the MMC. I will provide an update on the MMC, including projected post-transfer SCR coverage ratios, in my Supplementary Report.
- **AIL ceding 50% of the Transferring Business to AII**: immediately following the Proposed Transfer, AII is intending to reinsure 50% of the Transferring Business. In order for AII to reinsure the Transferring Business, the AII Board needs to agree changes to the existing reinsurance treaty with AIL, give its non-objection and the Aviva Plc Board needs to give its approval. Further detail is provided in section 3.2. AII's reinsurance of the Transferring Business is expected to lead to a reduction in AIL's SCR, and therefore an increase in AIL's coverage ratio. AIL's ability to model this reinsurance appropriately is dependent on the MMC being approved. As such, the quantum of the impact of this reinsurance on AIL's SCR coverage ratio is currently uncertain. However, based on work performed to date, AIL is expecting this reinsurance agreement to lead to a reduction in its SCR, and therefore an increase in its coverage ratio. I am therefore satisfied that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer as a result of this reinsurance.

7.2.9. In summary, based on projections provided to me by AIL as at Day 0 (immediately prior to the Proposed Transfer) and Day 1 (immediately after the Proposed Transfer), AIL is currently projected to be at least well capitalised immediately after the Proposed Transfer, after allowing for each of the above items. In addition, AIL's SCR coverage ratio is expected to be higher at Day 1 than Day 0 due to the completion of the MMC and ceding 50% of the Transferring Business to AII. **I am therefore satisfied that the security provided to Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the Proposed Transfer.**

7.3. Impact on the solvency positions of UKIL and AIL

7.3.1. The pro-forma solvency positions of UKIL and AIL pre- and post-transfer, if the Proposed Transfer had been implemented on 31 December 2025, are summarised in the following table.

Pro-forma pre-transfer and post-transfer solvency positions of UKIL and AIL as at 31 December 2025

	UKIL £m	AIL £m
Pro-forma pre-transfer		
Eligible Own Funds	2,207	3,487
SCR	1,445	1,819
SCR coverage ratio	153%	192%
Pro-forma post-transfer		
Eligible Own Funds	367	3,487
SCR	8	1,819
SCR coverage ratio	4,587%	192%

7.3.2. As at 31 December 2025, pre-transfer, UKIL and AIL were both well capitalised. If the Proposed Transfer had been implemented on 31 December 2025, the pro-forma post-transfer projections show that UKIL would have been very well capitalised immediately after the Proposed Transfer. There is expected to be no change in AIL's SCR coverage ratio arising directly as a result of the Proposed Transfer, because the risks associated with the Transferring Business (i.e. the UKIL risks) are already on AIL's balance sheet pre-transfer as UKIL is a subsidiary of AIL.

7.3.3. In addition to the above pro-forma figures as at 31 December 2025, UKIL and AIL have also provided me with indicative projections immediately before and after the Proposed Transfer. AIL has also provided SCR coverage projections following the Proposed Transfer through to 31 December 2028. See section 6.8 for details.

7.4. Reinsurance arrangements

7.4.1. UKIL and AIL have confirmed that all outwards reinsurance arrangements that are in place immediately prior to the Proposed Transfer (i.e. at Day 0) in respect of the Transferring Business will continue following the Proposed Transfer. AIL will assume all of UKIL's rights and obligations as the ceding insurer under the relevant transferring reinsurance arrangements. The Proposed Transfer will not affect the underlying terms and conditions of any existing reinsurance arrangements covering the Transferring Business.

7.4.2. There is currently a quota share reinsurance agreement in place between AIL and AII, under which AII reinsures 50% of AIL's insurance business. AII is another entity within the Aviva Group and is an indirect wholly-owned subsidiary of Aviva plc. The AII reinsurance covers all of AIL's direct insurance business and (inward) reinsurance eg from AIIDAC (including existing and new business), and there are no limits or material exclusions to the cover. The AII intra-group reinsurance applies after all external reinsurance (ie AII covers 50% of AIL's claims net of external reinsurance recoveries received). The reinsurance arrangement between AIL and AII does not include AIL's subsidiaries, some of which have their own direct reinsurance arrangements with AII (eg Aviva Canada).

7.4.3. At present, the Transferring Business is not reinsured by AII. Immediately following the Proposed Transfer, AII will reinsure 50% of the Transferring Business under the existing 50% quota share reinsurance agreement in place with AIL.

7.4.4. In order for AII to reinsure the Transferring Business, the AII Board needs to agree changes to the existing reinsurance treaty with AIL, give its non-objection and the Aviva Plc Board needs to give its approval. Prior to reinsuring the Transferring Business, AII is undertaking due diligence, assessing the impact of reinsuring the Transferring Business and ensuring its operational readiness. Further detail is provided in section 3.2. I will provide an update on activities relating to AII's reinsurance of the Transferring Business in my Supplementary Report.

7.5. Access to the Financial Services Compensation Scheme

7.5.1. The Financial Services Compensation Scheme (FSCS) in the UK provides consumer protection. The FSCS compensates customers in the event of the insolvency of a financial services firm.

7.5.2. If an insurer fails and is unable to pay claims, the FSCS will provide protection to eligible policyholders. The FSCS will pay 100% of any claim incurred for compulsory insurance (e.g. motor third party liability insurance) and 90% of claims incurred for non-compulsory insurance (e.g. home insurance), without any limit on the amount payable. The protection for non-compulsory insurance only applies to individuals and small businesses (being businesses with an annual turnover of less than £1m). No protection is available for Goods in Transit, Marine, Aviation and Credit Insurance. There is also no protection for reinsurance contracts.

7.5.3. **UKIL and AIL are both UK regulated entities, and as such I do not expect the rights of policyholders in respect of access to the FSCS to change as a result of the Proposed Transfer.**

7.6. Access to the Financial Ombudsman Service

7.6.1. The Financial Ombudsman Service (FOS) provides private individuals, micro enterprises and small businesses with a free, independent service for resolving disputes with financial companies. For the purposes of the FOS, a micro enterprise is defined as having an annual turnover or balance sheet of less than £2m and fewer than 10 employees, and small businesses are defined to be businesses with less than £6.5m turnover and either fewer than 50 employees or a balance sheet total of less than £5m.

7.6.2. It is not necessary for the private individual, micro enterprise or small business to live or be based in the UK for a complaint regarding an insurance policy to be dealt with by the FOS. However, it is necessary for the insurance policy concerned to be, or have been, administered from within the UK and/or issued from within the UK.

7.6.3. UKIL and AIL are both UK companies, so the Transferring Business will continue to be based in the UK. As such, any Transferring Policyholders that are currently eligible for access to the FOS will continue to benefit from this access following the Proposed Transfer.

7.6.4. **I do not expect the rights of policyholders in respect of access to the FOS to change as a result of the Proposed Transfer.** Any policyholders of UKIL or of AIL who are currently eligible to refer complaints to the FOS will continue to be eligible following the Proposed Transfer.

7.7. Insurance regulation

Prudential regulation

7.7.1. Prudential regulation requires financial firms to control risks and hold adequate capital to ensure regulated firms are being run in a safe and sound way.

7.7.2. The UK is currently regulated under Solvency UK. Solvency UK covers the prudential regulation of insurers, including risk management and capital requirements.

7.7.3. Both UKIL and AIL are authorised and regulated by the PRA on prudential matters. Based on this consideration, I do not expect Transferring Policyholders to be adversely affected by the Scheme due to prudential regulation.

Conduct regulation

7.7.4. Conduct regulation of financial firms includes consumer protection, market conduct rules and ethical codes of conduct. Conduct is generally regulated by the insurance regulator in the country in which a risk is located and/or the location from which the business is carried out.

7.7.5. In the UK, the Financial Conduct Authority (FCA) is responsible for conduct regulation. The FCA seeks to ensure that consumers are treated fairly in their dealings with insurers. Its rules and guidance include conduct related requirements covering the way in which an insurance firm organises, manages and oversees and governs its business, including codes of conduct, fit and proper requirements and training and competence standards. In addition, conduct regulation covers the full product life cycle, from product design and development, sales and communications with customers, cancellations and claims handling, and complaints handling and compensation.

7.7.6. Both UKIL and AIL are regulated by the FCA on conduct matters and I would not expect the conduct regulation to change for policyholders. Based on this consideration, I do not expect Transferring Policyholders to be adversely affected by the Proposed Transfer due to conduct regulation.

Conclusion on regulation

7.7.7. **As UKIL and AIL are subject to the same UK based regulatory regime, I do not expect policyholders to be adversely affected by the Proposed Transfer from a regulatory standpoint.**

7.8. Overall conclusion: Policyholder security

7.8.1. Policyholders will continue to be protected by the same statutory and regulatory mechanisms post-transfer.

7.8.2. **Based on the work and rationale described above, I have concluded that policyholders will not be materially adversely affected by the Proposed Transfer in regard to policyholder security.**

8. Policyholder communications

8.1. My considerations relating to policyholder communications

8.1.1. I have assessed the appropriateness of UKIL and AIL's proposed communication strategy to inform policyholders of the Proposed Transfer.

8.1.2. The key focus of my assessment was whether the policyholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them. As part of this assessment, I have also considered the rationale behind any waivers that are being sought, to ensure these are proportionate and reasonable.

8.2. Overview of communications strategy

8.2.1. UKIL and AIL have developed a communications strategy to notify affected parties of the Proposed Transfer and allow time for any affected parties to raise objections to the High Court. I have summarised the main points of the communications strategy below, including the waivers that UKIL and AIL will be seeking.

8.2.2. **Transferring Policyholders**:

- UKIL intends to notify all Transferring Policyholders for whom a name and address is held on computerised records. There are some groups of Transferring Policyholders for whom the parties do not hold contact details. UKIL is seeking a waiver from the requirement to notify such policyholders (see detail in section 8.3).
- UKIL will notify all Transferring Policyholders for whom the parties hold a valid email address and who have provided email as a preference or have expressed no preference as to a particular method of communication via email. A digital approach is consistent with the way in which UKIL currently communicates with many of its policyholders. The parties will monitor the delivery rates of digital notifications and in the event of bounce-back or delivery failure, the policyholder will be sent a notification pack by post. The parties will be tracking and reporting on a variety of delivery and open metrics including: sent volumes, delivered volumes and delivery rates, bounce volumes and bounce rates, volume of recipients who report the email as spam, volume of unique opens and unique open rates, volume of unique clicks and unique click rates, and click to open rates.
- A printed version of the notification pack will be sent by post (rather than by email) to c. 31% of Transferring Policyholders and claimants. This includes policyholders that have set this format as a preference; policyholders for whom the parties do not hold a valid email address (c. 11%); recipients for whom a delivery failure has been received from initial email communication attempts (expected to be c. 0.8% based on prior communications); and c. 27,703 policyholders or claimants who have indicated that they require specific alternative formats of communication (e.g. braille or large print).
- Out of a total 8.2 million in-force Transferring Policies, 0.6 million are rescue policies that have an associated motor policy, which UKIL does not intend to be contact separately. 0.2 million are Natwest Home Emergency Repair policies, which will no longer be in force by the Effective Date of the Proposed Transfer (see section 8.3). UKIL intends to notify the remaining 7.4 million Transferring Policies. Of these 7.4 million Policies, c. 1.6 million (c. 22%) were underwritten by Partners. In addition, there are c. 132,600 claims with no live policy, of which c. 32,000 (24%) relate to policies that were underwritten by Partners. All partners of UKIL with whom there are active distribution agreements have been contacted, and a communication approach for policies and claimants covered by these arrangements has been agreed. The approach to be taken has been determined by consideration of a variety of factors including minimisation of policyholder/claimant confusion, ownership of policyholder/claimant data and partner preference.
    - UKIL-led partner communications: For 15 partners, it has been agreed that UKIL will notify the relevant transferring policyholders and claimants directly. This covers c. 1.5 million (80%) policies that will be transferred.
    - Partner-led communications: For Intelligent Insurance, it has been agreed that the partner will notify the relevant transferring policyholders and claimants on UKIL's behalf. For Simply Business, a joint approach has been agreed. UKIL will notify claimants and Simply Business will notify the transferring policyholders on UKIL's behalf. In aggregate, this covers c. 160,000 policies. UKIL will supply both partners with notification packs which give a consistent level of information to that being provided to Transferring Policyholders who are being communicated with by UKIL directly. UKIL will also provide instructions as to how the communications process should be managed.

These partners will be required to provide UKIL with metrics demonstrating that they have sent communications to all identified policyholders.

- For the purposes of communication, the parties took a cut of policyholder and claims data on 11 June 2026. A subsequent data refresh will be conducted on 8 July 2026 and repeated weekly after that. This will allow any new policyholders (which are not renewals) to be identified, as well as any new claimants since the initial cut of data, and communications will be sent to these parties. Data will be refreshed weekly up to the Effective Date of the Proposed Transfer when new policies (non-renewal) may be incepted and new claimants may be identified:
  - For those new policies and new claimants identified before the Sanction Hearing, these parties will be made aware of the Proposed Transfer via banners and notifications on all brand websites informing them of the Proposed Transfer. A notification pack will also be sent to all new policyholders to provide comparable levels of information as received by other policyholders.
  - For new policies incepted and new claimants identified between the Sanction Hearing and the Effective Date, an email will be sent making such policyholders or claimants aware that the Proposed Transfer will be occurring. As the Sanction Hearing will have passed, the wording would be edited to remove the right to object to the transfer, as this would no longer be applicable.

8.2.3. **Existing Policyholders**: AIL is seeking a waiver from notifying its Existing Policyholders (see detail in section 8.3).

8.2.4. **Transferring Reinsurers**: As part of the integration process between Direct Line and Aviva, several of the key reinsurance contracts have already been incorporated, from 1 January 2026, within the Aviva Group's existing reinsurance programmes. In respect of the remaining reinsurance arrangements relating to the Transferring Business, UKIL and AIL intend to take a proportionate, risk-based approach to reinsurer notifications, focusing on reinsurers with a credible likelihood of exposure to the Transferring Business. UKIL's proposed approach is driven by identification of reinsurers with open claims or receivables and those engaged via active broker relationships. UKIL has applied different look-back periods for different product lines:

- For reinsurance of motor risks, UKIL has applied a look-back period of the current underwriting year (2026/27) plus the previous eight underwriting years of Direct Line's standalone reinsurance programmes (2018-2025). UKIL considers this to be appropriate because court processes in respect of potential motor claims can take up to c. 2-5 years before a claim materialises, and most potential motor claims that are large enough to exceed the reinsurance retention are notified to reinsurers within 18 months.
- For all other product lines, UKIL has applied a look-back period of the current underwriting year only. UKIL considers this to be appropriate because the short-tail nature of the business written is such that the majority of claims will be known in the year of the contract.

UKIL and AIL consider that an approach informed by the above criteria will result in substantially all of UKIL's outwards reinsurers being notified, including all reinsurers with open claims/receivables, and all reinsurers who could reasonably be expected to face future receivables or claims (based on the look-back periods). The application of the proposed approach will mean that approximately 130 out of a total of c. 716 historical reinsurance contracts will be in-scope for formal notification. As the vast majority of UKIL's reinsurance cover is renewed on an annual basis with a regular cohort of reinsurers, the parties expect substantially all of UKIL's outwards reinsurers to be represented in the c.130 in-scope reinsurance agreements.

8.2.5. **Other parties**: In addition to notifying Transferring Policyholders and Transferring Reinsurers, UKIL and AIL will notify other impacted parties including certain employees, contracted third parties and distributors:

- Employees: a Transfer of Undertakings (Protection of Employment) regulations ("TUPE") process will be undertaken in advance of the Proposed Transfer to move employees from Direct Line Insurance Services (DLIS) to Aviva Employment Services and from UK Assistance Accident Repair Centres Ltd (UKAARC) to Solus (London) Limited. The Proposed Transfer itself will not trigger any further changes for these employees. A communication approach has been designed to ensure that all Direct Line and Aviva employees are made aware of the Transfer. The approach will use a combination of communication channels to deliver information about the Transfer, including leadership briefings/newsletters, local communication channels for customer-facing employees and intranet site updates.

- Contracted third parties whose contracts are intended to transfer under the Part VII will be notified of the Proposed Transfer. This includes, where relevant, contracts with non-UKIL entities which are necessary for the continuity of the insurance business. Specifically, this covers direct and indirect suppliers, property leaseholders and freeholders, and distributors. Subject to Court Approval, UKIL contracts transfer automatically under the Part VII. For non-UKIL contracts, UKIL and AIL are identifying the contracts that are necessary to support the insurance business being transferred and that are therefore proposed to transfer under the Scheme. These third parties will be notified of the Scheme. Where a contract is not deemed necessary for the continuity of the insurance business, it will require separate treatment outside the Part VII process, such as renegotiation or novation. Third parties to these contracts will be contacted in advance of the Scheme to discuss the proposed approach.
- Distributors: all UKIL insurance distribution agreements are within the scope of the Proposed Transfer. Of these, c. 36 insurance distribution relationships with associated contracts are considered currently or recently live and therefore the associated counterparties will be notified of the Proposed Transfer.
- Landlords and Tenants: a small quantity of leasehold and freehold property assets has been identified to be included for transfer under the Scheme. Any such impacted landlords and tenants will be notified of the Proposed Transfer by through business-as-usual communication channels, and formally notified of the transfer once the Scheme has taken effect.

8.2.6. I am satisfied that the communications strategy will ensure that those who will be materially affected by the Proposed Transfer will be informed appropriately.

8.3. Requested waivers and rationale

8.3.1. UKIL and AIL intend to request that the Court grant a dispensation from the need to directly notify the following:

- **Existing Policyholders** of AIL.
- Certain groups of **Transferring Policyholders** for whom the parties do not hold a name and address on computerised records (see detail in paragraph 8.3.7).
- Certain **Transferring Reinsurers** (see detail in paragraph 8.3.8).

8.3.2. UKIL and AIL have provided a rationale to support their requests for dispensation which included consideration of the judgment of Norris J in the Directions Hearing in Re Aviva International Insurance Limited [2011] EWCH 1901 (Ch.) (the Aviva Judgment). The Aviva Judgment summarised the following factors as a rationale for granting a dispensation:

- the impossibility of contacting policyholders;
- the practicality of contacting policyholders;
- the utility of contacting policyholders;
- the availability of other information channels through which notice of the application can be made available;
- the proportionality of strict compliance and the impact of collateral commercial concerns; and
- the likely impact of the Proposed Transfer on policyholders.

8.3.3. I have reviewed this rationale and discussed and challenged it with UKIL and AIL. I am satisfied that the requested waivers are proportionate and reasonable, and I provide more detail on this below.

Existing Policyholders

8.3.4. Aviva does not propose to individually notify Existing Policyholders whose policies will remain with AIL, and is seeking a dispensation in this regard, for the following reasons:

- Aviva considers that there would be limited utility in sending notices to AIL's Existing Policyholders because the Proposed Transfer will not amend or affect any of the policy terms and conditions, service levels or administration of these policies.
- Aviva considers that the Proposed Transfer will not materially affect the security of the Existing Policyholders because AIL is projected to be at least well capitalised after the Proposed Transfer.

- The nature of AIL's business is that the vast majority of existing policyholders have annual renewal dates, meaning that any impact on live policies would be short-lived.
- As UKIL is already a member of the Aviva Group, UKIL and AIL do not expect AIL's Existing Policyholders to have any concerns about the origins of the Transferring Business, and the nature of the Transferring Business is similar to the business of AIL. In addition, a number of integration steps have been, or are in the process of being implemented in respect of UKIL's controls, procedures and risk policies such that these will be closely aligned with those of AIL ahead of the Proposed Transfer.
- Aviva considers that the cost and effort of circulation to all Existing Policyholders would be considerable and disproportionate. As at 30 April 2026, AIL has issued approximately 12.9 million in-force policies. The cost of notifying all of these in-force policies, together with any other person who could still bring a claim under a policy issued by AIL, would outweigh any benefit of notifying Existing Policyholders. Aviva estimates that the additional cost of communicating to Existing Policyholders would be in the region of £6.5m. In addition, the administrative and practical logistics of extracting the contact information for these customers, sending notices and responding to queries would incur additional costs and require a significant commitment of resources.
- Notices will be published in the Gazettes and two national newspapers, as well as on the dedicated Part VII webpage (see details below). Therefore, AIL considers that Existing Policyholders will have a reasonable opportunity of becoming aware of the Proposed Transfer through those publications. Existing Policyholders will also be able to contact Aviva for further information, including to request a copy of my Scheme Report and summaries of the terms of the Proposed Transfer.

8.3.5. AIL has applied the practicality, utility, proportionality, impact and availability of other information channels arguments from the Aviva Judgement to support their request for dispensation.

8.3.6. I have reviewed the information regarding the waivers sought in respect of Existing Policyholders and am satisfied that these are reasonable arguments in support of such waivers.

Transferring Policyholders

8.3.7. The parties generally propose to notify each Transferring Policyholder for whom a name and address is held on computerised records. However, the parties are seeking a waiver in respect of notifying the following groups of policyholders for whom they do not hold these records:

- **Joint policyholders**: UKIL has identified c. 886,250 joint policies for which only the name and phone number are recorded. In these cases, UKIL has the full contact details for the lead policyholder only. As a result, the parties will not be contacting the joint policyholders directly. The covering letter provided to lead policyholders will contain a prominent request to share all relevant information with any other impacted parties, including joint policyholders.
- **Additional interested parties associated with a policy**: there is a range of other impacted parties who could potentially make a claim on a policy, but for which UKIL does not hold contact information. This includes trustees-in-bankruptcy, executors and personal representatives of deceased policyholders, policyholders where communication is ordinarily via third party payers, family members on a travel policy, named drivers on motor policies, potential third party claimants under third party liability motor insurance policies, and holders of powers of attorney over a policyholder or claimant. It is not possible for the parties to contact these additional interested parties directly. The covering letter will contain a prominent request to share all relevant information with any other interested parties.
- **Policyholders and other impacted parties who are not traceable via reasonable endeavours ("gone-aways")**: there are certain data quality constraints in relation to UKIL's policyholder data, meaning that up-to-date postal address details are not currently held for all policyholders. In order to minimise the number of gone-aways, UKIL has a process for identifying and remediating any policies where a postal address is identified as no longer valid or where there is no available postal address on record. To minimise the number of gone-aways in advance of the Proposed Transfer, UKIL has looked to source policyholder information from other customer data across the business and to match details of policyholders with information through UKIL's internal customer data management system. Following initial tracing work, the parties have identified a residual 15,134 holders of live UKIL policies and 264 live claimants relating to UKIL policies for whom no postal address is held on record as of 30 April 2026. This represents 0.2% of the total portfolio of UKIL's live policyholders and 0.3% of claimants. UKIL will seek to contact these parties via alternative means of contact, including by way of phone call, SMS or email, depending on the details available on record. UKIL holds a current email address for 83% (12,502) of the 15,134 live policyholders and 93% (246) of the 264 claimants.

Therefore, the parties expect that the majority of these policyholders and claimants will be contactable via email. The parties believe that they have taken all reasonable actions to obtain contact details for these policyholders and claimants. However, in order to avoid a technical breach of the regulations, the parties are seeking a waiver from the requirement to notify all Transferring Policyholders on the grounds of impossibility.

- **Lapsed and cancelled policyholders**: the notification pack will also be sent to lapsed and cancelled policyholders in the likelihood that they could still make a claim. The parties' proposed approach is intended to capture at least 95% of potential claimants. For personal lines policies, communications will be sent to lapsed and/or cancelled policyholders who held an in-force policy on 1 January 2026, as well as anyone who had an in-force policy after that date and has since lapsed or cancelled. For commercial lines policies, communications will be sent to lapsed and/or cancelled policyholders who held an in-force policy on 1 July 2025, as well as anyone who had an in-force policy after that date and has since lapsed or cancelled. This approach will bring approximately 1 million additional policyholders into the scope of the communications. Based on analysis of the typical amount of time taken for claims to be notified, Aviva expects this approach to achieve direct communication to at least 95% of potential claimants. Aviva recognises that a small volume of claims may take longer than this to be reported, e.g. bodily injury and liability claims. However, these longer-term claims are usually received by third parties (e.g. solicitors) for whom AIL and UKIL do not hold contact information. If Aviva holds a contractual relationship with the third party, they will be notified via the communication to suppliers or made aware via national advertising. Aviva's view is that it would not be proportionate to contact policyholders who have lapsed or cancelled prior to this point. As this is an intra-group transfer, customers will continue to have the same route and opportunity available to make a claim and there will be no changes to this process post-transfer (for example, claims telephone numbers and websites will remain the same). In addition, the wider communications approach includes notification of the Proposed Transfer via websites, newspapers, gazettes and trade press.
- **Warranty claimants:** UKIL recognises that for certain product lines (Motor and Home), policyholders benefit from a 12-month warranty against repairs carried out as part of a claim under their policy. UKIL is contacting all policyholders whose policies lapsed on or after 1 January 2026 (Personal Lines) and 1 July 2025 (Commercial lines) until the Effective Date, regardless of whether they made a claim or not, as well as all policyholders with open claims. These communications are expected to cover at least 95% of lapsed policyholders who may bring a claim as well as those in an active claim scenario and therefore will represent the same proportion as those who may also bring a warranty claim against those claims fulfilment repairs. Aviva considers that the time taken to obtain the data for the small number of customers with a warranty not covered by the existing communications is disproportionate to the benefit of doing so.
- **Home Emergency add-on to Natwest packaged bank account**: The existing partnership between UKIL and Natwest Bank will terminate on 30 September 2026 (i.e. before the Effective Date of the Proposed Transfer) at which point all Home Emergency cover provided to Natwest customers will immediately cease, with 24 hours to report final claims. This emergency cover product requires the policyholder to notify a potential claim within 24 hours of becoming aware of the circumstances giving rise to the potential claim. Given the timing of the termination of the agreement, and the nature of the cover being such that there will be no live claims and no prospect of late notification of claims by the Effective Date, UKIL proposes that there is no utility in communicating with this cohort of NatWest Bank customers about the Proposed Transfer. For completeness, to the extent there are any open complaints, these will be within the scope of the communications.
- **Rescue breakdown cover**: Once rescue breakdown cover has ended, the ability to raise a claim ceases. More than 90% of breakdowns are reported within 24 hours. On the Effective Date of the Proposed Transfer, every policyholder with the right to make a claim will have been communicated to as an open policyholder. For these reasons, UKIL does not intend to write to customers with lapsed rescue cover, as a claim could no longer be brought in respect of these lapsed policies. For completeness, to the extent there are any open complaints, these will be within the scope of the communications.
- **Lapsed Motability leases**: Once a Motability lease ends, the ability to raise a claim ceases. The product requires that the leaseholder notifies any claim on the day that the lease ends. On the Effective Date of the Proposed Transfer, every leaseholder with the right to make a claim will have been communicated to as an existing leaseholder. All open claimants will also be communicated to. For these reasons, UKIL does not intend to write to customers with lapsed leases, as a claim could no longer be brought in respect of these.

- **Executors of deceased policyholders:** the parties have identified 13,235 deceased policyholders. Direct Line does not centrally gather or hold contact details for the executors or personal representatives of deceased policyholders. Therefore, the parties are unable to contact executors or personal representatives directly in respect of the Scheme. As part of UKIL's usual process for handling claims of deceased policyholders, correspondence is sent to the address on file for the deceased policyholder. The UKIL operational process in respect of decreased policyholders is managed by specialist bereavement teams, who are appropriately trained and experienced and are product-led. Relevant data relating to each deceased policyholder is maintained across the product platforms in an unstructured format, allowing a tailored approach with this customer cohort. The Companies expect that formal (indirect) notification of the Proposed Transfer to executors or personal representatives would drive increased inbound contact to the call centre for the Proposed Transfer, which does not have specialised capabilities and customer-specific information held by the bereavement teams. Due to the unstructured format in which the customer-specific information is held in respect of deceased policyholders, it would not be possible to respect the preferences of those executors and personal representatives who have requested that no further contact is made with them in respect of a deceased policyholder's policy. Therefore, on the basis that executors and personal representatives cannot be contracted directly, and that it is expected to produce negative customer outcomes to seek to contact executors indirectly, the parties seek dispensation from the requirement to contact executors or personal representatives.

8.3.8. **Outwards reinsurers**: As outlined in paragraphs 8.2.4, the Companies expect that the proposed approach to the notification of outwards reinsurers will result in substantially all of UKIL's outwards reinsurers being formally notified of the transfer. The parties consider that it would require disproportionate effort and be of limited incremental benefit to seek to make notifications in respect of the full set of c. 716 reinsurance contracts. This is based on (a) the absence of any active claims associated with the additional contracts outside the c. 130 reinsurance contracts proposed to be in-scope for formal notification, (b) the low likelihood of exposure for any reinsurers in respect of the c.568 out of scope reinsurance contracts, and (c) the expectation that due to the nature of contract renewals in the reinsurance market, and the limited number of reinsurers, the significant majority of reinsurers across the full set of c.716 reinsurance contracts are likely to be captured in the c.130 in-scope reinsurance contracts. Therefore, the parties do not intend to seek to formally notify reinsurers in respect of the c. 586 out of scope reinsurance contracts, and seek dispensation from the requirement to contact all reinsurers of UKIL. Alternative methods of communication, including the use of brokers and the wider measures being taken to advertise the Proposed Transfer, will support widespread awareness amongst reinsurers.

8.3.9. UKIL and AIL have applied the impossibility, practicality, proportionality and availability of other information channels arguments from the Aviva Judgement to support their request for dispensation.

8.3.10. I have reviewed the information regarding the waivers sought in respect of Transferring Policyholders and am satisfied that these are reasonable arguments in support of these waivers.

Conclusion on waivers

8.3.11. Overall, I am satisfied with UKIL's and AIL's rationale for the waivers sought, as information regarding the Proposed Transfer is available from other sources and my conclusions in this report are that none of the Transferring Policyholders or Existing Policyholders will be materially adversely affected by the Proposed Transfer.

8.4. Planned notices

8.4.1. UKIL and AIL will comply with the regulations and place a notice of the Proposed Transfer in:

- the London, Edinburgh, Belfast and Jersey Gazettes;
- the following national newspapers in the UK:
  - The Times
  - The Daily Mail
- The following publications to secure a wider notification to affected policyholders and claimants:
  - the Guernsey Gazette
  - the Metro newspaper

8.4.2. The planned notices outlined above go beyond the minimum requirements set out in the regulations.

8.4.3. A dedicated webpage (the Part VII webpage) will be published on Aviva's website and linked from the websites of all Direct Line branded homepages (including Direct Line, Churchill, Green Flag, Privilege and Darwin). The website will contain all relevant documents, including those contained within the communication pack and the full Independent Expert's Report.

8.4.4. I am satisfied with the proposal for planned notices.

8.5. Translation and format of key documents

8.5.1. All publication notices and major documents (including this report) will be provided in English and there are no plans to translate any documents into other languages. Aviva is not aware of any Transferring Policy written in any other languages.

8.5.2. Where accessibility requirements are known, policyholders will receive their notification pack in accordance with their accessibility requirements (e.g. in large print, braille or audio). I am relying on UKIL and/or AIL to ensure the accuracy and appropriateness of any such materials. For the By Miles brand, accessibility data is not collected. Therefore, all communications sent to these policyholders will include a paragraph informing policyholders that they can request the information in alternative formats if required. Hard copies of all documents will also be available on request, free of charge.

8.6. Clarity of communication

8.6.1. I have reviewed a draft of the proposed communications (covering letter) and Transfer Guide to be provided to policyholders and claimants, explaining the background to the Proposed Transfer and the transfer process. I have also reviewed the template public notice to be published.

8.6.2. I understand that the communication pack to be provided to the parties set out in section 8.2 will include:

- A **covering letter** explaining the Proposed Transfer, tailored to the relevant recipient. This will contain a high-level overview of the Proposed Transfer, details of the recipient's right to raise concerns or object, information on where further information may be obtained and any actions that the recipient may need to take.
- An **information booklet** (the **Transfer Guide**) containing a more detailed overview of the Proposed Transfer, the rights of policyholders to object and the impact of the Proposed Transfer on policyholders. It will also contain:
    - A set of anticipated questions and responses designed to address any questions that recipients may have;
    - A summary of the Part VII Scheme;
    - A summary of my Scheme Report; and
    - A copy of the legal notice of the Proposed Transfer.

8.6.3. UKIL and AIL have considered the specific needs of vulnerable customers in its drafting of the notification packs. Where cohorts of vulnerable customers have been identified, for example Motability policyholders, a bespoke version of the covering letter will be created for such customers. The bespoke version of the covering letter will include a Part VII reference number for the call centre to identify them as a Motability policyholder or claimant. In addition, the dedicated call and query handling team is trained in identifying and supporting the needs of vulnerable customers.

8.6.4. Based on my review, and discussions with UKIL and AIL, I am satisfied the communication to policyholders regarding the Proposed Transfer is clear, fair and not misleading. The proposed communication also includes clear guidance on policyholders' entitlement to object and how to do so.

8.7. Overall conclusion: Policyholder communications

8.7.1. Based on my review of the communication strategy, I have concluded the planned communications strategy will ensure adequate coverage of affected parties.

8.7.2. UKIL and AIL are applying for a number of waivers from communicating with certain defined groups of policyholders, each of which is supported by an appropriate and pragmatic rationale.

8.7.3. I have also concluded that the planned communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer and that UKIL and AIL have sufficient resources to deal with any objections, enquiries or complaints received following the Part VII communication exercise.

9. Customer service and other considerations

9.1. Customer service

9.1.1. I have reviewed the customer service arrangements of UKIL and AIL and concluded that there will be no material changes to policyholder administration and claims handling, i.e. the policyholder experience, in respect of Transferring Policyholders and Existing Policyholders.

Claims handling

9.1.2. Both AIL and UKIL have established claims handling philosophies and standards that focus on ensuring fair outcomes for customers. Detail on AIL's and UKIL's claims handling philosophies is provided in section 3.

9.1.3. As part of ongoing integration activity following Aviva's acquisition of Direct Line, there are a range of updates underway to align UKIL's claims handling approach, methodology and systems with those of AIL. Some of these updates have already been implemented as at the date of this report. Other updates are planned to be implemented prior to the Proposed Transfer, and some changes are expected following the Proposed Transfer. Aviva's ultimate aim is to have one claims team and consistent platforms for handling both AIL's and UKIL's claims post-transfer. I have provided detail on some of these changes below. **I do not expect the Proposed Transfer to have any materially adverse impact on Transferring Policyholders from a claims handling perspective.** This is because the parties intend to implement the proposed changes to claims handling regardless of whether or not the Proposed Transfer goes ahead. **The Proposed Transfer itself has no direct impact on claims handling arrangements for either Existing Policyholders or Transferring Policyholders.**

9.1.4. Aviva is currently working on producing a detailed plan with associated timescales for the various changes expected to be made to claims handling. I will provide an update on the expected timescales for full alignment of UKIL's and AIL's claims handling approach in my Supplementary Report.

9.1.5. Aviva has provided me with information on the governance processes and controls that will be in place to manage the transition and ensure policyholders are not materially adversely impacted by any changes to claims handling. In line with Aviva's internal governance and controls processes, any material changes to the claims process (both before and after the Proposed Transfer) will be subject to appropriate governance, planning and communication as part of its ongoing integration plans, and will be guided by the core principle of fair and reasonable customer outcomes. These governance processes and controls will include a customer impact assessment, adherence to Consumer Duty principles, review by governance and risk teams and a control environment impact assessment where required. In my Supplementary Report, I will provide an update on the governance process and controls that Aviva has followed for any changes in claims handling between now and the date of my Supplementary Report.

9.1.6. Examples of the planned changes to UKIL's claims handling are:

- Both AIL and UKIL currently operate on the Guidewire claims system and are scheduled to migrate to Guidewire SaaS. AIL is scheduled to migrate during August 2026 (i.e. prior to the Proposed Transfer) and UKIL is scheduled to migrate during January 2027 (i.e. following the Proposed Transfer). These system upgrades relate only to the internal claims handling platform used by claims handlers and the parties do not expect any impact on customers. Aviva will use a series of customer-related metrics to monitor performance and ensure service levels remain stable throughout each phase of the transition. The Guidewire SaaS migration will not change the way in which UKIL Transferring Policyholders interact with UKIL or report their claims. All existing claims communication channels will continue to remain available to them.
- Ahead of the Proposed Transfer, Aviva is making a small number of carefully considered operational changes to align UKIL's claims handling with that of AIL, where Aviva considers that these changes can be made safely and will benefit customers. This includes changes to operational structure, processes and the use of analytics tools.

- The parties are exploring a change in process for UKIL in the bodily injury team, which may result in certain claims handling activities being moved to an outsourced provider. This would align UKIL with the existing approach used by AIL. The outsourced provider carries out this process for AIL currently and provides other services for UKIL. The outsourcing agreement would be subject to existing monitoring and assurance frameworks, and the parties have confirmed that they are confident this change will not alter the claims experience for customers.

9.1.7. Aviva has confirmed to me that, following the Proposed Transfer, it does not expect any negative impact on claims settlement times. Claims handling performance will continue to be subject to ongoing monitoring to ensure settlement times remain stable and that any improvements identified through integration activity are delivered safely and effectively. Settlement times will continue to be used as a key indicator to monitor performance and support timely, fair and appropriate claim resolution.

9.1.8. Resource and capacity considerations are embedded in Aviva's integration plans. Processes are in place to ensure sufficient availability to service customers is maintained. Customer impact assessments and business readiness assessments are completed for all planned changes, which includes an assessment of operational readiness for any such change.

9.1.9. I will provide an update on these ongoing changes to claims handling for Transferring Policyholders in my Supplementary Report.

9.1.10. **For Existing Policyholders, there are no expected changes to claims handling philosophy or procedures as a result of the Proposed Transfer.**

Policy administration

9.1.11. UKIL and AIL have both confirmed to me that it is envisaged that **there will be no material changes in current policy administration and customer service arrangements as a result of the Proposed Transfer.**

9.1.12. Aviva's approach to policy administration focusses on the timely provision of policy wording and key documentation to all policyholders, as well as regular customer outcome and performance monitoring to ensure that service standards meet customer expectations.

9.1.13. There are no plans to merge policy administration systems between UKIL and AIL and therefore customer service-related operational processes will remain materially unchanged following the Proposed Transfer. Separate UKIL and AIL Customer Service Operations remain in place. Work is ongoing within UKIL to enhance customer's online journeys to improve the overall customer experience and align to AIL's methods. The channels of customer service remain unchanged by the Proposed Transfer.

Complaints procedures

9.1.14. UKIL and AIL aim to handle all customer complaints fairly and in compliance with regulatory requirements.

9.1.15. AIL's business is subject to its Complaint Control Framework which consists of seven controls, three of which are owned by the Complaint Governance and Assurance Team and four are owned by the business. These controls include ensuring effective complaint handling through compliance with tolerances, comprehensive training, performance management and ensuring sufficient resource is available. There is also a range of internal and external assurance activity to ensure Aviva's UK Complaints Policy is followed.

9.1.16. UKIL's business is currently subject to a Complaint Handling Framework Standard aligned to the FCA's expectations. This sets out various controls, including fair and prompt complaint handling, complaint handling training, oversight of third-party complaint handling and monitoring and reporting of customer outcomes.

9.1.17. As part of ongoing integration activity following Aviva's acquisition of Direct Line, UKIL will migrate onto the Aviva complaints framework. Phase 1 of this transition is to implement consistent complaints identification and categorisation, which is expected to be completed by July 2026. Full alignment, including the transfer of all recording of complaints onto Aviva's systems, is expected by March 2027. These changes to complaints procedures and systems will be made regardless of whether or not the Proposed Transfer goes ahead. **There will therefore be no expected changes to the complaints procedure for either Transferring Policyholders or Existing Policyholders as a result of the Proposed Transfer.**

Consumer Duty

9.1.18. I have been provided with copies of UKIL's and AIL's conduct and consumer duty reports that were submitted to the joint AIL and Direct Line Board Conduct Committee in Q4 2025.

9.1.19. For both AIL and UKIL, the "Customer" outcomes in the Q4 2025 conduct and consumer duty reports were rated as "Positive", as all four consumer duty outcomes were assessed to be within appetite. These four consumer duty outcomes cover product and services, price and value, consumer understanding and consumer support.

9.1.20. Both AIL and UKIL have considered the September 2025 Which? super-complaint to the FCA regarding poor home and travel insurance claims acceptance rates within their consumer duty reporting. AIL monitors consumer understanding and claims acceptance rates as part of regular consumer duty reporting. Additionally, AIL is currently testing a new claims landing page which Aviva intends will strengthen customer understanding of what can be claimed for.

9.1.21. The FCA published its response to the Which? super-complaint on home and travel claims in December 2025. Aviva has confirmed that no specific actions were required of either AIL or UKIL. FCA supervisory priorities for 2026 have been adjusted to reflect further focus on these products, for example through re-focusing planned activity on claims service quality and outsourcing.

9.1.22. Since Aviva's acquisition of Direct Line, integration activities have been underway to align UKIL's consumer duty reporting to Aviva's standards. UKIL's conduct and consumer duty reporting included in Board reports is now substantially aligned to AIL. Further refinement of the reporting to deliver full alignment will continue throughout 2026 ahead of the Proposed Transfer. There is also ongoing activity to align UKIL's and AIL's wider consumer duty activities. This activity remains ongoing as operational processes, procedures, business standards and policies are aligned across UKIL and AIL. Aviva has confirmed that, following the Proposed Transfer, AIL's processes to meet the Consumer Duty obligations will be unchanged and that AIL's existing processes will also apply to the Transferring Business. **I am therefore satisfied that Existing and Transferring Policyholders will not be materially adversely impacted by the Proposed Transfer in respect of Consumer Duty.**

9.2. Tax implications

9.2.1. In relation to the Proposed Transfer, the three types of tax that potentially impact the premium policyholders are charged are:

- Corporation tax: this is levied on profits and policyholders are not directly affected by the obligation for UKIL or AIL to pay corporation tax.
- Value added tax (VAT): policyholders do not pay VAT on insurance premiums.
- Insurance premium tax (IPT): the applicable IPT rate for each policyholder is determined by the location of the risk insured which will not change. Therefore, the amount of IPT charged will not be affected by the Proposed Transfer.

9.2.2. **Therefore, there are no direct tax implications of the Proposed Transfer on Transferring or Existing Policyholders.**

9.2.3. UKIL and AIL have confirmed that they do not anticipate any material tax implications as a result of the Proposed Transfer. Although I am not an expert in matters of taxation, I consider it to be a reasonable assumption that there will not be any material tax implications for any group of policyholders as a result of the Proposed Transfer.

9.3. Pension arrangements

9.3.1. There is a legacy defined benefit (DB) pension scheme within the Direct Line Group (the Direct Line Group Hybrid Scheme), for which the sponsoring employer is DL Insurance Services Ltd. There are bulk purchase annuity (BPA) insurance policies in place for this scheme which cover all the scheme's liabilities. The original buy-in policy was executed with Aviva Life and Pensions UK Limited (UKLAP) in 2022 and an additional BPA policy to cover the remaining DB liabilities was executed in 2025. This scheme has now triggered wind-up, whereby individual member policies are expected to be issued under the BPA policy during Q4 2026 and early 2027, and it is expected the scheme will be fully wound up in 2027.

9.3.2. Within the Aviva Group, in the UK, there are three main legacy DB staff pension schemes, namely Aviva Staff Pension Scheme (ASPS), the RAC (2003) Pension Scheme (RAC Scheme) and Friends Provident Pension Scheme (FPPS). All schemes are closed to new entrants and future accrual. The schemes are managed by one Trustee Board who agrees the funding basis with the sponsoring employers. The sponsoring employer to the UK DB schemes is Aviva Employment Services Ltd (AES). AES is a subsidiary of Aviva plc (and is not a subsidiary of AIL). Aviva has confirmed to me that all three of these schemes were fully funded on a technical provisions basis at 31 December 2025 and no deficit repair contributions are currently payable. There are also several BPA policies in place with UKLAP:

- ASPS: approximately 40% of liabilities have been secured via BPA policies. The remaining liabilities (c. £4.5bn) are expected to be secured via BPA policies over the next few years.
- RAC: this scheme has a BPA policy which covers all the scheme's liabilities, excluding a small amount (c. £15m) for GMP equalisation which will be secured at a later date. The RAC scheme is expected to fully wind-up in due course.
- FPPS: this scheme has a BPA policy which covers a portion of the liabilities (c. 35% of the total liabilities and c. 70% of the liabilities relating to current pensioners).

9.3.3. UKIL and AIL are not the sponsoring employers of any of the above DB pension schemes (nor are any subsidiaries of UKIL or AIL). Each of the Aviva UK DB pension schemes have a section 75 debt guarantee from Aviva Group Holdings (AGH), which is also not a subsidiary of UKIL or AIL. Therefore, for SCR purposes, the pension funding risk sits outside of AIL, within another part of the Aviva group.

9.3.4. There is also a Canadian DB pension scheme (the Canada Staff Pension Scheme (SPS)). This scheme ceased accrual with effect from 31 December 2011. Aviva Canada Inc, a subsidiary of AIL, is the sponsoring employer of the Canada SPS. Therefore, AIL's SCR includes an allowance for the risks associated with SPS.

9.3.5. UKLAP, Aviva Canada Inc, AIL and UKIL are all entities within the Aviva Group (i.e. they are all subsidiaries of Aviva Plc). Therefore, policyholders of both AIL and UKIL are already indirectly exposed to the risks associated with the above DB schemes via Aviva Plc. I therefore do not consider that Existing or Transferring Policyholders will be materially adversely affected in relation to pension arrangements as a result of the Proposed Transfer.

9.4. Investment management implications

9.4.1. Aviva has confirmed that UKIL's and AIL's existing investment strategies have broadly similar levels of overall investment risk. The main difference is that AIL's strategic asset allocation includes hedged equities, whereas UKIL's current strategic asset allocation has no allocation to equity markets, but a more significant allocation to corporate bonds.

9.4.2. AIL expresses its maximum appetite for investment risk via a Macro-Economic Risk Tolerance, which considers AIL's exposure to a 1 in 10 market stress against an AIL Board-defined maximum threshold.

9.4.3. As part of the ongoing integration activity following Aviva's acquisition of Direct Line, during October 2025, a joint AIL and Direct Line management panel reviewed the Direct Line Risk Management Framework (RMF) and compared it to the AIL and Aviva Group RMF. This review identified that, while AIL has a preference to "avoid" interest rate risk and inflation risk, Direct Line did not previously list either of these risks separately in its RMF. As a result, in December 2025, the Board approved specific risk preferences for Direct Line to "avoid" interest rate and inflation risks.

9.4.4. In addition, Direct Line's market risk appetite statement was updated to align with AIL's market risk preferences. During 2026, UKIL's market risk appetite will continue to be monitored via its existing key risk indicators. At 31 December 2025, UKIL also monitored its exposure to a 1 in 10 market stress against a maximum threshold (consistent with AIL). Aviva's aim is for these key risk indicators to be fully aligned by 31 December 2026.

9.4.5. There are no planned material changes to UKIL's or AIL's investment strategy or strategic asset allocation directly as a result of the Proposed Transfer. **Therefore, I do not anticipate any materially adverse impact for Transferring or Existing Policyholders in terms of investment management as a consequence of the Proposed Transfer.**

9.5. Implications for ongoing expense levels

9.5.1. All costs and expenses incurred relating to the Proposed Transfer will be borne by AIL and will not be borne by policyholders. One-off costs associated with the Proposed Transfer are expected to be modest relative to the size of the Transferring Business and existing portfolio of AIL.

9.5.2. **Therefore, there are no impacts for Transferring or Existing Policyholders as a result of any changes to ongoing expense levels.**

9.6. Impact on liquidity position

9.6.1. The liquidity position of a company represents its ability to meet all claim payments and other obligations as and when they fall due.

9.6.2. Aviva's aim is to ensure with a high degree of confidence that it can meet its obligations as they fall due. AIL is subject to an Aviva Group-wide guidance framework for assessing and monitoring liquidity risk. This considers its going concern liquidity risk appetite (including metrics over 1 day, 5 day and 6 month timeframes) as well as a stressed run-off liquidity appetite (to ensure AIL retains sufficient realisable assets to meet its liabilities as they fall due through the course of a run-off on a stressed basis). Cash levels are monitored on a daily basis and other metrics are monitored on an at least monthly basis. AIL's strategic asset allocation is informed by these liquidity metrics and a run-off analysis of the liabilities. The actual assets are monitored against the target strategic asset allocations regularly.

9.6.3. Daily cashflows are forecast and monitored regularly, and AIL targets holding cash buffers to cover both potential investment needs and any deviations in operational cashflows from that expected. The daily monitoring of cash levels ensures that liquid assets can be sold in a timely manner to fund upcoming cashflows. Approximately 50% of AIL's investment assets were in highly liquid assets as at 31 December 2025.

9.6.4. UKIL's liquidity management approach is reviewed on at least an annual basis and was last presented at the Direct Line Assets and Liabilities Committee in December 2025. UKIL has liquidity risk appetites, which look over various time horizons, including 1-day, 5-day and 3-month appetites. As for AIL, UKIL's liquidity requirements inform the liquidity needs for its strategic asset allocation. As at 31 December 2025, UKIL had material levels of headroom against its liquidity appetites.

9.6.5. Both AIL and UKIL have a range of management actions that could be taken to help support their liquidity positions at times of stress.

9.6.6. As part of the ongoing integration activity following Aviva's acquisition of Direct Line, Aviva performed a review of Direct Line's Risk Management Framework in comparison to that of AIL. As at 1 April 2026, Direct Line's financial risk appetites are aligned to AIL's Solvency and Liquidity Risk Appetites, Preferences and Tolerances.

9.6.7. There are no expected material changes to AIL's or UKIL's liquidity position as a result of the Proposed Transfer. **Therefore, I do not anticipate any materially adverse impacts on the liquidity position for Transferring or Existing Policyholders as a consequence of the Proposed Transfer.**

9.7. Impact of ongoing integration activity and other transfers

Integration activity

9.7.1. Following Aviva's acquisition of Direct Line, Aviva commenced a business plan to integrate Direct Line into the Aviva business. The Proposed Transfer is part of this integration business plan.

9.7.2. Various integration activities are underway to align processes covering (amongst other things) risk management, capital, reserving, reinsurance, claims handling, policy administration, systems and governance. Aviva has conducted a detailed review of all integration activities to identify those which are linked to the Proposed Transfer. Through this process, two projects were identified as being critical to the Proposed Transfer and needing to be successfully executed to support the Proposed Transfer. These are the AIL major model change (MMC) and finance system integration.

9.7.3. Aviva has shared details of the wider integration activities with me as they have progressed. For the avoidance of doubt, with the exception of the MMC, the wider integration activities are independent of the Proposed Transfer and do not rely on the Proposed Transfer being implemented. As such, they do not require the review of an Independent Expert. Nevertheless, I have considered the integration activities to the extent that they may impact my conclusions in respect of the Proposed Transfer. I am satisfied that, having reviewed the information provided to me, the integration activities do not change my conclusions in respect of the Proposed Transfer.

9.7.4. The incorporation of the Transferring Business into the existing AIL partial internal model represents a major model change (MMC) under Aviva's Model Change policy and, as such, requires regulatory approval. I have considered the MMC in section 6. This has consisted of a review of AIL's MMC pre-application letter, the supporting addendum to AIL's 2024 SCR report and AIL's independent internal model validation that has been performed. See section 6.7 for detail.

9.7.5. In addition, the parties have kept me informed of their progress on the integration of finance systems to ensure financial reporting and accounting alignment. During 2025, as part of initial integration activity, Aviva developed an integrated financial reporting solution to ensure that Direct Line results could be fully consolidated within the FY25 Aviva Group Plc Report and Accounts. A plan is in place to enhance this existing solution during 2026 as part of the preparations for the FY26 consolidated Group and legal entity reporting. This plan involves Aviva being ready to complete its FY26 financial reporting in advance of the Effective Date of the Proposed Transfer, regardless of whether or not the Proposed Transfer goes ahead.

9.7.6. Aviva has also kept me informed of its ongoing integration activity relating to risk. I have been provided with a copy of AIL's Interim Own Risk and Solvency Assessment (ORSA) report, which focuses on a review of AIL's Risk Management Framework (RMF) to ensure it remains appropriate and effective following the acquisition of Direct Line. I have also had discussions with the Direct Line CRO, AIL CRO and Aviva Group CRO to understand the ongoing risk integration activity and the processes in place to effectively monitor and manage risks.

Other transfers

9.7.7. On 6 September 2023, UKIL and Intact Insurance UK Limited (IIUK) entered into a business transfer agreement for the sale of UKIL's brokered commercial insurance business to IIUK. This covered largely brokered commercial lines insurance for small and medium-sized companies/enterprises and the mid-market companies segment of the UK market underwritten by UKIL through the NIG and FarmWeb brands. The transfer of such business, amounting to approximately 548,000 policies, concluded with an insurance business transfer scheme in accordance with Part VII, Section 109 of FSMA. This transfer was sanctioned in the UK on 25 February 2026 and in Jersey on 5 March 2026 and became effective on 1 April 2026. The transfer effectively transferred all policies written by UKIL after 1 October 2023 as well as the unearned exposure from the UKIL policies that were live as at that date. The exposure from UKIL's policies that expired on or before 1 October 2023, and the earned exposure from policies that were live as at that date, remained with UKIL. The business that transferred to IIUK as part of that transfer is outside the scope of this Proposed Transfer. Due to the timing of the transfer, the business that transferred to IIUK is included in UKIL's gross of reinsurance figures as at 31 December 2025 presented in this report (as well as the pro-forma pre- and post-transfer position). However, even at 31 December 2025, UKIL's net of reinsurance exposure to this business was nil due to the reinsurance in place. This business is excluded from the UKIL Day 0 and Day 1 projections as the transfer became effective prior to the Effective Date of this Proposed Transfer.

9.7.8. As explained in section 3, Direct Line's insurance business was consolidated under the 2011 Transfer, following which UKIL became the sole active insurer in the Direct Line Group. However, CIC retained its authorisation in order to continue to administer a small number of run-off policies and their associated PPOs. As of January 2026, 6 policies, together with their associated PPOs, remain in CIC. Aviva's intention is for these remaining CIC policies to transfer from CIC to UKIL at 23:58 on 31 December 2026, i.e. immediately prior to the Proposed Transfer. These policies will then transfer from UKIL to AIL at 23:59 on 31 December 2026 as part of the Proposed Transfer. The CIC policies are therefore included within the UKIL Day 0 projections and the AIL Day 1 projections

9.8. Set-off

9.8.1. I have considered whether the Proposed Transfer is likely to lead to any changes in the rights of set-off for creditors or debtors of UKIL or AIL. 'Set-off' is a right that allows parties to cancel or offset mutual debts with each other by subtracting one from the other and paying only the balance.

9.8.2. UKIL and AIL have confirmed that there are no changes in set-off rights in relation to contractual arrangements with counterparties as a result of the Proposed Transfer. I have also not identified any material set-off rights as part of my review.

9.8.3. Therefore, considerations around set-off do not impact my conclusions.

9.9. Overall conclusion: Customer service and other considerations

9.9.1. **Based on the work and rationale described above, I have concluded that no material impact on service standards (or any other considerations within this section of the report) is expected following the Proposed Transfer.**

10. Conclusions and Statement of Truth

10.1. Conclusion

10.1.1. I have considered the Proposed Transfer and its likely effects on the Transferring Policyholders, the Existing Policyholders and the reinsurers of the Transferring Business.

10.1.2. In reaching the conclusions set out below, I have applied the principles as set out in relevant professional guidance, being the Technical Actuarial Standards (TASs) TAS 100: General Actuarial Standards and TAS 200: Insurance.

10.1.3. I have concluded that:

- The security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.
- The security provided to Existing Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Existing Policyholders following the Proposed Transfer.
- Reinsurers who provide cover for the Transferring Business will not be materially adversely affected by the Proposed Transfer.

10.2. Issues to highlight

10.2.1. I consider it necessary that I review the most recent information, up to the date of the Sanction Hearing for the Proposed Transfer, when this becomes available later in the year, before confirming my opinion and conclusions.

10.2.2. Specific issues that I have highlighted in this report which require further review include:

- Any updates to the financial information provided in this report e.g. updated reserve estimates and financial projections including SCR coverage ratios and balance sheets;
- An update on the ongoing integration activity relating to the Proposed Transfer following Aviva's acquisition of Direct Line, including an update on UKIL's claims handling approach;
- An update on findings and developments since the MMC pre-application submission;
- An update on the progress of the novation or commutation of the CIC Swiss-law governed reinsurance arrangements;
- An update on activities relating to AII's reinsurance of the Transferring Business;
- An update on sanctions checks and any sanctions-exposed policies within the Transferring Business;
- The implementation of the communication plan for Transferring Policyholders;
- Any policyholder objections received; and
- Any developments regarding the structure of the Proposed Transfer.

I will consider these points further as part of my Supplementary Report.

10.3. IE duty and declaration

10.3.1. My duty to the High Court and the Royal Court of Jersey overrides any obligation to those from whom I have received instructions or paid for this Report. I confirm that I have complied with that duty.

10.3.2. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

10.3.3. I confirm that I am aware of the requirements applicable to experts in Part 35 of the Civil Procedure Rules, Practice Direction 35 and the Guidance for the Instruction of Experts in Civil Claims 2014. As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I have understood and complied with my duty to the Court.

Charl Cronje FIA
Partner

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Professional standards

Our work in preparing this document and the associated documents described above complies with Technical Actuarial Standard 100: General Actuarial Standards, together with Technical Actuarial Standard 200: Insurance.

The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with Aviva Insurance Limited and U K Insurance Limited ("Our Clients").

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing. We accept no liability to anyone who is not Our Clients.

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Appendix 1 – Glossary

Term	Definition
Best estimate	An estimate prepared with no margin for either prudence or optimism.
Bornhuetter-Ferguson (BF) method	A blend of Development Factor Modelling and the Expected Loss Ratio Method (defined later in this glossary). The weighting given to each is dependent on how developed the claims are for a policy year.
Counterparty default risk	The risk of defaults or downgrades by counterparties that either owe an insurer money or hold money on its behalf. For example, this covers the risk of the failure of a reinsurer or a broker.
Development Factor Modelling (DFM)	An actuarial method for estimating future claims development using assumptions based on past patterns of claims development. 'Development' could mean the reporting of claims, payment of claims or the progression of case reserves.
Effective Date	The effective date of the Proposed Transfer, expected to be at 23:59 on 31 December 2026.
Eligible Own Funds	The capital in excess of provisions eligible to meet the capital requirements under Solvency UK/II.
Events not in data (ENIDs)	An allowance in Solvency UK technical provisions for possible future events or developments that are not reflected in the insurer's historical data.
Existing Policyholders	Policyholders of AIL immediately prior to the Proposed Transfer, who will remain policyholders with AIL after the Proposed Transfer.
Expected Loss Ratio method	An actuarial method for estimating future claims development based on combining an exposure measure and an assumed rate per unit of exposure (the 'initial expected loss ratio').
Financial Conduct Authority (FCA)	The UK regulatory agency that focuses on the regulation of conduct by retail and wholesale financial services firms.
Financial Ombudsman Service (FOS)	Set up by the UK Parliament, the FOS is a free service that settles complaints between consumers and businesses that provide financial services – it has legal powers in the UK to address unresolved complaints between a business and a customer relating to financial services.
Financial Reporting Council (FRC)	The body responsible for setting actuarial standards in the UK. The FRC also regulates auditors and accountants and sets the UK's Corporate Governance and Stewardship Codes.
Financial Services and Markets Act 2000 (FSMA)	The legislation under which Part VII governs the transfer of (re)insurance business between (re)insurance undertakings.
Financial Services Compensation Scheme (FSCS)	A compensation scheme for customers of UK authorised financial services firms. This covers insurance for individuals and some insurance for small businesses.
Frequency/Severity Methods	Actuarial methods for estimating future claims based on modelling numbers of claims and average claim sizes separately, to calculate the overall claims cost.
High Court	The High Court of Justice in London, which, together with the Court of Appeal and the Crown Court, are the Senior Courts of England and Wales.
Incurred but not enough reported (IBNER)	See definition of IBNR.
Incurred but not reported (IBNR)	The provision for claims that may be reported in the future but relate to events that have already occurred. This also includes provision for possible future development of existing open claims, i.e. those that have been reported but not fully settled. The provision for possible development of open claims is called IBNER (Incurred But Not Enough Reported). Depending on the type of insurance being considered and the claims handling approach, both the IBNR and IBNER can be either positive or negative.

Term	Definition
Independent Expert	A suitably qualified person appointed by the Court to produce an independent report on an insurance business transfer scheme, in accordance with the FSMA. The Independent Expert's primary duty is to the Court, and the Independent Expert's opinion is independent of those of the entities involved in the Transfer and of the regulators.
International Financial Reporting Standards (IFRS)	These are the accounting standards used to set the provisions underlying the published financial accounts of UKIL and AIL. IFRS provisions are relevant for policyholders as they are used as a reference point when setting provisions to cover future claims and other costs.
Market risk	The risk of changes in an insurer's financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this covers the risk of falls in the value of assets that are being held to make future claims payments.
MCR coverage ratio	The MCR coverage ratio is the ratio of Own Funds to the MCR. This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer, all else being equal. See also SCR coverage ratio.
Minimum Capital Requirement (MCR)	The minimum capital requirement as part of the Solvency UK/II regulations for insurers. Breaching the MCR defines the point of intensive regulatory intervention. The calibration of the MCR is to be the capital required to give an 85% confidence level of sufficient capital to last one year. The MCR is typically lower than the SCR.
Operational risk	The risk of losses caused by failures in an insurer's operational processes, people and systems, or from events that are external to the insurer. For example, this would cover the risk of fraud or IT failure.
Periodical Payment Order (PPO)	A court order that mandates regular, ongoing payments, typically instead of a single lump-sum settlement.
PRA's Statement of Policy	The Statement of Policy issued by the PRA entitled 'Statement of Policy – The PRA's approach to insurance business transfers – January 2022 (Updating April 2015)'
Proposed Transfer	The proposed insurance business transfer from UKIL to AIL under Section 105 of the FSMA.
Prudential Regulation Authority (PRA)	The part of the Bank of England that carries out the prudential regulation of financial firms in the UK, including banks, investment banks, building societies and insurance companies. The PRA operates as part of the regulatory framework implemented under the Financial Services Act 2012.
Quota Share (QS) reinsurance	A type of reinsurance arrangement where an insurer shares a fixed percentage of premiums and claims with a reinsurer.
Reinsurance	An arrangement with another insurer to share or pass on risks.
Reinsurance bad debt	Reinsurance bad debt is a provision for amounts that are owed by reinsurers but which may not be paid, e.g. due to the insolvency of the reinsurer.
Required Capital	The amount of capital an insurer must hold in order to meet its regulatory capital requirements (i.e. the SCR).
Scheme Document	A document submitted to the High Court setting out details of the Scheme or Proposed Transfer.
Scheme Report	This report prepared by me, as the Independent Expert, for submission to the High Court.
SCR coverage ratio	The ratio of an insurer's Eligible Own Funds to its Required Capital (SCR). This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer, all else being equal.

Term	Definition
Solvency Capital Requirement (SCR)	The amount of capital an insurer is required to hold under Solvency UK/II Regulations. This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. a 1 in 200 event). If an insurer's capital (i.e. the excess of its assets over its liabilities) falls below the SCR, it will trigger regulatory intervention, with the intention of remedying that position.
Solvency and Financial Condition Report (SFCR)	Solvency UK/II requires each insurer to publish an SFCR annually that contains certain qualitative and quantitative information.
Solvency UK	The system for establishing (among other things) minimum capital requirements for UK insurers, originally under the Solvency II Directive 2009/138/EC.
Spread risk	An element of market risk within the Solvency UK/II Standard formula. It reflects the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.
Standard formula	A prescribed approach under Solvency UK/II for the calculation of capital based on an insurer's financial information (e.g. premiums and claims provisions).
TAS 100	The FRC issued Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) which applies to all technical actuarial work completed on or after 1 July 2023.
TAS 200	The FRC issued Technical Actuarial Standard 200: Insurance (TAS 200) which applies to all technical actuarial work completed on or after 1 January 2025.
Technical provisions	Under Solvency UK, the technical provisions cover the ultimate costs of settling all claims arising from events occurring up to the balance sheet date plus the provisions for future claims (and premiums) arising on unexpired periods of risk.
Tier 1 capital	Under Solvency UK, capital is categorised into 3 tiers based on the permanence and loss absorbency of the form of capital. Tier 1 capital is the highest quality.
Transferee	The insurer to which the business is being transferred, Aviva Insurance Limited (AIL).
Transferor	The insurer from which the business is being transferred, U K Insurance Limited (UKIL).
Transferring Policyholders	UKIL policyholders whose policies will transfer to AIL under the Proposed Transfer.
Underwriting risk	The risk that the value of insurance claims proves to be higher than expected.

Appendix 2 – Extract from Terms of Reference

The services we will provide will be Independent Expert ("IE") services in respect of the proposed transfer pursuant to Part VII of the Financial Services and Markets Act 2000 of business from DL to Aviva ("the Transfer" or "Project River"). Charl Cronje will be the Independent Expert ("IE") in respect of the Transfer and will be the partner responsible for the services.

The IE will produce the following reports in respect of the Transfer (the "Report(s)"):

- The main Independent Expert report prior to the Directions Hearing;
- The summary report prior to the Directions Hearing; and
- The supplemental report prior to the Sanctions Hearing

Pursuant to section 109 of the Financial Services and Markets Act 2000 (the "Act"), we will prepare the Reports which are to be submitted to the High Court in England and Wales (the "Court").

Appendix 3 – extract from CV of Charl Cronje FIA

Charl is a leading actuary in the general insurance market, with over 30 years' experience. He advises general insurers on underwriting strategy, reserving, mergers and acquisitions, capital modelling, risk management, pricing, reinsurance strategy and a variety of other matters.

He has acted as Chief Actuary (SMF 20) on an outsourced basis for a number of insurers.

Charl holds a Lloyd's Syndicate Actuary practising certificate and a UK Chief Actuary practising certificate. He has acted as the signing actuary providing SAOs on nine Lloyd's syndicates.

He also acts as an expert witness on reinsurance disputes.

Independent Expert experience

- Charl has acted as the Independent Expert on several Part VII transfers.
- Has also acted as the formal peer reviewer on a number of further Part VII transfers.

Appendix 4 – Summary of data provided

The following is a list of the key data items I have requested and received in assessing the Proposed Transfer. All data I have requested has been provided to me. Each of UKIL and AIL has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer are accurate and complete.

- Draft High Court and regulatory documents prepared by UKIL and AIL for the Proposed Transfer, including:
  - Scheme Document (draft received on 16 March 2026)
  - First Witness Statement for UKIL and AIL (draft received on 16 March 2026)
  - Draft proposed communication plan and communications prepared by UKIL and AIL including:
    - Proposed communications strategy (latest draft received on 17 March 2026)
    - Draft proposed communications to the policyholders and other stakeholders (received on 13 March 2026)
    - Draft Transfer Guide (received on 13 March 2026)
- Documents relating to provisions and reserving processes, including:
  - Actuarial reserving reports for UKIL and AIL (latest as at 31 December 2025)
  - Various actuarial reserving committee papers for UKIL and AIL (latest as at 31 December 2025)
  - Actuarial Function Report for AIL (dated October 2024)
  - Reserve & Projections Committee Terms of Reference, General Insurance Technical Provisions Business Standard and Solvency UK Technical Provisions Approach and Assumptions paper for AIL
  - Actuarial Best Estimate Reserving process documentation for UKIL
  - External actuarial reserving reports for UKIL (as at 31 December 2024 and 31 December 2025) and AIL (as at 31 December 2025)
  - Aviva Group review of AIL's reserves (as at 31 March 2025) and UKIL's reserves (as at 30 June 2025)
- Documents relating to capital and related processes, including:
  - Solvency and Financial Condition Report (SFCR) for UKIL and AIL year ending 31 December 2025
  - Own Risk and Solvency Assessment (ORSA) reports for UKIL and AIL
  - Information on UKIL's and AIL's solvency risk appetite
  - Additional information on AIL's Voluntary Capital Add-On in respect of the UKIL business
  - AIL's SCR report for the year-ending 31 December 2025, evidence of the validation performed on AIL's partial internal model and documents from AIL's MMC pre-application phase
  - Various capital stress scenarios for UKIL and AIL
  - Projections of future balance sheets and capital requirements as at the Effective Date of the Proposed Transfer for UKIL and AIL and up to 31 December 2028 for AIL

Appendix 5 – Mapping to requirements

The table below shows the relevant section references in the Scheme Report where I have addressed each point in the guidance from Chapter 18 of the Supervision Manual of the FCA Handbook and the PRA's 'Statement of Policy – The PRA's approach to insurance business transfers – January 2022 (Updating April 2015)' with regards to the Scheme Report.

The guidance references for 'PRA x.x' are taken from the PRA Statement of Policy and 'FCA x.x' are taken from Chapter 18 of the Supervision Manual.

Guidance reference	Guidance	Scheme report reference
PRA 2.30 (1) FCA 18.2.33 (1)	Who appointed the independent expert and who is bearing the costs of that appointment	2.2 (page 16)
PRA 2.30 (2) FCA 18.2.33 (2)	Confirmation that the independent expert has been approved or nominated by the appropriate regulator (the PRA)	2.2 (page 16)
PRA 2.30 (3) FCA 18.2.33 (3)	A statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role	2.2 (page 16) Appendix 3
PRA 2.30 (4) FCA 18.2.33 (4)	Whether the independent expert, or their employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence their independence, and details of any such interest	2.2 (page 17)
PRA 2.30 (5) FCA 18.2.33 (5)	The scope of the report	2.3 (page 17)
PRA 2.30 (6) FCA 18.2.33 (6)	The purpose of the scheme	3.3 (page 29)
PRA 2.30 (7) FCA 18.2.33 (7)	A summary of the terms of the scheme in so far as they are relevant to the report	3.2 (page 23)
PRA 2.30 (8) FCA 18.2.33 (8)	What documents, reports and other material information the independent expert has considered in preparing the report, whether they have identified any material issues with the information provided and whether any information that they requested has not been provided	Appendix 4
PRA 2.30 (9) FCA 18.2.33 (9)	The extent to which the independent expert has relied on: (a) information provided by others; and (b) the judgement of others	2.5 (page 18)
PRA 2.30 (10) FCA 18.2.33 (10)	The people the independent expert has relied on and why, in their opinion, such reliance is reasonable.	2.5 (page 18)
PRA 2.30 (11) FCA 18.2.33 (11)	Their opinion of the likely effects of the scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between: (a) transferring policyholders; (b) policyholders of the transferor whose contracts will not be transferred; (c) policyholders of the transferee; and (d) any other relevant policyholder groupings within the above that the independent expert has identified	1.3 (page 11) 10 (page 85)

Guidance reference	Guidance	Scheme report reference
PRA 2.30 (12) FCA 18.2.33 (11A)	Their opinion on the likely effects of the scheme on any reinsurer of a transferor, whose contracts of reinsurance are to be transferred by the scheme.	1.3 (page 11) 10 (page 85)
PRA 2.30 (13) FCA 18.2.33 (12)	What matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders' consideration of the scheme.	10 (page 85)
PRA 2.30 (14) FCA 18.2.33 (13)	For each opinion and conclusion that the independent expert expresses in the report, an outline of their reasons	Reserving: 5.10 (page 44) Capital: 6.11 (page 61) Policyholder security: 7.8 (page 69) Policyholder communications: 8.7 (page 76) Customer service and other considerations: 9.9 (page 84)
PRA 2.32 (1) FCA 18.2.35 (1)	A description of any reinsurance arrangements that it is proposed should pass to the transferee under the scheme	3.2 (page 26)
PRA 2.32 (2) FCA 18.2.35 (2)	A description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred	3.2 (page 26)
PRA 2.33 (1) FCA 18.2.36 (1)	Include a comparison of the likely effects if it is or is not implemented	3.4 (page 30)
PRA 2.33 (2) FCA 18.2.36 (2)	State whether the firm(s) considered alternative arrangements and, if so, what	3.4 (page 30)
PRA 2.33 (2A) FCA 18.2.36 (3)	Where different groups of policyholders are likely to be affected differently by the scheme, include comment on those differences they consider may be material to the policyholders	1.3 (page 11)
PRA 2.33 (3) FCA 18.2.36 (4)	Include their views on: (a) the effect of the scheme on the security of policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the insurer; (b) the likely effects of the scheme on matters such as investment management, capital management, new business strategy, claims reserving, administration, claims handling, expense levels and valuation bases in relation to how they may affect: (i) the security of policyholders' contractual rights; (ii) levels of service provided to policyholders; or (iii) for long-term insurance business, the reasonable expectations of policyholders; and (c) the likely cost and tax effects of the scheme, in relation to how they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations	(a) 1.3 (page 11) (b) and (c) 9 (page 78)

The Proposed Transfer does not involve a mutual company. As such, PRA 2.35 and FCA 18.2.38 do not apply.

The Proposed Transfer does not involve long-term insurance business. As such, PRA 2.36 (FCA 18.2.39) does not apply.