SINGLE GROUP-WIDE SOLVENCY AND FINANCIAL CONDITION REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

Direct Line Insurance Group plc

CONTENTS

INTRODUCTION

The Solvency II regulatory framework, which governed industry regulation and prudential capital requirements within the European Union, became effective on 1 January 2016. Following the UK's withdrawal from the EU, the Prudential Regulation Authority ("**PRA**") has introduced the Solvency UK regime through the PRA Rulebook for applicable Solvency II Firms ("**PRA Rulebook**"), effective from 31 December 2024. This updated framework reflects the UK's tailored approach to solvency regulation, while maintaining high standards of policyholder protection and market stability.

The purpose of this Solvency and Financial Condition Report ("**SFCR**") is to provide information required under the Solvency UK regulatory framework as at 31 December 2024. This report outlines key aspects of the Group's business and performance, system of governance, risk profile, valuation methods for solvency purposes, and capital management practices. The SFCR has been prepared in accordance with the relevant sections of the PRA Rulebook.

Throughout this document, we continue to refer to Solvency II rather than Solvency UK in line with PS15/24, where the PRA has confirmed that it would continue to refer to Solvency II in its Rulebook and materials, however eventually the prudential regime applicable to UK insurers will be called Solvency UK.

Direct Line Insurance Group plc ("**DLIG**") and its subsidiaries (the "**Group**"), U K Insurance Limited ("**UKI**") and Churchill Insurance Company Limited ("**CIC**") collectively the "**Solo entities**" have been granted approval under a waiver from the PRA to prepare a single Group-wide SFCR ("**Group SFCR**") that contains the required information for the Group along with its UK regulated insurance subsidiaries.

In meeting the requirements for a single Group-wide SFCR, information is reported for the Group, and the Solo entities separately except where that information is equivalent in both nature and scope at Group level to that at regulated subsidiary level. The individual Boards of Directors of the Company, UKI and CIC (the "**Boards**") have the same membership. Information in the SFCR can be equally relevant to the Group, UKI and CIC. Where this is not the case, this has been highlighted.

The Group's Annual Report & Accounts 2024 was published on its website in March 2025 and a copy can be found at: www.directlinegroup.co.uk/en/investors

EXECUTIVE SUMMARY

SECTION A – Business and performance summary

The Group

The Group's mission is to deliver exceptional service to customers every day.

Its vision is to build a world where insurance is personal, inclusive, and a positive force for good, driven by a purpose to provide peace of mind and support people in living their lives, now and in the future.

Direct Line Group is one of the UK's leading insurance companies. Through our well-known brands we offer a wide range of general insurance products across motor, home, commercial, travel, pet and rescue.

The Group sells Motor insurance direct to customers through its own brands Direct Line, Churchill, Privilege, By Miles and Darwin, through price comparison websites ("PCWs") and through partnership brands, including the Group's partnership with Motability Operations, as well as via vehicle manufacturers

The Group offers home insurance through its Direct Line, Churchill, and Privilege brands, as well as through partnership brands such as NatWest Group. These products are also available on PCWs.

Rescue services are provided primarily through the Group's Green Flag brand, sold directly to customers. Additionally, rescue policies are available as add-ons to Motor policies and through various partnerships.

The Group provides Commercial insurance for small and micro-businesses through its Direct Line for Business and Churchill brands. Both brands sell products directly to customers, while Churchill also offers products through PCWs

Committed to sustainable practices, the Group aims to create value for all stakeholders. Its five-pillar Sustainability Strategy aligns with its vision of making insurance personal, inclusive, and a force for good.

Solvency II lines of business

The policies underwritten by the Group are spread across the Solvency II lines of business including motor vehicle liability insurance, other motor insurance, fire and other damage to property insurance, general insurance, income protection insurance, legal expenses insurance, assistance and miscellaneous financial loss.

Business performance in 2024

In 2024 the Group embarked on an ambitious mission to rapidly transform Direct Line Group. The Group's focus on a new strategy, delivering technical excellence, driving down cost and embracing a high-performance culture has delivered a turnaround in results. Despite difficult market conditions, 2024 ended with an operating profit significantly ahead of the previous year.

The business has delivered a net insurance margin of 3.6%, a 12.3 percentage point improvement on the previous year. The Group has a stated aim to increase this to 13 per cent in 2026. The Group is well on its way to delivering a significant reduction in its cost base, to narrow the gap with competitors, targeting at least £100 million of gross cost savings by end of 2025 on a run-rate annualised basis, and has maintained a strong solvency capital ratio at [195% post dividend], a good platform to help the Group withstand headwinds.

The Group has made considerable progress over the year. In Motor the Group announced it would be putting its strongest brand, Direct Line, on price comparison websites ("PCWs"), where 90 per cent of motorists purchase their insurance. Less than six months later, in December 2024, the Group delivered on this promise. The Group launched three new Direct Line branded motor products on the biggest PCW in the UK with an ambition to return the Group's overall Motor policy count to growth during 2025. The Motability partnership has also seen an increase in policy count and the aim is for it to continue to grow.

Beyond Motor, the Group outlined ambitious plans to grow the Home, Rescue and Commercial Direct offerings. In Home the Group delivered own brands premium growth of 18% and increased own brands policies by 2.1%. Technology re-platforming is now largely complete with Direct Line, Churchill and Privilege all trading on a new platform.

In the Commercial Direct Insurance business, the Group's strong proposition in Landlord and the Group's compelling SME offering delivered 8.8% gross written premium growth and strong customer retention. The Group stayed disciplined on the bottom line in Van and the Group's earned loss ratios were within its target range.

The Group's rescue business made significant strategic progress in 2024. The Group grew the 'owned patrol' network to over 60 vehicles, covering 28% of the UK market, supported nationally by a network of independent providers. These owned patrols helped customers, and also generated over £600,000 in additional roadside revenue.

Section A of the SFCR has more information on the Group's business and performance in 2024: see pages 6 to 19 of this report.

SECTION B – System of governance summary

The Board oversees the system of governance in operation throughout the Group. This includes an effective Enterprise Risk Management Framework and system of internal control. The Board has established a risk management model that separates the Group's risk management responsibilities into three lines of defence. An explanation of these responsibilities can be found on page 38 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors

The Group's governance framework is detailed in the Group's Systems of Governance Framework document. This document also details how the Group meets Solvency II requirements, as modified by the PRA 2024 reforms, and the PRA requirements to identify key functions, and to have and maintain a Responsibilities Map in respect of the PRA and Financial Conduct Authority's ("**FCA**") Senior Managers and Certification Regime requirements. The Board reviews this document annually.

The structure of the Board, Board Committees and executive management together with the roles and responsibilities of the Board can be found on page 77 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors

The Terms of Reference for each Committee can be found on the corporate website at: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

Section B of the SFCR has more information on the Group's system of governance: see pages 20 to 30 of this report.

SECTION C – Risk profile summary

The Group's partial internal model and UKI's internal model are used to calculate the Group and UKI solvency capital requirements respectively.

The following table shows the UKI solvency capital requirement ("**SCR**") of £1,129.9 million as at 31 December 2024, calculated using the approved internal model, by risk type. The SCR for the Group as at 31 December 2024 using its approved model was £1,164.5 million. The SCR for the Group is calculated using the partial internal model which includes an add-on of £34.6 million for Group companies excluding UKI and its subsidiary (CIC), using integration technique 1 as presented on page 59. The SCR at 31 December 2023 was not impacted by the miscalculation set out in Section E, and remains unchanged.

UKI SCR split by risk type

	2024 £m	2023 £m
Underwriting risk	**1,145.0**	1,086.8
Market risk	**158.7**	171.2
Counterparty default risk	**115.9**	72.6
Operational risk	**304.6**	303.6
Other risks (risk margin volatility)	**22.2**	28.8
Total - undiversified risk	**1,746.4**	1,663.0
Diversification	**(579.5)**	(559.8)
Total - diversified	**1,166.9**	1,103.2
Loss absorbing capacity for deferred taxes	**(37.0)**	—
UKI SCR	**1,129.9**	1,103.2

The undiversified risk profile of UKI shows that underwriting risk is the largest risk as in previous years. Market risk has reduced reflecting higher interest rates, a tightening of credit spreads and a reduced level of assets under management (AUMs). Counterparty default risk has increased from exposure updates. (See also page 60).

Underwriting risk is the risk that future claims experience on business written is materially different from the results expected, resulting in current-year losses. Underwriting risk includes catastrophe risk and the risk of loss, or of adverse change in the value of the insurance liabilities resulting from significant uncertainty of pricing, underwriting and provisioning assumptions related to extreme or exceptional circumstances.

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

Operational risk is the risk of loss due to inadequate or failed internal processes, human error, systems, or from external events.

Counterparty default risk is the risk of loss from unexpected default or deterioration in the credit standing of the counterparties and debtors of Group undertakings.

Loss absorbing capacity for deferred taxes allows for the recovery of tax paid on profits from the previous year in a loss making scenario.

Section C of the SFCR has more information on the Group's risk profile: see pages 31 to 39 of this report.

SECTION D – Valuation for solvency purposes summary

In accordance with the PRA Rulebook, the Group values all assets and liabilities on the balance sheets of the Group and its regulated entities at fair value, which represents an amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. Goodwill and intangible assets are valued at zero.

An analysis of the Solvency II material classes of assets and liabilities is provided in sections D.1 and D.3 respectively. Section D details the recognition and valuations bases, the judgements and any assumptions made, including sources of estimation uncertainty applied for Solvency II, and compares these with judgements and assumptions made in the preparation of International Financial Reporting Standards ("**IFRS**") financial statements.

Section D.2 describes the bases, methods and assumptions for the valuation of Solvency II technical provisions, including the estimation uncertainty, and compares these with the bases, methods and assumptions used in the preparation of the IFRS financial statements.

A summary of the Solvency II balance sheets for the Group and its regulated subsidiaries is set out below. These numbers are in line with the balance sheet insurance return template and are before any tiering restrictions to own funds :

As at 31 December 2024	Group £m	UKI £m	CIC £m
Total investments	5,700.8	5,457.0	19.1
Property, plant and equipment held for own use	149.5	52.9	—
Reinsurance recoverables	880.2	858.9	23.0
Insurance and other receivables	565.9	561.2	1.7
Cash and cash equivalents	101.6	85.3	—
Deferred tax assets	88.0	—	0.2
Other assets	53.6	15.9	—
Total assets	**7,539.6**	**7,031.2**	**44.0**
Technical provisions	4,574.7	4,689.7	26.4
Provisions other than technical provisions	103.4	87.8	—
Deferred tax liabilities	—	12.3	—
Derivatives	38.7	38.7	—
Debts owed to credit institutions	66.8	56.6	—
Financial liabilities other than debts owed to credit institutions	113.7	61.9	0.8
Insurance and other payables	284.4	142.8	0.8
Subordinated liabilities	207.9	—	—
Total liabilities	**5,389.6**	**5,089.8**	**28.0**
Excess of assets over liabilities	**2,150.0**	**1,941.4**	**16.0**

Section D of the SFCR has more information on the Group's valuation for solvency purposes: see pages 40 to 52 of this report.

SECTION E – Capital management summary

In June 2016, UKI, the Group's principal underwriter, received approval from the PRA to use its Internal Economic Capital Model which forms part of a Group-wide partial internal model which has been in use from the same date.

The Group aims to manage its capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, rating agency and policyholder requirements. The policies and processes that the Group adopts to manage its own funds to mitigate the risk of breaching regulatory and internal capital adequacy are described in the Group's Capital Management minimum control standard.

During the Group's half year 2024 results preparation, a miscalculation was identified within the Group's published Solvency II own funds for the year ended 2023. Correcting for the miscalculation, the solvency capital ratio (post-dividend) at year end 2023 was 188%, which was above the Group's risk appetite range of 140% to 180% (the previously reported solvency capital ratio for 2023 was 197%). The miscalculation does not impact the Group's Solvency Own funds for the year ended 2024, or the solvency capital requirement. Where relevant, comparative numbers within this document have been restated accordingly.

The Group has taken action to strengthen the control environment in relation to the specific area where the miscalculation occurred.

The solvency capital ratio was as follows for the Group and regulated entities:

As at 31 December 2024	Group £m	UKI £m	CIC £m
Solvency capital requirement	1,164.5	1,129.9	1.4
Capital surplus above solvency capital requirement	1,101.7	811.5	14.5
Solvency capital ratio (%)[1]	**195%**	**172%**	**1145%**
Minimum Capital requirement ratio (%)[2]	**405%**	**382%**	**449%**

1. The solvency capital ratio for Group is post dividends.
2. The Minimum Capital Requirement ratio is post dividends.

Section E of the SFCR has more information on the Group's capital management: see pages 53 to 64 of this report.

Reconciliation of excess of assets over liabilities to own funds

As at 31 December 2024	Group £m	UKI £m	CIC £m
Excess of assets over liabilities	**2,150.0**	**1,941.4**	**16.0**
Capital distributions	(65.1)	—	—
Own shares[1]	(26.6)	—	—
Subordinated liabilities (Tier 2)	207.9	—	—
Ineligible deferred tax	—	—	(0.1)
Eligible own funds	**2,266.2**	**1,941.4**	**15.9**

Note:

1. Own shares (held directly) for employee share trusts are included in assets on the solvency II balance sheet, forming part of excess of assets over liabilities. They are then deducted in the calculation of eligible own funds.

Material changes

Solvency II reform

On 15 November 2024, the PRA published policy statement PS15/24 '*Review of Solvency II: Restatement of assimilated law*'. This contained final PRA rules, policy material and reporting and disclosure templates and instructions that would replace Solvency II assimilated law when it was revoked on 31 December 2024. These regulations have been adopted in the preparation of the SFCR.

Dividend policy

On 10 July 2024, the Board approved a revised dividend policy which targets a payout ratio of around 60% of post-tax operating profit for any regular dividend.

A. BUSINESS AND PERFORMANCE

SECTION A: BUSINESS AND PERFORMANCE (UNAUDITED)

In this section:

A.1 Business

A.1.1 – Business overview

Direct Line Insurance Group plc is one of the UK's leading general insurers. Headquartered in Riverbank House, 2 Swan Lane, London, EC4R 3AD it operates multiple well-known brands including Direct Line, Churchill, Privilege, Darwin, By Miles and Green Flag. The Group primarily serves individual and commercial customers with a wide range of insurance products such as motor, home, rescue, and pet insurance.

Direct Line Insurance Group plc, registered in England and Wales (company number 02280426), is the ultimate parent company of the Group. The Group operates through several key subsidiaries, each fulfilling specific roles to support its business strategy. The underwriting subsidiaries of the Group, both of which are 100% owned, are as follows:

- U K Insurance Limited – general insurance
- Churchill Insurance Company Limited – general insurance

The 'Business and performance' section of this report sets out the Group and Solo entities' business structure, key operations and financial performance over the reporting period. Information is separately identifiable by reference to the Group, UKI and CIC.

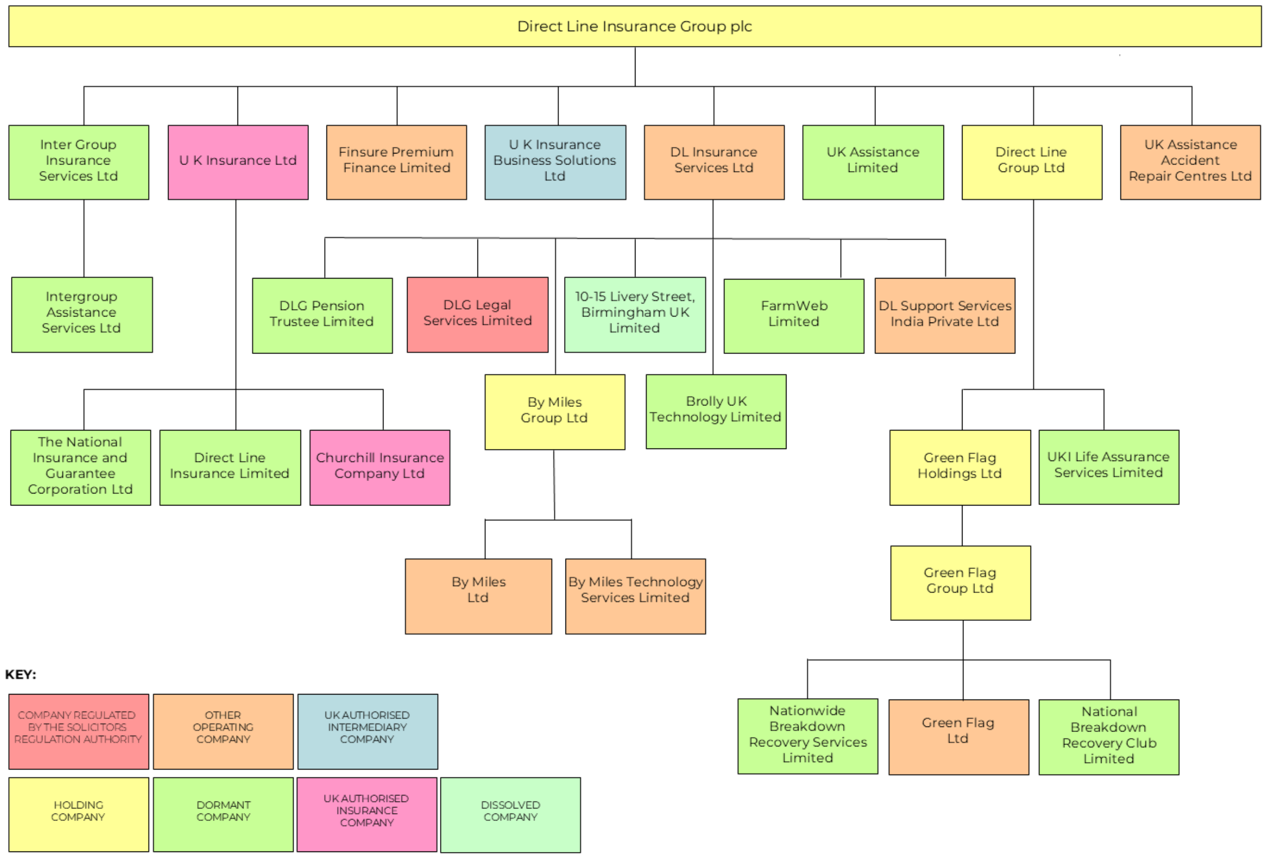
Entity	Business overview
Direct Line Insurance Group plc	DLIG, registered in England and Wales (company number 02280426), is the ultimate parent company of the Group. The principal activity of the company is managing its investments in subsidiaries, providing loans to those subsidiaries, raising funds for the Group and the receipt and payment of dividends. The address of DLIG's registered office is Churchill Court, Westmoreland Road, Bromley, BR1 1DP.
U K Insurance Limited	UKI is a wholly-owned subsidiary of DLIG and acts as the primary underwriting entity for the Group's insurance products across motor, home, commercial, pet and travel. Based in the UK, it is authorised and regulated by the Financial Conduct Authority ("**FCA**") and the PRA.
Churchill Insurance Company Limited	CIC is a wholly-owned subsidiary of DLIG which ceased underwriting activities on 10 December 2011. CIC continues to provide general insurance in the UK, in so far as it relates to the handling and final settlement of outstanding motor claims. Once all motor claim liabilities have been settled, the Company will cease trading activities.

A.1.2 - Organisational structure of the Group

The Group's structure as at 31 December 2024 is shown in the chart below. Direct Line Insurance Group plc is the holding company of the Group.

A complete list of the Group's related undertakings comprising subsidiaries directly and indirectly held by DLIG, along with the country of incorporation, registered address and principal activity is included in note 2 of the Parent Company's financial statements, included in the Group's Annual Report and Accounts 2024.

During 2024 the Group's Irish branch, set up in January 2021 following Brexit to conduct a small book of travel business that it was underwriting in the Republic of Ireland, was de-authorised following an application by the Group after it ceased underwriting new business during 2023. It is the Group's intention to formally close the branch in 2025.



A.1.3 – Significant business or other events

On 23 December 2024, the Boards of DLIG and Aviva plc ("**Aviva**") reached agreement on the terms of a recommended cash and share offer for DLIG. The transaction values each DLIG share at 275 pence and values the entire diluted share capital of the Group at approximately £3.7 billion. The transaction is subject to regulatory approvals from the PRA and the Financial Conduct Authority ("**FCA**") as well as review by the Competition and Markets Authority ("**CMA**"). DLIG shareholder meetings were held on 10 March 2024, where the shareholders voted to accept resolutions providing their approval of the transaction, and subject to regulatory clearances the transaction is expected to become effective mid-2025.

As disclosed in the Group, UKI and CIC statutory accounts, it is beyond the Directors' control to conclude as to whether Aviva, a potential purchaser, would undertake any restructuring of the Group's legal entities should the deal complete. Therefore, the Directors consider these conditions to constitute a material uncertainty (as defined under IAS 1) which may cast significant doubt over the ability of DLIG, the Group, U K Insurance Limited and Churchill Insurance Company Limited to continue as going concerns. While the Directors would expect Aviva to continue to deliver long term value from the Group's ongoing operations they note however, that it is beyond their control as to whether Aviva would undertake any restructuring of the Group's legal entities.

A.1.4 – Other information

Name and legal form

Direct Line Insurance Group plc is a public limited company incorporated in England and Wales. It has a premium listing on the UK Listing Authority's Official List. The Company's Ordinary Shares (EPIC:DLG) are admitted to trading on the London Stock Exchange.

Supervision

The Company's supervisory authorities responsible for financial supervision are:

Prudential Regulation Authority ("**PRA**")

Bank of England

20 Moorgate

London

EC2R 6DA

Switchboard: +44 (0)20 3461 4444

Email: PRA.FirmEnquiries@bankofengland.co.uk

Financial Conduct Authority ("**FCA**")

12 Endeavour Square

London

E20 1JN

Phone: +44 (0)20 7066 1000

Email: firm.queries@fca.org.uk

Auditor

External Auditor:

KPMG LLP

15 Canada Square

London

E14 SGL

Phone: +44 (0)20 7311 1000

Qualifying holdings

There were no holders of qualifying holdings in DLIG as at 31 December 2024. A 'qualifying holding' is a direct or indirect holding in the company which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the Company.

Basis of consolidation

The Solvency II Group balance sheet is a full consolidation in accordance with Rule 11.1A of the Group Supervision Part of the PRA Rulebook. The scope of the entities which make up the Group is consistent between IFRS and Solvency II which is disclosed in its Annual Report & Accounts 2024 and in IR.32.01 in section G2 of this report.

A.2 Underwriting performance

A.2.1 Overall performance

A summary of key financial information for 2024 and prior year, for the Group and Solo entities, can be found below:

For year ended 31 December 2024	Group £m	UKI £m	CIC £m
Underwriting result before administration and overhead expenses on an undiscounted basis			
Income			
Premium written			
Gross written premium	4,340.0	4,341.0	—
Net written premium	2,984.1	2,985.1	—
Premium earned and provision for unearned			
Gross earned premium	4,461.3	4,462.7	—
Net earned premium	3,021.7	3,023.1	—
Expenditure			
Gross (undiscounted) claims incurred	3,338.0	3,536.4	—
Net (undiscounted) claims incurred	2,030.0	2,230.9	—
Acquisition costs, commissions, claims management costs	409.2	409.0	—
Total expenditure	**2,439.2**	**2,639.9**	**—**
Underwriting result before administration and overhead expenses (Undiscounted basis)	**582.5**	**383.2**	**—**
Underwriting result on a discounted basis			
Income			
Net earned premium	3,021.7	3,023.1	—
Expenditure			
Net (discounted) claims incurred	1,909.3	2,108.2	(1.6)
Acquisition costs, commissions, claims management costs	409.2	409.0	—
Technical expenses incurred net of reinsurance ceded (less) acquisition costs, commissions, claims management costs	746.0	735.4	—
Underwriting (loss)/profit (Discounted basis)	**(42.9)**	**(229.5)**	**1.6**

The table below reconciles the 2024 Solvency II underwriting result to the insurance service result on an IFRS basis.

For year ended 31 December 2024	Group £m	UKI £m	CIC £m
Solvency II underwriting (loss)/profit (Discounted basis)	**(42.9)**	**(229.5)**	**1.6**
Remove items in Solvency II underwriting result but not in IFRS 17 insurance service result:			
Investment management fees	8.8	8.8	—
Other technical expenses outside of insurance technical result	11.7	17.2	—
Add back items in IFRS 17 insurance service result but not in Solvency II underwriting result:			
Instalment income	98.8	98.8	—
Other directly attributable claims income	51.2	158.8	—
Arrangement and administration fees	7.0	—	—
Other expenses	(12.2)	(4.0)	—
IFRS insurance service result	**122.4**	**50.1**	**1.6**

The difference between the discounted underwriting profit on a Solvency II basis and insurance service result on an IFRS basis relates to: expenses reported within the Solvency II underwriting result that fall outside of the IFRS insurance service result and instalment and other claims income and non-technical expenses being included within the IFRS insurance result. These are detailed in the reconciliation, above.

Underwriting performance – Group

In 2024 the Group made an Solvency II underwriting loss of £42.9 million on a discounted basis. On an undiscounted basis the Group made a Solvency II underwriting profit before administration and overhead expenses of £582.5 million. This compares to a reported Group insurance service profit in 2024 of £122.4 million (2023: £251.4 million loss). A reconciliation between the two measures is provided above.

The IFRS insurance service result for ongoing operations is described below. The Group has excluded the results of the Brokered commercial business, three run-off partnerships and its Other personal lines products from its ongoing results.

In-force policies from ongoing operations were 8.8 million, 5.5% lower than at the end of 2023. The largest reduction was in Motor where own brand policies were 13.2% lower as the Group focused on disciplined underwriting which more than offset growth in the Motability partnership. Non-Motor in-force policies were 3.1% lower than the end of 2023, mainly due to Rescue. Commercial Direct grew 0.8% and Home own brands grew 1.3%.

Gross written premiums and associated fees for ongoing operations grew by 25.3% to £3,732 million driven by strong growth in Motor and Non-Motor. The 31.8% growth in Motor was supported by the Motability partnership, where a full year of premium was included in 2024 compared to only three months during 2023, and higher own brand average premiums. The Group has a compound annual growth rate of (**"CAGR"**) target of 7% to 10% in Non Motor gross written premiums between 2023 and 2026. Non-Motor achieved growth of 11.0%, ahead of the compound annual growth rate due to double-digit premium growth in Home and 8.8% growth in Commercial Direct. The Group has a

The net insurance margin for ongoing operations was 3.6%, 12.3pts better than 2023, primarily due to significant improvement in Motor, particularly in the second half of 2024 following repricing action. The Non-Motor net insurance margin remained strong at 8.9%.

The net insurance claims ratio for ongoing operations was 69.9%, an improvement of 12.2pts compared with 2023 due to significant improvement in both the current year attritional claims ratio and the prior year reserves development ratio. The changes to the Ogden discount rate for large bodily injury claims resulted in a £41 million reserve release for the Group, of which £36 million related to ongoing operations.

The current year attritional claims ratio improved by 6.7pts as the pricing actions taken in Motor began to earn through while the prior year reserves development ratio improved by 5.9pts.

Weather event related claims in Non-Motor were £43 million(FY 2023: £27 million). The Group's assumption for the full year 2024 was £62 million. In addition, the Group experienced approximately £10 million of non-event weather above expectation in the first half of 2024.

Underwriting performance – UKI

As the primary underwriting entity for the Group, the underwriting performance of UKI is broadly consistent with the performance of the Group. The difference in performance reflects the different cost of claims incurred by UKI relative to the Group. The cost of claims in UKI represents the full cost of claims to the Company, whereas in the consolidated Group, claims represents the cost less margin generated from such outsourced activities. (See page 13 for outsourced activities within the Group).

Underwriting performance – CIC

CIC generated an underwriting profit of £1.6 million (2023: (£0.2) million loss) which is driven by the small number of remaining large bodily injury claims to be settled by the Company, which are subject to volatility, due to the complex nature and timescales over which such claims are handled. The Company's outstanding claims are reinsured and are settled by means of court-awarded periodic payment orders ("**PPOs**").

A.2.2 Underwriting performance by line of business

The following table provides a description of the Solvency II lines of business of the Group:

Lines of business	Description
Income protection insurance	The Group's creditor income protection insurance product includes cover in the event of being unable to continue working.
Motor vehicle liability insurance	The Group's personal and commercial lines motor vehicle liability insurance products provide cover against third-party property damage and bodily injury liability cover.
Other motor insurance	The Group's personal and commercial lines other motor insurance products provide cover against accidental damage, fire, theft and windscreen damage.
Fire and other damage to property insurance	The Group's personal and commercial lines insurance products provide cover against accidental damage, escape of water, fire, subsidence, theft and weather (including storms and flooding).
General insurance	The Group's commercial lines general insurance products provide cover against personal accident, employers' liability, public liability for injury, public liability to property and disease.
Legal expenses insurance	The Group offers legal expenses insurance cover that includes motor legal protection and family legal protection, including for employment disputes and personal injury. The cost of settling a claim made by a non-fault policyholder under a motor legal protection policy will be incurred by the third-party insurer. However, if a claim is made by a third party against an at-fault Group policyholder, the cost to the Group will be included in motor liability or other motor insurance claims and not in legal expenses claims.
Assistance	The Group's personal lines assistance products cover motor rescue, car hire and travel (including cancellation, medical and non-medical expenses).
Miscellaneous financial loss	The Group's personal and commercial lines miscellaneous financial loss products include creditor protection for unemployment, pet, including veterinary fees, home response and emergency, pecuniary loss for business interruption and commercial special risks.
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	The Group's personal and commercial lines insurance products provide cover for motor vehicle liability insurance and general liability insurance that can be settled by a periodic payment order as awarded by a court under the Courts Act 2003. As the Group has no non-life insurance contracts relating to health insurance obligations, future references within this document to 'Annuities from non-life' refer only to non-life annuities not relating to health insurance.

The underwriting performance of the Group by material line of business is presented below.

Group – by line of business

For year ended 31 December 2024	Total	Motor vehicle liability (Private and Commercial combined) £m	Other Motor (Private and Commercial combined) £m	Fire and other damage to property (Private and Commercial combined) £m	General Liability £m	Assistance £m	Other £m	Annuities stemming from non-life insurance contracts £m
Income								
Premium written								
Gross written premium	**4,340.0**	1,648.2	1,270.6	952.7	106.9	207.3	154.3	—
Net written premium	**2,984.1**	1,060.9	781.7	740.8	53.1	206.0	141.6	—
Premium earned and provision for unearned								
Gross earned premium	**4,461.3**	1,685.5	1,259.5	1,002.5	132.4	216.1	165.3	—
Net earned premium	**3,021.7**	1,108.6	798.5	702.0	51.6	214.8	146.2	—
Expenditure								
Gross (undiscounted) claims incurred	**3,338.0**	1,365.1	1,104.5	581.1	98.2	89.3	99.8	—
Net (undiscounted) claims incurred	**2,030.0**	889.4	564.2	406.4	13.8	91.8	64.4	—
Acquisition costs, commissions, claims management costs	**409.2**	135.5	86.1	117.0	17.2	33.3	20.1	—
Total expenditure	**2,439.2**	**1,024.9**	**650.3**	**523.4**	**31.0**	**125.1**	**84.5**	**—**
Underwriting Result	**582.5**	**83.7**	**148.2**	**178.6**	**20.6**	**89.7**	**61.7**	**—**

For year ended 31 December 2023	Total	Motor vehicle liability (Private and Commercial combined) £m	Other Motor (Private and Commercial combined) £m	Fire and other damage to property (Private and Commercial combined) £m	General Liability £m	Assistance £m	Other £m	Annuities stemming from non-life insurance contracts £m
Income								
Premium written								
Gross written premium	**3,918.4**	1,404.8	930.6	968.3	136.8	304.5	173.4	—
Net written premium	**3,305.4**	1,119.8	755.3	848.8	111.1	302.5	167.9	—
Premium earned and provision for unearned								
Gross earned premium	**3,505.3**	1,216.9	772.5	905.7	125.8	309.3	175.1	—
Net earned premium	**3,035.1**	1,024.4	664.1	770.7	99.7	307.2	169.0	—
Expenditure								
Gross (undiscounted) claims incurred	**3,068.9**	1,397.2	886.7	526.2	6.1	186.3	66.4	—
Net (undiscounted) claims incurred	**2,596.3**	1,147.1	749.4	445.3	8.1	182.5	63.9	—
Acquisition costs, commissions, claims management costs	**430.1**	122.2	71.8	150.9	23.7	37.5	24.0	—
Total expenditure	**3,026.4**	**1,269.3**	**821.2**	**596.2**	**31.8**	**220.0**	**87.9**	**—**
Underwriting Result	**8.7**	**(244.9)**	**(157.1)**	**174.5**	**67.9**	**87.2**	**81.1**	**—**

Direct Line Insurance Group plc is the ultimate holding company for a vertically integrated general insurance group which has outsourced to companies within the Group the delivery of certain services and claims activities, for example the repair of motor vehicles and recovery of vehicles after accidents. The cost of claims in UKI represents the full cost of claims to the Company, whereas in the consolidated Group, claims expenditure represents the costs to UKI less margin generated from such outsourced activities.

UKI – by line of business

For year ended 31 December 2024	Total	Motor vehicle liability (Private and Commercial combined) £m	Other Motor (Private and Commercial combined) £m	Fire and other damage to property (Private and Commercial combined) £m	General Liability £m	Assistance £m	Other £m	Annuities stemming from non-life insurance contracts £m
Income								
Premium written								
Gross written premium	**4,341.0**	1,648.7	1,271.0	952.7	106.9	207.3	154.4	—
Net written premium	**2,985.1**	1,061.6	782.0	740.8	53.1	206.0	141.6	—
Premium earned and provision for unearned								
Gross earned premium	**4,462.7**	1,686.2	1,260.1	1,002.5	132.5	216.1	165.3	—
Net earned premium	**3,023.1**	1,109.5	798.9	702.0	51.7	214.8	146.2	—
Expenditure								
Gross (undiscounted) claims incurred	**3,536.4**	1,485.7	1,182.2	581.2	98.2	89.3	99.8	—
Net (undiscounted) claims incurred	**2,230.9**	1,012.6	641.8	406.5	13.8	91.8	64.4	—
Acquisition/Commission/ Claims costs	**409.0**	137.2	87.1	118.3	17.2	33.2	16.0	—
Total expenditure	**2,639.9**	**1,149.8**	**728.9**	**524.8**	**31.0**	**125.0**	**80.4**	**—**
Underwriting result	**383.2**	**(40.3)**	**70.0**	**177.2**	**20.7**	**89.8**	**65.8**	**—**

For year ended 31 December 2023	Total	Motor vehicle liability (Private and Commercial combined) £m	Other Motor (Private and Commercial combined) £m	Fire and other damage to property (Private and Commercial combined) £m	General Liability £m	Assistance £m	Other £m	Annuities stemming from non-life insurance contracts £m
Income								
Premium written								
Gross written premium	**3,920.0**	1,405.6	931.0	968.3	137.2	304.5	173.4	—
Net written premium	**3,307.1**	1,120.7	755.7	848.8	111.4	302.5	168.0	—
Premium earned and provision for unearned								
Gross earned premium	**3,506.8**	1,217.5	772.9	905.8	126.2	309.3	175.1	—
Net earned premium	**3,036.6**	1,025.2	664.5	770.7	100.0	307.2	169.0	—
Expenditure								
Gross (undiscounted) claims incurred	**3,311.7**	1,546.9	979.9	526.2	6.1	186.3	66.3	—
Net (undiscounted) claims incurred	**2,842.7**	1,300.2	842.7	445.3	8.1	182.5	63.9	—
Acquisition/Commission/ Claims costs	**427.3**	122.4	72.0	152.3	23.7	37.1	19.8	—
Total expenditure	**3,270.0**	**1,422.6**	**914.7**	**597.6**	**31.8**	**219.6**	**83.7**	**—**
Underwriting profit/ (loss)	**(233.4)**	**(397.4)**	**(250.2)**	**173.1**	**68.2**	**87.6**	**85.3**	**—**

Note:

1. Gross written premium is marginally higher in UKI compared to Group due to insurance policies underwritten for other Group companies, which is eliminated on consolidation.

CIC – by line of business

For year ended For the year ended 31 December	2024 Annuities stemming from non-life insurance contracts £m	2024 Total £m	2023 Annuities stemming from non-life insurance contracts £m	2023 Total £m
Income				
Premium written				
Gross written premium	—	—	—	—
Net written premium	—	—	—	—
Premium earned and provision for unearned				
Gross earned premium	—	—	—	—
Net earned premium	—	—	—	—
Expenditure				
Gross (undiscounted) claims incurred	—	—	—	—
Net (undiscounted) claims incurred	—	—	—	—
Acquisition/Commission/ Claims costs	—	—	—	—
Total expenditure	—	—	—	—
Underwriting result (Discounted basis)	—	—	—	—
Net (discounted) claims incurred		(1.6)		0.2
Technical Exps - (less) acquisition, commission &		—		—
(Discounted) Underwriting Result		1.6		(0.2)

Analysis by line of business

Motor vehicle liability and other motor insurance

During 2024, Motor's return to profitability was delivered by two key factors. Firstly, the pricing and underwriting actions taken during 2023 continued to earn through and secondly, a return to favourable prior year reserve development. 2024 was a transitional year for Motor earnings given the net insurance margin was a positive 4.9% in the second half of the year, compared with negative 3.0% in the first half which was impacted by the below target margin business written during the first half of 2023.

Gross written premium for motor vehicle liability insurance was £1,648.2 million in 2024, an increase of £243.4 million (2023: £1,404.8 million) and gross written premium for other motor insurance was £1,270.6 million in 2024, representing an increase of £340.0 million compared to the prior year (2023: £930.6 million).These increases were driven by the Group's partnership with Motability, where the Group had a full year of premium in 2024 compared to only seven months during 2023. The Group’s partnership with Motability accounted for around 41% of Motor gross written premiums, developed well and delivered 14% growth in policy count during 2024.

The UK motor market[1] continued to be affected by challenging conditions, driven by the impact of elevated inflation and the Group continued to trade with discipline. The average cost of motor cover was £622, 15% higher than 2023 although average premiums reduced during the year and ended 1.3% lower year on year in the fourth quarter. This is against a backdrop of total claims payouts that were 17% higher in 2024 compared to the previous year.

Claims inflation remained elevated in 2024, albeit lower than the levels seen in 2023 as inflationary pressures began to moderate. Repair cost inflation remained above long term averages driven by higher labour costs. The market observed a reduction in claims frequency during the year which is likely to reflect changes to driving patterns, car safety and cost of living pressures.

Note:

1. Based on ABI Q4 motor premiums and claims tracker.

Fire and other damage to property insurance

Gross written premium for fire and other damage to property insurance, decreased by £15.6 million to £952.7 million in 2024 compared to the prior year (2023: £968.3 million). This was driven primarily by a decrease in non-personal lines premiums following the sale of the brokered commercial business in 2023. This decrease was partially offset by an increase in personal lines fire and other damage.

The UK household market[1] experienced strong premium inflation in 2024, likely driven by a combination of claims inflation and the impact of weather events. The average price for a combined policy rose 16% to £395 which led to an increase in the volume of consumers shopping in the market, particularly in the first half of the year before prices softened in the second half of the year. The market experienced a number of weather events in the year, particularly in the fourth quarter where, according to the ABI, claims for damage to homes from adverse weather reached £146 million.

Against this backdrop, the Group focused on maintaining margins whilst growing own brand new business sales year on year.

Note:

1. Based on ABI Q4 household premiums and claims tracker.

General liability insurance

Gross written premium for general liability insurance was £106.9 million in 2024, a decrease of £29.9 million (2023: £136.8 million).

Assistance

Gross written premium for assistance, of £207.3 million, decreased by £97.2 million (2023: £304.5 million).
In Rescue, policy count was 9.4% lower largely due to partnerships while gross written premium and associated fees was 3.3% lower than prior year, largely due to lower linked premiums, where the Group sells a Rescue policy alongside a Motor policy.

Other Lines

Gross written premiums for other lines was £154.4 million, £19 million lower than 2023 (2023: £173.4 million)

A.3 Investment performance

The Group's investment strategy aims to deliver several objectives, which are summarised below:

- to ensure there is sufficient liquidity available within the investment portfolio to meet stressed liquidity scenarios;
- to match periodic payment order and non-periodic payment order liabilities in an optimal manner; and
- to deliver a suitable risk-adjusted investment return commensurate with the Group's risk appetite.

The current strategic asset allocation is being reviewed given the changed macro-economic environment and resulting shifts in investment risk and return opportunities.

The strategic asset allocation has continued to be regularly reviewed during 2024. Whilst the core outcome of the review reinforced investment grade credit as the largest asset class within the portfolio, it suggested some modest changes to other areas of the portfolio. Following the review, a phased approach during the year was adopted in reinvesting back into investment grade credit securities and reducing the Group's overweight position in cash. To assist with the matching exercise of the Group's PPO liabilities, effective from Q4, the Group diversified further by acquiring some index-linked sovereign debt securities. With the Group ending 2023 in a stronger capital position, a phased approach has been adopted throughout 2024 in reducing the overweight holding in cash and reinvesting back into investment grade credit.

A.3.1 Investment return

Investment return by asset class

Group

For the year ended 31 December	2024 £m	2023 £m
Interest income calculated using effective interest rate method:		
Debt securities	**129.8**	78.9
Cash and cash equivalents	**72.0**	65.2
Infrastructure debt	**14.7**	14.8
Commercial real estate loans	**10.0**	12.9
Other loans	**0.1**	—
Total interest income calculated using effective interest rate method	**226.6**	171.8
Rental income from investment property	**17.4**	16.1
Investment income	**244.0**	187.9
Investment fees	**(8.8)**	(9.3)
Net investment income	**235.2**	178.6
Net fair value gains/(losses) on financial assets held at fair value through profit or loss:		
Debt securities	**23.9**	134.1
Derivatives	**6.5**	(6.4)
Equity investments	**(0.1)**	(0.7)
Total net fair value gains on financial assets held at fair value through profit or loss	**30.3**	127.0
Net fair value losses on investment property	**6.6**	(1.9)
Net credit impairment losses on financial investments	**0.2**	(0.7)
Investment return recognised in profit or loss	**272.3**	303.0
Investment return recognised in other comprehensive income		
Net fair value gains on equity investments measured at fair value through other comprehensive income	**1.6**	2.7

UKI

For the year ended 31 December	2024 £m	2023 £m
Interest income calculated using effective interest rate method:		
Debt securities	**130.2**	79.2
Cash and cash equivalents	**58.1**	57.0
Infrastructure debt	**14.7**	14.8
Commercial real estate loans	**10.0**	12.9
Other loans	**0.1**	—
Total interest income calculated using effective interest rate method	**213.1**	163.9
Rental income from investment property	**16.4**	15.5
Investment income	**229.5**	179.4
Investment fees	**(8.8)**	(9.4)
Net investment income	**220.7**	170.0
Net fair value gains/(losses) on financial assets held at fair value through profit or loss:		
Debt securities	**23.5**	133.7
Derivatives	**6.5**	(6.4)
Total net fair value gains on financial assets held at fair value through profit or loss:	**30.0**	127.3
Net fair value gains/(losses) on investment property	**6.6**	(1.9)
Net credit impairment gains/(losses) on financial investments	**0.2**	(0.6)
Investment return recognised in profit or loss	**257.5**	294.8

CIC

For the year ended 31 December	2024 £000's	2023 £000's
Interest income calculated using effective interest rate method:		
Cash and cash equivalents	**963.1**	877.8
Total interest income calculated using effective interest rate method	**963.1**	877.8
Investment return recognised in profit or loss	**963.1**	877.8

At the Group level net investment income increased by £56.6 million to £235.2 million (2023: £178.6 million) primarily driven by interest rates remaining high following a global interest rate rising environment during H1 2023, and a phased reinvestment back into investment grade credit more aligned to the Group's benchmark weighting.

Net fair value gains recognised through profit or loss during 2024 were £30.3 million, versus gains in 2023 of £127.0 million, reflecting a further tightening of credit spreads and interest rate movements year on year and the pull to par on credit holdings.

Investment return for UKI decreased by £37.3 million to £257.5 million (2023: £294.8 million), in line with the decrease in Group.

Investment yields

Group

For the year ended 31 December	2024	2023
Investment income yield[1]	**4.1 %**	3.5 %
Investment return yield[2]	**4.8 %**	5.9 %

UKI

For the year ended 31 December	2024	2023
Investment income yield[1]	**4.0%**	3.4%
Investment return yield[2]	**4.7%**	5.9 %

Notes:

1. The income net of fees, earned from the investment portfolio, recognised through the statement of profit or loss during the period (excluding unrealised and realised gains and losses, impairments and fair value adjustments) divided by the average assets under management. The average assets under management derives from the period's opening and closing balances for the total Group or UKI.
2. The investment return recognised through the statement of profit or loss earned from the investment portfolio, including investment fees ,unrealised and realised gains and losses, impairments and fair value adjustments, divided by the average assets under management. The average assets under management derives from the period's opening and closing balances.

Investment in securitised credit

The Group does not hold any securitised credit assets within its investment portfolio.

A.4 Performance of other activities

A.4.1 Other operating income

Other operating income for the Group of £20.3 million (2023: £21.8 million) is largely made up of legal services income and revenue from vehicle recovery and repair services to non-policyholders.

A.4.2 Other operating expenses

Other operating expenses for the Group of £135.3 million (2023: £59.6 million) which includes cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the takeover approach from Ageas NV and the offer from Aviva plc.

A.4.3 Operating commitments where the Group/UKI is the lessor

The following tables analyse future aggregate minimum undiscounted lease payments receivable under non-cancellable operating leases in respect of property leased to third-party tenants.

Group

As at 31 December	2024 £m	2023 £m
Within one year	**16.7**	14.8
Between 1 and 2 years	**15.0**	13.8
Between 2 and 3 years	**13.0**	12.9
Between 3 and 4 years	**11.0**	11.0
Between 4 and 5 years	**10.6**	9.1
Later than 5 years	**85.4**	66.8
Total	**151.7**	128.4

UKI

As at 31 December	2024 £m	2023 £m
Within one year	**15.9**	14.3
Between 1 and 2 years	**14.6**	13.2
Between 2 and 3 years	**13.0**	12.6
Between 3 and 4 years	**11.0**	11.0
Between 4 and 5 years	**10.6**	9.1
Later than 5 years	**84.9**	66.3
Total	**150.0**	126.5

A.5 Any other information

There is no other information

Events after the reporting period

There have been no events after the reporting period.

SECTION B: SYSTEM OF GOVERNANCE (UNAUDITED)

In this section:

B. SYSTEM OF GOVERNANCE continued

This section provides information regarding the system of governance of the Group. References to Group include the Group's regulated insurance companies UKI and CIC.

Assessment of the adequacy of the Group's system of governance

The Board oversees the system of governance in operation throughout the Group. This includes an effective Enterprise Risk Management Framework and system of internal control. The Board has established a risk management model that separates the Group's risk management responsibilities into three lines of defence. An explanation of these responsibilities can be found on page 38 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors.

The Group's governance framework is detailed in the Group's Systems of Governance document. This document also details how the Group meets Solvency II requirements, as modified by the Prudential Regulation Authority's ("**PRA**") 2024 reforms, and the PRA requirements to identify key functions, and to have and maintain a Responsibilities Map in respect of the PRA and FCA's Senior Managers and Certification Regime requirements. The Board reviews this document annually.

The core elements of the governance framework are the:

- Matters Reserved for the Board and the Board Committees' Terms of Reference;
- Systems of Governance document;
- Risk appetite statements;
- Enterprise Risk Management Strategy & Framework and Internal Control Framework;
- Group policies, which address specific risk areas, are aligned to the Group's risk appetite, and inform the business on how it needs to conduct its activities to remain within risk appetite; and
- Minimum Control Standards, which interpret the Group's policies into a set of requirements that can be implemented throughout the Group.

Further details regarding the split of responsibilities for the different parts of the Group's governance framework can be found on page 93 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors.

Risk management and internal controls systems

The Board, with the assistance of the Board Risk Committee and the Audit Committee, and support from the Chief Controls Office ("CCO") and Risk function as appropriate, monitored the Company's risk management and internal control systems that have been in place throughout the year under review, and reviewed their effectiveness. The monitoring and review covered all material controls, including financial, operational and compliance controls.

During the year, the Group continued its work to improve its control environment through the Group-wide controls improvement programme that was commissioned in 2023. This was overseen by the Board Risk Committee. As part of this programme, a number of improvements were made during the year across the control environment and the three lines of defence model:

- Implementation of a new quarterly Risk & Control Self-Assessment ("**RCSA**") process which assessed all of the Group's critical risks and controls;
- Documentation of the Group's critical controls, including an assessment of the design adequacy and operating effectiveness of these controls;
- Introduction of clearer end to end ownership and accountabilities of principal risks and critical controls;.
- Implementation of a new risk management system with improved functionality to track and monitor risks, control deficiencies, and risk events; and
- Improvements to the quality of control testing in the first line.

To accelerate this progress and to enable the proper embedding of these improvements, the CEO took the decision in 2024 to create a new Chief Controls Office ("**CCO**") in the first line. The primary responsibilities of the CCO include:

- Ensuring consistency in the operation of the Group's Enterprise Risk Management Framework across the business;
- Facilitating the new RCSA process and assuring its outcomes through centralised control testing; and
- Supporting the business in capturing, monitoring and responding to risk events, control deficiencies and risk/vulnerability management.

In addition, the Audit Committee has overseen a Control and Oversight Remediation Programme ("**CRP**") within Finance, the aim of which is to enhance the financial reporting control environment across the Group. More information in respect of these initiatives can be found in the respective Audit Committee and Board Risk Committee reports.

The CCO Function produced a new Annual Risk and Control Assurance ("**ARCA**") report to support the Board in monitoring the effectiveness of the Group's risk management and internal control systems. The CCO also facilitated a new quarterly RCSA process, where each principal risk owner completed a self-assessment of the key risks and controls across the Group's risk profile. The RCSA process is a key tool in assessing the inherent and residual operational risk within the Group's control environment and aims to identify, understand and manage these risks by reviewing the results of control assessments, risk events, and other relevant information. The RCSA requires the principal risk owners, which in most cases is a Senior Manager or Executive Sponsor, to attest to the status of the effectiveness of the risk management and internal controls across a range of different risk types. This is supported by centralised control testing within the CCO, as well as through oversight and challenge by the Risk function. In addition, the Group Audit function provides an independent assessment of the overall effectiveness of the governance, risk and control framework of the Group.

The overall findings from the quarterly RCSA process, as well as from other assurance mechanisms, such as second or third line reviews, are combined into a Group-level assessment and reported to the Board Risk Committee in the ARCA report.

The 2024 ARCA report referred to the miscalculation identified within the Group's audited Solvency II Own Funds for the year ended 2023, and reported to the market on 23 August 2024, as a material control deficiency within the Group's financial controls. Underlying root causes of the miscalculation are considered to have included control deficiencies that arose in 2023. The Group has since remediated the relevant processes and controls such that the control deficiencies were resolved for the half year 2024 Solvency reporting and consequently by the year-end balance sheet date.

This miscalculation arose in the Solvency II treatment of the whole account quota share reinsurance arrangement (incepted 1 January 2023), and in particular the translation of the reinsurance debtors between IFRS and Solvency II Own Funds. This miscalculation had no impact on the IFRS figures. Correcting for the miscalculation, the solvency capital ratio (post-dividend) at year end 2023 was 188%, which was above the Group's risk appetite range of 140% to 180% (the previously reported solvency capital ratio was 197%).

The miscalculation was identified through the Group's half year results preparation, and the Group has taken a number of actions in 2024 to strengthen the control environment in relation to the specific area where the miscalculation occurred. These include, but were not limited to:

- Detailed root cause analyses and identification of corresponding management actions;
- Strengthening the change delivery framework around operational readiness, downstream financial reporting impact, risk acceptance and post implementation review;
- Strengthening the level of precision of the Financial Reporting Control Framework ("**FRCF**") preventative and detective controls related to the translation of the Group's financial results from IFRS to Solvency II;
- Simplification of the accounting transactions around key reinsurance arrangements; and
- Improved controls assurance more generally of the FRCF controls.

The 2024 ARCA report did not identify any further material financial, operating, or compliance control deficiencies during the year ended 31 December 2024, nor any further material control deficiencies that remained unresolved at the balance sheet date.

As discussed in the Audit Committee report on pages 101 to 105 of the Group's Annual Report and Accounts available at www.directlinegroup.co.uk/investors, the Group undertook further enhancement work over its wider financial control framework during the year.

The Group Audit function supports the Board by providing independent and objective assurance on the adequacy and effectiveness of the Group's controls. It brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control and governance frameworks and processes. Group Audit's 2024 annual assessment of the risk management, governance and control environment did not identify any matters that conflict with the 2024 ARCA report.

On behalf of the Board, the Board Risk Committee reviewed the 2024 ARCA report and was satisfied with the conclusion that the Group's risk management systems, including its internal control systems, were adequate for managing all material risks. The Board Risk Committee also regularly reviews significant risks and how they might affect the Group's financial position, comparisons to agreed risk appetites, and what the Group does to manage risks outside its appetite.

Based on the 2024 ARCA assessment The Board considered it would be reasonable to conclude that the Group's risk management and internal control systems are effective. The Directors acknowledge that any internal control system can manage, but not eliminate, the risk of not achieving business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or financial loss.

The annual Own Risk and Solvency Assessment ("**ORSA**") is prepared based on the latest available capital position and three year business plan. The conclusions of the assessment are taken into consideration in assessing the Group's risk and capital position related to the strategic plan (the "**Plan**") and approved by the Board. For more information on the ORSA, please see section B.3 "**ORSA**" on page 26.

B.1 General information on the system of governance

B1.1 The Boards

The Boards of the Group, UKI and CIC are comprised of the same persons and act as the Administrative, Management or Supervisory Body.

For details of the Group's Board, visit the Group's corporate website at www.directlinegroup.co.uk/en/who-we-are/leadership

The Board seeks to promote the long-term sustainable success of the Company for the benefit of its shareholders and stakeholders, and establishes the Company's purpose, values, culture, and strategy, while contributing to wider society. The Board aims to create shared vision for the organisation and role-models the values and standards that are expected from all of our people. The Board and its Committees are comprised of individuals with an appropriate mix of skills, industry experience and knowledge.

The Board's role is supported by a formal Schedule of Matters Reserved for the Board, which contains items that are reserved for the Board's consideration and approval. These matters relate to strategy and management, material contracts, financial reporting and controls, internal controls and risk management, Board membership and succession planning, corporate governance, structure and capital, and delegation of authority.

The Matters Reserved for the Board are kept under review to ensure they remain appropriate. Throughout 2024, the Board acted in accordance with the Schedule of Matters Reserved for the Board.

Details regarding Board meetings and Board activity during 2024 can be found on pages 84 to 85 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors

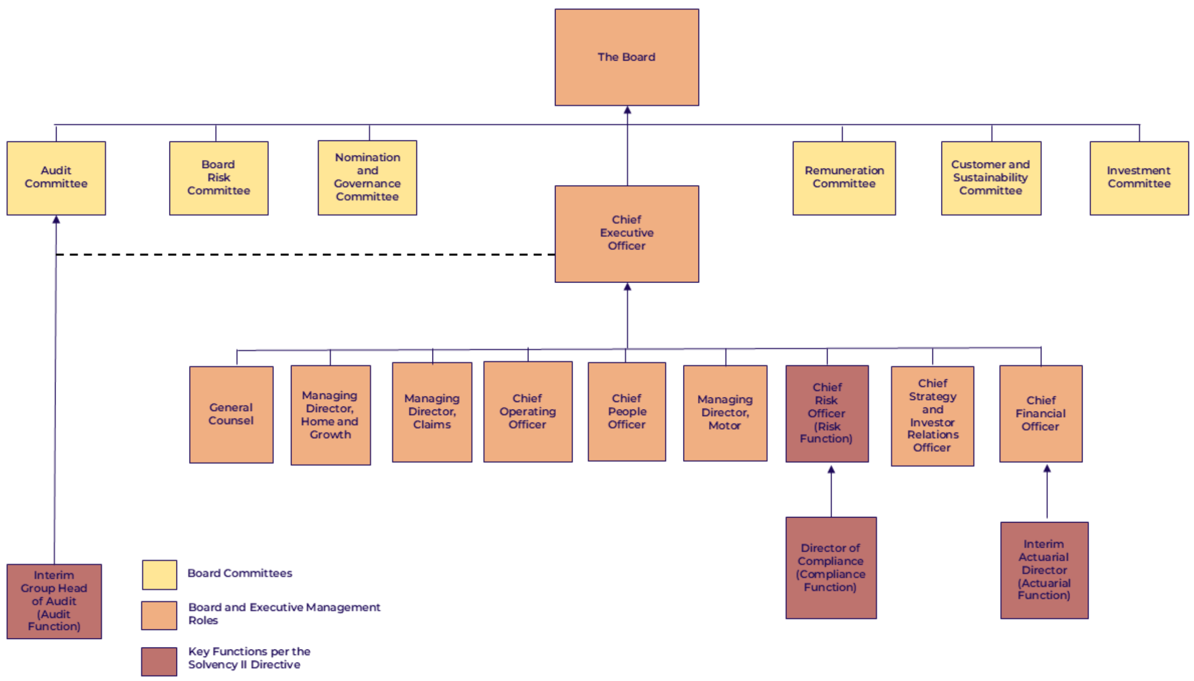
B1.2 Structure of the Board, Board Committees and executive management

The Board discharges some of its responsibilities through its Committees, each of which expands the work of the Board and enables deeper focus on particular areas. Each Board Committee has written Terms of Reference defining its role and responsibilities. The Terms of Reference for each of the Board Committees can be found on our corporate website.

A summary of the role of the Board, its six Committees (Audit Committee, Board Risk Committee, Nomination and Governance Committee, Remuneration Committee, Customer and Sustainability Committee and Investment Committee) and the responsibilities of the Chair, the Chief Executive Officer and executive management can be found on page 93 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors

B1.3 Key Functions

Set out below is a diagram highlighting the day to day reporting lines of the Key Functions



Note:

1. The responsibilities of the Actuarial function holder are split between the Actuarial Director and the Director of Financial Risk.

Further information on the authority, resources and the independence of the four Key Functions identified above is set out in sections B.3 to B.6 of this report.

Those working in the Key Functions are subject to the provisions of the Regulatory Accountabilities minimum standard covering the Fit and Proper requirements (see section B.2) which requires them to have the necessary skills, knowledge and experience to fulfil their position. This is assessed both on initial appointment and through annual performance appraisals.

B1.4 Material changes in the system of governance

There have been no material changes to the Group's system of governance during the reporting period.

B1.5 Information on remuneration policy and practices

The Group believes that employees are fundamental to the success of the Group's business, both now and into the future. As a result, the Group's remuneration policy aims to provide, in the context of the Group's business strategy, an attractive reward proposition at the right cost to attract, retain, motivate and reward high calibre employees so that they are engaged to deliver superior long-term business performance within acceptable risk parameters and having due regard to all relevant regulatory guidance.

Principles of remuneration policy

The Group has one consistent reward policy for all levels of employees. Therefore, the same reward principles guide reward decisions for all Group employees, including Executive Directors. However, remuneration packages differ to account for appropriate factors in different areas of the business:

- **Annual Incentive Plan** – approximately 5,600 employees participate in the AIP. The corporate performance measures for all eligible employees are consistent with those used for Executive Directors, although the weighting attributable to those factors may differ. The Group's senior leaders (approximately 50 employees) also receive part of their bonus in Company shares deferred for three years.
- **Incentive awards** – approximately 3,400 employees, excluding Executive Directors, participate in a function or team specific incentive plan which assesses performance over a set period. These incentive awards may pay out monthly, quarterly or bi-annually.
- **Long-Term Incentive Plan ("LTIP")** – the Group's senior leaders participate in the LTIP, currently based on the same performance conditions as those for Executive Directors.
- **Restricted Share Plan ("RSP")** – RSP awards are used across the Group to help recruit and retain critical staff, and for talent management. Executive Directors do not receive grants under the RSP (with the exception of buyout awards which may be granted under the RSP).
- **All employee share plans ("SIP")** – the Company considers it important for all employees to have the opportunity to become shareholders in the Group. The HMRC-approved SIP has operated since 2013, and, in addition, the Company has made periodic awards of free shares. These awards have no performance criteria attached and vest on the third anniversary of the award grant date, subject to the completion of three years continuous employment. At 31 December 2024, approximately 3,500 employees throughout the Group had signed up to these schemes with 4,100 holding free shares in the Company.
- **Pension and benefits** – the Company currently contributes 9% of salary to the defined contribution pension scheme without any requirement for an employee contribution. Employees may also opt for a proportion or all of this to be paid as cash rather than into the pension scheme.

The Directors' Remuneration Policy (the "**Policy**") aligns with the above principles and was approved at the Company's Annual General Meeting in 2023. The full Policy can be found in the 2022 Annual Report and Accounts. Details of how the Group has implemented its policy for Executive Directors' through 2024 can be found in the 2024 Annual Report and Accounts. The Policy provides a clear and simple framework for remuneration of the Company's Directors and aligning the Executive Directors' variable pay opportunities to the business strategy and achievement of the Group's performance indicators.

Relative importance of fixed and variable pay

The Company ensures that the fixed and variable remuneration components of remuneration are appropriately balanced, with the fixed portion representing a sufficiently high proportion of total remuneration which allows the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration component. Fixed pay comprises base pay, benefits and pension. Fixed pay is set to be competitive against market levels. The Company monitors both the ratio of fixed to variable pay and quantum against the market. In no cases are the fixed components of pay set at levels which would then require undue reliance on incentive pay elements for living costs.

Supplementary pension or early retirement schemes

There were no supplementary pension or early retirement schemes in place for the Board or other Key Function Holders during the reporting period.

Material transactions

There were no other material transactions other than those reported in section A.5.

B.2 Fit and proper requirements

B.2.1 Skills, knowledge and expertise of the persons who run the Group or Key Functions

The individuals were appointed to their roles following due diligence with the objective of ensuring that they had the necessary competence and were fit and proper to fulfil their positions. In making these assessments of competence due consideration was given to the individuals':

- professional qualifications, knowledge and experience to enable sound and prudent management (fit);
- character, in that they were of good repute and integrity (proper); and
- appearance on the public financial services register, where the person is a Senior Manager.

To support effective operation of this requirement, the Group requires Senior Managers, Certification Functions and Key Function Holders to:

- comply with the PRA Insurance Conduct Standards and FCA Conduct Rules, in respect of roles undertaken for UKI and CIC;
- comply with the requirements expected of Senior Managers, Certification Functions and Key Function Holders to meet as set out in the Group's Regulatory Compliance Risk policy, Regulatory Accountabilities minimum standard and Interaction with Regulators minimum standard;
- manage risks and controls that are reflected in their role profiles in accordance with the Enterprise Risk Management Strategy and Framework and as set out in the System of Governance Framework document (the Group's Management Responsibility Map); and
- continue to pass the fit and proper self-assessment as part of the annual declaration process.

B.2.2 Process for assessing fitness and propriety of Approved Persons

The individuals are subject to the Group's Regulatory Compliance Risk policy which has its own specific minimum standard on Regulatory Accountabilities which contains requirements relating to the fitness and propriety of those persons who hold regulatory accountabilities. The minimum standard requires that individuals should notify their own line manager and the Director of Compliance, if there is any matter that may impact directly or create a perception of impacting on their ongoing fitness and propriety. The Risk function will then notify the regulator if there is information that would be expected to be material to the assessment of their fitness and propriety.

As well as being subject to ongoing formal reviews of their performance in their role, the individuals are also subject to the Group's annual self-declaration assessment of fitness and propriety. To support effective operation of this requirement, the Group:

- ensures that all Senior Managers, Certification Functions and Key Function Holders have an up-to-date role profile which is signed by both the individual and their line manager;
- ensures that role profiles for all Senior Managers, Certification Functions and Key Function Holders correctly reflect the regulatory accountabilities they hold, and includes an up-to-date structure chart;
- ensures that all individuals who have been a Senior Manager, Certification Function or Key Function Holder for the Group for more than six months have submitted to the Risk function their return from the last annual declaration of fitness and propriety;

B.3 Risk management system, including the Own Risk and Solvency Assessment

Risks are managed on a Group-wide basis including the regulated insurance companies of UKI and CIC, as the risks faced by the Group, are similar in nature and scope.

The Group has established an on-going process for assessing the principal risks that it faces, as well as monitoring the effectiveness of the Group's risk management systems. The Board sets and monitors adherence to strategy, risk appetite and the Enterprise Risk Management framework.

This is defined in the Enterprise Risk Management Framework which, at a high level, sets out the Group's approach to setting risk strategy, and managing risks to the strategic objectives and day-to-day operations of the business. It is aligned to the three lines of defence model and provides a comprehensive approach for managing all principal risks across the Group. A central component of the Enterprise Risk Management Framework is the Risk Policy and Minimum Control Standard suite.

The Group Board has a strong understanding of the nature and extent of the risks involved in pursuing the Group Strategy in order to mitigate those risks and achieve our goals. Group Strategy development is the responsibility of management, and ultimately the CEO, in consultation with, and under the guidance and authority of, the Board. The Strategic Planning Process aims to ensure that the Group has developed a clear set of objectives and targets that are consistent with the Group's vision, purpose and strategic objectives.

Risk objective	Risk appetite statement
Overarching risk objective	The Group recognises that its long-term sustainability depends on having sufficient economic capital to meet its liabilities as they fall due, thus protecting its reputation and the integrity of its relationship with policyholders and other stakeholders. As part of this, the Group's appetite is for general insurance risk, focusing on personal lines retail and small and medium-sized enterprise insurance in the UK. The Group has appetite for non-insurance risks, as appropriate, to enable and assist it to undertake its primary activity of insurance.
Maintain capital adequacy	The Group seeks to hold capital resources in the range of 140% - 180% of the Internal Model Solvency Capital Requirement (SCR). This is the buffer the Group wishes to hold on top of its 1 in 200 regulatory requirements, with a Green threshold set at 155% of SCR to provide an early warning indicator, and a target of 180% of SCR consistent with its Dividend Policy. As a subsidiary, the corresponding range for UKI is 130% - 140%. Buffer assessments are informed by the Internal Model.
Stable and efficient access to funding and liquidity	The Group aims to meet both planned and unexpected cash outflow requirements, including those requirements that arise following a 1-in-200 years insurance, market or credit risk event.
Maintain stakeholder confidence	The Group has no appetite for material risks resulting in reputational damage, regulatory or legal censure, poor customer outcomes, fines or prosecutions, and other types of non-budgeted operational risk losses associated with the Group's conduct and activities. The Group's objective is to maintain a robust and proportionate internal control environment.

B.3.1 Risk function

The Risk function is a second line of defence function, responsible for providing subject matter expert advice, challenge, and objective opinions on risk matters to the Group. The function works with the Risk Management Committee, Board Risk Committee and Board to define the Enterprise Risk Management Framework and undertakes regular monitoring of key risk indicators and risk profiles, as well as providing assurance in certain areas agreed as part of its annual plan, to determine the level of compliance with relevant regulatory requirements. The Risk function provides an objective view to the Board, via the Board Risk Committee, on whether it considers that the Group is operating within or outside its risk appetite. The Risk function also undertakes independent validation of the Group's Internal Economic Capital Model.

B.3.2 Risk Management Process

The Group operates several risk management processes which enable the Group and its regulated insurance companies to manage risk in a structured and consistent way, some of which are outlined below:

- **Risk and Control Self-Assessment** ('**RCSA**'): is a systematic approach for the assessment of risks and the controls in place to mitigate risks.
- **Emerging Risks**: to identify newly developing or changing threats or opportunities.
- **Material Risk Assessment**: to identify risks that are quantified as having a residual impact of £30m or greater based on a 1-in-200-year likelihood period.
- **Stress and Scenario Testing**: to assess the potential effects of adverse circumstances on the Group by considering changes in both individual and combined factors.
- **The Own Risk and Solvency Assessment** ("**ORSA**") to assess the risks inherent to the Group in order to determine its corresponding capital needs both currently and during the course of its planning period.

B.3.3 Implementation and integration of risk management system into the organisational structure and decision-making processes

Clear risk governance helps the Group with its objective of ensuring that risk management arrangements are effective. The Group Board delegates authority for risk management to the Chief Executive Officer, who then further delegates to the members of the Executive Committee. The Chief Risk Officer, who chairs the Risk Management Committee, has accountability for providing risk oversight.

The Group's risk governance arrangements include three lines of defence accountabilities and the risk management responsibilities of the Board, the Board Risk Committee and Risk Management Committee. The Group ensures comprehensive risk management through its three lines of defence model which can be found on page 38 of the Group's Annual Report & Accounts 2024 at www.directlinegroup.co.uk/en/investors

The Own Risk and Solvency Assessment ("**ORSA**") process incorporates several underlying key processes and tools within the Group's Enterprise Risk Management Strategy and Framework which are used to manage risk and capital. These underlying processes and tools are reviewed periodically throughout the year at various governance committees enabling frequent and localised decision making.

The ORSA is facilitated by the Risk function and supported by teams within Finance. The conclusions of the ORSA report consider the Group's risk profile related to the strategic plan. The ORSA report is taken into consideration by the Risk Management Committee and presented to the Board for review and approval.

B.3.5 Risk management system for the internal model

Governance of the Internal Economic Capital Model

The Risk Function:

- is responsible for managing the independent validation of the Internal Economic Capital Model, including production of the validation scope, framework and annual validation report; and
- is responsible for ensuring that validation tests are sufficiently robust and well documented.

Validation process of the Internal Economic Capital Model

The Group's Model Validation Minimum Control Standard is reviewed and updated on an annual basis to reflect changes in emerging practice, regulatory requirements and structural changes within the Group.

The Internal Model Validation team is part of the Risk function, and retain full responsibility for the delivery of independent model validation.

An independent validation opinion is provided to the appropriate Board sub-committees, in line with the Validation Minimum Control Standard, as to whether the Internal Model materially complies with the relevant Solvency UK requirements, reflects the relevant entity's risk profile, taking into account the Solvency UK requirements, and is fit for purpose for both calculating the regulatory SCR and for wider use of the model. Key validation findings are also communicated.

The Model Validation minimum standard requires the scope of validation activities envisaged for the year to be presented to the Board Risk Committee for approval on an annual basis, who are also required to approve any updates to the Validation Framework"
The Validation Plan is drafted in line with the Model Validation Framework, which stipulates that the Group will maintain an annual cycle of validation activity and reporting, comprising three key elements:

- an annual programme of core validation testing;
- a rolling programme of 'deep-dives' into specific validation areas to take a deeper look at whether the modelling is fit for purpose and covers regulatory requirements; and
- validation of model changes (including updates to address previous validation issues).

The Model Validation Framework document distinguishes between the key elements that will form part of the annual programme of core validation testing and deep dives. The deep dives are performed as part of a rolling programme which aims to cover all areas of the model over a three-year time period, but also considers bespoke investigations in response to a thematic review or a current area of interest.

B.4 Internal Control

B.4.1 Internal control system

The Board has established a management structure with defined lines of responsibility and clear delegation of authority. This is combined with a structured system of internal policies, control activities, control assurance, as well as a wider control environment, that manages the risks associated with the successful achievement of the Group's key strategic objectives.

The Group's Internal Control Framework ("ICF") supports the Group in achieving its core strategic objectives through the process of internal control, such that controls play an important part in managing the inherent risk associated with those objectives to an acceptable level. The ICF cascades through the business units and central functions, detailing clear responsibilities to ensure the Group's operations have appropriate controls. This includes controls relating to the financial reporting process.

The Board, with the assistance of the Board Risk Committee and the Audit Committee as appropriate, monitors the Group's internal control systems that have been in place throughout the year, and reviews their effectiveness. This monitoring and review covers all key controls, including financial, operational and compliance controls.

The Group Audit function supports the Board by providing an independent and objective assurance of the adequacy and effectiveness of the Group's control environment. It brings a systematic and disciplined approach to evaluating the effectiveness of its risk management, control and governance frameworks and processes.

The Board acknowledges that any internal control system can manage, but not eliminate, the risk of not achieving business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or financial loss.

The Board's oversight is also supported by its review of the Annual Risk and Control Assurance (ARCA) report which articulates the effectiveness of the risk management and internal control systems in place and compliance with Provision 29 of the UK Corporate Governance Code. The Risk function reviews and challenges this annual assessment and the Group Audit function provides an independent assessment of the overall effectiveness of the governance and risk and control framework of the Group.

Key procedures of the internal control system

The Group has established a number of tools to support effective implementation of the internal control system. These include:

- regular, at least annual, review of the Group's risk appetite statements;
- detailed Risk Policies and Minimum Control Standards which articulate the key outcomes and control objectives to operate within stated risk appetite
- a review programme to ensure that Risk Policies and Minimum Control Standards remain fit for purpose;
- provision of advice and guidance by Minimum Control Standard Owners to the first line of defence to support in adherence to the requirements set out in these documents.

- the RCSA process which is a systematic approach for the assessment of risks and the controls in place to mitigate risks
- formal risk management reporting to the Risk Management Committee and Board Risk Committee as well as regular risk reporting at other risk forums across the business
- assessment of Material Risks and ongoing review of Emerging Risks
- a range of processes carried out throughout the year that comprise the annual Own Risk & Solvency Assessment.

B.4.2 Compliance function

The Compliance function is a second line of defence function, which is responsible for providing advice and guidance to the Group regarding compliance with relevant regulatory requirements. The Director of Compliance, who is approved as a Senior Manager is responsible for the Compliance function. The Compliance function works with colleagues from across the Risk function and management throughout the business to fulfil this responsibility.

The Regulatory Compliance Risk policy and associated minimum standards outline the role of the function. These policies, approved by the Board, provide the high-level requirements to ensure that the Group remains compliant with supporting minimum standards. Other areas of compliance risk are covered by a number of separate policies and minimum standards on specific topics. All employees are required to undertake annual online training of relevant subject areas.

In addition to the policies and minimum standards, the Compliance team undertakes the following with the objective of ensuring compliance with regulatory requirements:

- attendance at and/or chairmanship of governance forums; for example, the Financial Crime Steering Committee, Conduct Regulatory Risk Forum, Operational Risk Committee, Customer Conduct Committee, Risk Management Committee and Board Risk Committee;
- monitor regulatory developments and report areas of interest to management and the Boards;
- monitor adherence to risk appetite through the tracking of key risk indicators;
- support with incidents as they arise;
- provide advice and guidance;
- provide training;
- contribute to Risk and Control Assessments ("RCSAs");
- provide assurance and effectiveness reviews undertaken by the Compliance Monitoring team; and
- support regulatory reviews, including thematic reviews.

B.5 Internal audit function

The Group Audit function supports the Board and Executive Management ("**the Executive**") in their aim to: (i) achieve their strategic and operational objectives; (ii) protect the assets, reputation and sustainability of the Group; and (iii) discharge their corporate governance responsibilities.

This is achieved by:

- providing independent assurance that the risk management processes and controls established by management are adequate, effective and sustainable to manage key business risks, including reviewing any lessons learned analysis if a significant event has occurred;
- assessing whether all significant risks are identified by management and the Risk function and reported to the Board and the Executive;
- challenging the Executive to improve governance, risk management and control activities;
- challenging the effectiveness and efficiency of processes and controls that support strategic and operational decision making and assessing the appropriateness and reliability of management information presented to the Board and the Executive;
- providing a Group-wide view of specific risk and control themes emerging from Group Audit work, including considering current and emerging factors and how business processes support a customer focus and compliance with conduct requirements;
- in conjunction with the Risk function, offering an assessment of management's risk behaviours and attitudes;
- when considered appropriate or on request – providing independent assurance over key corporate events, such as new products and services, outsourcing, acquisitions or divestments;
- when considered appropriate – providing independent, objective assurance and opinion-based activities designed to add value and to improve the risk and control performance of the organisation; and
- being available to the Board, as required, to provide an independent investigations service, for example in those circumstances where it would be inappropriate for the Risk function to undertake an investigation.

Group Audit presents a quarterly report to the Audit Committee summarising the results and analysis of audit activity in the preceding quarter. On an annual basis, Group Audit presents a report which provides an independent assessment of the overall effectiveness of the governance, and risk and control framework of the Group, together with an analysis of themes and trends emerging from Group Audit work and their impact on the Group's risk profile.

Group Audit are not part of the system of risk control or compliance. Group Audit do not:

- take accountability for the Risk Management Framework and processes;
- represent the Executive's assurance on risks; or
- take decisions on risk mitigation or implement risk mitigation actions on behalf of the Executive.

B.5.1 Independence and objectivity of internal audit

To both preserve and reinforce the independence and objectivity of Group Audit, the primary reporting line for the Head of Audit is to the Chair of the Audit Committee who is an independent non-executive director. The Audit Committee is responsible for the appointment and removal of the Head of Audit. The Chair of the Audit Committee sets objectives for the Head of Audit and recommends remuneration for the Head of Audit to the Remuneration Committee. The performance of the Head of Audit is evaluated against the agreed objectives in conjunction with the Key Performance Indicator scores of the department. The Head of Audit communicates and interacts directly with the Audit Committee and with members of the Audit Committee in between Audit Committee meetings or where escalation is required.

The Head of Audit communicates the outcome of audit activity and assessments on the Group control environment to the Group Chief Executive Officer.

The independence and objectivity of Group Audit is maintained through being exempt from undertaking any executive or operational duties, or any other activity, that may impair the judgement of Group Audit. Group Audit remains free from interference by any element in the Group, including matters of audit selection, scope, procedures, frequency, timing or report content. This permits maintenance of independence and objectivity. Group Audit has processes in place to manage conflicts of interest and, where used, co-source providers are subject to the same independence requirements as Group Audit. The Head of Audit confirms to the Audit Committee, at least annually, the organisational independence of Group Audit.

B.5.2 Rights and authorities

Group Audit's scope is unrestricted and covers all activities undertaken by, and on behalf of, the Group and its subsidiary companies. Group Audit has the right of access to:

- Group Non-Executive Directors and the Executive, including those of all subsidiary companies;
- the Audit Committee, Board Risk Committee, Executive Committee, and any other relevant committee, either through attendance or receipt of papers and minutes in relation to meetings; and
- all operations of the Group and any subsidiary companies, third parties and joint ventures, including unlimited access to all organisational activities, data, records, people and physical properties needed to perform Group Audit activities.

Group Audit also has the right to be informed promptly of a major potential or actual risk management or control failure and any major acquisition, re-organisation or disposal that may have a material impact on the risk management and control environment.

B.6 Actuarial function

The Actuarial function for the Group forms part of the first line of defence which is the responsibility of a single Actuarial function holder.

The Actuarial function co-ordinates and performs the calculation of technical provisions and conducts actuarial risk management, including opinions on underwriting and reinsurance. The Actuarial Director is the chief actuary who fulfils these responsibilities.

The Actuarial function meets the PRA Rulebook requirements with the following activities undertaken during the reporting period:

- co-ordinating and performing the calculation of technical provisions:
  - ensuring the appropriateness of methodologies used in the calculation of technical provisions;
  - assessing the sufficiency and quality of data used in the calculation of technical provisions;
  - comparing best estimates against experience; and
  - informing Group management of the reliability and adequacy of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the ORSA.

The contribution to the effective implementation of the risk management system is additionally met through the supply of technical provisions to the Internal Economic Capital Model and the balance sheet.

The function is sufficiently composed of qualified actuaries to meet the skilled persons' requirement of actuarial functions. The activities of the Actuarial function are documented in the Actuarial Function report and submitted annually to the Board.

B.7 Outsourcing

The Supplier Management and Outsourcing Policy ensures the Group undertakes a consistent approach to the management of risks from the sourcing and appointment of external suppliers of goods and services in line with the risk appetite set by the Board. The policy provides a framework within which the Group manages its outsourcing and external supplier risk exposure where external supplier risk is defined as the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of external suppliers, outsourced service providers and intragroup relationships.

This framework details the defined sourcing approach when procuring the services and providing regular oversight of the performance of third parties in relation to key contractual requirements. This is particularly with respect to external suppliers that are deemed to provide a material, critical and important service to the Group and therefore, ultimately, to its customers. These are services of such importance that weaknesses or failure of those services would cast doubt upon the Group's ability to comply with its key regulatory obligations or deliver its services to policyholders and as such processes and activities undertaken within sourcing and contract management have been refined to include requirements specific to these outsourced services.

The first line of defence identifies, assesses, manages and monitors all types of outsourcing and external supplier risks in line with the Enterprise Risk Management Strategy and Framework. Where additional guidance is required in respect of outsourcing and external supplier risk, the Procurement & Supply Chain function is consulted. The Group categorises relationships with external suppliers as follows:

- outsourcing arrangements are those of any kind between the Group and a service provider by which that service provider performs a service or an activity that would otherwise be undertaken by the Group;
- material, critical or important outsourcing arrangements are the outsourcing of a function or activity that is so important that the Group would be unable to deliver its services to policyholders without that function or activity. In the UK, all relevant arrangements must be notified to the appropriate regulator, through the second line of defence Compliance function, in advance of such activity taking effect;
- intragroup outsourcing is the provision of services which are material, critical or important by one entity to another within the same Group; and
- external suppliers are third-party organisations providing goods or services to the Group or directly to the Group's customers on the Group's behalf but exclude commission payments to brokers.

Where intragroup arrangements are in-force, the Supplier Management and Outsourcing minimum standard owner is to convene a review on an annual basis to ensure that the agreements remain current and reflect the appropriate service provisions and providers. This review, as a minimum, will include representation from the Group Legal, Procurement, Risk and Compliance functions. The review aims to help ensure that intragroup arrangements are all correctly identified and supported by an appropriate agreement, and any changes required given the Group's corporate structure and the activities being undertaken are identified. Agreements are filed with the Company Secretariat function.

The intragroup agreements that currently exist are between DL Insurance Services Limited ("**DLIS**") and UKI, DLIS and CIC, and DLIS and U K Insurance Business Solutions Limited. These have been classified as material intragroup outsource agreements due to the Key Functions and services that are provided by DLIS to the regulated entities. Key Functions and services provided by DLIS include administration, operational support, and managerial advisory services; these are primarily provided from within the UK.

The Group outsources several critical or important activities to various third parties. The Group maintains, manages and provides oversight of these activities in line with the Supplier Management and Outsourcing minimum standard. These activities are provided from third parties within the UK, with the exception of a wide range of back office services across claims, customer operations, commercial and finance that are provided from third parties in India and South Africa.

B.8 Any other information

There is no other information.

Section C: RISK PROFILE (UNAUDITED)

In this section:

The risk management process outlined in B.3 aims to enable the Group to manage risk in a structured and consistent way and ensure continued effectiveness of the Group's risk mitigation techniques.

Risks are managed on a Group-wide basis for the regulated insurance companies, UKI and CIC and the Group as a whole, as risks faced by the Group, UKI and CIC are similar in nature and scope. References to Group also include the Group regulated insurance companies, UKI and CIC. The Group's risk profile has remained broadly unchanged over the year.

Prudent person principle and management of invested assets

The prudent person principle defined in the PRA Rulebook includes provisions on how undertakings should develop and maintain investment strategy, manage risks arising from investments and maintain internal governance within the Investment Management and Treasury function.

Prudence is evidenced in the manner through which investment strategies are developed (with reference to the Group's liabilities and capital), implemented and monitored and the guidance and oversight provided by the Investment Committee and Board.

The Investment Management and Treasury function is responsible for ensuring that the Group only invests in assets and instruments where the risks can be properly identified, assessed, managed, monitored, controlled and reported in accordance with the Group's Enterprise Risk Management Strategy and Framework and, in particular, the Investment Risk policy. All assets are invested taking into consideration the aggregate security, liquidity, quality and profitability parameters for the investment portfolio.

Assets are invested in an appropriate manner with the objective of ensuring their nature and duration match technical provisions to mitigate a loss which could arise from the imperfect matching of the timing and size of the cash flows from the investments and those linked to liabilities. The Investment Management minimum standard requires the Investment Management and Treasury function to perform an asset and liability matching exercise at least annually for each material regulated entity and recommend any changes to asset classes, strategic asset benchmarks or the use of derivatives to improve, inter alia, the matching of cash flows.

The framework ensuring assets are invested in a prudent manner and subject to effective ongoing monitoring is characterised by the following points:

- limiting investment in assets not admitted to trading on a regulated financial market;
- ensuring investment benchmarks for cash, gilts and other high-quality liquid assets are calibrated to be consistent with the Group's analysis of liquidity requirements in stressed scenarios;
- diversifying exposure using benchmarks and limits to avoid excessive reliance on any particular asset class, issuer, group of companies, industry or geographic area;
- ensuring detailed credit assessments are undertaken prior to investing in any asset or transaction and such assessments are updated at suitable intervals;
- measuring and monitoring risk exposure across the entire portfolio on a daily basis;
- reviewing the performance of all asset classes against market conditions and investment guidelines set;
- providing senior management and the Risk function with comprehensive monthly management information reporting; and
- ensuring no uncovered or speculative use of derivatives occurs.

C.1 Underwriting risk

C.1.1 Underwriting risk

This is the risk that future claims experience on business written is materially different from the results expected, resulting in current-year losses. The Group predominantly underwrites personal lines insurance including motor, residential property, roadside assistance, creditor, travel and pet business. Since 2023, the Group also underwrites vehicle insurance under a fleet arrangement for the Motability Scheme that is reviewed and repriced every 6 months. The Group also underwrites commercial risks directly primarily for low-to-medium risk trades within the small to medium-sized enterprises market. Contracts are typically issued on an annual basis which means that the Group's liability usually extends for a 12-month period, after which the Group is entitled to decline to renew or can revise renewal terms by amending the premium or other policy terms and conditions such as the excess as appropriate.
The PRA Rulebook definition of underwriting risk includes catastrophe risk, and the risk of loss, or the adverse change in the value of the insurance liabilities resulting from significant uncertainty of pricing, underwriting and provisioning assumptions related to extreme or exceptional circumstances.

Pricing risk

Pricing risk is the risk of economic loss arising from business being incorrectly priced or inappropriately underwritten. Key risk drivers include:

- poor or insufficient data or data quality or inappropriate assumptions built into pricing models;
- errors within or inappropriate use of pricing models; and
- regulatory changes, such as pricing practices which may place new restrictions on pricing.

Underwriting risk

Underwriting risk is the risk that future claims experience on business written is materially different from expected, resulting in current-year losses. Key risk drivers include:

- catastrophe and weather-related claims which may arise giving rise to material current year losses;
- claims inflation may be higher; and
- claims frequency may be higher than expected.

C. RISK PROFILE continued

C.1.2 Reserve risk

Reserve risk relates to both premium and claims. This is the risk of understatement or overstatement of reserves arising from:

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

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

C.1.3 Risk concentrations

The Group is subject to concentration risk in a variety of forms, including:

- geographic concentration risk – the Group's business is written in the UK general insurance market. The Group purchases a catastrophe reinsurance programme to protect against which provides protection up to the level of a modelled 1-in-200-year windstorm/storm surge and or flood losses event. The programme has been renewed on 1 Jan 2025 and will cover a 12 month period. It has a retention of £100 million per weather event and an upper limit with a maximum event recovery of £1,170 million and;
- product concentration risk – the Group offers a diversified portfolio of products and a variety of brands sold through a range of distribution channels to its customers.

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

C.1.4 Management and mitigation

Reinsurance is the main risk mitigation technique purchased in order to:
- protect the underwriting result against low-frequency, high-severity losses through the transfer of catastrophe claims volatility to reinsurers;
- protect the underwriting result against unforeseen volumes of, or adverse trends in, large individual claims in order to reduce volatility, control the Group's capital requirements and improve stability of earnings; and /or;
- transfer risk that is not within the Group's current risk appetite.

Underwriting, pricing and distribution risk is managed through a range of processes and controls:
- underwriting guidelines are set for all transacted business and pricing refined by analysing comprehensive data;
- a range of key performance indicators tracking underwriting performance are regularly monitored and reported to senior management;
- governance on model change provided through the Pricing and Underwriting Governance Board;
- internal quality assurance conducted on underwriting referrals; and
- the Group invests in enhanced external data to assess and more accurately price risks.

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

- regular reviews of the claims and premiums, in line with the PRA Rulebook for the main classes of business by the internal actuarial team;
- the use of external actuaries to review periodically the actuarial best estimate reserves produced internally, either through peer review or through provision of independent reserve estimates;
- accompanying all reserve reviews with actuarial assessment of the uncertainties through a variety of techniques including bootstrapping and scenario analysis;
- use of reinsurance programmes, through Motor, Liability, Property catastrophe, and Travel, which are renewable annually;
- oversight of the reserving process by relevant senior management and the Board;
- regular reconciliation of the data used in the actuarial reviews against general ledger data and reconciliation of the claims data history against the equivalent data from prior reviews; and
- regular assessment of the uncertainty in the reserves to help the Board set management best estimate reserves.

C.1.5 Risk sensitivity methods, assumptions, stress testing and sensitivity analysis

Multiple major weather events

Catastrophe events are a material driver of underwriting risk for the Group with reinsurance as an important mitigation.

Ogden discount rate and periodic payment orders

The Group's reserves are subject to the risk of retrospective changes in judicial conditions such as the change in the Ogden discount rate from -0.25% to 0.5% in England and Wales which took effect from 11 January 2025 under the Civil Liability Act 2018. This rate is set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases. In September 2024 the Ogden discount rate for Scotland and Northern Ireland changed to 0.5%.

Uncertainty in claims reserves estimation is larger for claims such as PPOs for which annually indexed payments are made typically over the lifetime of the injured party. Under IFRS17 all claims reserves are held on a discounted basis and so are sensitive to changes in the discount rate, however this sensitivity tends to be more significant to the Group's PPO reserves given their longer duration.

Climate change

The Group recognises that the effects of climate change are wide-ranging, and the Group reflects the effects of climate change in the drivers of those risks which are defined in the Group Risk Taxonomy. This has the effect of embedding the management of climate related risks in the normal risk management processes for managing risks across the Group's risk profile e.g. through underwriting risk or market risk. In addition, the Group Risk Taxonomy includes an ESG Risk that provides coverage of the operational and strategic aspects of climate change that are not addressed within other core risk types.

The Group also recognises that climate change potentially poses material long-term financial risks to the business and is receiving increased scrutiny from regulators and investors. Climate change risks can be divided into three categories: physical, transition and liability risks. There is a risk that climate change affects the frequency and severity of extreme weather events (physical risk), which will change the Group's view of underwriting risk, reinsurance and pricing. The climate-related underwriting risk in relation to the Group's liability insurance products remains a less material exposure and has reduced following the sale of the Commercial Broker business. Further detail on the key physical and transition risks and opportunities from climate change are outlined in the Group's TCFD report on page 58 of the Annual Report and accounts www.directlinegroup.co.uk/en/investor
The Group's approach to determine where climate risks are material is supported by quantitative assessments where possible, such as the findings of scenario analysis activities, where the potential financial impact of climate change over the longer term is considered.

Since the Bank of England's 2021/22 Climate Biennial Exploratory Scenario, the Group has updated its climate scenario testing annually, evolving its approach to take account of changes in its exposure, updates to its underlying risk models, leverage new software, and to further enhance how the Group communicates the outputs of its modelling in an effective way.

The Group will continue to enhance the scenario analysis noting the scenario design is iterative, as the Group learns how climate change may affect its specific risk profile and focuses on the aspects of the business most likely to be materially impacted by the effects of climate change.

Low-frequency, high-severity weather losses are mitigated to a significant degree by the catastrophe reinsurance programme, the ceding of home high flood risks to Flood Re, and the commercial underwriting strategy which reduces high flood risk exposure. Furthermore, there is a risk that the Group's insurance products will not meet its customers' needs as a result of changes in market dynamics and customer behaviour in relation to climate change, for example a rapid shift towards electric vehicle usage.

The Group expects these specific risks to materialise in the medium to longer-term and anticipates that its continued strategic and operational response to the transition to a lower-carbon economy will support mitigation of these risks and the associated impacts in the long term. The Group has committed to a climate change roadmap from which to assess, monitor and take the necessary actions to mitigate where appropriate the financial risk from climate change and to comply with regulatory expectations. Progress against this roadmap is monitored by the Board Risk Committee.

Solvency ratio sensitivities

The following table shows the Group's solvency ratio sensitivities to four insurance risk events, estimated based on an assessed impact of scenarios as at 31 December 2024.

Other potential risks beyond the ones described could have an additional financial impact on the Group.

For details on the limitations of sensitivity analysis see page 36.

	Impact on solvency capital ratio	
Scenario	**31 Dec 2024**	31 Dec 2023
Deterioration of small bodily injury motor claims equivalent to experienced in 2008/09	**(5pts)**	(5pts)
One-off catastrophe loss equivalent to the 1990 storm "Daria"	**(8pts)**	(9pts)
One-off catastrophe loss based on extensive flooding of the River Thames	**(7pts)**	(7pts)
Increase in Solvency II inflation assumption for PPOs by 100 basis points[2]	**(11pts)**	(15pts)

Notes:

1. Sensitivities are calculated under the assumption full tax benefits can be realised.
2. The PPO inflation assumption used is an actuarial judgement which is based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve excluding any change in discount rate. Scenario updated to the latest PPO inflation assumptions with discount rates held constant.

C.2 Market risk

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

The Group is mainly exposed to the following market risk factors:

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

C.2.1 Spread risk

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

The spread risk may change owing to external factors such as economic and global political uncertainty.

The Group periodically undertakes a strategic asset allocation exercise in relation to its investment portfolio. The proposals from the strategic allocation exercise are reviewed and approved by the Investment Committee. During 2024, the investment portfolio allocation was repositioned to the strategic benchmark with increased percentage holdings in UK gilts, investment linked gilts and US investment grade credit

C.2.2 Net interest rate risk

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

The Group has subordinated Tier 2 notes with fixed coupon rates with a nominal value of £260 million that were issued on 5 June 2020 and perpetual Tier 1 notes with fixed coupon rates with a nominal value of £350 million that were issued on 7 December 2017.

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

The market value of the Group's financial investments with fixed coupons is affected by the movement of interest rates. Fixed rate investment grade US dollar and Euro corporate debt securities were hedged using interest rate swaps. excluding £302.7 million of US dollar short duration high yield bonds (2023: £307.4 million), £111.0 million of US dollar subordinated financial debt and £120.2 million of Euro subordinated financial debt (2023: £137.3 million US dollar and £118.1 million respectively).

The Group is exposed to the following interest rate benchmarks within its hedging relationships: GBP SONIA, USD SOFR and EURIBOR. The first two were subject to interest rate benchmark reform during 2021 (historically both LIBOR). The hedged items include holdings of US dollar and Euro denominated fixed rate debt securities.

C.2.3 Property risk

This is the risk of loss arising from sensitivity of assets and financial investments to the level or volatility of market prices, rental yields, or occupancy rates of properties. At 31 December 2024, the value of property investments was £287.6 million (2023: £277.1 million). The property investments are located in the UK.

C.2.4 Currency risk

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

The Group maintains exposure to US dollar securities through £1,214.0 million (2023: £763.1 million) of investments in US dollar bonds and Euro securities through £232.8 million (2023: £219.1 million) of Euro bonds. The foreign currency exposure of these investments is hedged by foreign currency forward contracts, maintaining a minimal unhedged currency exposure on these portfolios, as well as a low basis risk on the hedging contracts.

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

C.2.5 Risk concentrations

Concentration risk arises from inadequately diversified portfolios of assets, in particular:

- large exposures to individual groups;
- large exposures to certain industry sectors;
- large exposures to certain geographies ;
- large exposures to exchange rate fluctuations – the Group holds a significant proportion of its assets in US dollar; and
- large exposures to different groups where movements in values and ratings are closely correlated for any other reason.

The Group manages and controls the concentration risks as part of its market risk mitigation techniques, which are described below.

C.2.6 Management and mitigation

The Group manages and controls the risks in its investment portfolio through:

- strategic asset allocation within the investment portfolio is reviewed by the Investment Committee which makes recommendations to the Board for its investment strategy approval;
- diversification of the types of assets, and tight control of individual credit exposures; and
- risk-reduction techniques, such as hedging foreign currency exposures with forward contracts and hedging exposure to US and Euro interest rates with swap contracts in some mandates.

The Group's Investment Risk policy and related minimum standards require the first line of defence, in this case the Investment Management and Treasury function, to undertake an asset-liability management study at least annually. The study must consider the following:

- mitigation of interest rate risk, typically using key rate duration analysis;
- the implications and rationale for mismatches pursued when backing liabilities on the balance sheet, for example 'real growth' asset strategy supporting inflation linked periodic payment orders;
- suitability and appropriateness of Group asset classes given the risk appetite of the Group and capital position; and
- overall expected returns from the investment portfolio given regulatory capital employed.

The quality of assets held in each segregated portfolio is controlled through investment mandates detailing acceptable credit ratings, issuer concentration limits and prohibited holdings.

The operating framework used by the Investment Management and Treasury function, evidenced through the written internal procedures framework and contractual and service level requirements in place with external service providers employed, is designed to ensure:

- assets owned are held securely, with holdings verifiable independently by the Group;
- encumbered assets, for example those allocated as collateral, can be identified easily;
- actual returns received can be measured versus benchmark criteria set and budgeted return assumptions; and
- aggregate and individual asset holdings can be monitored against the key risk controls set; for example, strategic benchmark weightings, credit ratings, issuer exposure limits and credit duration limits.

C.2.7 Risk sensitivity methods, assumptions, and stress testing and sensitivities

The Finance function is responsible for monitoring the regulatory capital requirement to support the investment strategy. To support this, stress testing is performed with agreed management actions in place should such stresses occur. Additional review of the stress testing and scenario analysis is carried out by the Risk function. The 1-in-200 stress scenario is calculated by the Capital Modelling team within the Finance function on a quarterly basis to monitor changes in market conditions on likely capital requirements. Losses may arise from:

- the sensitivity of the value of assets to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure;
- assets and liabilities for which the net asset value is sensitive to changes in the term structure of interest rates or interest rate volatility;
- the imperfect matching of the timing and size of the cash flows from the investments and those linked to the liabilities; and
- the sensitivity of assets to the level or volatility of market prices of property.

The following table shows the Group's solvency capital ratio sensitivities to two market changes, estimated based on an assessed impact of scenarios as at 31 December 2024.

	Impact on solvency capital ratio	
Scenario	**31 Dec 2024**	31 Dec 2023
100bps increase in credit spreads[1]	**(6pts)**	(6pts)
100bps decrease in interest rates with no change in the PPO discount rate	**(4pts)**	(6pts)

Note:

1. The sensitivity has been updated to include assets that are accounted for at amortised cost. Previously only assets that were treated as FVTPL were included. The comparative period has been restated on a consistent basis. Assumes no change to the SCR.

Limitations of sensitivity analysis

- Sensitivities are calculated by applying an instantaneous change to specific assumptions whilst leaving others unchanged.
- In reality, changes in the environment occur over time and are often interrelated; the sensitivities provided do not capture these transactions.
- The impact of a change in assumptions is often non-linear and users of this information should not assume that applying a linear methodology will provide accurate results.
- The sensitivities are based on a balance sheet at a specific point in time. The result of a sensitivity analysis will also change due to business performance and any active management of assets and liabilities.
- Movements in economic variables are unlikely to follow the nature of a parallel shift as described in many of the sensitivities.
- In addition, the sensitivities assume economic variables move in similar manner across different currencies and countries, which is unlikely to be true in reality.
- Our specific portfolio of assets and liabilities will not match the composition of market indices exactly and using such indices to estimate an impact on the balance sheet should be used with caution.

C.3 Credit risk

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

C.3.1 Counterparty default risk

This is the risk of loss from unexpected default or deterioration in the credit standing of the counterparties and debtors of Group undertakings and is monitored at group level. The main sources of counterparty default risk for the Group are:

- Investments: this arises from the investment of funds in a range of investment vehicles permitted by the Investment policy;
- Reinsurance recoveries: this arises in respect of reinsurance claims against which a reinsurance bad debt provision is assessed. Periodic payment orders have the potential to increase the ultimate value of a claim and to increase significantly the length of time to reach final payment. This can increase reinsurance counterparty default risk in terms of both amount and longevity;
- Commercial credit: this arises as brokers collect premiums on behalf of the Group; and
- Consumer credit: exposure from offering monthly instalments on annual insurance contracts.

C.3.2 Risk concentrations

Concentration risk arises from inadequately diversified exposure to creditors, in particular:

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

C.3.3 Management and mitigation

Credit limits are set for all brokers and reinsurers and the Group actively monitors those credit exposures. Reinsurance is purchased by the Group only from reinsurers that hold a credit rating of at least A– for short tail reinsurance and the majority of long tail reinsurance to be purchased from reinsurers rated A+ or above. A key mitigant to credit risk under the whole quota share agreement is the quarterly funds withheld mechanism whereby residual credit risk exposure only occurs when the subject accident year is in a loss-making position. Similarly, a funds withheld mechanism has been adopted for the quota share reinsurance agreement in respect of the brokered commercial business entered into in Q3 2023.

C.3.4 Risk sensitivity methods, assumptions, and stress testing and sensitivity analysis

The Finance function monitors the regulatory capital requirement to support the business strategy employed. They perform stress tests and identify management actions should such stresses occur. One stress test considered the impact of the Group's largest reinsurer defaulting, which would lead to a financial loss of approximately £120 million if no recoveries could be made. However, as the default of the Group's largest reinsurer is considered to have a return period of beyond 1-in-200 years, this result will not materially impact the capital requirements of the Group.

C.4 Liquidity risk

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

Liquidity risk is considered to be immaterial to the SCR for the Group, UKI and CIC. However, the Group is exposed to risk events that could impact liquidity such as a single or multi windstorm event or an overnight liquidity strain arising from a large foreign exchange movement.

C.4.1 Management and mitigation

The annual liquidity study assesses the Group's liquidity requirements and considers access to liquidity in stressed scenarios. The measurement and management of the Group's liquidity risk is undertaken within the limits and other policy parameters of the Group's liquidity risk appetite and is detailed in the Liquidity Risk minimum standard. As part of this process the Investment Management and Treasury team are required to put in place a liquidity plan which must consider expected and stressed scenarios for cash in-flows and out-flows that is reviewed at least annually by the Investment Committee. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

At a more granular level, access to liquidity in stressed scenarios is met through holdings of cash, money market funds and other high-quality liquid assets such as sovereign debt securities. The aggregate exposure to illiquid assets is also monitored as part of the aggregate portfolio consideration.

Additional initiatives to support liquidity include sovereign debt security and AAA/AA eligible assets repurchase agreement lines in place. These will enable any short-term material cash requirements that arise which have not been forecast to be covered without unnecessary sales of sovereign debt securities and the associated realised gains or losses on the sale.
The Investment Management and Treasury function forms an integral component of the Group's annual strategic plan process and forecast updates during the year. The Group has a liquidity contingency plan which is maintained to identify actions to be taken to ensure business continuity. This includes the specification of conditions under which the plan is invoked, early warning triggers, liquidity management actions to preserve, enhance and repair the liquidity buffer.

C.4.2 Risk sensitivity methods, assumptions, and stress testing and sensitivity analysis

The Liquidity Risk minimum standard requires the Investment Management and Treasury function to maintain short-term cash flow forecasts to ensure ongoing operational liquidity requirements are met. The function is also required to hold minimum levels of liquidity to meet stressed requirements on an overnight basis, within one month and within three months.

C.5 Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes or systems, including from human error or from external events.

The Group's Operational Risk profile includes the following risks, which are assessed through the RCSA process:

- Technology and infrastructure: the risk of loss resulting from inadequate or failed information technology processes through strategy, design, build or run components internally or externally provisioned.
- Change risk: the risk of failing to manage the change portfolio and associated change initiatives, within desired scope, time, cost, quality and Group risk appetite, leading to a failure to deliver strategic benefits, good customer outcomes and possibly causing business disruption.
- Cyber risk: the risk of inadequate internal and external cyber security, where failures impact the confidentiality, integrity and availability of our data.
- Operational disruption risk: the risk of failing to deliver products and services at an acceptable predefined level following disruptive events.
- Financial reporting risk: the risk of material misstatement, misrepresentation or untimely delivery of external or internal financial information, including regulatory financial information, resulting in inappropriate movements in share price, reputational damage, poor decision making / planning in relation to finance, tax, investment, strategy and capital or regulatory fines.
- Procurement and outsourcing: the risk of an outsourcing arrangement that is deemed critical or material failing to deliver the service provision in question to the expected levels.

C.5.1 Risk concentrations

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

C.5.2 Management and mitigation

The Group proactively manages its operational risks to mitigate potential customer harm, regulatory or legal censure, financial and reputational impacts. The Group has in place an Operational Risk policy that defines the key outcomes and a supporting suite of underlying Operational Risk Minimum Control Standards (MCSs), set out the standards, roles and responsibilities for delivery of the defined control objectives. Key controls are maintained across the Group's operational processes.

The Group operates a quarterly Risk and Control Self-Assessment (RCSA) process which drives a culture of continuous assessment and informed decision-making. The RCSA process, together with testing of key controls, supports the Board in making the annual assessment of the Group's risk management and internal control systems.

The Group's risk management framework is designed and continues to be enhanced to enable it to capture risk information in a complete and consistent way, enabling proactive trend analysis, root cause analysis and read across to facilitate early warnings and a 'learning' risk environment. The performance and management of outsourced activities is also actively monitored by the Group.

C.5.3 Risk sensitivity methods, assumptions, and stress testing and sensitivity analysis

The Group's operational risk is modelled in the Group's partial internal model SCR and utilises a scenario-based approach to parameterise the stochastic modelling of each material operational risk and quantify the capital requirement at the 1-in-200 year level. The parameterisation is predominately based on expert judgement through workshops with relevant subject matter experts on each risk and is supported by sensitivity testing to understand the impact of changes to the most material expert judgements. All Individual operational risk expert judgements are categorised as low significance in the context of to the overall internal model SCR.

C.6 Other material risk

C.6.1 Regulatory and conduct risks

The Group sees its obligations to deliver good customer outcomes as a priority area of focus. Its approach is to act promptly to identify and address the risk of failing to deliver good customer outcomes.

The introduction of the Consumer Duty in July 2023 represented a significant shift in the FCA's expectations of firms and applies to all of the Group's regulated products. The FCA has been clear that the Duty is not a "once and done" exercise and firms must ensure they are learning and improving continuously. The Board approved the Annual Consumer Duty Report in July 2024, which includes areas of focus to deliver improvements on over the next 12 months, with work underway.

The outlook for regulatory compliance risk is stable as financial institutions continue to embed multiple regulatory changes, alongside the challenging external environment referred to in Strategic Risk and Insurance Risk. Further, regulators are increasingly expecting financial institutions to balance commercial and societal outcomes in decision-making, as they seek to meet the needs of different stakeholders (for example, relating to climate change).

The FCA published two regulatory requirements for Direct Line Group in 2023: The FCA required the Group to undertake past business reviews to review motor total loss claims settled between 1 September 2017 and 17 August 2022 to identify policyholders who may have received unfair settlements and provide them with redress; and review renewal prices charged since 1 January 2022, identify any that didn't comply with the rules relating to use of tenure and provide them with redress.

Both reviews were materially complete by the end of 2024. In January 2025, the FCA confirmed that the voluntary requirements ("**VREQs**") in relation to both of these matters had been satisfied and removed from the Financial Services Register.

The Group has continued to engage with industry bodies, regulators and HM Treasury regarding the future regulatory framework within the UK.

C.6.2 Reputational risks

Reputational risk is not considered a material risk in its own right within the Group; however, it is considered in assessing the impact of risk types such as compliance, operational, change, financial reporting, partnership contractual obligations, outsourcing and conduct risks. In particular, were the Group to suffer a significant cyber breach, loss of service, or a reduction in solvency coverage, these could have significant reputational impacts which would need to be managed. To manage reputational risks within appetite, the Group both seeks to address the primary risks, but also has mitigation plans in place to react to reputational risk directly as it develops (for example, through proactive stakeholder management and communication strategies).

C.6.3 Strategic risks

Risks to the delivery of the Group's strategy, including design and implementation of the strategy are considered within the Material Risk Register and monitored by the Executive Committee. Strategic risk is not explicitly modelled in the Group's partial internal model SCR.

The potential acquisition of DLG by Aviva and subsequent integration activity increases risks in the short to medium term, including potential for impact to management stretch, staff retention, unplanned costs and process disruption. These additional risks will be closely monitored and managed by the Executive team and Board through regular and project risk reporting processes.

C.7 Any other information

Emerging risks

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

The Group has an emerging risks process in place to:

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

Our process leverages subject matter expertise across the Group, external horizon scanning and external industry data. Emerging risks are regularly reviewed and reported to the Group's Risk Management committees.

Environmental

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

We continue to monitor these risks closely and to develop our climate change modelling capability. Further details on our risk management approach to climate change are included in the Task Force on Climate-related Financial Disclosures ("**TCFD**") section of the Annual Report and Accounts starting on page 58.

Social & Economic

Increasing economic pressures and generational shifts in consumer behaviour are expected to influence demand patterns. Persistent cost-of-living concerns, along with younger generations prioritizing flexible, digital first solutions, may require the Group to innovate and adapt its product offerings in order to appropriately meet changing demands and needs.

Political

Due to heightened geopolitical tensions, there is a risk that measures are implemented by governments that decrease political stability, erode countries' relationships, and contribute to increasing protectionism. This could lead to multiple impacts including on investment performance and supply chains. The Group conducts ongoing analysis to monitor exposure to the developing geopolitical environment.

Technological

Technological advancements, including autonomous vehicles and Artificial Intelligence applications are expected to transform the insurance landscape. The Group is closely monitoring these changes to assess their implications for underwriting, claims and regulatory compliance. The Group will continue to engage with industry bodies to help shape policies and understand potential impacts on the Group.

SECTION D: VALUATION FOR SOLVENCY PURPOSES

In this section:

D. VALUATION FOR SOLVENCY PURPOSES

Overview

The valuation for solvency purposes section of this report is subject to external audit, except for the information in respect of risk margin (included within the technical provisions section). These are excluded from the scope of external audit as they are derived from the Group's partial internal model and UKI's internal model which are used to calculate the Group and UKI SCRs respectively; these SCRs are also unaudited.

The tables below set out a summarised balance sheet as at 31 December 2024, comparing assets and liabilities as reported in the Group and Solo entities IFRS financial statements (column (a)) with the Solvency II balance sheet (column (e)). Presentational and reclassification adjustments required to align the IFRS statement of financial position to the prescribed format of the Solvency II balance sheet in the insurance return template ("**IR**") are given in column (b).

Assets and liabilities have been valued according to the PRA Rulebook requirements.

The basis of the Solvency II valuation principle, which remains in line with the previously reported Solvency II valuation principle, is the amount for which the assets or liabilities could be exchanged between knowledgeable and willing parties in an arm's length transaction. Where the valuation of assets and liabilities is the same under IFRS, a description of the bases, methods and main assumptions can be found in the accounting policies and notes of the Group and Solo entities financial statements as shown below:

Entity	Accounting policy reference	2024 Financial statement note reference
Group	E - Fair value measurement	Note 22: Fair value
UKI	E - Fair value measurement	Note 15: Fair value
CIC	Disclosure not applicable	Disclosure not applicable

Group Balance Sheet – IFRS and Solvency II

As at 31 December 2024	Notes to the financial statements	IFRS (a)	Reclassifications (b)2	IFRS reclassified (c) = (a) + (b)	SFCR note	Solvency II (d)	Valuation difference (e) = (d – c)
Assets							
Goodwill	15	208.5	—	208.5	D.1.1	**—**	(208.5)
Other intangible assets	15	567.8	—	567.8	D.1.1	**—**	(567.8)
Deferred tax assets	20	53.0	—	53.0	D.1.2	**88.0**	35.0
Pension benefit surplus	24	0.8	—	0.8	D.1.3	**0.8**	—
Property plant & equipment held for own use	16,17	193.7	12.2	205.9	D.1.4	**149.5**	(56.4)
Property (other than own use)	18	287.6	—	287.6	D.1.5	**287.6**	—
Financial investments		**4,032.8**	**1,054.5**	**5,087.3**		**5,082.6**	**(4.7)**
Equities	23	20.1	(0.3)	19.8	D.1.6	**19.9**	0.1
Government bonds	23	764.0	8.0	772.0	D.1.7	**772.0**	—
Corporate bonds	23	3,223.1	6.5	3,229.6	D.1.8	**3,224.8**	(4.8)
Collateralised securities		6.5	(6.5)	—		**—**	—
Collective investments undertakings		—	1,046.8	1,046.8	D.1.9	**1,046.8**	—
Derivatives	23	19.1	—	19.1	D.1.10	**19.1**	—
Loans and mortgages	23	329.6	—	329.6	D.1.11	**330.6**	1.0
Reinsurance recoverables[4]	19	1,802.1	(795.0)	1,007.1	D.1.12	**880.2**	(126.9)
Insurance contract assets[1]	19	5.7	(5.7)	—		**—**	—
Receivables		**119.1**	**446.8**	**565.9**		**565.9**	**—**
Insurance and intermediaries		—	107.7	107.7	D.1.13	**107.7**	—
Reinsurance receivables		—	338.2	338.2	D.1.13	**338.2**	—
Trade, not insurance		119.1	0.9	120.0	D.1.13	**120.0**	—
Cash and cash equivalents	25	1,156.0	(1,054.4)	101.6	D.1.14	**101.6**	—
Assets held for sale	26	12.2	(12.2)	—	D.1.15	—	—
Other assets		**26.2**	**19.4**	**45.6**		**52.8**	**7.2**
Own shares[3]		—	19.4	19.4		**26.6**	7.2
Other assets		26.2	—	26.2	D.1.16	**26.2**	—
Total assets		**8,795.1**	**(334.4)**	**8,460.7**		**7,539.6**	**(921.1)**
Liabilities							
Technical provisions[5]	19	5,086.9	4.7	5,091.6	D.2	**4,574.7**	(516.9)
Reinsurance contract liabilities[1]	19	549.5	(549.5)	—		**—**	—
Provisions other than technical provisions		15.6	87.8	103.4	D.3.1	**103.4**	—
Derivatives	23	38.7	—	38.7	D.3.2	**38.7**	—
Debts owed to credit institutions	25	66.8	—	66.8	D.3.3	**66.8**	—
Financial liabilities other than debts owed to credit institutions	—	113.7	—	113.7	D.3.4	**113.7**	—
Insurance & intermediaries payables		—	10.2	10.2	D.3.5	**10.2**	—
Reinsurance payables		—	92.7	92.7	D.3.5	**92.7**	—
Payables (trade, not insurance)		180.4	1.1	181.5	D.3.5	**181.5**	—
Subordinated liabilities	30	259.1	(0.8)	258.3	D.3.6	**207.9**	(50.4)
Total liabilities		**6,310.7**	**(353.8)**	**5,956.9**		**5,389.6**	**(567.3)**
Excess of assets over liabilities		**2,484.4**	**19.4**	**2,503.8**		**2,150.0**	**(353.8)**

1. For the purposes of presenting the IFRS position, insurance contract assets and reinsurance contract liabilities have been presented based on the carrying value of each portfolio of insurance and reinsurance contracts.
2. Other presentational and reclassification adjustments have been made to align IFRS and Solvency II presentation.
3. Own shares held at 31 December 2024 of £19.4 million are held within equity in the IFRS statement of financial position and have been reclassified from excess of assets over liabilities to own shares.
4. This represents insurance contract liabilities as classified in IFRS.
5. This includes reinsurance contract assets as classified in IFRS.

UKI Balance Sheet – IFRS and Solvency II

As at 31 December 2024 (£m)	Notes to the financial statements	IFRS (a)	Reclassifications (b)2	IFRS reclassified (c) = (a) + (b)	SFCR note	Solvency II (d)	Valuation difference (e) = (d – c)
Assets							
Other intangible assets	13	—	—	—	D.1.1	**—**	—
Deferred tax assets	11	57.0	—	57.0	D.1.2	**—**	(57.0)
Participations		11.5	—	11.5		**15.9**	4.4
Property plant & equipment held for own use	14	52.9	—	52.9	D.1.4	**52.9**	—
Property (other than own use)	15	287.6	—	287.6	D.1.5	**287.6**	—
Financial investments	20	**4,012.7**	**831.2**	**4,843.9**		**4,839.1**	**(4.8)**
Government bonds		764.0	8.0	772.0	D.1.7	**772.0**	—
Corporate bonds		3,223.1	6.5	3,229.6	D.1.8	**3,224.8**	(4.8)
Collateralised securities		6.5	(6.5)	—		**—**	—
Collective investments undertakings		—	823.2	823.2	D.1.9	**823.2**	—
Derivatives	19	19.1	—	19.1	D.1.10	**19.1**	—
Loans and mortgages	20	329.3	—	329.3	D.1.11	**330.3**	1.0
Reinsurance recoverables[4]	17	1,783.1	(794.2)	988.9	D.1.12	**858.9**	(130.0)
Insurance contract assets[1]		5.7	(5.7)	—		**—**	—
Receivables		**115.6**	**445.6**	**561.2**		**561.2**	**—**
Insurance and intermediaries		—	107.6	107.6	D.1.13	**107.6**	—
Reinsurance receivables		—	337.3	337.3	D.1.13	**337.3**	—
Trade, not insurance[4]		115.6	0.7	116.3	D.1.13	**116.3**	—
Cash and cash equivalents		916.5	(831.2)	85.3	D.1.14	**85.3**	—
Total assets		**7,571.9**	**(354.3)**	**7,217.6**		**7,031.2**	**(186.4)**
Liabilities							
Technical provisions[3]	17	5,096.0	4.7	5,100.7	D.2	**4,689.7**	(411.0)
Reinsurance contract liabilities[1]	17	549.5	(549.5)	—		**—**	—
Provisions other than technical provisions		—	87.8	87.8	D.3.1	**87.8**	—
Deferred tax liabilities		—	—	—	D.1.2	**12.3**	12.3
Derivatives	19	38.7	—	38.7	D.3.2	**38.7**	—
Debts owed to credit institutions		56.6	—	56.6	D.3.3	**56.6**	—
Financial liabilities other than debts owed to credit institutions		61.9	—	61.9	D.3.4	**61.9**	—
Insurance & intermediaries payables		21.8	10.0	31.8	D.3.5	**31.8**	—
Reinsurance payables		—	92.7	92.7	D.3.5	**92.7**	—
Payables (trade, not insurance)		18.3	—	18.3	D.3.5	**18.3**	—
Total liabilities		**5,842.8**	**(354.3)**	**5,488.5**		**5,089.8**	**(398.7)**
Excess of assets over liabilities		**1,729.1**	**—**	**1,729.1**		**1,941.4**	**212.3**

1. For the purposes of presenting the IFRS position, insurance contract assets and reinsurance contract liabilities have been presented based on the carrying value of each portfolio of insurance and reinsurance contracts.
2. Other presentational and reclassification adjustments have been made to align IFRS and Solvency II presentation.
3. This represents insurance contract liabilities as classified in IFRS.
4. This represents reinsurance contract assets as classified in IFRS,.

CIC Balance Sheet – IFRS and Solvency II

As at 31 December 2024 (£m)	Notes to the financial statements	IFRS (a)	Reclassifications (b)	IFRS reclassified (c) = (a) + (b)	SFCR note	Solvency II (d)	Valuation difference (e) = (d – c)
Assets							
Deferred tax assets		—	—	—	D.1.2	**0.2**	0.2
Collective investments undertakings[1]		—	19.1	19.1	D.1.9	**19.1**	—
Reinsurance recoverables[2]	9	19.5	(0.1)	19.4	D.1.12	**23.0**	3.6
Receivables		**1.6**	**0.1**	**1.7**	D.1.13	**1.7**	**—**
Reinsurance receivables		—	0.1	0.1	D.1.13	0.1	—
Trade, not insurance		1.6	—	1.6	D.1.13	**1.6**	—
Cash and cash equivalents[1]	10	19.1	(19.1)	—	D.1.14	**—**	—
Total assets		**40.2**	**—**	**40.2**		**44.0**	**3.8**
Liabilities							
Technical provisions[3]	9	22.0	—	22.0	D.2	**26.4**	4.4
Financial liabilities other than debts owed to credit institutions	12	0.7	—	0.7	D.3.4	**0.8**	0.1
Payables (trade, not insurance)		0.8	—	0.8	D.3.5	**0.8**	—
Total liabilities		**23.5**	**—**	**23.5**		**28.0**	**4.5**
Excess of assets over liabilities		**16.7**	**—**	**16.7**		**16.0**	**(0.7)**

1. Other presentational and reclassification adjustments have been made to align to IFRS and Solvency presentation.
2. This represents reinsurance contract assets as classified in IFRS.
3. This represents insurance contract liabilities as classified in IFRS

D.1 Assets

Group and Solo entity assets have been valued according to the requirements of the PRA Rulebook. The basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. When fair value is not readily available because the market is not deeply liquid, an alternative method of valuation is required. Assets that require the use of an alternative method of valuation are covered in section D.4 Alternative methods of valuation. Asset recognition and valuation bases have been applied consistently during the reporting period.

D.1.1 Goodwill and Other Intangibles

Under IFRS, goodwill represents the excess of the cost of an acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. It is initially recognised at cost and subsequently at cost less any accumulated impairment losses. Other intangible assets consists primarily of internally generated software acquired by the Group and are stated at cost less accumulated amortisation and impairment losses.

According to the PRA Rulebook, goodwill and intangible assets are deemed to be non-permissible assets and assigned a value of £nil. No market exists for these assets where the expected proceeds on disposal of the assets can be established. The de-recognition of 'Goodwill' and 'Other intangibles' reduces the Group and Solo entities Solvency II net assets as set out below:

As at 31 December 2024	Group £m	UKI £m	CIC £m
Goodwill and other intangibles	776.3	—	—

D.1.2 Deferred tax assets and liabilities

Deferred tax for Solvency II valuation purposes is determined in accordance with IAS 12 'Income Taxes' principles on temporary differences arising between the economic value of assets or liabilities in the Solvency II balance sheet and their tax base.

The deferred tax balances in the Group and Solo entities Solvency II balance sheets differ from those already recognised in the IFRS statement of financial position as a result of the differences between the IFRS and Solvency II balance sheet valuation and consequential impact on recognition of deferred tax assets or liabilities. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Recovery of deferred tax is dependent on future taxable profits, which are expected to arise in future years. Probability of recovery has been assessed based on the Group's forecasts for the next 4 years, and it is assumed that sufficient profits will continue to be realised in subsequent years for offset of the remaining future tax deductions.

The largest impacts arise from the derecognition of intangible assets and the revaluation of technical provisions on which net deferred tax assets and liabilities arise respectively.

As at 31 December 2024	Group £m	UKI £m	CIC £m
Deferred tax assets	88.0	—	0.2
Deferred tax liabilities	—	12.3	—

D.1.3 Pension benefit surplus

The Group operated a small defined benefit pension scheme with a balance sheet asset value of £0.8 million as at 31 December 2024. The scheme was closed in 2003.

Scheme assets and liabilities are measured at fair value on an actuarial basis, using the projected unit credit method, and discounted at a rate that reflects the current rate of return on a high-quality corporate bond of equivalent term and currency to the scheme liabilities. More detail can be found in the Group's Annual Report & Accounts 2024 in note 24 'Retirement benefit obligations' which starts on page 223.

There is no difference between IFRS and Solvency II valuations.

D.1.4 Property, plant and equipment held for own use

Under IFRS, property, plant and equipment are valued at historic cost less accumulated depreciation. Right-of-use ("**ROU**") assets are included as part of property, plant and equipment held for own use. ROU assets are initially measured based on the present value of lease payments, plus initial direct costs less any incentives received using the incremental borrowing rate at the lease commencement date unless the interest rate implicit in the lease is readily available.

Per the PRA Rulebook, owned property is valued at fair value, based on valuations provided by independent registered valuers using methodologies and assumptions consistent with those applied to investment property. Property, plant, and equipment are valued at fair value only if an external market exists and the price can be verified by an independent valuer, often resulting in smaller items being assigned a nil value.

ROU assets per the PRA Rulebook are held at the IFRS carrying value. This valuation is not considered to differ materially from its economic market value.

Valuation differences as outlined below:

As at 31 December 2024	Group £m	UKI £m	CIC £m
Property, plant and equipment held for own use value under IFRS	205.9	52.9	—
Property, plant and equipment held for own use value under Solvency II	149.5	52.9	—
Valuation differences between IFRS and Solvency II	(56.4)	—	—

D.1.5 Property (other than for own use)

Property is stated at fair value based on valuations by independent registered valuers, using consistent assumptions and methodology as described in D.4.

There is no difference between IFRS and Solvency II valuations.

D.1.6 Equities

The balance in equities relates to listed equity investments valued at published prices, and an unquoted strategic investment.

D.1.7 Government bonds

Government bonds are valued at fair value under both IFRS and Solvency II, with no differences in valuation methodologies. The majority of these valuations are based, in whole or in part, on published quotes in active markets. As of 31 December 2024, the fair value of government bonds held by the Group and UKI is £764.0 million. Additionally, £14.0 million of government bonds are measured using valuation techniques supported by prices from observable current market transactions.

D.1.8 Corporate bonds

Corporate bonds in the Solvency II balance sheets are held at fair value. In the IFRS financial statements for Group and UKI they are also held at fair value with the exception of a small portfolio with a carrying value as at 31 December 2024 of £55.7 million (fair value: £50.8 million) classified as debt securities held at amortised cost. The fair value for Solvency II is calculated using valuation techniques that are based on observable current market transactions and model inputs for recent transactions or observable market data.

As at 31 December 2024	Group £m	UKI £m	CIC £m
Corporate bonds value under IFRS	3,229.6	3,229.6	—
Corporate bonds value under Solvency II	3,224.8	3,224.8	—
Valuation differences between IFRS and Solvency II	(4.8)	(4.8)	—

D.1.9 Collective investments undertakings

Collective investment schemes are valued at fair value in both the Solvency II balance sheets and IFRS financial statements. These primarily consist of money market funds and are measured based on published quotes in active markets and insurtech-focused equity funds valued by a third-party fund manager.

D.1.10 Derivatives

Derivatives are carried at fair value in both the Solvency II balance sheets and IFRS financial statements using valuation techniques described on page 41.

D.1.11 Loans and mortgages

Under IFRS loans are valued at amortised cost.

According to the PRA Rulebook, loans are valued at fair value, determined using a valuation based on a risk-adjusted discounted cash flow model. When determining the risk-adjusted discount rate, inputs for the relevant base rate, average trading spread of the overall market or sector and the credit risk specific to the loan are used.

As at 31 December 2024	Group £m	UKI £m	CIC £m
Loans and mortgages under IFRS	329.6	329.3	—
Loans and mortgages under Solvency II	330.6	330.3	—
Valuation differences between IFRS and Solvency II	1.0	1.0	—

D.1.12 Reinsurance recoverables

Under IFRS, the Group and Solo entities' reinsurance recoverables are measured based on contractual cash flows, adjusted for impairment losses and discounting.

Per the PRA Rulebook, reinsurance recoverables are calculated as the probability-weighted average of discounted future cash flows relating to reinsurance contracts using principles similar to those in section D.2 Technical provisions, adjusted for the expected losses due to counterparty default.

The reinsurance recoverable is calculated consistently with the boundary of the underlying contract to which the recoveries relate.

D.1.13 Receivables (insurance intermediaries, reinsurance and trade, not insurance)

Insurance and other receivables are valued at fair value in the Solvency II balance sheets and the IFRS financial statements. Fair value is derived from discounting expected future cash flows by a risk-adjusted discount rate. Where the time value of associated cash flows is not significant, cash flows are not discounted.

D.1.14 Cash and cash equivalents

Cash and cash equivalents are valued at fair value in the Solvency II balance sheets and amortised cost in the IFRS financial statements, which is materially consistent with fair value. These assets comprise cash in hand, on demand deposits with banks, and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

D.1.15 Assets held for sale

Assets held for sale in the Group's IFRS statement of financial position of £12.2 million as at 31 December 2024 are included in the Group Solvency II balance sheet within property, plant and equipment held for own use. They are valued at fair value under both IFRS and Solvency II. Assets held for sale at 31 December 2024 relate to an office site in Leeds (including retail space within the property) that is no longer required

D.1.16 Other assets

Other assets on the Solvency II balance sheets are valued at fair value.

D.1.17 Investment in subsidiaries

In the Solvency II balance sheet of UKI, its subsidiary CIC is valued using an adjusted equity method prescribed by Rule 9 of the Valuation Part of the PRA Rulebook. The investment in subsidiary is included within participations.

D.2 Technical provisions

The information in this section relates to Solvency II technical provisions by lines of business, valuation methodologies, and uncertainties in relation to reserving.

D.2.1 Overview

Technical provisions have been valued in accordance with the the Technical Provisions Part of the PRA Rulebook to ensure that the provisions reflect the amount an insurer would need to meet its future obligations in a manner that is consistent with market conditions and risk-based principles. The valuation aims to determine the present value of future cash flows that will arise from insurance contracts.

The technical provisions are composed of two main elements:

– Best estimate of liabilities ("**BEL**")
– Risk margin

The Group estimates the technical provisions using a range of actuarial and statistical techniques to calculate all cash flows (both inwards and outwards) which arise from fulfilment of obligations under binding contracts of insurance.

Whilst the Group only conducts non-life and health (similar to non-life) insurance activities, it has life insurance obligations in the UK in relation to annuities stemming from non-life insurance contracts (PPOs). PPOs are classified as Technical provisions - life (excluding health and index-linked and unit-linked), within the prescribed format of the SII balance sheet.

The following table shows the technical provisions on an aggregated Solvency II lines of business basis for the Group and Solo entities.

Group – Net technical provisions

As at 31 December 2024	Net best estimates £m	Risk margin £m	Total net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	2,192.3	64.0	**2,256.3**
Other motor insurance	(82.7)	12.1	**(70.6)**
Fire and other damage to property insurance	874.5	22.3	**896.8**
General liability insurance	205.3	7.7	**213.0**
Other non-life lines of business	106.7	0.8	**107.5**
	3,296.1	**106.9**	**3,403.0**
Life lines of business			
Annuities from non-life	255.5	36.1	**291.6**
Total lines of business	**3,551.6**	**143.0**	**3,694.6**

UKI – Net technical provisions

As at 31 December 2024	Net best estimates £m	Risk margin £m	Total net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	2,192.3	64.0	**2,256.3**
Other motor insurance	58.3	12.1	**70.4**
Fire and other damage to property insurance	874.5	22.3	**896.8**
General liability insurance	205.3	7.7	**213.0**
Other non-life lines of business	106.7	0.8	**107.5**
	3,437.1	**106.9**	**3,544.0**
Life lines of business			
Annuities from non-life	250.9	36.0	**286.9**
Total lines of business	**3,688.0**	**142.9**	**3,830.9**

CIC – Net technical provisions

As at 31 December 2024	Net best estimates £m	Risk margin £m	Total net technical provisions £m
Life lines of business			
Annuities from non-life	3.3	0.1	**3.4**
Total lines of business	**3.3**	**0.1**	**3.4**

D.2.2 Valuation methodology

The Group and Solo entities' BELs are valued based on the present value of future cash flows discounted using relevant risk-free interest rates adjusted for the PRA prescribed credit risk adjustment and volatility adjustment (see section D.2.4) at the valuation date.

BELs comprise a claims provision and a premium provision.

– The claims provision includes cash flows relating to events that occurred before the valuation date, whether reported or not. The cash flows include premiums, net claims costs and expenses.
– The premium provision includes cash flows relating to future claim events that have not yet occurred, but that are covered by existing contracts and legally binding pre-inception contracts. The cash flows include premiums, net claims and expenses, in respect of future claim events.

Differences in valuation IFRS and Solvency II methodologies

The differences in the valuation of claims provisions best estimates from IFRS 17 'Insurance Contracts' reporting to a Solvency II basis break down into a number of discrete adjustments to the net IFRS 17 insurance liabilities comprising claims reserves and other technical provisions. The net IFRS 17 insurance liabilities include the liability for remaining coverage per the IFRS financial statements. These differ in materiality depending on the nature of the cash flows associated with each line of business.

For the claims provisions, differences to IFRS 17 are as follows:

– explicit allowances are made for additional expenses other than claims handling, such as investment management expenses on the earned claims reserves and profit share payments due on partnership arrangements;
– all cash flows are discounted for Solvency II purposes using the risk-free yield curve provided by the PRA with volatility adjustment as appropriate. The discount benefit is different under IFRS 17 reporting where the discounting curve is based on the risk-free yield curve plus illiquidity premium calculated by the Group.

According to the PRA Rulebook, the calculation of premium provisions allows for all future cash flows relating to unearned obligations within the contract boundaries of policies that have been legally bound at the valuation date. This differs from the concept of the liability for remaining coverage in IFRS 17 where the premium allocation approach is applied, in which there is a provision for unearned premium, insurance acquisition cash flows and loss component, if required.

The contract boundary for the Motability product is different between IFRS and Solvency II. This contract is repriced every 6 months, although there is not a unilateral right to reprice as price changes can be challenged. Under IFRS the contract boundary is terminated at the next repricing point (i.e. assumes a 6 month contract period). Under Solvency II, the contract cannot terminate without a unilateral ability to reprice and therefore runs to the end of the full coverage period in 2028.

For the risk margin, under Solvency II a prescribed method for calculating the risk margin above the best estimate technical provisions is applied as opposed to the IFRS 17 risk adjustment, which is calculated using a Group-specific methodology.

Differences in the valuation between UKI and CIC

Within the Group's Solvency II technical provisions, the valuation for risk margin differs for UKI and CIC. The risk margin for UKI is taken from the internal model whilst the risk margin for CIC is based on a standard formula calculation. No additional diversification is allowed for between the entities in the Group level risk margin.

D.2.3 Movement from IFRS net insurance liabilities to Solvency II net technical provisions

Group

As at 31 December 2024	IFRS net insurance liabilities £m	Solvency II adjustments £m	Solvency II net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	2,339.5	(83.2)	**2,256.3**
Other motor insurance	142.6	(213.2)	**(70.6)**
Fire and other damage to property insurance	745.9	150.9	**896.8**
General liability insurance	241.5	(28.5)	**213.0**
Other non-life lines of business	153.0	(45.5)	**107.5**
	3,622.5	**(219.5)**	**3,403.0**
Life lines of business			
Annuities from non-life[1]	206.1	85.5	**291.6**
Total	**3,828.6**	**(134.0)**	**3,694.6**

UKI

As at 31 December 2024	IFRS net insurance liabilities £m	Solvency II adjustments £m	Solvency II net technical provisions £m
Non-life lines of business			
Motor vehicle liability insurance	2,370.7	(114.4)	**2,256.3**
Other motor insurance	142.6	(72.2)	**70.4**
Fire and other damage to property insurance	745.9	150.9	**896.8**
General liability insurance	241.5	(28.5)	**213.0**
Other non-life lines of business	153.0	(45.5)	**107.5**
	3,653.7	**(109.7)**	**3,544.0**
Life lines of business			
Annuities from non-life[1]	200.8	86.1	**286.9**
Total	**3,854.5**	**(23.6)**	**3,830.9**

CIC

As at 31 December 2024	IFRS net insurance liabilities £m	Solvency II adjustments £m	Solvency II net technical provisions £m
Life lines of business			
Annuities from non-life[1]	3.7	(0.3)	**3.4**
Total	**3.7**	**(0.3)**	**3.4**

Note:

1. The IFRS net insurance liabilities above for annuities from non-life are different from the net approved PPO claims provision in the corresponding IFRS financial statements, which excludes an allocation of reinsurance bad debt but does include both lump sum payments and annuities.

D.2.4 Economic assumptions

Basic risk-free interest rates

The risk-free rate curves used to value the technical provisions at 31 December 2024 are stated in the table below:

Risk-free rate	1 year	5 years	10 years
As at 31 December 2024	**4.5**	**4.0**	**4.0**
As at 31 December 2023	4.7	3.4	3.3

Volatility adjustment

The volatility-adjusted risk-free discount rate is used to discount reserve cash flows for the motor liability, general liability and non-life annuity classes of business. This includes application to reserves held for PPO claims.

The part of the discounting credit relating to the volatility adjustment amount net of reinsurance is in the respective balance sheets of the Group, UKI and CIC at 31 December 2024.

D.2.5 Recoverables from reinsurance contracts and special purpose vehicles

The Group has a range of reinsurance protection types which include property catastrophe, motor risk excess of loss, commercial property risk excess of loss, commercial liability risk excess of loss and smaller programmes to protect against travel, subsidence and creditor claims. Facultative cover has been purchased on selected commercial risks, mainly property. Motor risk excess of loss in past years has been on a risk attaching basis.

The Group allows for future reinsurance expenditure as an increase to the technical provisions on a contractually bound basis.

In addition, future management actions are allowed for in future reinsurance premium expenses. Reinsurance in place for the Group is considered to be renewed on similar terms (unless expected to be materially different) where premium exposure continues beyond the term of current treaties.

There are currently no special purpose vehicles in place for the Group's reinsurance.

D.2.6 Changes in assumptions relating to the calculation of technical provisions

There have been no key changes in assumptions relating to the calculation of technical provisions since last year.

The following represent parameter updates made to the calculation of technical provisions over the same period. For these parameter updates, the underlying methodology remains unchanged.

- the claims BEL, allowance for expenses, allowance for reinsurer counterparty default and cash flow patterns are updated throughout the year for all lines of business to allow for IFRS reserve movements and changes in the data underlying all assumptions;
- the premium provisions, balance sheet items, claims assumptions and expense assumptions are updated through the year;
- both the claims provision and the premium provision assume an Ogden discount rate of 0.50% for England and Wales, Scotland and Northern Ireland;
- the events not in data model has been updated for the latest volatility parameters and scenarios; and
- the risk margin reflects an updated view of the best estimate provisions, as well as model and parameter updates in the internal model.

D.2.7 Uncertainty associated with technical provisions

Insurance is inherently uncertain with respect to the amount and timing of future cash flows, requiring the use of judgement in estimating these cash flows. Reserving risk is a significant risk to the Group and consists predominantly of bodily injury claims from the Motor business. Some of the factors that are considered when assessing the level of technical provisions include the class of business, timeliness of notification of claims, validity of claims made against a policy and validity of the amount of the claim. At any time there is a range of possible outcomes at which the technical provisions could ultimately settle and, as time passes, the uncertainty surrounding likely claims settlement for past accident periods reduces. The uncertainty is greater for bodily injury claims due to the time it takes for these claims to settle. This is particularly true for periodic payment orders awarded to settle some of the large bodily injury claims, in which annually indexed payments are made over the lifetime of the injured party. In addition, higher inflation has been evident, which affects both property damage and bodily injury claims.

Uncertainty with respect to policyholder behaviour is considered within the calculations for bound but not incepted business. Policy data information for new and renewal business is considered by product and business category.

D.2.8 Risk margin methodology and assumptions (unaudited)

The risk margin is calculated for UKI and the Group using a cost of capital approach allowing for diversification between lines of business and is on a net of ceded reinsurance basis.

The calculation of the risk margin is defined as 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. The cost of capital rate is the cost in excess of the risk-free rate, to the third party taking over the liabilities, of raising and holding capital to support the non-hedgeable risks over the lifetime of the business.

As part of Solvency II reform in the UK, modifications were made to the calculation of the Solvency II risk margin. This regulation replaces the 6% cost of capital rate with a 4% rate and introduces a tapering factor for Periodical Payment Order claims (PPOs), effective from 31 December 2023. This resulted in a reduction in risk margin at 31 December 2023.

Discount rate

As the SCR in the risk margin calculation takes into account non-hedgeable risks only, the rate used to discount the projected non-hedgeable SCR is the basic risk-free rate (including credit risk adjustment), with no allowance for VAs.

Non-hedgeable risks

The risk margin calculation takes the following risks into account:

- Non-life underwriting risk (including PPOs);
- Market risk[1];
- Counterparty default risk with respect to reinsurance contracts and arrangements with non-reinsurance debtors and any other material exposures which are closely related to the insurance obligations; and
- Operational risk

Projection of the non-hedgeable risk SCR

In order to project the non-hedgeable SCR which underpins the risk margin, simplifications are applied from the hierarchy set out by the PRA to ensure that the risk margin calculation remains proportionate to the nature, scale and complexity of the business. The projected risks are then aggregated using a correlation matrix approach at each future time period.

For capital allocation purposes, the internal model allocates risk margin to class in proportion to net technical provisions for the purpose of calculating class and business category risk.

Note:

1. Market risk arising from technical provisions is included, allowing for elements of both interest rate risk and inflation risk. No market risk from the assets on the opening balance sheet is included, as it is assumed the asset portfolio can be completely de-risked immediately after the hypothetical own funds transfer. However, due to some unavoidable market risks on the liability side, risk margin includes interest rate risk for all loss types. Unavoidable market risk exists mainly for PPO claims (ASHE Inflation), so this approach is accepted to be prudent.

D.3 Other liabilities

Valuation methodology

The Group values all liabilities at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. In the Group, UKI and CIC Solvency II balance sheets, no adjustments are made for own credit risk, except for subordinated liabilities. There have been no changes to the bases used for recognition, valuation and estimation of other liabilities during the reporting period. The assumptions and judgements do not include any assumptions about the future or additional sources of estimation other than those noted.

The tables in D.1 summarise and compare the value of Group, UKI and CIC Solvency II liabilities with those contained in the Group, UKI and CIC IFRS financial statements.

D.3.1 Provisions other than technical provisions

Provisions other than technical provisions are valued in both Solvency II balance sheets and the IFRS financial statements at fair value.

Fair value is derived from discounting expected future cash flows by a risk-adjusted discount rate. Where the time value of associated cash flows is not significant,cash flows are not discounted.

D.3.2 Derivatives

Derivatives are carried at fair value in the Solvency II balance sheets and IFRS financial statements using the valuation technique described on page 42.

D.3.3 Debts owed to credit institutions

Debts owed to credit institutions comprise bank overdrafts and are measured at amortised cost using the effective interest rate method in the IFRS financial statements. Given the very short-term nature of these balances this is also considered to be a reasonable approximation to fair value for the Solvency II balance sheets.

D.3.4 Financial liabilities other than debts owed to credit institution

These include lease liabilities for corresponding ROU assets. Amounts are valued at the present value of lease payments outstanding over the term of the remaining lease. The discount rate used (i.e. incremental borrowing rate) is the same as that used for valuing corresponding ROU assets. This category also contains some intercompany balances for UKI and CIC.

D.3.5 Payables (Insurance, reinsurance and others)

Insurance and other payables are valued at fair value in both, Solvency II balance sheets and the IFRS financial statements.

Fair value is derived from discounting expected future payments by a risk-adjusted discount rate. Where the time value of associated payments is not significant, cash flows are not discounted.

D.3.6 Subordinated liabilities

Subordinated liabilities comprise subordinated guaranteed dated notes which are measured at amortised cost using the effective interest rate method under IFRS.

According to the PRA Rulebook, these are held at a fair value which is determined by reference to quoted prices in an active market less the movement in own credit risk since initial recognition.

Difference in valuation methods under IFRS and Solvency II are included below:

As at 31 December 2024	Group £m	UKI £m	CIC £m
Subordinated liabilities under IFRS	258.3	—	—
Subordinated liabilities under Solvency II	207.9	—	—
Valuation differences between IFRS and Solvency II	(50.4)	—	—

D.4 Alternative methods of valuation

The majority of the assets and other liabilities included in the IR.02 Balance Sheet of the Group, UKI and CIC in sections G.2, G.3 and G.4 respectively are based on quoted market information or observable active market data. Where the quoted market information or observable market data is not available, an alternative method for valuation is used.

The Solvency II valuation methodology hierarchy is different from the IFRS fair value hierarchy but the methodology for valuing assets and other liabilities at fair value is consistent. The assets and other liabilities, that are not valued by reference to published quotes in an active market and would be classified as level 2 or 3 in the Group's IFRS fair value hierarchy, are classified as alternative methods of valuation under Solvency II. The Group only uses alternative valuation methods when a readily observable, external market valuation is not available, or where the relevant market is deemed to be inactive.

Estimation and uncertainty of alternative method of valuation

Alternative methods for valuation include the use of estimates and assumptions that are not market observable but based on independent third-party evidence and internally developed models. Valuation uncertainty arises from variation in the expected range of the key inputs into the models, judgements relating to model inputs, and reliance on third party valuation standards. Where an alternative valuation method is used the variation to fair value is immaterial.

The material assets and other liabilities, disclosed in the IR.02 Balance Sheet in sections G.2, G.3 and G.4, that have alternative methods of valuation methods applied are as follows:

Investment property and property for own use

Property is stated at fair value in the Solvency II balance sheets. Where quoted market prices are not available, valuation techniques are used to value these properties. The fair value is determined using a methodology based on recent market transactions for similar properties, adjusted for the specific characteristics of each property within the portfolio. The fair values are based on valuations by independent registered valuers and the techniques used include some unobservable inputs.

Right of use assets and lease liabilities

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date unless the interest rate implicit in the lease is readily determinable. The incremental borrowing rate is determined based on available risk-free market yield to maturity pricing linked to the lease amount and term and includes a credit spread.

Participations (UKI only)

Participations of £15.9 million at 31 December 2024 (2023: £13.5 million) are valued using an adjusted equity method, which takes a share of the excess of assets over liabilities of the CIC subsidiary. This method is used because a quoted market price from an active market in the equity of the subsidiary is not available.

Government and corporate bonds

If the market for a financial asset is not active, the Group establishes the fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties (if available), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Loans and mortgages

The Solvency II fair value is derived using a valuation based on a risk-adjusted discounted cash flow model. When determining the risk-adjusted discount rate, inputs for the relevant base rate, average trading spread of the overall market or sector and the credit risk specific to the loan are used.

Derivative asset and liabilities

Fair value for derivatives is determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. Valuation models use inputs for contractual terms and the specific risks inherent in the instrument, market prices, credit curves, yield curves, measure of volatility and correlations of such inputs.

Equity investments

Equity investments are stated at fair value in the Solvency II balance sheet based on available prices for quoted investments, the most recent share issue prices for unquoted investments and external valuations from a third-party fund manager for unlisted equity funds.

Subordinated liabilities

The valuation in the Solvency II balance sheet is at fair value based on reference to quoted market price less the movement in own credit risk since initial recognition. The discounted cash flow uses a discount rate that takes into account the specific characteristics of the subordinated debt adjusted for market conditions. An adjustment is made to the calculated fair value to remove the movement in the Group's own credit risk since initial recognition.

D.5 Any other information

CIC has a 100% quota share reinsurance treaty with UKI to recover insurance liabilities that are not satisfied by third-party reinsurers. As at 31 December 2024, the amount of the reinsurance recoverable from UKI was £1.7 million.

SECTION E: CAPITAL MANAGEMENT

In this section:

E. CAPITAL MANAGEMENT continued

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

The Group aims to manage its capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, rating agency and policyholder requirements.

The Group aims to pay a regular dividend of around 60% of operating profit after tax for ongoing operations.[1.]

Where the Board believes that the Group has capital which is expected to be surplus to the Group's requirements for a prolonged period, it would intend to return any surplus to shareholders.

The Group has a solvency risk appetite of 140% of the Group's solvency capital requirement ("SCR"). In normal circumstances, the Board expects that a solvency coverage ratio of around 180% is appropriate and will take this into account when considering the potential for additional returns, alongside expectations for future capital requirements and other relevant factors. In the short-term, the Group expects to maintain a solvency coverage ratio above this level. For UKI the board have approved a minimum threshold of 130% of the solvency capital requirements.

In the normal course of events the Board will consider whether or not it is appropriate to distribute any surplus capital to shareholders once a year, alongside the full year results.

The Group expects that one-third of the annual dividend will generally be paid in the third quarter as an interim dividend, and two-thirds will be paid as a final dividend in the second quarter of the following year. The Group may consider a special dividend and/or a repurchase of its own shares to distribute surplus capital to shareholders.

The Board may revise the dividend policy from time to time.

The Board has reviewed the progress the Group has made in turning around the business and, based on the Group's strong solvency coverage ratio and underlying capital generation over the last 12 months, has concluded it is appropriate to recommend to shareholders at the annual general meeting a final dividend of 5.0 pence per share (£65 million).

The Group seeks to maintain sufficient economic capital consistent with its strategic aim of maintaining a credit rating in the 'A' range.

The policies and processes that the Group adopts to manage its own funds to mitigate the risk of breaching regulatory and internal capital adequacy are described in the Group's Capital Management minimum control standard, which includes the following key controls:

Capital forecasting

The Group's strategic plan includes a capital plan that forecasts the solvency capital requirement and coverage ratios for the Group and UKI over the next four financial periods.

Adverse capital movement

A regular review of the capital adequacy of each Group undertaking is undertaken to ensure no deterioration below the solvency capital requirement or agreed risk appetite ranges, including review of the forecast capital position and the quality of capital within own funds.

Management of dividend governance

Dividends paid by all Group undertakings are considered and approved by the responsible Board. The Company, UKI and CIC all have the right to cancel (or defer) their own dividend payments or other distributions after declaration if the undertakings cease to hold capital resources equal to or in excess of their solvency capital requirement.

On 10 July 2024, the Board approved a revised dividend policy which targets a payout ratio of around 60% of post-tax operating profit for any regular dividend. There have been no other material changes to the objectives, policies and processes for managing own funds over the reporting period.

Restatement of solvency capital ratio for year ended 31 December 2023

During the Group's half year results preparation, a miscalculation was identified within the Group's Solvency II own funds for the year ended 2023.

This miscalculation arose in the UKI Solvency II treatment of the whole account quota share reinsurance arrangement (incepted 1 January 2023). Specifically, it arose from the translation of the reinsurance debtors between IFRS and Solvency II own funds, where reinsurance receivables were overstated by £160 million, reinsurance recoverables and payables were overstated by £27 million, with a corresponding deferred tax understatement of £33 million. This miscalculation had no impact on the IFRS financial statements for the year ended 31 December 2023.
Correcting for the miscalculation, the solvency capital ratio (post-dividend) at year end 2023 was 188% for Group and 161% for UKI, which was above the Group's risk appetite range of 140% to 180% (the previously reported solvency capital ratios were 197% and 170% respectively).

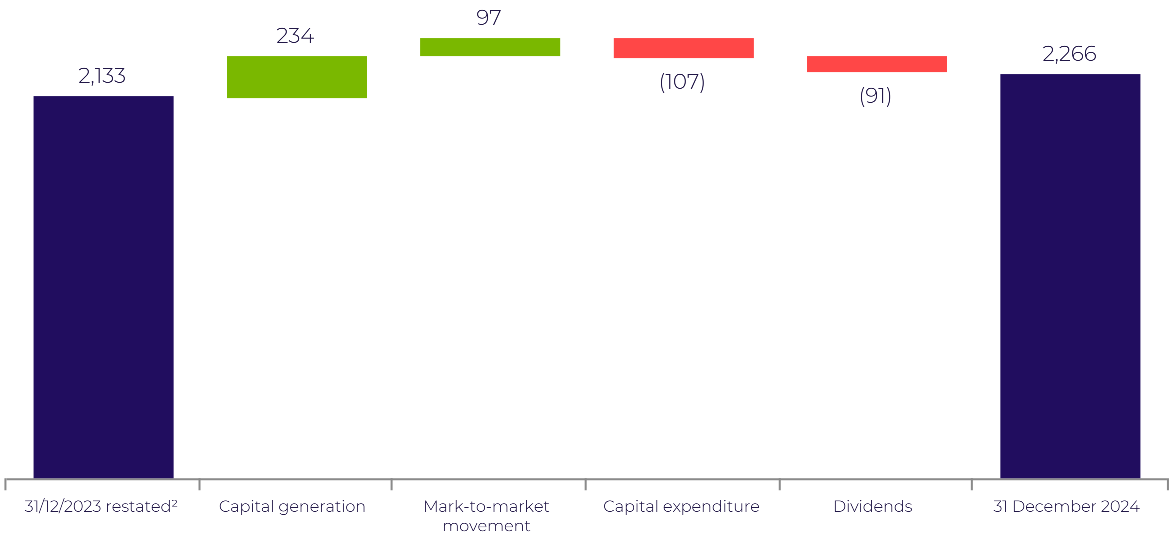
The Group has taken action to strengthen the control environment in relation to the specific area where the miscalculation occurred.

Where relevant, comparative numbers within this document have been restated accordingly.

1. Operating profit from ongoing operations after finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate

E. CAPITAL MANAGEMENT continued

Movement in Group eligible own funds during 2024 (£ million)



Notes:

1. Mark-to-market movements represent fair value adjustments on financial investments held at fair value through profit and loss.under IFRS, fair value adjustments on financial investments held at amortised cost under IFRS, and fair value adjustments on investment properties, property held for own use, derivatives and yield on technical provisions.
2. Eligible own funds have been restated following correction of an error identified after the SFCR was published in April 2024.

During 2024, the Group's eligible own funds increased from £2,133.3 million to £2,266.2 million. Eligible Tier 1 capital after foreseeable distributions represents 87% of own funds and 170% of the SCR. Tier 2 capital relates to the Group's £207.9 million subordinated debt with no ineligible Tier 1 capital. The maximum amount of restricted Tier 1 capital permitted as a proportion of total Tier 1 capital per the PRA Rulebook is 20%. Restricted Tier 1 capital relates solely to the Tier 1 notes issued in 2017. At year end 31 December 2023 the reconciliation reserve and deferred tax asset have been restated for the miscalculation identified. Total eligible own funds at 31 December 2023 was previously reported as £2,233.3 million. Total eligible own funds for UKI was previously reported as £1,879.3 million.

The following table lists total own funds items by tier for the Group, UKI and CIC:

As at 31 December 2024	Group £m	UKI £m	CIC £m
Ordinary Share capital	143.1	580.8	—
Share premium account related to Ordinary Share capital	—	250.0	—
Reconciliation reserve	1,502.5	1,110.6	15.7
Total Tier 1 unrestricted capital	**1,645.6**	**1,941.4**	**15.7**
Tier 1: restricted Tier 1 debt[1]	324.7	—	—
Total eligible Tier 1 capital	**1,970.3**	**1,941.4**	**15.7**
Tier 2: subordinated liabilities	207.9	—	—
Tier 3: deferred tax assets	88.0	—	0.2
Total eligible own funds[2]	**2,266.2**	**1,941.4**	**15.9**

As at 31 December 2023	Group £m	UKI £m	CIC £m
Ordinary Share capital	143.1	580.8	—
Share premium account related to Ordinary Share capital	—	250.0	—
Reconciliation reserve[3]	1,326.4	945.0	13.2
Total Tier 1 unrestricted own funds	1,469.5	1,775.8	13.2
Tier 1: restricted Tier 1 debt[1]	325.6	—	—
Total eligible Tier 1 own funds	1,795.1	1,775.8	13.2
Tier 2: subordinated liabilities	217.5	—	—
Tier 3: deferred tax assets[3]	120.7	3.5	0.3
Total eligible own funds[2]	2,133.3	1,779.3	13.5

Notes:

1. As at 31 December 2024 and 31 December 2023 none of the Group's restricted Tier 1 capital was reclassified as Tier 2 due to tiering restrictions.
2. The difference between own funds for the Group and the total of UKI and CIC relates to own funds of non-regulated entities.
3. As at 31 December 2023 the reconciliation reserve and Tier 3 deferred tax assets have been restated for Group and UKI following the correction of an error identified after the SFCR was published in April 2024. The reconciliation reserve has been restated from £1,459.7 million (UKI: £1,048.5 million) to £1,326.4 million (UKI: £945.0 million). Deferred tax assets have been restated from £87.4 million (UKI: £nil) to £120.7 million (UKI: £3.6 million).

Group

Tier 1 own funds comprise Ordinary Share capital of £143.1 million (2023: £143.1 million) and the reconciliation reserve of £1,502.5 million (2023 restated: £1,326.4 million). The reconciliation reserve consists of Solvency II excess of assets over liabilities of £2,150.0 million (2023 restated: £1,992.6 million) less the value of own shares held of £26.6 million (2023: £24.9 million), foreseeable capital distributions of £65.1 million (2023: £nil) and other basic own fund items consisting of restricted Tier 3 deferred tax assets of £88.0 million (2023 restated: £120.7 million), Ordinary Share capital of £143.1 million (2023: £143.1 million) and Tier 1 notes of £324.7 million (2023: £325.6 million) of which none is reclassified as Tier 2 (2023: Nil). There was no ineligible deferred tax.

As announced on 23 August 2024 during the Group's half year results preparation, a miscalculation was identified within the Group's audited Solvency II own funds for the year ended 2023. This miscalculation arose in the Solvency II treatment of the whole account quota share reinsurance arrangement (incepted 1 January 2023), and in particular the translation of the reinsurance debtors between IFRS and Solvency II own funds. This miscalculation has no impact on the IFRS figures. The own funds tables and charts in this section have been updated to reflect this. The miscalculation resulted in a circa £100 million reduction in Group eligible own funds.

The Group aims to manage its capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, rating agency and policyholder requirements. The Group aims to pay a regular dividend of around 60% of operating profit after tax for ongoing operations.[1.]

On 7 December 2017, the Group issued Tier 1 notes to mitigate the risk of a single refinancing date. In addition, under the PRA Rulebook eligibility restrictions the Group previously had limited options to raise additional subordinated debt (Tier 2) capital to recover solvency. As a result of raising the Tier 1 notes and repaying half of the Tier 2 capital the Group has the ability to raise further Tier 2 capital should this be required.

On 7 December 2017, the Group issued £350.0 million of Tier 1 notes with a coupon rate of 4.75% per annum. The Group has an optional redemption date of 7 December 2027. If the notes are not repaid on that date, the rate of interest per annum will be reset. The notes are direct, unsecured and subordinated obligations of the issuer ranking pari passu and without any preference amongst themselves. The Group has the option to cancel the coupon payment. Cancellation becomes mandatory if: the Solvency condition is not met at the time of, or following, coupon payment; there is non-compliance with the SCR or the minimum capital requirement; the Group has insufficient distributable reserves; or the relevant regulator requires the coupon payment to be cancelled. Proceeds of this issuance were primarily used to fund the repurchase of £250 million subordinated guaranteed dated notes.

On 5 June 2020, the Group issued £260 million of subordinated Tier 2 notes at a fixed rate of 4.0%. The notes have a redemption date of 5 June 2032 and may be redeemed at the option of the Group commencing on 5 December 2031 until the maturity date. The Group has the option, in certain circumstances, to defer interest payments on the notes but to date has not exercised this right. The notes are unsecured, and subordinated obligations of the Group and rank pari passu without any preference among themselves. In the event of a winding-up or of bankruptcy, they are to be repaid only after the claims of all other senior creditors have been met and will rank at least pari passu with the claims of holders of other Tier 2 capital. At December 31 2024 the IFRS amortised cost was £258.3 million, the Solvency II fair value was £207.9 million.

UKI

Tier 1 own funds comprise Ordinary Share capital of £580.8 million (2023: £580.8 million), share premium of £250.0 million (2023: £250.0 million) and the reconciliation reserve of £1,110.6 million (2023 restated: £945.0 million). The reconciliation reserve consists of Solvency II excess of assets over liabilities of £1,941.4 million (2023 restated: £1,779.3 million), less foreseeable dividends in the year of £nil (2023:£nil), Ordinary Share capital of £580.8 million (2023: £580.8 million and share premium of £250.0 million (2023: £250.0 million). Deferred tax assets were £nil (2023 restated: £3.5 million).

The own funds tables and charts in this section have been updated to reflect the miscalculation to own funds described above. The miscalculation resulted in a £100 million reduction in UKI eligible own funds.

E. CAPITAL MANAGEMENT continued

CIC

Tier 1 own funds comprise Ordinary Share capital of £100 (2023: £100) and the reconciliation reserve of £15.7 million (2023: £13.2 million). The reconciliation reserve consists of Solvency II excess of assets over liabilities of £16.0 million (2023: £13.5 million) less other basic own fund items consisting of Tier 3 deferred tax assets of £0.2 million (2023: £0.3 million) and Ordinary Share capital of £100 (2023: £100).

Eligible own funds by tier to cover the solvency capital requirement and minimum capital requirement

Group

The Group's SCR as at 31 December 2024 was £1,164.5 million. There is an eligibility limit that the sum of Tier 2 and Tier 3 capital shall not exceed 50% of the SCR - no restriction on available own funds to meet the SCR was applicable to the Group at 31 December 2024 (2023: no restriction). Total eligible own funds to meet the SCR were £2,266.2 million, consisting of Tier 1 – unrestricted of £1,645.6 million, eligible Tier 1 – restricted of £324.7 million, Tier 2 of £207.9 million and Tier 3 of £88.1 million. The amount of Tier 2 and Tier 3 capital permitted per the PRA Rulebook is 50% of the Group's SCR and of Tier 3 alone is less than 15%.

The Group's MCR as at 31 December 2024 was £512.0 million. The total eligible own funds to meet the MCR were £2,072.7 million, consisting of unrestricted Tier 1 of £1,645.6 million, eligible restricted Tier 1 of £324.7 million and restricted Tier 2 of £102.4 million. There are restrictions on the amount of eligible own funds. Tier 1 restricted own funds should not exceed 20% of total Tier 1 own funds when satisfying the requirement that eligible Tier 1 items shall be at least 80% of the MCR. Tier 2 own funds shall not exceed 20% of the MCR. Also Tier 3 own funds are not eligible to cover the MCR. The Group had no ineligible capital at 31 December 2024.

UKI

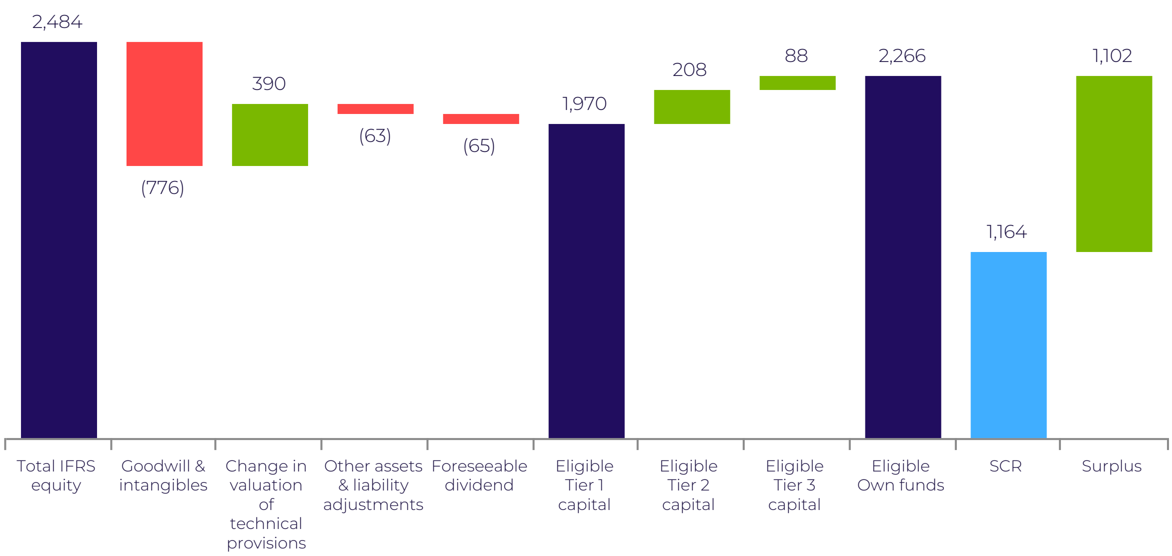
There were no restrictions on UKI's own funds to meets its SCR as at 31 December 2024 of £1,129.9 million (2023: £1,103.2 million).

The UKI MCR as at 31 December 2024 was £508.5 million; Tier 3 own funds are not eligible to cover the MCR. Total eligible own funds to meet the MCR were £1,941.4 million, consisting of unrestricted Tier 1 of £1,941.4 million.

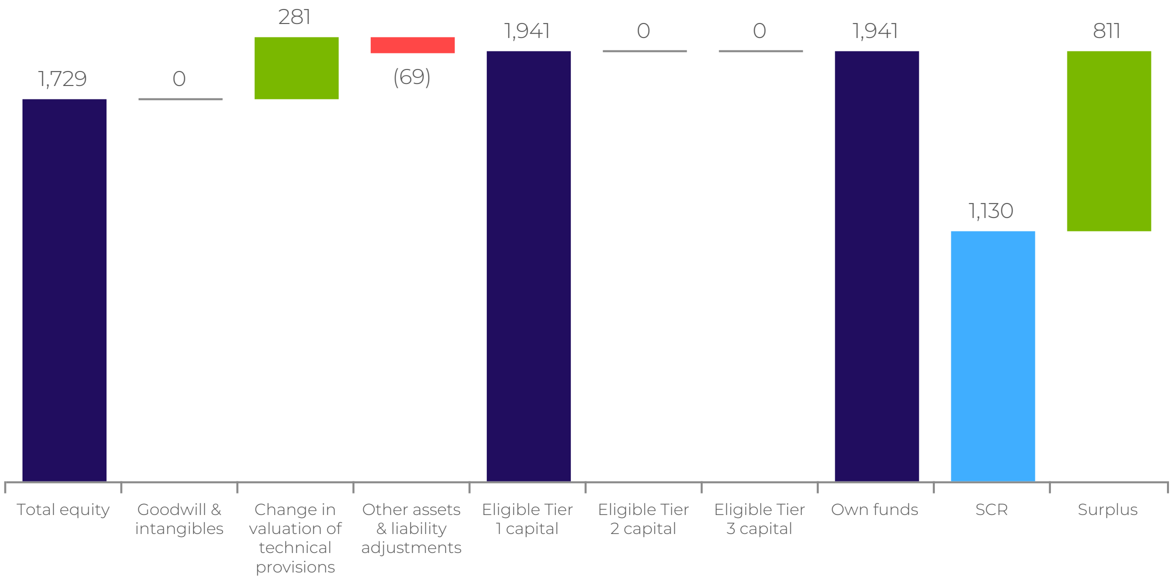
CIC

As at 31 December 2024, the CIC SCR was £1.4 million and the MCR was £3.5 million. CIC remains within its quantitative eligibility limits for tiers 1, 2 or 3.

Reconciliation of Group equity in the IFRS financial statements to Solvency II eligible own funds as at 31 December 2024 (£ million)



Reconciliation of UKI equity in the IFRS financial statements to Solvency II eligible own funds as at 31 December 2024 (£ million).



Reconciliation of IFRS equity and Solvency II excess of assets over liabilities (eligible Tier 1)

As at 31 December 2024	Group £m	UKI £m	CIC £m
Total equity	2,484.4	1,729.1	16.7
Goodwill and intangible assets	(776.3)	—	—
Change in valuation of technical provisions	390.0	281.0	(0.8)
Other asset and liability adjustments	(62.7)	(68.7)	(0.2)
Foreseeable capital distributions	(65.1)	—	—
Excess of assets over liabilities (eligible Tier 1)	**1,970.3**	**1,941.4**	**15.7**

Neither UKI nor CIC had any items deducted from own funds or any restrictions that would affect the availability and transferability of own funds within the undertakings.

At the Group level there were no anticipated restrictions on the fungibility of own funds within Group entities except for the deferred tax asset which is held in DLIS and no items of own funds were dedicated to absorb specific losses. There were no restrictions on the transferability of own funds between Group entities.

E.2 Solvency capital requirement and minimum capital requirement (unaudited)[1]

Solvency capital requirement and minimum capital requirement at the end of the reporting period

Group partial internal model solvency capital requirement

As at 31 December	**2024 £m**	2023 £m
SCR for the Group companies excluding UKI and its subsidiary (CIC), using integration technique 1	**34.6**	29.8
SCR for UKI using the Internal Economic Capital Model	**1,129.9**	1,103.2
Consolidated Group SCR	**1,164.5**	1,133.0

Notes:

1. The solvency capital requirement for CIC is audited as calculated by standard formula.

The Group received PRA approval to use a partial internal model for the calculation of its Group and solo SCRs from 1 July 2016. The SCR is subject to supervisory assessment.

The integration technique to be used to integrate the partial internal model into the SCR standard formula is integration technique 1 as set out in the Rule 16C of the Solvency Capital Requirement - Internal Models Part of the PRA Rulebook.

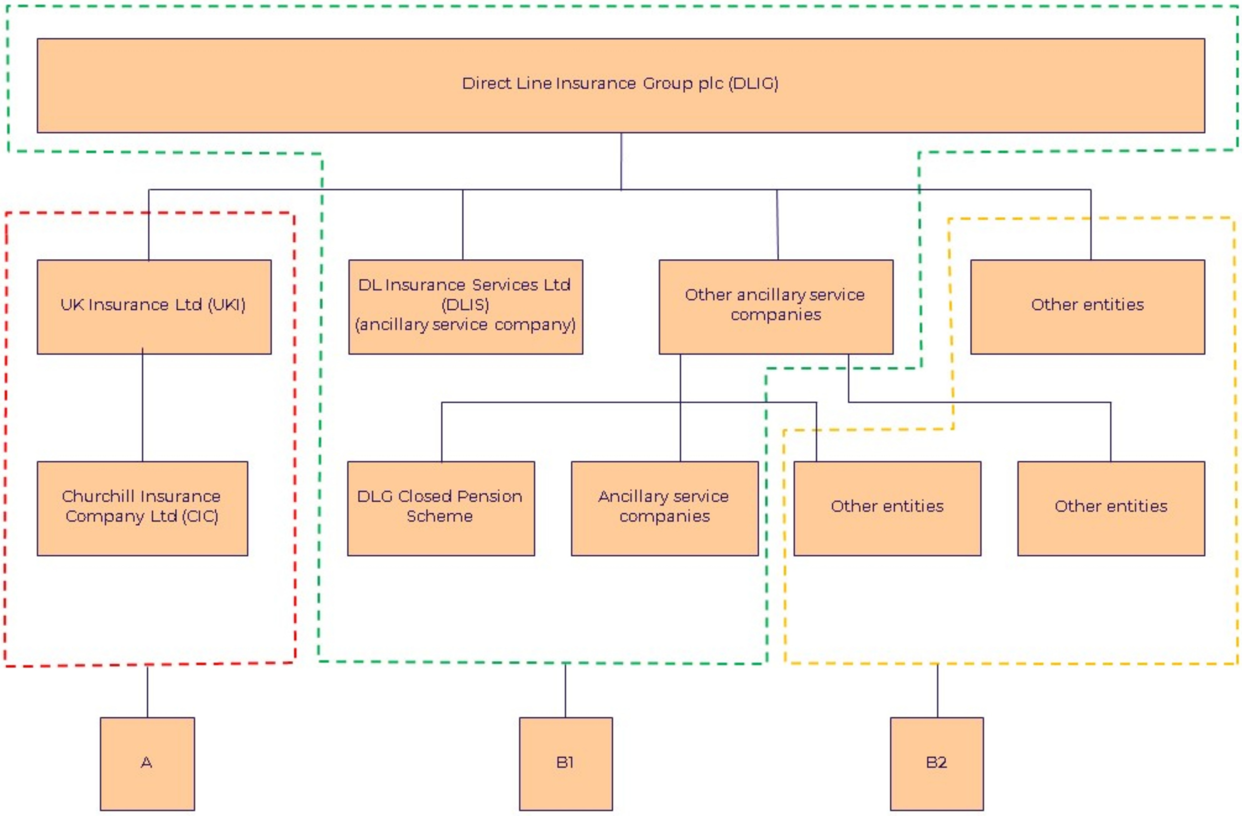
The undertakings included in the scope of the model for the calculation of the Group SCR are:

– Direct Line Insurance Group plc
– U K Insurance Limited
– Churchill Insurance Company Limited

The internal model is approved to calculate the solo SCR for UKI.

The notional standard formula of the Group holding company, excluding UKI, is calculated partly on a consolidated basis and partly on the basis of a standard formula equity risk shock for strategic participations in respect of certain entities.

The Group SCR is calculated by adding together the SCR for UKI calculated using the Internal Economic Capital Model (A) and a standard formula SCR for the non-UKI companies in the Group (B1). This standard formula SCR uses a consolidated balance sheet approach, except for certain entities (B2) which are treated as equity investments of the Group. The diagram below illustrates the generic approach. Note this diagram does not represent a structure chart of the Group - the Group structure chart is found on page 8 of this report.



The solo SCR for UKI includes all risks arising from CIC due to UKI owning 100% of CIC. The solo SCR for CIC is calculated using the standard formula (which is subject to audit).

The calculation of the solo SCR for CIC and for the Group (excluding UKI) using the standard formula uses the parameters as referred to in the PRA Rulebook. When initially reporting under Solvency II, The Group did not apply for undertaking specific parameters as referred to in Solvency Capital Requirement - Undertaking Specific Parameters Part of the PRA Rulebook. Simplified calculations per Section 7 of the Solvency Capital Requirement - Standard Formula Part of the PRA Rulebook are not used.

There are no significant restrictions to the fungibility and transferability of own funds eligible for covering the Group SCR except for the deferred tax asset which is held in DLIS.

Due to the integration technique adopted, there are no diversification benefits taken between UKI and the Group entities. There are diversification benefits assumed between the Group entities in group B as far as has been allowed for by the standard formula. The contribution of risk from CIC to UKI is based on a CIC standard formula calculation, excluding any inter-company reinsurance provided to CIC from UKI. An uplift is applied to the CIC insurance risk calculation to reflect the limitations of the standard formula in dealing with the risks arising from periodic payment orders.

The Internal Economic Capital Model approach used to calculate the solo SCR for UKI is the same as used to calculate the contribution of UKI to the Group SCR.

E. CAPITAL MANAGEMENT continued

Summary of entity solvency capital requirements and minimum capital requirements

As at 31 December 2024	SCR £m	MCR £m
Direct Line Insurance Group plc	1,164.5	512.0
U K Insurance Limited	1,129.9	508.5
Churchill Insurance Company Limited	1.4	3.5

Group solvency capital requirement – further information

The following table analyses the risk components in the capital requirement for residual undertakings, as disclosed in IR.25.04.22 and adding in the UKI SCR, which itself is analysed in the UKI solo SCR section below.

As at 31 December	**2024 £m**	2023 £m
Non-life underwriting risk	**—**	—
Life underwriting risk	**—**	—
Health underwriting risk	**—**	—
Market risk	**33.0**	27.0
Counterparty default risk	**4.8**	7.6
Total – undiversified risk	**37.8**	34.6
Diversification	**(3.2)**	(4.8)
Basic SCR	**34.6**	29.8
Operational risk	—	—
Loss absorbing capacity of deferred taxes	**—**	—
Other adjustments	**—**	—
UKI SCR	**1,129.9**	1,103.2
Group SCR	**1,164.5**	1,133.0

Material changes over the year

Changes in the Group SCR are driven in part from changes in the UKI SCR which are discussed below. In respect of the element of the Group SCR attributed to the holding company, the increase is primarily due to currency hedging exposure in relation to operational contracts.

Group minimum consolidated group SCR – further information

The Group minimum consolidated group SCR has increased from £500.0 million to £512.0 million over the reporting period. The Group minimum consolidated group SCR moves in line with UKI's MCR as CIC's MCR remains at the absolute floor. Movements to UKI's MCR are discussed below. The calculation of the UKI MCR and the Group consolidated group SCR are formula driven calculations using net written premiums and net best estimate for each line of business.

UKI solo solvency capital requirement – further information

As at 31 December	**2024 £m**	2023 £m
Insurance risk	**1,145.0**	1,086.8
Market risk	**158.7**	171.2
Counterparty default risk	**115.9**	72.6
Operational risk	**304.6**	303.6
Risk margin volatility	**22.2**	28.8
Total – undiversified risk	**1,746.4**	1,663.0
Diversification	**(579.5)**	(559.8)
Total – diversified	**1,166.9**	1,103.2
Loss absorbing capacity of deferred taxes	**(37.0)**	—
UKI SCR	**1,129.9**	1,103.2

Material changes over the year

The increase in insurance risk is due to parameter and exposure updates, including increased Motability exposures, and increased large loss reserve risk. Market risk has decreased reflecting higher interest rates, a tightening of credit spreads and a reduced level of AUM. Counterparty default risk has increased due to increased exposure to insurer counterparties, and the inclusion of Motability reinsurance arrangements.

UKI minimum capital requirement – further information

The UKI MCR is calculated as prescribed in accordance with applicable Solvency II regulations. The linear MCR, calculated using ratios defined by the regulator, decreased slightly year-on-year as increases in the premium element of the calculation were more than offset by reduction s in the technical provisions element. The overall MCR continues to be capped at 45% of the SCR and has increased to £508.5 million (2023: £496.5 million) in line with increases to the SCR.

CIC solo solvency capital requirement – further information (audited)

As at 31 December	2024 £m	2023 £m
Non-life underwriting risk	—	—
Life underwriting risk	**0.1**	0.2
Health underwriting risk	—	—
Market risk	**1.0**	1.2
Counterparty default risk	**0.5**	0.5
Total – undiversified risk	**1.6**	1.9
Diversification	**(0.3)**	(0.4)
Basic SCR	**1.3**	1.5
Operational risk	**0.1**	0.2
CIC SCR	**1.4**	1.7

Material changes over the year

The decrease in the CIC SCR reflects exposure movements over the period.

CIC minimum capital requirement – further information

The calculated linear MCR continued to reduce in line with CIC's technical provisions, although the total MCR remained steady at £3.5 million at the absolute floor, as prescribed by the regulations.

Simplified calculation in the standard formula

No material simplifications have been used to derive the SCR using the standard formula.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement (unaudited)

The duration-based equity risk sub-module is not used in the calculation of the SCR for the Group, UKI or CIC.

E.4 Use of the internal model (unaudited)

Capital management

The Internal Economic Capital Model's primary use is to calculate the SCR. The Internal Economic Capital Model is also used to assess the impact of capital management decisions, to support ORSA processes and to support dividend planning and budgeting.

Risk management

The Internal Economic Capital Model is used to quantify risks on the Material Risks Register and is also used to highlight the key risks to the Group. Furthermore, the Internal Economic Capital Model supports the risk appetite setting process and the review of financial forecasts, by providing stressed scenarios to give the Group's Risk Management Committee and Board Risk Committee a range of possible outcomes.

Reinsurance management

Through the modelling of the base and alternative reinsurance structures, the Internal Economic Capital Model supports catastrophe and motor reinsurance management, by assessing the impact on profitability and capital requirements.

Portfolio management

The Internal Economic Capital Model is used to understand the relative risk associated with different cohorts of the business and is used to advise on capital allocation to business categories. New initiatives and opportunities involve the Internal Economic Capital Model to indicate the impact on the SCR and associated return on equity.

Investment management

The Internal Economic Capital Model is used to assess the risk associated with the current asset mix, the impact of changes to the SCR and asset risk of changes in proposed asset portfolios and as a feed into the analysis of liquidity requirements which in turn impact the strategic investment decisions.

Scope of the internal model

The partial internal model calculates the Group SCR by adding together the SCR for UKI, calculated using the Internal Economic Capital Model, and a standard formula SCR for the non-UKI companies in the Group. This standard formula uses a consolidated balance sheet approach, except for certain entities which are treated as equity investments of the Group. See the diagram on page 58 which illustrates this approach.

The internal model is approved to calculate the solo SCR for UKI.

The notional standard formula for the Group companies (Section E.2), excluding UKI and its subsidiary CIC, is calculated partly on a consolidated basis and partly based on a standard formula equity risk shock for strategic participations in respect of certain entities. The underlying assets and liabilities of entities in group B1 are consolidated before applying the standard formula calculation. This sub-group consists of the Group holding company, ancillary service companies and the Group's closed pension scheme. The latter is not an entity within the Group but exposes it to pension scheme risk through its sponsor DLIS.

The risks included in the notional standard formula of the Group companies (excluding UKI and its subsidiary) are predominantly market risk and counterparty default risk. Market risk arises from the assets held at Group level and those held by the associated Group pension scheme. Counterparty default risk arises mainly from debtor balances and cash holdings.

The scope of the Internal Economic Capital Model is defined in terms of legal entities and risk categories that are represented in the Internal Economic Capital Model SCR. The Internal Economic Capital Model is considered a full internal model for the calculation of the solo UKI SCR as it includes all quantifiable material risks.

The following legal entities are included in the Internal Economic Capital Model SCR:

- U K Insurance Limited
- Churchill Insurance Company Limited

All other legal entities within the Group are excluded from the scope of the Internal Economic Capital Model.

The following risk types are included in the scope of the Internal Economic Capital Model:

- underwriting risk;
- reserving risk;
- catastrophe risk;
- market risk;
- counterparty default risk;
- liquidity risk; and
- operational risk.

The following risk types are not within the scope of the Internal Economic Capital Model, being regarded as non-quantifiable risks:

- strategic risk;
- reputational risk; and
- regulatory risk.

The Internal Economic Capital Model includes an allowance for the loss absorbing capacity of deferred taxes due to the potential for tax carry back. Risks arising due to periodic payment orders are assessed in underwriting risk and reserving risk. Market risk includes the assessment of interest rate risk arising from assets and liabilities. Liquidity risk is considered in the Internal Economic Capital Model but is assessed at zero due to the amount of liquid assets held.

Methods used to calculate the probability distribution forecast and the solvency capital requirement

Internal Economic Capital Model overview

The Internal Economic Capital Model is a full internal model as outlined by the PRA Rulebook. The calculation kernel within the Internal Economic Capital Model is the DLG Insurance Internal Capital Engine.

The DLG Insurance Internal Capital Engine uses stochastic processes and Monte-Carlo simulation methods to investigate the uncertainty in real world financial quantities over time by modelling real world processes as predictable movements onto which a random element is added. This random element represents the level of uncertainty within the process being modelled. Risk is measured by simulating several thousand random outcomes and observing the distribution of the outputs.

The DLG Insurance Internal Capital Engine produces future financial statements as well as a breakdown of the impact on the balance sheet by risk type. This enables the Group to understand the potential real-world impact of a scenario and allows for integration into the risk management system of the Group. The DLG Insurance Internal Capital Engine simulates many possible closing balance sheets and provides a range of possible outcomes from which probabilistic measures can be obtained. This method allows the SCR to be set by measuring the 99.5th value-at-risk of the movement in own funds over a one-year period.

The DLG Insurance Internal Capital Engine is structured around a series of dependent modelling components. Each component models a specific aspect of an insurance company's operations, for example claims payments or reinsurance recoveries, and may depend on previous components, for example claims depend on a claims inflation component. The components within the DLG Insurance Internal Capital Engine may contribute to one or more of the risk types being assessed.

Internal Economic Capital Model structure

All financial modelling is a simplification of the real world. Within the DLG Insurance Internal Capital Engine this is partly addressed by grouping potential risks into homogeneous cohorts rather than modelling each policy, claim or risk individually. The balance between aggregation and individual detail is important and will vary depending on the materiality and complexity of the risk being modelled.

The business structure in the DLG Insurance Internal Capital Engine is split across the following categories: Motor, Home, Rescue and other personal lines, Commercial and run-off business. Within each category there are classes where the risks are different. For example, Home is split into own brands and partnerships due to profit sharing arrangements and Commercial is analysed by risk type (motor, property and liability) and channel (direct and broker), however following the sale of the Broker business, Broker only relates to outstanding Broker reserves.This allows for the model output to be useful and it also makes it more straightforward to source appropriate data.

The biggest risk that the Group faces is uncertainty regarding claims. Within each category, claims are modelled by loss types reflecting the different risks and influences on each type of claims. For example, Motor claims are modelled as attritional third-party property damage, attritional third-party bodily injury (capped), attritional other, large, periodic payment orders and catastrophe claims. The modelling of detailed loss types reflects the materiality, risk characteristics and homogeneity of the underlying risks being considered.

Difference between standard formula and internal model used

There are significant differences in both model structure and parameters when comparing the standard formula and the internal model. The Internal Economic Capital Model has been designed to model business processes whereas the standard formula focuses purely on a silo approach to considering specific risks with an aggregation methodology overlaid on top. The Internal Economic Capital Model is primarily calibrated to UKI data and uses expert judgement from the business, whereas the standard formula is calibrated using industry-based data and expert judgements.

There are significant differences between the Internal Economic Capital Model and standard formula SCR methodologies. The most significant differences are outlined below:

Profit

The Internal Economic Capital Model allows for expected profit over the year. The standard formula model does not, and this can be a significant difference.

Diversification

The correlations within the Internal Economic Capital Model SCR have been based on UKI data and expert judgement from the business. The standard formula SCR uses correlations that have been calibrated to industry-based data and expert judgement. The correlation parameters between risk types in the Internal Economic Capital Model are lower than for the standard formula. In particular, the relationship between insurance risk and market risk is assumed to be lower in the Internal Economic Capital Model than that assumed in the standard formula.

Market risk

The major difference relates to the use of an economic scenario generator by the Internal Economic Capital Model to assess market risk. The assumptions made within the economic scenario generator differ from those made by the standard formula, which primarily considers shocks in specific market variables and then attempts to apply a dependency structure on top. The economic scenario generator considers: the related evolution of economic variables over the year; considers movements in cash flows; and changes in the balance sheet in a year's time. This results in differences between the Internal Economic Capital Model and the standard formula in relation to interest rate risk, property risk and spread risk.

Non-life underwriting risk

The Internal Economic Capital Model one-year reserve volatility is calibrated using historic data while the standard formula uses prescribed rates. The Internal Economic Capital Model SCR also considers the variability of the premium provision as at one year after the valuation date. The standard formula SCR does not consider the risk associated with this provision. All of UKI's insurance business is included within the non-life underwriting risk module of the Internal Economic Capital Model. The standard formula non-life underwriting risk calculation excludes the annuity portion of approved periodic payment order claims, which are considered within the life underwriting risk component, as well as the income protection business, which is considered within the health underwriting risk component. This further reduces the diversification effect within non-life underwriting risk in the standard formula compared with the Internal Economic Capital Model. This diversification effect is however allowed for in the standard formula when aggregating the various underwriting risk components. The Internal Economic Capital Model allows for periodic payment orders explicitly including longevity, wage inflation, propensity and reinsurance indexation. The Internal Economic Capital Model SCR utilises specialist catastrophe modelling software and focuses on those catastrophe types that have affected UKI in the past or that are most likely given the UKI portfolio. The standard formula SCR is based on prescribed scenarios which are in turn based on the Solvency II lines of business written by UKI.

Risk margin volatility

The Internal Economic Capital Model SCR includes allowance for risk margin volatility.

Operational risk

The Internal Economic Capital Model SCR basis uses a scenario-based approach which represents the UKI risk profile, considering its current risk and control environment. The standard formula calculates the SCR for operational risk, based on the premium earned in the last 12 months, the Solvency II technical provisions at the valuation date and the change in earned premium when compared to the 12 months prior to the last 12 months.

Tax

The UKI standard formula takes credit for any deferred tax liability which may exist in UKI; however, this is not allowed for in the Internal Economic Capital Model SCR.

CIC

The method used to calculate the Internal Economic Capital Model capital charge for the risk relating to CIC is to use an uplifted standard formula calculation, with specific allowance for periodic payment order risk based on the Internal Economic Capital Model calibration, with no diversification benefit applied for the rest of UKI.

Risk measure and period used in the internal model

The Group's partial internal model uses a confidence level of 99.5% over a one-year period and therefore provides an equivalent level of protection for policyholders.

Nature and appropriateness of the data used in the Internal Economic Capital Model

The Internal Economic Capital Model uses both internal data and external data to calibrate parameters. Key internal data is primarily comprised of claims data which is also used for reserving and pricing purposes. The data is directly related to the risks on the balance sheet and those expected to be assumed in the next 12 months of underwriting, and therefore appropriate to use for the calibration of the Internal Economic Capital Model following adjustments for changes in exposure and risk mix.

Where there is insufficient internal data the Internal Economic Capital Model relies on external models and data. The key risks which utilise external models and data are catastrophe risk and market risk. External models and data are subject to the same standards as internally developed models. Market studies and industry data are used as a reference and as validation points. The Institute and Faculty of Actuaries Periodic Payment Order working party results are considered.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

The Group has been compliant with the MCR and SCR, throughout the reporting period.

E.6 Any other information

There is no other information

SECTION F: OTHER INFORMATION

In this section:

F.1 Approval by the Boards of the Single Group-wide Solvency and Financial Condition Report for the year ended 31 December 2024

We certify that:

– the Single Group-wide Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA Rulebook; and

we are satisfied that:

– throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rulebook, as applicable to the insurer; and
– it is reasonable to believe that, at the date of the publication of the Single Group-wide Solvency and Financial Condition Report, the insurer has continued so to comply, and will continue so to comply in the future.

On behalf of the Boards.

Jane Poole

CHIEF FINANCIAL OFFICER

2 April 2025

F.2 Report of the external independent auditor to the Directors of Direct Line Insurance Group plc ('the Parent company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook

REPORT ON THE AUDIT OF THE INFORMATION SUBJECT TO AUDIT IN THE RELEVANT ELEMENTS OF THE SINGLE GROUP-WIDE SOLVENCY AND FINANCIAL AND CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by the Direct Line Insurance Group plc ('the Parent Company'), U K Insurance Limited and Churchill Insurance Company Limited (together 'the Entities') as at 31 December 2024:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-wide Solvency and Financial Condition Report of the Entities as at 31 December 2024, ('the Narrative Disclosures subject to audit'); and
- the Templates subject to audit which comprise:
  - Group templates IR.02.01.02, IR.22.01.22, IR.23.01.04, IR.32.01.22 for the Group,
  - Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.22.01.21, IR.23.01.01, IR.28.01.01 for U K Insurance Limited, and
  - Company templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.22.01.21, IR.23.01.01, IR.25.04.21, IR.28.01.01 for Churchill Insurance Company Limited.

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'Relevant Elements of the Single Group-wide Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report set out about above for the Group and U K Insurance Limited which derive from the Solvency Capital Requirement calculated using a partial internal model, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Single Group-wide Solvency and Financial Condition Report;
- Group templates – IR.05.03.02 and IR.25.04.22 for the Group;
- Company templates – IR.05.04.02, IR.19.01.21 and IR.25.04.21 for U K Insurance Limited;
- Company templates – IR.05.04.02 and IR.19.01.21 for Churchill Insurance Company Limited;
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'; and
- The written acknowledgement by the Directors of the Entities of their responsibilities, including for the preparation of their relevant content of the Single Group-wide Solvency and Financial Condition Report ('the Responsibility Statement') .

To the extent the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report of the Entities as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules on which it is based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations in effect as at the date of approval of the Single Group-wide Solvency and Financial Condition Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)'), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Information Subject to Audit in the Relevant Elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of each of the Entities in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to section A.1.3 of the Single Group-wide Solvency and Financial Condition Report which indicates that the Directors have concluded it is beyond their control to conclude as to whether Aviva, a potential purchaser, would undertake any restructuring of the Group's legal entities should a deal complete. These events and conditions constitute a material uncertainty that may cast significant doubt on the ability of the Parent Company, the Group, U K Insurance Limited and Churchill Insurance Company Limited to continue as going concerns.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-wide Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Single

Group-wide Solvency and Financial Condition Report. The Single Group-wide Solvency and Financial Condition Report is prepared in accordance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Single Group-wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern basis of preparation
The Directors of the Parent Company, who are also the Directors of U K Insurance Limited and Churchill Insurance Company Limited, have prepared the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report for the Group on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group and the Parent Company's financial positions mean that this is realistic for at least a year from the date of approval of the Single Group-wide Solvency and Financial Condition Report ("the going concern period"). They have also prepared the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report for U K Insurance Limited and Churchill Insurance Company Limited on the going concern basis as they do not intend to liquidate either entity or to cease their operations, and as they have concluded that their financial positions mean that this is realistic for the going concern period. As stated above, they have also concluded that there is a material uncertainty related to going concern in relation to the Group, U K Insurance Limited and Churchill Insurance Company Limited.

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Entities' financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Entities' available financial resources over this period were adverse claims inflation, failure to achieve Motor pricing initiative benefits, delays to delivering expense reductions and falls in asset values.

We also considered less predictable but realistic second order impacts that could affect demand in the Group's and Entities' markets, such as the impact of climate change on the Group's and Entities' results and operations, and credit ratings of key reinsurers.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We inquired with the Directors as to their discussions to date with Aviva plc in relation to their intention following the purchase transaction. We evaluated the assessment by management of whether they believed there were any economic, financial or legal barriers that existed which could influence Aviva plc not to restructure the existing group.

Our procedures also included evaluation of the consistency, arithmetical accuracy and reasonableness of the data and assumptions used in management's Going Concern assessment paper, and assessment of the adequacy of the going concern disclosure in section A.1.3.

Our conclusions based on this work:

- We consider that the Directors' of the Entities use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report for their respective entity and the Group is appropriate.
- We found the going concern disclosure in section A.1.3 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Entities or the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identify*ing and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and the risk committee and inspection of policy documentation as to the Group high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit Committee and Risk Committee minutes;
- Considering remuneration incentive schemes and performance targets for management;
- Using analytical procedures to identify any unusual or unexpected relationships;
- Consultation with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved the forensic professionals attending the Risk Assessment and Planning Discussion and discussion between the engagement partner, and the forensic professional;
- inspecting correspondence with regulators to identify instances or suspected instances of fraud; and
- reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, changes to senior management, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the technical provisions.

We also identified a fraud risk related to the valuation of technical provisions in response to possible pressures to meet profit targets.

We also performed procedures including:

- Identifying journal entries and other adjustments to test at the Group level and for all Entities based on risk criteria and comparing the identified entries to supporting documentation. These include, but are not limited to, journals that represent unexpected pairing to revenue, or cash, journal entries made to seldom-used accounts and journals posted by senior management or unauthorised users, as well as Solvency II adjustments applied to the statutory balance sheet.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Entities' regulatory and legal correspondence regarding compliance with laws and regulations.

As the Entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. This includes engaging internal KPMG regulatory specialists to provide additional expertise and guidance on regulatory risk and conduct matters that impact the Entities.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report varies considerably.

Firstly, the Entities are subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report including financial reporting provisions (including PRA rules and Solvency UK regulations including regulatory capital, solvency and liquidity regulations) and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report items.

Secondly, the Entities are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the Entities' licenses to operate. We identified the following areas as those most likely to have such an effect: data protection laws, money laundering, anti-bribery, regulatory consumer conduct, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information
The Directors of the Entities are responsible for their relevant content of the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the information subject to audit in the Relevant Elements of the Single Group-wide

Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially

inconsistent with the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors of the Entities for the Single Group-wide Solvency and Financial Condition Report
The Directors of the Entities are responsible for the preparation of their relevant content of the Single Group-wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA.

The Directors of the Entities are also responsible for such internal control as they determine is necessary to enable the preparation of their relevant content of the Single Group-wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors of U K Insurance Limited and Churchill Insurance Company Limited are responsible for assessing their respective entity's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate their respective entity or to cease operations, or have no realistic alternative but to do so.

The Directors of the Parent Company are responsible for assessing the Group's and Parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease their operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Information Subject to Audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report
It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the information subject to audit in the Relevant Elements of the Single Group-wide Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities.**

Other Matter – Partial Internal Model for the Group and U K Insurance Limited
The Parent Company has authority to calculate the Group Solvency Capital Requirement, and U K Insurance Limited has authority to calculate its Solo Solvency Capital Requirement, using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the PRA Rules. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of, or outputs from the Model, or whether the Model is being applied in accordance with the application or approval orders of the Parent Company's or U K Insurance Limited.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information
In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of each of the Entities' statutory financial statements for the year ended 31 December 2024. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

This engagement is separate from the audits of the annual financial statements of the Entities and the report here relates only to the matters specified and does not extend to the Entities' annual financial statements taken as a whole.

As set out in our audit reports on those financial statements, those audit reports are made solely to the members of the respective Entities, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the members of the respective Entities those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities and the members, as a body, of each of the respective Entities for the audit work, for the audit report, or for the opinions we have formed in respect of those audits.

The purpose of our audit work and to whom we owe our responsibilities
This report of the external auditor is made solely to the Directors of the Entities, as their governing bodies, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Entities' Directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

F. OTHER INFORMATION continued

Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities through their governing bodies, for our audit, for this report, or for the opinions we have formed.

James Anderson
for and on behalf of KPMG LLP
Chartered Accountants

15 Canada Square

London

E14 5GL

2 April 2025

Appendix to Report of the external independent auditor to the Directors of the Entities pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms – Relevant Elements of the Single Group-wide Solvency and Financial Condition Report that are not subject to audit

The Relevant Elements of the Single Group-wide Solvency and Financial Condition Report that are not subject to audit comprise:

Group

- **The following elements of Group template IR.02.01.02:**
  - Row R0552: Risk margin - total
  - Row R0554: Risk margin - non-life
  - Row R0556: Risk margin - life
  - Row R0565: Transitional (TMTP) – life

- **The following elements of Group template IR.22.01.22**
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement

- **The following elements of Group template IR.23.01.24**
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus funds at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non-available own funds

- **Elements of the Narrative Disclosures subject to audit identified as ‘unaudited**’.

Solo – U K Insurance Limited

The Relevant Elements of U K Insurance Limited’s Solvency and Financial Condition Report that are not subject to audit comprise:

- **The following elements of template IR.02.01.02:**
  - Row R0552: Risk margin - total
  - Row R0554: Risk margin - non-life
  - Row R0556: Risk margin - life
  - Row R0565: Transitional (TMTP) - life
- **The following elements of template IR.12.01.02**
  1. Row R0100: Risk margin
  - Rows R0140 to R0180 – Amount of transitional measure on technical provisions
- **The following elements of template IR.17.01.02**
  - Row R0280: Risk margin
- **The following elements of template IR.22.01.21**
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- **The following elements of template IR.23.01.01**
  - Row R0580: SCR

- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds

- **The following elements of template IR.28.01.01**
  - Row R0310: SCR
- **Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.**

Solo – Churchill Insurance Company Limited

The Relevant Elements of Churchill Insurance Company Limited's Solvency and Financial Condition Report that are not subject to audit comprise:

- **The following elements of template IR.02.01.02**
  - Row R0565 – Transitional (TMTP) – life
- **The following elements of template IR.12.01.02**
  - Rows R0140 to R0180 – Amount of transitional measure on technical provisions
- **The following elements of template IR.22.01.21**
  - Column C0030 – Impact of transitional on technical provisions
- **Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.**

F. OTHER INFORMATION continued

F.3 Forward-looking statements disclaimer

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "ambition", "anticipates", "aspire", "believes", "continue", "could", "ensures", "estimates", "expects", "guidance", "intends", "may", "mission", "outlook", "over the medium term", "plans", "predicts", "projects", "propositions", "seeks", "should", "strategy", "targets", "vision", "will" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They may appear in several places throughout this document and include statements regarding intentions, beliefs or current expectations, including of the Directors, concerning, among other things: the Group's results of operations, statement of financial position, financial condition, prospects, growth, net insurance margin, insurance service result, strategies, the industry in which the Group operates and the Group's approach to climate-related matters. Examples of forward-looking statements include financial targets with respect to return on tangible equity, solvency capital ratio, net insurance margin, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in net expense ratio, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range; and targets, goals and plans relating to climate and the Group's approach and strategy in connection with climate-related risks and opportunities. By their nature, all forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond the Group's control and/or they rely on assumptions that may or may not transpire to be correct. Forward-looking statements are not guaranteeing future performance.

The Group's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to:

– changes to law, regulation or regulatory approach following any change in government;

– the terms of the trading and other relationships from time to time between the UK and the EU and between the UK and other countries, and their implementation;

– the terms of the trading and other relationships from time to time between the UK and the EU and between the UK and other countries, and their implementation;

– the impact of the FCA's GIPP regulations and Consumer Duty regulations and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;

– market-related risks such as fluctuations in interest rates, exchange rates and credit spreads, including those created or exacerbated by the war in Ukraine following the Russian invasion and/or conflict in the Middle East;

– the policies and actions and/or new principles, rules and/or regulations, of regulatory authorities and bodies, and of changes to, or changes to interpretations of, principles, rules and/or regulations (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rates) and of changes to law and/or understandings of law and/or legal interpretation following the decisions and judgements of courts;

– the impact of competition, currency changes, inflation and deflation;

– the timing, impact and other uncertainties of future acquisitions, disposals, partnership arrangements, joint ventures or combinations within relevant industries; and

– the impact of tax and other legislation and other regulation and of regulator expectations, requirements, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards in the jurisdictions in which the Group and its affiliates operate.

In addition, even if the Group's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with any forward looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document reflect knowledge and information available as at the date of preparation of this document. The Group and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast or estimate for any period.

Neither the content of Direct Line Group's website nor the content of any other website accessible from hyperlinks on the Group's website is incorporated into, or forms part of, this document.

F.4 Glossary

Term	Definition and explanation
Adjusted solvency capital ratio	The ratio of Solvency II own funds to the solvency capital requirement, which excludes the Tier 2 subordinated debt which can first be called on 5 December 2031 from the Group's own funds.
Annual Incentive Plan ("**AIP**")	This incentivises the performance of Executive Directors and employees over a one-year operating cycle. It focuses on the short to medium-term elements of the Group's strategic aims.
Assets under management ("**AUM**")	This represents all assets managed or administered by or on behalf of the Group, including those assets managed by third parties.
Brokered commercial business ("**NIG**").	The brokered commercial insurance business of U K Insurance Limited which it was announced on 6 September 2023 was being sold to Royal & Sun Alliance Insurance Limited. The Group has retained the back book of the business written and earned prior to 1 October 2023 (the "Risk Transfer Date"). Business written and earned on and subsequent to the Risk Transfer Date will be subject to a quota share arrangement between the two companies. Over time the two Companies intend to enter into discussions regarding the potential transfer of the back book of policies written prior to the Risk Transfer Date. The term brokered commercial business does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such.
Capital	The funds invested in the Group, including funds invested by shareholders and Tier 1 notes in addition, subordinated loan capital in the Group's balance sheet is classified as Tier 2 capital for Solvency II purposes.
Capital coverage ratio	The ratio of Solvency II own funds to the solvency capital requirement.
Direct Line Insurance Internal Capital Engine ("**DIICE**")	DIICE is the calculation kernel in the Internal Economic Capital Model, where it is DIICE that calculates the solvency capital requirement.
Expenses incurred	Expenses incurred equal total expenses per the IFRS statement of profit or loss less non-technical expenses plus claims handling expenses.
Financial Conduct Authority ("**FCA**")	The independent body responsible for regulating the UK's financial services industry.
Gross written premium	The total premiums from contracts that were incepted during the period.
Group	Direct Line Insurance Group plc and its subsidiaries.
International Accounting Standards Board ("**IASB**")	A not-for-profit public interest organisation that is overseen by a monitoring board of public authorities. It develops International Financial Reporting Standards ("**IFRS**")that aim to make worldwide markets transparent, accountable and efficient.
Incurred but not reported ("**IBNR**")	Funds set aside to meet the cost of claims for accidents that have occurred but have not yet been reported to the Group. This includes an element of uplift on the value of claims.
In-force policies	The number of policies on a given date that are active, and against which the Group will pay, following a valid insurance claim.
Insurance liabilities	This comprises insurance claims reserves and claims handling provision, which the Group maintains to meet current and future claims.
Internal Economic Capital Model ("**IECM**")	The IECM is an internal model as outlined by the PRA Rulebook.
Investment income yield	The income earned from the investment portfolio, recognised through the IFRS income statement during the period (excluding unrealised and realised gains and losses, impairments and fair value adjustments) divided by the average assets under management ("**AUM**"). The average AUM derives from the period's opening and closing balances for the total Group. See Appendix A – Alternative performance measures – on page 242 to 245 of the Annual Report & Accounts 2024.
Investment return	The investment return earned from the investment portfolio, including unrealised and realised gains and losses, impairments, and fair value adjustments.
Investment return yield	The investment return divided by the average AUM. The average AUM derives from the period's opening and closing balances. See Appendix A – Alternative performance measures – on page 242 to 245 of the Annual Report & Accounts 2024.
Long-Term Incentive Plan ("**LTIP**")	Awards made as nil-cost options or conditional share awards, which vest to the extent that performance conditions are satisfied after a period of at least three years.
Minimum capital requirement ("MCR")	The minimum amount of capital that an insurer needs to hold to cover its risk per the PRA Rulebook. If an insurer's capital falls below the MCR then authorisation will be withdrawn by the regulator unless the insurer is able to meet the MCR within a short period of time.

Glossary continued

Term	Definition and explanation
Net earned premium	The element of gross earned premium less reinsurance premium ceded for the period where insurance cover has already been provided.
Net insurance claims	The cost of claims incurred in the period less any claims costs recovered under reinsurance contracts. It includes claims payments and movements in claims reserves.
Ogden discount rate	The discount rate set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases.
Operating profit	The pre-tax profit that the Group's activities generate, including insurance and investment activity, but excluding fair value gains/(losses), change in yield curve, other finance costs, restructuring and one-off costs and (loss)/gain on disposal of business which are not considered by the Group to be operating costs/income. The Group uses an adjusted operating profit in its operating RoTE and operating earnings/(loss) per share calculations, where Other finance costs and Coupon payments in respect of Tier 1 notes (charged directly to equity in the Group's financial statements) are added to operating profit, in line with the Group's view of calculations from a management view perspective. Normalised operating profit is operating profit adjusted for event weather. Current-year operating profit is calculated using the operating profit adjusted for prior-year reserve movements.
Ongoing operations	The Group's ongoing operations include Motor and Non-Motor (comprising: Home, Commercial Direct and Rescue) segments and excludes the Brokered commercial business, Non-core and Run-off businesses. Please also refer to Brokered commercial business, Non-core businesses and Run-off partnerships. The use of the term ongoing operations is not considered equivalent to continuing operations as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as the Brokered commercial business and Run-off partnerships do not meet the criteria of discontinued operations and have not been accounted for as such.
Own Risk and Solvency Assessment ("**ORSA**")	A forward-looking assessment of the Group's risks and associated capital requirements, over the business planning period.
Periodic payment order ("**PPO**")	These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle large personal injury claims. They generally provide a lump-sum award plus inflation-linked annual payments to claimants who require long-term care.
Prudential Regulation Authority ("**PRA**")	The PRA is a part of the Bank of England. It is responsible for regulating and supervising insurers and financial institutions in the UK.
Reinsurance	Contractual arrangements where the Group transfers part or all of the accepted insurance risk
Reserves	Funds that have been set aside to meet outstanding insurance claims and IBNR.
Return on Tangible Equity ("**RoTE**")	This is adjusted profit after tax divided by the Group's average shareholders' equity, less goodwill and other intangible assets. Profit after tax is adjusted to exclude restructuring and one-off costs and to include Tier 1 coupon payments. It is stated after charging tax using the UK standard rate of 19%. See Appendix A - Alternative performance measures – on page 242 to 245 of the Annual Report & Accounts 2024.
Run-off partnerships	The Group has exited, or has initiated termination of, three partnerships which will reduce its exposure to low margin packaged bank accounts so it may redeploy capital to higher return segments. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, where the Group has indicated to the partner that it will not be seeking to renew. The term run-off partnerships does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such.
Solvency II	The capital adequacy regime for the UK insurance industry which became effective on 31 December 2024 per the PRA Rulebook. It establishes capital requirements and risk management standards. It comprises three pillars: Pillar I, which sets out capital requirements for an insurer; Pillar II, which focuses on systems of governance; and Pillar III, which deals with disclosure requirements.
Solvency Capital Requirement ("**SCR**")	The SCR is the amount of capital the regulator requires an insurer to hold to meet the requirements according to the PRA Rulebook. The Group uses a partial internal model to determine SCR.
Underwriting result profit/(loss)	The profit or loss from operational activities, excluding investment return and other operating income. It is calculated as net earned premium less net insurance claims and total expenses, excluding restricting and other one-off costs.

Section G:

G. INSURANCE RETURNS

In this section:

G.1 SUMMARY OF INSURANCE RETURN TEMPLATES

The templates are provided as an appendix to this document. The Group and solo companies are required to disclose the following templates as set out in PRA Rulebook.

Entity	Template code	Template name
Group	IR.02.01.02	Balance sheet
	IR.05.04.02	Non-life income and expenditure
	IR.22.01.22	Impact of long-term guarantees and transitional measures
	IR.23.01.04	Own funds
	IR.25.04.22	Solvency capital requirement
	IR.32.01.22	Undertakings in the scope of the group
UKI	IR.02.01.02	Balance sheet
	IR.05.04.02	Non-life income and expenditure
	IR.12.01.02	Life and Health SLT technical provisions
	IR.17.01.02	Non-life technical provisions
	IR.19.01.21	Non-life insurance claims
	IR.22.01.21	Impact of long-term guarantees and transitional measures
	IR.23.01.01	Own funds
	IR.25.04.21	Solvency capital requirement
	IR.28.01.01	Minimum capital requirement – only life or only non-life insurance or reinsurance activity
CIC	IR.02.01.02	Balance sheet
	IR.05.04.02	Non-life income and expenditure
	IR.12.01.02	Life and Health SLT technical provisions
	IR.17.01.02	Non-life technical provisions
	IR.19.01.21	Non-life insurance claims
	IR.22.01.21	Impact of long-term guarantees and transitional measures
	IR.23.01.01	Own funds
	IR.25.04.21	Solvency capital requirement
	IR.28.01.01	Minimum capital requirement – only life or only non-life insurance or reinsurance activity

G.2 DIRECT LINE INSURANCE GROUP PLC

Basic information

Entity name	**Direct Line Insurance Group plc**
Entity identification code and type of code	LEI/213800FF2R23ALJQOP04
Type of undertaking	Insurance holding company as defined in the Glossary part of the PRA Rulebook
Country of incorporation	GB
Country of the group supervisor	GB
Language of reporting	EN
Financial year end	31 December 2024
Reporting submission date	31 December 2024
Currency used for reporting	GBP
Accounting standards	IFRS
Method of calculation of the SCR	The Group uses a partial internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	Volatility adjustment is applied to the following lines of business: – Motor vehicle liability insurance – General liability insurance – Annuities from non-life
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02	Balance sheet
IR.05.03.02	Non-life income and expenditure
IR.22.01.22	Impact of long-term guarantees and transitional measures
IR.23.01.04	Own funds
IR.25.04.22	Solvency capital requirement
IR.32.01.22	Undertakings in the scope of the group

G.2 DIRECT LINE INSURANCE GROUP PLC

IR.02.01.02 — Balance sheet

(£'000)

		Solvency II value
		C0010
	Assets	
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	88,043
R0050	Pension benefit surplus	757
R0060	Property, plant and equipment held for own use	149,510
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	**5,370,229**
R0080	Property (other than for own use)	287,625
R0090	Holdings in related undertakings, including participations	
R0100	Equities	**19,994**
R0110	Equities – listed	12
R0120	Equities – unlisted	19,982
R0130	Bonds	**3,996,722**
R0140	Government bonds	771,967
R0150	Corporate bonds	3,224,755
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective investments undertakings	1,046,761
R0190	Derivatives	19,127
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	**330,569**
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	330,569
R0270	Reinsurance recoverables from:	**880,145**
R0280	Non-life and health similar to non-life	545,934
R0315	Life and health similar to life, excluding index-linked and unit-linked	334,211
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	107,710
R0370	Reinsurance receivables	338,160
R0380	Receivables (trade, not insurance)	120,169
R0390	Own shares (held directly)	26,606
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	101,569
R0420	Any other assets, not elsewhere shown	26,103
R0500	**Total assets**	**7,539,570**

G.2 DIRECT LINE INSURANCE GROUP PLC

IR.02.01.02 — Balance sheet (continued)

(£'000)

		Solvency II value
		C0010
	Liabilities	
R0505	Technical provisions - total	**4,574,729**
R0510	Technical provisions - non-life	3,950,269
R0515	Technical provisions - life	624,460
R0542	Best estimate - total	**4,431,763**
R0544	Best estimate - non-life	3,843,348
R0546	Best estimate - life	588,416
R0552	Risk margin - total	**142,965**
R0554	Risk margin - non-life	106,921
R0556	Risk margin - life	36,044
R0565	Transitional (TMTP) - life	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	103,433
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	38,687
R0800	Debts owed to credit institutions	66,782
R0810	Financial liabilities other than debts owed to credit institutions	113,736
R0820	Insurance and intermediaries payables	10,175
R0830	Reinsurance payables	92,662
R0840	Payables (trade, not insurance)	181,551
R0850	Subordinated liabilities	**207,854**
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	207,854
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	**5,389,609**
R1000	**Excess of assets over liabilities**	**2,149,961**

IR.05.04.02 — Non-life income and expenditure (£'000)

		All non-life business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (excluding annuities stemming from accepted insurance and reinsurance contracts)	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
				Income protection insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non personal lines	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non personal lines
	Income	C0010	C0015	C0120	C0140	C0141	C0150	C0151	C0170	C0180
	Premiums written									
R0110	Gross written premiums		**4,340,033**	3,118	1,487,979	160,210	1,182,596	88,023	625,518	327,180
R0111	Gross written premiums - insurance (direct)		**4,340,033**	3,118	1,487,979	160,210	1,182,596	88,023	625,518	327,180
R0113	Gross written premiums - accepted									
R0160	Net written premiums		**2,984,057**	3,106	1,000,371	60,472	746,064	35,604	579,521	161,322
	Premiums earned and provision for unearned									
R0210	Gross earned premiums		**4,461,290**	3,118	1,486,585	198,878	1,150,345	109,269	593,396	409,072
R0220	Net earned premiums		**3,021,698**	3,106	1,045,454	63,176	760,293	38,178	547,401	154,607
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred		**3,338,032**	(66)	1,241,214	123,863	1,036,506	68,054	382,447	198,637
R0611	Gross (undiscounted) direct business		**3,338,032**	(66)	1,241,214	123,863	1,036,506	68,054	382,447	198,637
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred		**2,029,951**	(31)	860,688	28,711	554,656	9,490	374,835	31,572
R0730	Net (discounted) claims incurred	**1,909,282**	1,945,754							
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded	**1,155,269**								
R0985	Acquisition costs, commissions, claims management costs	409,231	409,231	507	122,665	12,889	78,989	7,081	71,920	45,101
	Other expenditure									
R1140	Other expenses	**177,096**								
R1310	Total expenditure	**3,312,795**								

IR.05.04.02 — Non-life income and expenditure (continued) (£'000)

		Line of business for: non-life and accepted proportional reinsurance obligations								
		General insurance								
		Employers liability	Public and products liability	Professional indemnity	Other general liability	Legal expenses insurance	Assistance insurance	Miscellaneous financial loss insurance	Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		C0190	C0200	CO210	C0220	C0240	C0250	C0260	C0525	C0545
	Income									
	Premiums written									
R0110	Gross written premiums	44,404	57,417	2,605	2,455	55,199	207,261	96,068		
R0111	Gross written premiums - insurance (direct)	44,404	57,417	2,605	2,455	55,199	207,261	96,068		
R0113	Gross written premiums - accepted									
R0160	Net written premiums	18,982	31,808	601	1,663	55,096	206,003	83,444		
	Premiums earned and provision for unearned									
R0210	Gross earned premiums	56,551	69,699	2,566	3,561	59,715	216,071	102,464		
R0220	Net earned premiums	18,369	30,607	578	2,064	59,611	214,812	83,442		
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred	64,531	32,601	(84)	1,129	14,085	89,310	85,805		
R0611	Gross (undiscounted) direct business	64,531	32,601	(84)	1,129	14,085	89,310	85,805		
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred	15,090	74	(1,766)	421	13,401	91,757	51,053		
R0730	Net (discounted) claims incurred								(36,472)	
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded									
	Acquisition costs, commissions, claims management costs	7,239	9,778	30	149	11,491	33,283	8,109		
R0985	**Other expenditure**									
R1140	Other expenses									
R1310	Total expenditure									

IR.22.01.22

Impact of long-term guarantees measures and transitionals

(£'000)

		Amount with long-term guarantee measures and transitionals	Impact of LTG measures and transitionals (step-by-step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	4,574,729			60,860	
R0020	Basic own funds	2,266,158			(21,121)	
R0050	Eligible own funds to meet Solvency Capital Requirement	2,266,158			(21,121)	
R0090	Solvency Capital Requirement	1,164,466			3,702	

IR.23.01.04 — Own funds (£'000)

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds					
R0010	Ordinary share capital (gross of own shares)	**143,061**	143,061			
R0020	Non-available called but not paid in ordinary share capital at group level					
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type Undertakings					
R0050	Subordinated mutual member accounts					
R0060	Non-available subordinated mutual member accounts at group level					
R0070	Surplus funds					
R0080	Non-available surplus funds at group level					
R0090	Preference shares					
R0100	Non-available preference shares at group level					
R0110	Share premium account related to preference shares					
R0120	Non-available share premium account related to preference shares at group level					
R0130	Reconciliation reserve	**1,502,522**	1,502,522			
R0140	Subordinated liabilities	**207,854**			207,854	
R0150	Non-available subordinated liabilities at group level					
R0160	An amount equal to the value of net deferred tax assets	**88,043**				88,043
R0170	The amount equal to the value of net deferred tax assets not available at the group level					
R0180	Other items approved by supervisory authority as basic own funds not specified above	**324,678**		324,678		
R0190	Non-available own funds related to other own funds items approved by supervisory authority					
R0200	Minority interest (if not reported as part of a specific own fund item)					
R0210	Non-available minority interests at group level					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0250	Deductions for participations where there is non-availability of information					
R0260	Deduction for participations included by using D&A when a combination of methods is used					
R0270	Total of non-available own fund items					
R0280	Total deductions					
R0290	Total basic own funds after deductions	**2,266,158**	**1,645,583**	**324,678**	**207,854**	**88,043**
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees					
R0350	Letters of credit and guarantees other					
R0360	Supplementary members calls					
R0370	Supplementary members - calls other					
R0380	Non-available ancillary own funds at group level					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**					

IR.23.01.04 — Own funds (continued) (£'000)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds of other financial sectors					
R0410	Reconciliation reserve					
R0420	Institutions for occupational retirement provision					
R0430	Non regulated entities carrying out financial activities					
R0440	Total own funds of other financial sectors					
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method					
R0460	Own funds aggregated when using the D&A and combination of method net of IGT					
R0520	Total available own funds to meet the consolidated Group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**2,266,168**	**1,645,593**	**324,678**	**207,854**	**88,043**
R0530	Total available own funds to meet the minimum consolidated group SCR	**2,178,125**	**1,645,593**	**324,678**	**207,854**	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**2,266,168**	**1,645,593**	**324,678**	**207,854**	**88,043**
R0570	Total eligible own funds to meet the minimum consolidated group SCR	**2,072,667**	**1,645,593**	**324,678**	**102,396**	
R0590	**Consolidated Group SCR**	**1,164,466**				
R0610	**Minimum consolidated Group SCR**	**511,985**				
R0630	**Ratio of eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	**1.9461**				
R0650	**Ratio of eligible own funds to Minimum Consolidated Group SCR**	**4.0483**				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings).**	**2,266,158**	**1,645,583**	**324,678**	**207,854**	**88,043**
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	**1,164,466**				
R0690	**Ratio of eligible own funds to Group SCR including other financial sectors and the undertakings included via D&A**	**1.9461**				

		Total
		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	2,149,961
R0710	Own shares (held directly and indirectly)	26,606
R0720	Foreseeable dividends, distributions and charges	65,052
R0725	Deductions for participations in financial credit institutions	
R0726	Value of participations deducted – total	
R0730	Other basic own fund items	555,781
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	
R0750	Other non-available own funds	
R0760	**Reconciliation reserve**	**1,502,522**

G.2 DIRECT LINE INSURANCE GROUP PLC

IR.25.04.22 — Solvency Capital Requirement – for groups using the standard formula and partial internal model (£'000)

		C0010
	Net of loss-absorbing technical provisions	
R0140	Market risk	158,676
R0070	Interest rate risk	(46,095)
R0080	Equity risk	
R0090	Property risk	47,881
R0100	Spread risk	285,290
R0110	Concentration risk	
R0120	Currency risk	23,164
R0125	Other market risk	38,977
R0130	Diversification within market risk	(190,541)
R0180	Counterparty default risk	115,920
R0150	Type 1 exposures	115,920
R0160	Type 2 exposures	
R0165	Other counterparty risks	
R0170	Diversification within counter party default risk	
R0270	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0320	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0370	Non -life underwriting risk	1,144,975
R0330	Non-life premium and reserve risk	1,224,382
R0340	Non-life catastrophe risk	379,940
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	(459,347)
R0400	Intangible asset risk	
R0430	Operational and other risks	326,801
R0422	Operational risk	304,553
R0424	Other risks	22,248
R0432	Total before diversification	2,396,261
R0434	Total before diversification between risk modules	1,746,372
R0436	Diversification between risk modules	(579,434)
R0438	Total after diversification	1,166,938
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred taxes	(36,994)
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	1,129,944
R0472	Disclosed capital add-on – excluding residual model limitation	
R0474	Disclosed capital add-on – residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	**1,129,944**
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.25.04.22 — Solvency Capital Requirement – for groups using the standard formula and partial internal model (continued)
(£'000)

	Information on other entities	
R0500	Capital requirement for other financial sectors (non-insurance capital requirements)	
R0510	Capital requirement for other financial sectors (non-insurance capital requirements) – credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	
R0520	Capital requirement for other financial sectors (non-insurance capital requirements) – institutions for occupational retirement provisions	
R0530	Capital requirement for other financial sectors (non-insurance capital requirements) – capital requirement for non-regulated entities carrying out financial activities	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	34,522
	Overall SCR	
R0555	Solvency capital requirement (consolidation method)	
R0560	SCR for undertakings included via D and A	
R0565	SCR for sub-groups included via D and A	
R0570	**Solvency Capital Requirement**	**1,164,466**

G.2 DIRECT LINE INSURANCE GROUP PLC

IR.32.01.22 — Undertakings in the scope of the group

Identification code and type of code of undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual / non mutual)	Supervisory authority
C0020	C0040	C0050	C0060	C0070	C0080
LEI/213800FF2R23ALJQOP04	Direct Line Insurance Group plc	Insurance holding company as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/549300Z5UV7Z65LTYJ43	U K Insurance Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulatory Authority
LEI/2138007B4PLYNW611O59	Churchill Insurance Company Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulatory Authority
LEI/2138008ZP4216R8AZA45	U K Insurance Business Solutions Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/21380093VNH85CCTZM58	National Breakdown Recovery Club Limited	Other	Company limited by shares	Non-mutual	
LEI/213800AEN577VPYUWS88	DLG Pension Trustee Limited	Other	Company limited by shares	Non-mutual	
LEI/213800C229CRIQN7Q486	Direct Line Insurance Limited	Other	Company limited by shares	Non-mutual	
LEI/213800ECJ98JKW8XPO58	DL Insurance Services Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/213800FUQURSPS5NPZ53	DLG Legal Services Limited	Other	Company limited by shares	Non-mutual	
LEI/213800G23ZAHTDQ7JS64	UKI Life Assurance Services Limited	Other	Company limited by shares	Non-mutual	
LEI/213800GGXWCI3AQUP330	UK Assistance Accident Repair Centres Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/213800JGMYQA8ZU3KF17	Farmweb Limited	Other	Company limited by shares	Non-mutual	
LEI/213800L4GCDT4J556J73	Nationwide Breakdown Recovery Services Limited	Other	Company limited by shares	Non-mutual	
LEI/213800LF9K2SZXPFQY79	UK Assistance Limited	Other	Company limited by shares	Non-mutual	
LEI/213800MFLWGG2N8OVA34	Green Flag Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/213800MN5P5DE45U9W69	The National Insurance and Guarantee Corporation Limited	Other	Company limited by shares	Non-mutual	
LEI/213800MRCD2SJWT8EB37	Inter Group Insurance Services Limited	Other	Company limited by shares	Non-mutual	
LEI/213800R3C7Z1Q73IWN57	Green Flag Group Limited	Other	Company limited by shares	Non-mutual	
LEI/213800RFERZVGSMGH748	Finsure Premium Finance Limited	Other	Company limited by shares	Non-mutual	
LEI/213800RSEDIUJJHXTF77	Direct Line Group Limited	Other	Company limited by shares	Non-mutual	
LEI/213800S4FRZFA1QH3Y58	Green Flag Holdings Limited	Other	Company limited by shares	Non-mutual	
LEI/213800YY63HNK4VO2G95	DL Support Services India Private Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/213800ZJIPTGNL7FP828	Intergroup Assistance Services Limited	Other	Company limited by shares	Non-mutual	
LEI/2138007NUHFZPO3H5N36	Brolly UK Technology Limited	Other	Company limited by shares	Non-mutual	
LEI/254900KAKJ69FTHWLM38	By Miles Limited	Ancillary services undertaking as defined in the Glossary of the PRA Rulebook	Company limited by shares	Non-mutual	
LEI/213800F8AZZYF1RFHU19	By Miles Technology Services	Other	Company limited by shares	Non-mutual	
LEI/213800M3E2VB4RDAQE35	By Miles Group	Other	Company limited by shares	Non-mutual	

IR.32.01.22 — Undertakings in the scope of the group continued

			Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Identification code of undertaking	Country	Legal name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/no	Date of decision if excluded	Method used and under method 1, treatment of the undertaking
C0020	C0010	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/213800FF2R23ALJQOP04	GB	Direct Line Insurance Group plc							Included in the scope		Method 1: Full consolidation
LEI/549300Z5UV7Z65LTYJ43	GB	U K Insurance Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/2138007B4PLYNW611O59	GB	Churchill Insurance Company Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/2138008ZP4216R8AZA45	GB	U K Insurance Business Solutions Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/21380093VNH85CCTZM58	GB	National Breakdown Recovery Club Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Adjusted equity method
LEI/213800AEN577VPYUWS88	GB	DLG Pension Trustee Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Adjusted equity method
LEI/213800C229CRIQN7Q486	GB	Direct Line Insurance Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full Consolidation
LEI/213800ECJ98JKW8XPO58	GB	DL Insurance Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800FUQURSPS5NPZ53	GB	DLG Legal Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800G23ZAHTDQ7JS64	GB	UKI Life Assurance Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Adjusted equity method
LEI/213800GGXWCI3AQUP330	GB	UK Assistance Accident Repair Centres Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800JGMYQA8ZU3KF17	GB	Farmweb Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800L4GCDT4J556J73	GB	Nationwide Breakdown Recovery Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Adjusted equity method
LEI/213800LF9K2SZXPFQY79	GB	UK Assistance Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Adjusted equity method
LEI/213800MFLWGG2N8OVA34	GB	Green Flag Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800MN5P5DE45U9W69	GB	The National Insurance and Guarantee Corporation Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800MRCD2SJWT8EB37	GB	Inter Group Insurance Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800R3C7Z1Q73IWN57	GB	Green Flag Group Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800RFERZVGSMGH748	GB	Finsure Premium Finance Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800RSEDIUJJHXTF77	GB	Direct Line Group Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800S4FRZFA1QH3Y58	GB	Green Flag Holdings Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800YY63HNK4VO2G95	GB	DL Support Services India Private Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800ZJIPTGNL7FP828	GB	Intergroup Assistance Services Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/2138007NUHFZPO3H5N36	GB	Brolly UK Technology Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/254900KAKJ69FTHWLM38	GB	By Miles Limited	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800F8AZZYF1RFHU19	GB	By Miles Technology Services	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation
LEI/213800M3E2VB4RDAQE35	GB	By Miles Group	100	100	100		Dominant	100	Included in the scope		Method 1: Full consolidation

G.3 U K INSURANCE LIMITED

Basic information

Entity name	**U K Insurance Limited**
Entity identification code and type of code	LEI/549300Z5UV7Z65LTYJ43
Type of undertaking	Non-life insurance undertakings
Country of incorporation	GB
Country of the group supervisor	GB
Language of reporting	EN
Reporting submission date	31 December 2024
Financial year end	31 December 2024
Currency used for reporting	GBP
Accounting standards	The undertaking is using IFRS
Method of calculation of the SCR	Full internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	Volatility adjustment is applied to the following lines of business: – Motor vehicle liability insurance – General liability insurance – Annuities from non-life
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02	Balance sheet
IR.05.04.02	Non-life income and expenditure
IR.12.01.02	Life technical provisions
IR.17.01.02	Non-life technical provisions
IR.19.01.21	Non-life insurance claims
IR.22.01.21	Impact of long-term guarantees and transitional measures
IR.23.01.02	Own funds
IR.25.04.21	Solvency capital requirement
IR.28.01.01	Minimum capital requirement

IR.02.01.02 — Balance sheet

(£'000)

		Solvency II value
		C0010
	Assets	
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant and equipment held for own use	52,883
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	**5,142,613**
R0080	Property (other than for own use)	287,625
R0090	Holdings in related undertakings, including participations	15,961
R0100	Equities	
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	**3,996,722**
R0140	Government bonds	771,967
R0150	Corporate bonds	3,224,755
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective investments undertakings	823,181
R0190	Derivatives	19,124
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	**330,254**
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	330,254
R0270	Reinsurance recoverables from:	**858,892**
R0280	Non Life and health similar to non-life	545,934
R0315	Life excluding health and index-linked and unit-linked	312,958
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	107,638
R0370	Reinsurance receivables	337,323
R0380	Receivables (trade, not insurance)	116,176
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	85,371
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	**7,031,150**

IR.02.01.02 — Balance sheet (continued)

(£'000)

		Solvency II value
		C0010
	Liabilities	
R0505	Technical provisions - total	**4,689,728**
R0510	Technical provisions - non-life	4,089,982
R0515	Technical provisions - life	599,746
R0542	Best estimate - total	**4,546,840**
R0544	Best estimate - non-life	3,983,061
R0546	Best estimate - life	563,779
R0552	Risk margin - total	**142,888**
R0554	Risk margin - non-life	106,921
R0556	Risk margin - life	35,967
R0565	Transitional (TMTP) - life	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	87,814
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	12,278
R0790	Derivatives	38,687
R0800	Debts owed to credit institutions	56,613
R0810	Financial liabilities other than debts owed to credit institutions	83,616
R0820	Insurance and intermediaries payables	10,069
R0830	Reinsurance payables	92,662
R0840	Payables (trade, not insurance)	18,243
R0850	Subordinated liabilities	
R0860	Subordinated liabilities not in BOF	
R0870	Subordinated liabilities in BOF	
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	**5,089,710**
R1000	**Excess of assets over liabilities**	**1,941,440**

IR.05.04.02 — Non-life income and expenditure (£'000)

		All non-life business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (excluding annuities stemming from accepted insurance and reinsurance contracts)	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
				Income protection insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non personal lines	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non personal lines
	Income	C0010	C0015	C0120	C0140	C0141	C0150	C0151	C0170	C0180
	Premiums written									
R0110	Gross written premiums		**4,341,034**	3,118	1,487,979	160,855	1,182,597	88,378	625,518	327,180
R0111	Gross written premiums - insurance (direct)		**4,341,034**	3,118	1,487,979	160,855	1,182,597	88,378	625,518	327,180
R0113	Gross written premiums - accepted									
R0160	Net written premiums		**2,985,058**	3,106	1,000,372	61,118	746,064	35,958	579,521	161,322
	Premiums earned and provision for unearned									
R0210	Gross earned premiums		**4,462,670**	3,118	1,486,584	199,691	1,150,344	109,716	593,396	409,072
R0220	Net earned premiums		**3,023,080**	3,106	1,045,454	63,989	760,293	38,625	547,401	154,607
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred		**3,536,394**	(66)	1,356,303	129,346	1,111,182	71,066	382,504	198,651
R0611	Gross (undiscounted) direct business		**3,536,930**	(66)	1,356,657	129,346	1,111,364	71,066	382,504	198,651
R0612	Gross (undiscounted) reinsurance accepted		**(536)**		(353)		(183)			
R0690	Net (undiscounted) claims incurred		**2,230,878**	(31)	978,341	34,195	629,332	12,503	374,891	31,572
R0730	Net (discounted) claims incurred	**2,108,150**	2,143,277							
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded	1,144,376								
R0985	Acquisition costs, commissions, claims, management costs	**409,001**	409,001	507	124,383	12,889	79,976	7,081	72,318	46,010
	Other expenditure									
R1140	Other expenses	129,814								
R1310	Total expenditure	3,426,889								

IR.05.04.02 — Non-life income and expenditure (continued) (£'000)

		Line of business for: non-life and accepted proportional reinsurance obligations								
		General insurance							Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		Employers liability	Public and products liability	Professional indemnity	Other general liability	Legal expenses insurance	Assistance insurance	Miscellaneous financial loss insurance		
		C0190	C0200	CO210	C0220	C0240	C0250	C0260	C0525	C0545
	Income									
	Premiums written									
R0110	Gross written premiums	44,404	57,417	2,605	2,455	55,199	207,261	96,068		
R0111	Gross written premiums - insurance (direct)	44,404	57,417	2,605	2,455	55,199	207,261	96,068		
R0113	Gross written premiums - accepted									
R0160	Net written premiums	18,982	31,808	601	1,663	55,096	206,003	83,444		
	Premiums earned and provision for unearned									
R0210	Gross earned premiums	56,673	69,699	2,566	3,561	59,715	216,071	102,464		
R0220	Net earned premiums	18,491	30,607	578	2,064	59,611	214,812	83,442		
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred	64,531	32,601	(84)	1,129	14,085	89,346	85,800		
R0611	Gross (undiscounted) direct business	64,531	32,601	(84)	1,129	14,085	89,346	85,800		
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred	15,090	74	(1,766)	421	13,401	91,793	51,048		
R0730	Net (discounted) claims incurred								(35,127)	
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions, claims management costs	7,239	9,778	30	149	7,344	33,188	8,109		
	Other expenditure									
R1140	Other expenses									
R1310	Total expenditure									

IR.12.01.02 – Life and technical provisions (£'000)

		Non-life annuities	**Total life and health**
		C0040	C0070
	Best estimate		
R0025	Gross best estimate (direct business)	563,779	**563,779**
R0026	Gross best estimate (reinsurance accepted)	—	**—**
R0030	**Gross best estimate**	**563,779**	**563,779**
R0080	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	312,958	**312,958**
R0090	Best estimate minus recoverables from reinsurance / SPV and Finite Re	250,821	**250,821**
R0100	**Risk margin**	**35,967**	**35,967**
	Amount of the transitional on technical provisions		
R0140	TMTP - Risk margin	—	**—**
R0150	TMTP - best estimate dynamic component	—	**—**
R0160	TMTP - best estimate static component	—	**—**
R0170	TMTP - amortisation adjustment	—	**—**
R0180	**Transitional measure on technical provisions**	—	**—**
R0200	**Technical provisions - total**	**599,746**	**599,746**

IR.17.01.02 – Non-life technical provisions (£'000)

		Direct business and accepted proportional reinsurance								
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	**Total**
		C0030	C0050	C0060	C0080	C0090	C0110	C0120	C0130	C0180
	Best estimate									
	Premiums provisions									
R0060	Gross	400	(31,948)	286,085	219,769	(18,221)	7,468	16,002	(2,764)	**476,791**
R0140	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default		(368,891)	112,914	(231,306)	(73,583)	(29)	(627)	(66)	**(561,588)**
R0150	Net best estimate of premium provisions	**400**	**336,943**	**173,171**	**451,075**	**55,362**	**7,497**	**16,629**	**(2,698)**	**1,038,379**
	Claims provisions									
R0160	Gross	1,298	2,708,728	(98,431)	582,141	204,796	33,025	31,752	42,961	**3,506,270**
R0240	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	8	853,245	16,454	158,733	54,917		545	23,620	**1,107,522**
R0250	Net best estimate of claims provisions	**1,290**	**1,855,483**	**(114,885)**	**423,408**	**149,879**	**33,025**	**31,207**	**19,341**	**2,398,748**
R0260	**Total best estimate - gross**	**1,698**	**2,676,780**	**187,654**	**801,910**	**186,575**	**40,493**	**47,754**	**40,197**	**3,983,061**
R0270	**Total best estimate - net**	**1,690**	**2,192,426**	**58,286**	**874,483**	**205,241**	**40,522**	**47,836**	**16,643**	**3,437,127**
R0280	**Risk margin**	56	64,034	12,102	22,289	7,666	305	347	122	**106,921**
	Technical provisions - total (best estimate plus risk margin)									
R0320	Technical provisions - total	**1,754**	**2,740,814**	**199,756**	**824,199**	**194,241**	**40,798**	**48,101**	**40,319**	**4,089,982**
R0330	Recoverable from reinsurance contract / SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	8	484,354	129,368	(72,573)	(18,666)	(29)	(82)	23,554	**545,934**
R0340	Technical provisions minus recoverables from reinsurance / SPV and Finite Re – total	1,746	2,256,460	70,388	896,772	212,907	40,827	48,183	16,765	**3,544,048**

IR.19.01.21 – Non-life insurance claims

(£'000)

Z0020 **Accident year / underwriting year** | Accident year

Gross claims paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In current year	Sum of years (cumulative)
						Development year								
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior											41,973	41,973	41,973
R0160	N-9	951,953	439,415	110,803	79,005	63,095	76,450	26,847	18,828	7,442	15,898		15,898	1,789,734
R0170	N-8	1,077,689	424,261	114,108	67,958	73,421	51,753	27,405	25,305	9,100			9,100	1,870,999
R0180	N-7	1,126,644	422,419	108,309	89,121	83,159	51,600	51,009	18,102				18,102	1,950,362
R0190	N-6	1,269,059	457,869	111,472	92,556	81,990	79,939	78,002					78,002	2,170,887
R0200	N-5	1,194,036	382,195	116,797	89,042	90,220	86,026						86,026	1,958,316
R0210	N-4	953,621	340,411	98,012	89,778	104,204							104,204	1,586,026
R0220	N-3	1,008,146	446,780	120,808	109,402								109,402	1,685,137
R0230	N-2	1,282,634	614,353	163,884									163,884	2,060,870
R0240	N-1	1,542,469	711,214										711,214	2,253,683
R0250	N	1,903,607											1,903,607	1,903,607
R0260													**3,241,412**	**19,271,594**

Gross undiscounted best estimate claims provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
						Development year							
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior											93	91,632
R0160	N-9	—	736,605	514,972	340,362	249,529	117,633	95,794	87,504	65,376	30,349		28,578
R0170	N-8	1,405,227	684,613	456,185	299,674	184,722	122,967	81,840	65,385	63,473			45,605
R0180	N-7	1,447,754	624,522	395,155	273,066	176,405	122,601	80,295	61,944				45,269
R0190	N-6	1,299,375	593,366	424,890	333,900	268,387	212,459	77,204					57,780
R0200	N-5	1,158,339	548,505	391,548	309,502	234,956	159,154						129,104
R0210	N-4	1,073,671	467,658	383,641	326,052	151,314							124,916
R0220	N-3	1,186,849	537,106	414,890	292,903								255,737
R0230	N-2	1,205,967	640,515	510,245									437,960
R0240	N-1	1,573,549	959,478										797,541
R0250	N	1,717,301											1,492,148
R0260													**3,506,270**

IR.22.01.21 – Impact of long-term guarantees and transitional measures (£'000)

		Amount with long-term guarantee measures and transitionals	Impact of the LTG measures and transitionals (step-by- step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	4,689,728			59,400	
R0020	Basic own funds	1,941,440			(22,353)	
R0050	Eligible own funds to meet Solvency Capital Requirement	1,941,440			(22,353)	
R0090	Solvency Capital Requirement	1,129,944			3,702	
R0100	Eligible own funds to meet the Minimum Capital Requirement	1,941,440			(22,353)	
R0110	Minimum Capital Requirement	508,475			1,666	

IR.23.01.01 — Own funds (£'000)

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds					
R0010	Ordinary share capital (gross of own shares)	**580,765**	580,765			
R0030	Share premium account related to ordinary share capital	**250,000**	250,000			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	**1,110,675**	1,110,675			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets					
R0180	Other items approved by supervisory authority as basic own funds not specified above					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0290	Total basic own funds	**1,941,440**	**1,941,440**			
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees					
R0350	Letters of credit and guarantees					
R0360	Supplementary members calls					
R0370	Supplementary members - calls other					
R0390	Other ancillary own funds					
R0400	**Total ancillary own funds**					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	**1,941,440**	**1,941,440**			
R0510	Total available own funds to meet the MCR	**1,941,440**	**1,941,440**			
R0540	Total eligible own funds to meet the SCR	**1,941,440**	**1,941,440**			
R0550	Total eligible own funds to meet the MCR	**1,941,440**	**1,941,440**			
R0580	**SCR**	**1,129,944**				
R0600	**MCR**	**508,475**				
R0620	**Ratio of eligible own funds to SCR**	**1.7182**				
R0640	**Ratio of eligible own funds to MCR**	**3.8182**				

		Total
		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	1,941,440
R0710	Own shares (held directly and indirectly)	—
R0720	Foreseeable dividends, distributions and charges	—
R0725	Deductions for participations in financial credit institutions	—
R0730	Other basic own fund items	830,765
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	—
R0760	**Reconciliation reserve**	**1,110,675**

IR.25.04.21 — Solvency Capital Requirement (£'000)

	Net of loss-absorbing technical provisions	C0010
R0140	Market risk	158,676
R0070	Interest rate risk	(46,095)
R0080	Equity risk	
R0090	Property risk	47,881
R0100	Spread risk	285,290
R0110	Concentration risk	
R0120	Currency risk	23,164
R0125	Other market risk	38,977
R0130	Diversification within market risk	(190,541)
R0180	Counterparty default risk	115,920
R0150	Type 1 exposures	115,920
R0160	Type 2 exposures	
R0165	Other counterparty risks	
R0170	Diversification within counter party default risk	
R0270	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0320	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0370	Non-life underwriting risk	1,144,975
R0330	Non-life premium and reserve risk	1,224,382
R0340	Non-life catastrophe risk	379,940
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	(459,347)
R0400	Intangible asset risk	
R0430	Operational and other risks	326,801
R0422	Operational risk	304,553
R0424	Other risks	22,248
R0432	Total before diversification	2,396,261
R0434	Total before diversification between risk modules	1,746,372
R0436	Diversification between risk modules	(579,434)
R0438	Total after diversification	1,166,938
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred taxes	(36,994)
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	1,129,944
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	**1,129,944**
R0490	Biting interest rate scenario	Decrease
R0495	Biting life lapse scenario	

IR.28.01.01 — Minimum Capital Requirement – only life or only non-life activity (£'000)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} result	563,398

Background information

		Background information: Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Background information: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance	1,690	3,106
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance	2,192,426	1,061,490
R0060	Other motor insurance and proportional reinsurance	58,286	782,023
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance	874,483	740,843
R0090	General liability insurance and proportional reinsurance	205,241	53,054
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance	40,522	55,096
R0120	Assistance and proportional reinsurance	47,836	206,004
R0130	Miscellaneous financial loss insurance and proportional reinsurance	16,643	83,444
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

Linear formula component for non-life insurance and reinsurance obligations

		C0040
R0200	MCR_L result	5,267

Total capital risk for all life (re)insurance obligations

		Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	250,821	
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	568,665
R0310	SCR	1,129,944
R0320	MCR cap	508,475
R0330	MCR floor	282,486
R0340	Combined MCR	508,475
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	**508,475**

G.4 CHURCHILL INSURANCE COMPANY LIMITED

Basic information

Entity name	**Churchill Insurance Company Limited**
Entity identification code and type of code	LEI/2138007B4PLYNW611O59
Type of undertaking	Non-life insurance undertakings
Country of incorporation	GB
Country of the group supervisor	GB
Language of reporting	EN
Reporting submission date	31 December 2024
Financial year end	31 December 2024
Currency used for reporting	GBP
Accounting standards	The undertaking is using IFRS
Method of calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	Volatility adjustment is applied to the following lines of business: – Motor vehicle liability insurance – Annuities from non-life
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02	Balance sheet
IR.05.04.0	Non-life income and expenditure
IR.12.01.02	Life technical provisions
IR.17.01.02	Non-life technical provisions
IR.19.01.21	Non-life insurance claims
IR.22.01.21	Impact of long-term guarantees and transitional measures
IR.23.01.01	Own funds
IR.25.04.21	Solvency capital requirement
IR.28.01.01	Minimum capital requirement – only life or only non-life insurance or reinsurance activity

IR.02.01.02 — Balance sheet

(£'000)

		Solvency II value
		C0010
	Assets	
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	
R0040	Deferred tax assets	247
R0050	Pension benefit surplus	
R0060	Property, plant and equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	**19,040**
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	
R0140	Government bonds	
R0150	Corporate bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective investments undertakings	19,040
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	
R0270	Reinsurance recoverables from:	**22,979**
R0280	Non-life and health similar to non-life	
R0315	Life excluding health and index-linked and unit-linked	22,979
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	69
R0380	Receivables (trade, not insurance)	1,588
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	15
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	**43,938**

IR.02.01.02 — Balance sheet (continued)

(£'000)

		Solvency II value
		C0010
	Liabilities	
R0505	Technical provisions - total	**26,439**
R0510	Technical provisions - non-life	
R0515	Technical provisions - life	26,439
R0542	Best estimate - total	**26,362**
R0544	Best estimate - non-life	
R0546	Best estimate - life	26,362
R0552	Risk margin - total	**77**
R0554	Risk margin - non-life	
R0556	Risk margin - life	77
R0565	Transitional (TMTP) - life	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	735
R0820	Insurance and intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	802
R0850	Subordinated liabilities	
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	**27,976**
R1000	**Excess of assets over liabilities**	**15,961**

IR.05.04.02 — Non-life income and expenditure (£'000)

		All non-life business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (excluding annuities stemming from accepted insurance and reinsurance contracts)	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
				Income protection insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non personal lines	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non personal lines
		C0010	C0015	C0120	C0140	C0141	C0150	C0151	C0170	C0180
	Income									
	Premiums written									
R0110	Gross written premiums									
R0111	Gross written premiums - insurance (direct)									
R0113	Gross written premiums - accepted									
R0160	Net written premiums									
	Premiums earned and provision for unearned									
R0210	Gross earned premiums									
R0220	Net earned premiums									
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred									
R0611	Gross (undiscounted) direct business									
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred									
R0730	Net (discounted) claims incurred	**(1,570)**								
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions, claims, management costs									
	Other expenditure									
R1140	Other expenses	—								
R1310	**Total expenditure**	(1,570)								

IR.05.03.02 — Non-life income and expenditure (continued) (£'000)

		Line of business for: non-life and accepted proportional reinsurance obligations							Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
		General insurance				Legal expenses insurance	Assistance insurance	Miscellaneous financial loss insurance		
		Employers liability	Public and products liability	Professional indemnity	Other general liability					
		C0190	C0200	C0210	C0220	C0240	C0250	C0260	C0525	C0545
	Income									
	Premiums written									
R0110	Gross written premiums									
R0111	Gross written premiums - insurance (direct)									
R0113	Gross written premiums - accepted									
R0160	Net written premiums									
	Premiums earned and provision for unearned									
R0210	Gross earned premiums									
R0220	Net earned premiums									
	Expenditure									
	Claims incurred									
R0610	Gross (undiscounted) claims incurred									
R0611	Gross (undiscounted) direct business									
R0612	Gross (undiscounted) reinsurance accepted									
R0690	Net (undiscounted) claims incurred									
R0730	Net (discounted) claims incurred								(1,570)	
	Analysis of claims incurred									
R0910	Technical expenses incurred net of reinsurance ceded									
R0985	Acquisition costs, commissions, claims management costs									
	Other expenditure									
R1140	Other expenses									
R1310	Total expenditure									

IR.12.01.02 – Life and technical provisions
(£’000)

		Non-life annuities	Total life and health
		C0040	C0070
	Best estimate		
R0025	Gross best estimate (direct business)	26,361	**26,361**
R0026	Gross best estimate (reinsurance accepted)	—	**—**
R0030	**Gross best estimate**	**26,361**	**26,361**
R0080	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	22,979	**22,979**
R0090	Best estimate minus recoverables from reinsurance / SPV and Finite Re – total	3,382	**3,382**
R0100	**Risk margin**	**77**	**77**
	Amount of the transitional on technical provisions		
R0110	Technical provisions calculated as a whole	—	**—**
R0140	TMTP – risk margin	—	**—**
R0150	TMTP – best estimate dynamic component	—	**—**
R0160	TMTP – best estimate static component risk margin	—	**—**
R0170	TMTP – amortisation adjustment	—	**—**
R0180	**Transitional measure on technical provisions**	—	**—**
R0200	**Technical provisions - total**	**26,439**	**26,439**

G.4 CHURCHILL INSURANCE COMPANY LIMITED continued

IR.17.01.02 – Non-life technical provisions (£'000)

		Direct and accepted proportional reinsurance	
		Motor vehicle liability insurance	Total non-life obligations
		C0050	C0180
	Best estimate		
	Premiums provisions		
R0060	Gross	—	—
R0140	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	—	—
R0150	Net best estimate of premium provisions	—	—
	Claims provisions		
R0160	Gross	—	—
R0240	Total recoverable from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counterparty default	—	—
R0250	Net best estimate of premium provisions	—	—
R0260	**Total best estimate - gross**	—	—
R0270	**Total best estimate - net**	—	—
R0280	**Risk margin**	—	—
	Technical provisions (best estimate plus risk margin)		
R0320	Technical provisions - total	—	—
R0330	Finite Re after the adjustment for expected losses due	—	—
R0340	Technical provisions minus recoverables from reinsurance / SPV and Finite Re – total	—	—

IR.19.01.21 - Non-life insurance claims

(£'000)

Z0020 **Accident year / underwriting year** | **Accident year**

Gross claims paid (non-cumulative)

(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior													
R0160	N-9													
R0170	N-8													
R0180	N-7													
R0190	N-6													
R0200	N-5													
R0210	N-4													
R0220	N-3													
R0230	N-2													
R0240	N-1													
R0250	N													
R0260														

Gross undiscounted best estimate claims provisions

(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted) data
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior												
R0160	N-9												
R0170	N-8												
R0180	N-7												
R0190	N-6												
R0200	N-5												
R0210	N-4												
R0220	N-3												
R0230	N-2												
R0240	N-1												
R0250	N												
R0260													

IR.22.01.21

Impact of long-term guarantees and transitional measures

(£'000)

		Amount with long-term guarantee measures and transitionals	Impact of the LTG measures and transitionals (step-by- step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	26,439	—	—	1,632	—
R0020	Basic own funds	15,961	—	—	(191)	—
R0050	Eligible own funds to meet the Solvency Capital requirement	15,922	—	—	(255)	—
R0090	Solvency Capital Requirement	1,391	—	—	103	—
R0100	Eligible own funds to meet the Minimum Capital requirement	15,922	—	—	(255)	—
R0110	Minimum Capital Requirement	3,500	—	—	—	—

IR.23.01.01 — Own funds (£'000)

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds					
R0010	Ordinary share capital (gross of own shares)					
R0030	Share premium account related to ordinary share capital					
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type Undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	**15,714**	15,714			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	**247**				247
R0180	Other items approved by supervisory authority as basic own funds not specified above					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0290	**Total basic own funds**	**15,961**	**15,714**			**247**
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0340	Letters of credit and guarantees					
R0350	Letters of credit and guarantees other					
R0360	Supplementary members calls					
R0370	Supplementary members - calls other					
R0390	Other ancillary own funds					
R0400	Total ancillary own funds					
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	**15,961**	**15,714**			**247**
R0510	Total available own funds to meet the MCR	**15,714**	**15,714**			
R0540	Total eligible own funds to meet the SCR	**15,922**	**15,714**			**208**
R0550	Total eligible own funds to meet the MCR	**15,714**	**15,714**			
R0580	SCR	**1,391**				
R0600	MCR	**3,500**				
R0620	Ratio of Eligible own funds to SCR	**11.446**				
R0640	Ratio of Eligible own funds to MCR	**4.4897**				

		Total
		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	15,961
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	247
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	
R0760	Reconciliation reserve	**15,714**

IR.25.04.21 — Solvency Capital Requirement
(£'000)

	Net of loss-absorbing technical provisions	C0010
R0140	Market risk	992
R0070	Interest rate risk	859
R0080	Equity risk	
R0090	Property risk	
R0100	Spread risk	215
R0110	Concentration risk	118
R0120	Currency risk	
R0125	Other market risk	
R0130	Diversification within market risk	(200)
R0180	Counterparty default risk	525
R0150	Type 1 exposures	426
R0160	Type 2 exposures	123
R0165	Other counterparty risks	
R0170	Diversification within counter party default risk	(24)
R0270	Life underwriting risk	116
R0190	Mortality risk	
R0200	Longevity risk	116
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0320	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0370	Non-life underwriting risk	
R0330	Non-life premium and reserve risk	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0400	Intangible asset risk	
R0430	Operational and other risks	119
R0422	Operational risk	119
R0424	Other risks	
R0432	Total before diversification	1,976
R0434	Total before diversification between risk modules	1,751
R0436	Diversification between risk modules	(360)
R0438	Total after diversification	1,391
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred taxes	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	1,391
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	**1,391**
R0490	Biting interest rate scenario	Decrease
R0495	Biting life lapse scenario	

G.4 CHURCHILL INSURANCE COMPANY LIMITED continued

IR.28.01.01 — Minimum Capital Requirement – only life or only non-life activity (£'000)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} result	

Background information

		Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

Linear formula component for non-life insurance and reinsurance obligations

		C0040
R0200	MCR_L result	71

Total capital risk for all life (re)insurance obligations

		Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance	3,383	
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	71
R0310	SCR	1,391
R0320	MCR cap	626
R0330	MCR floor	348
R0340	Combined MCR	348
R0350	Absolute floor of the MCR	3,500
R0400	Minimum Capital Requirement	**3,500**