Annual Report and Accounts 2024

Contents

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.

Whether our customers choose to come direct or via a Price Comparison Website, they can engage with us digitally or on the phone, whenever they need us most.

Becoming the customers' insurer of choice

Becoming the customers' insurer of choice means prioritising their needs and fostering trust through exceptional service.

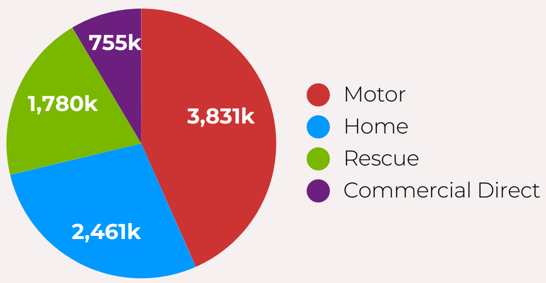
We strive to simplify the insurance process, offering easy-to-use solutions that resonate with our customers' unique situations.

The Group at a glance

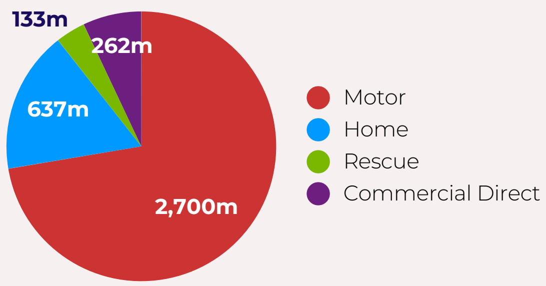
One of the largest personal lines insurers in the UK with two of the most recognised brands and almost 9 million customers.

We have strong brands and our products are sold direct to customers, through price comparison websites and via our partners.

Almost 9 million in-force policies (ongoing operations)



£3,732m premium written (ongoing operations)



Direct Line

ONLY THE BEST GET THE GREEN FLAG

churchill

Privilege.

Darwin.

DLG AUTO SERVICES

By Miles.

DLG Legal Services

In partnership with

Motability Scheme

We have unique assets in Motor which allows us to provide better outcomes to customers and to understand pricing, claims and customer behavioural trends.

We have a large insurer owned UK repair network

We operate through

23 sites

nationwide

Largest rescue brand owned by a UK Personal Lines insurer

Green Flag now has over

60 roadside patrol vehicles

supported by a national network of

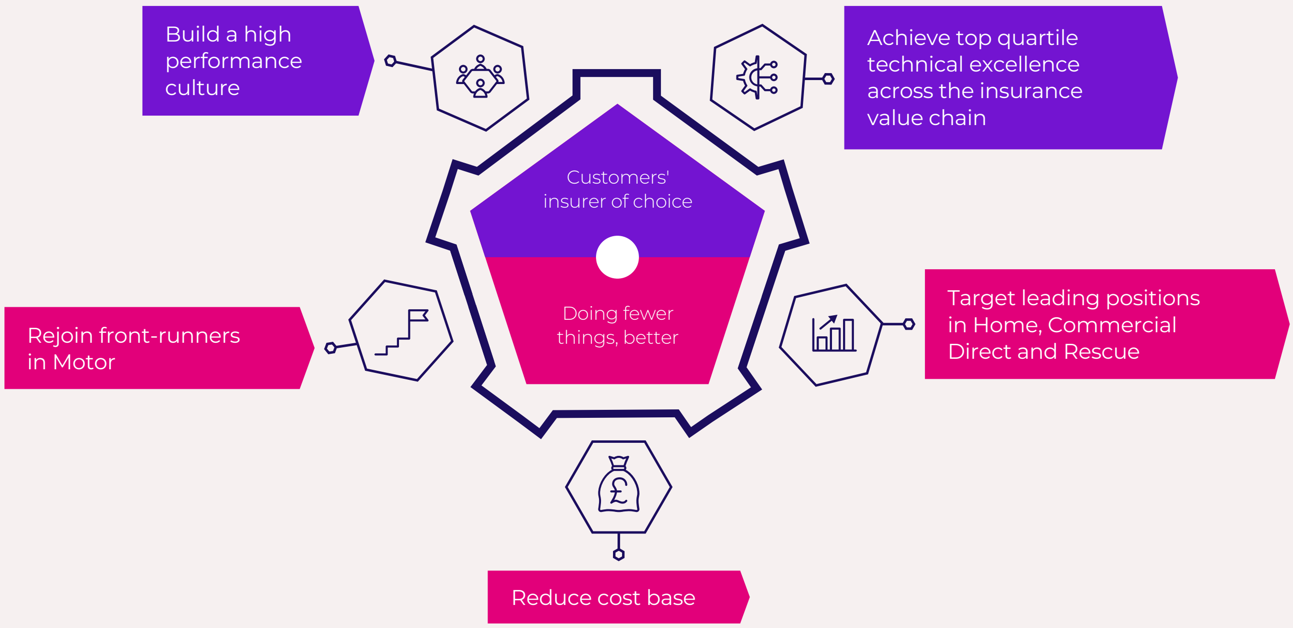
3,000 specialists

Our investment story and strategy

1. **Strong foundations with iconic brands and leading market positions**
2. **Unique assets in motor; large owned garage network and only UK Motor insurer with in-house roadside rescue**
3. **Turnaround strategy with a focus on technical excellence to drive profitable growth**
4. **Capital generative business with a strong balance sheet**
5. **Target a payout ratio of ~60% of post tax operating profit with potential for additional returns**

Our strategy

In 2024 we launched our turnaround strategy and targets with a focus on technical excellence to drive profitable growth.



Our targets

Growth	Costs	Profit
Compound annual growth rate ("CAGR") of **7%-10%** in Non-Motor gross written premiums between 2023-26	At least **£100m** gross cost savings by the end of 2025 on a run-rate basis	**13%** net insurance margin in 2026

Delivering for our customers

The Group has made significant progress on its transformation plans.

Motor

Direct Line launched on Price Comparison Websites ("PCW")

In December we delivered one of our key objectives and launched Direct Line Motor on Compare the Market.

We have developed three new online products for the channel where the majority of customers shop and buy insurance: Essentials Online, Standard Online and Premium Online.

These products are tailored specifically to meet the needs of customers who choose to buy insurance through PCWs and are happy to service their policies online.

Direct Line ESSENTIALS

Direct Line STANDARD

Direct Line PREMIUM

Digital

Launched new apps

We launched apps for our Churchill and Direct Line Motor customers enabling them to make those often-complicated tasks simple.

Customers can: view motor policy details and documents, make a change to their policy, renew a policy, get a quote, view existing quotes, start a claim or get support via a Virtual Assistant or WhatsApp.

With customers having Churchill and Direct Line in their pocket, they can be assured that whenever they need us, we're there.

Home

Significant progress with the re-platform

Significant progress made with the re-platforming of our Home business which is designed to enable new product development, improve the speed and accuracy of pricing and underwriting and provide enhanced claims handling capability.

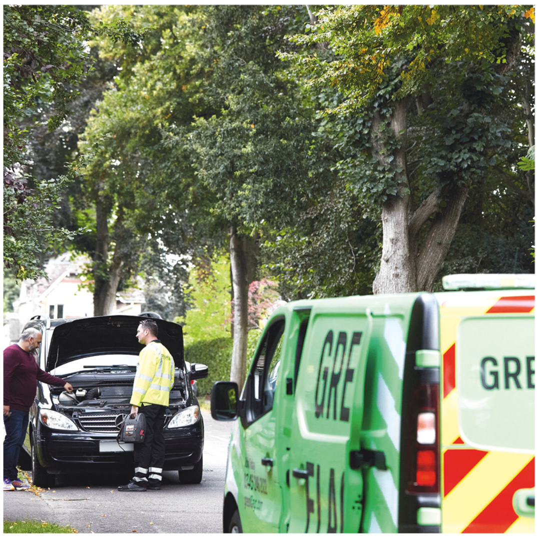
The new platform is now live for Direct Line, Churchill and Privilege new business customers across all channels and the transfer of existing customer policies is also underway.

Rescue

Collaborating with Apple and expanded patrol service

Green Flag is the only UK breakdown provider to offer rescue services as part of Apple's Roadside Assistance via satellite, providing drivers with the reassurance that help is at hand when they don't have mobile reception or Wi-Fi access.

The expansion of our Green Flag owned patrols continued at pace; we have expanded into new regions with over 60 vehicles on the road helping customers.



Costs

Progress against cost saving target

We are implementing a new target operating model and simplifying our structure to reduce complexity and drive greater efficiency.

We are investing in digital distribution channels to improve customer accessibility, streamline our operations and enhance the overall customer experience.

We are reducing technology costs by removing legacy technology systems and leveraging our existing platforms.

These initiatives underpin our £100 million cost saving target.

Claims

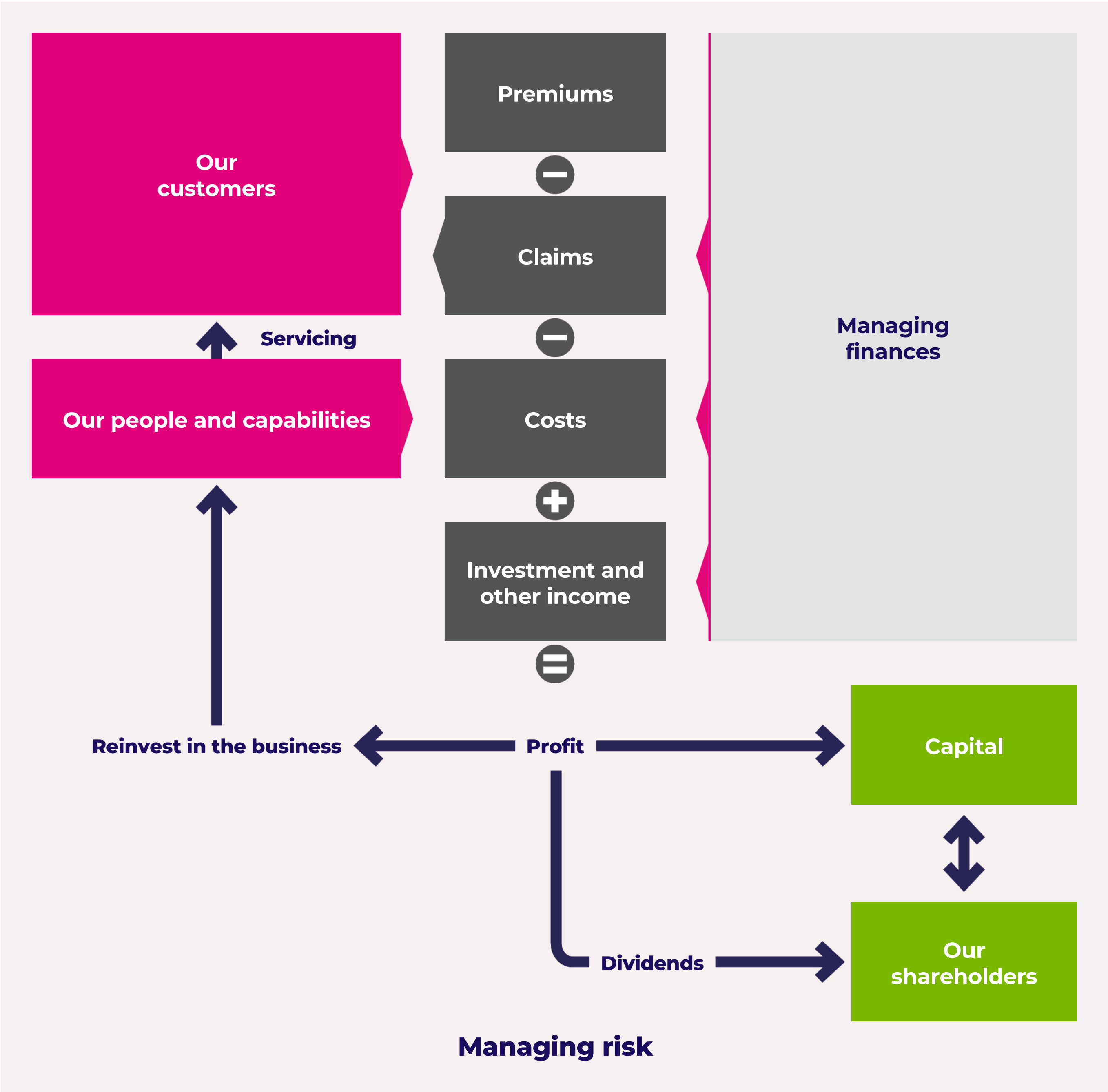
Delivering better customer outcomes

We have a comprehensive programme of initiatives in claims which are beginning to take effect.

For example, we are settling large bodily injury claims faster and increasing the proportion of cars repaired through our own repair network of 23 garages. We have also strengthened our counter fraud capabilities, resulting in a 21% saving year on year.

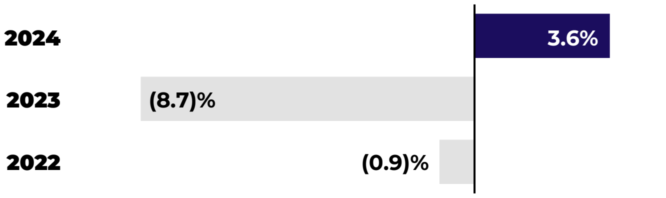
In Home, we are helping customers impacted by weather events, visiting flooded homes within 48 hours where safe to do so.

Business model

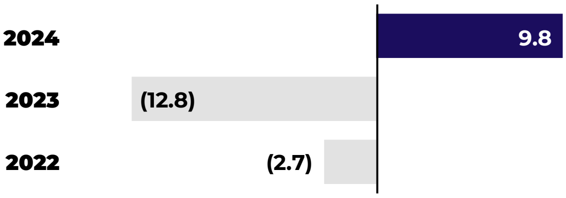


Our financial key performance indicators

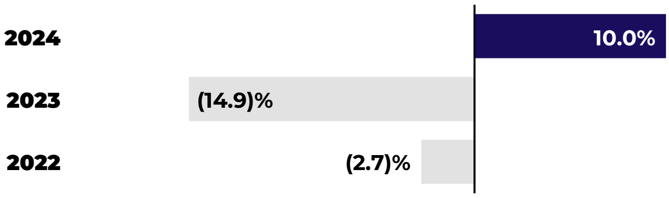
Net insurance margin[1] – ongoing operations[2] (%)



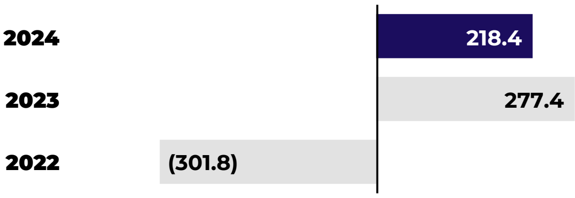
Operating profit/(loss) per share[1] – ongoing operations[2] (pence)



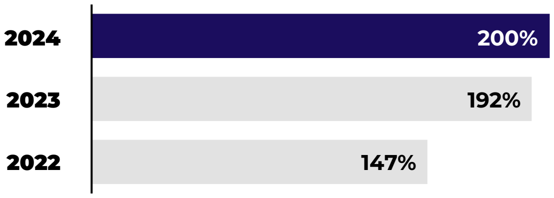
Operating return on tangible equity[1] (“Operating RoTE”) (%)



Profit/(loss) before tax[3] (£m)



Solvency capital ratio (pre-dividend)[1,4,5] (%)



Changes to our KPIs in 2024

Our metrics are reviewed annually and updated as appropriate to ensure they remain an effective measure of delivery against our objectives.

For 2024, metrics have been reviewed and applied consistently to enable effective year on year comparisons.

Our non-financial KPIs continue to be key measures of performance. Colleague engagement is disclosed in the Chief People Officer review, net promoter score in the Customer section of Sustainability and emissions are disclosed in the Planet section of Sustainability. Customer complaints data is no longer reported.

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
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3. 2023 included a gain of £443.9 million from the disposal of the Group's Brokered commercial business.
4. Estimates based on the Group’s Solvency II partial internal model.
5. The full year 2023 solvency capital ratio has been re-presented as explained in the Capital analysis section of this report (post-dividend ratio previously reported in the Group's 2023 Annual Report and Accounts as being 197%).

Chair's statement

Capital returned to shareholders since IPO

£4.0bn

Dear Shareholders,

It has been a pivotal year in the Direct Line Group's history, and one in which the value and potential of our business and brands have come into sharp focus.

In a highly competitive and dynamic market one of our top priorities has been to return to profit. I have been impressed by the resilience and tenacity of our colleagues, who have worked to support a new and invigorated strategy and transformative plan, which has delivered a solid financial and operational performance. This has been an impressive team effort, achieved by a relentless focus on continuously improving how we attract and compete for customers within our risk appetite.

New management, strategy and performance

Adam Winslow joined the Group as CEO on 1 March 2024 and was appointed to the Board as an Executive Director on 21 March 2024. He undertook a comprehensive review of the business and, after listening carefully to our investors, customers and colleagues, established a new strategy, designed to position Direct Line Group to become the customers' insurer of choice, and to set a clear path to profitable growth.

Adam assembled a highly experienced executive team which swiftly began to take the critical action necessary to turn the business around with energy and determination. He and his team adapted to the many and varied challenges leading the turnaround with exemplary judgement, phenomenal levels of energy and great connection with our people – all done at remarkable pace. Adam's vision and hard work have been central to the considerable progress made in 2024 and I, and my Board would like to thank him for that.

You will see in this Annual Report that we've made considerable progress in delivering the new strategy and turnaround, resulting in a Group operating profit[1] from ongoing operations[2] of £205 million and improved our Motor net insurance margin[1]. A great deal of what was planned in 2024 is due to come to fruition in 2025, and the Board anticipates the positive momentum continuing.

With this positive progress, the Board was able to pay a small dividend of two pence per share at Half Year. We are also recommending a further five pence per share final dividend with our full year results.

Takeover approaches

The Board takes its aim of maximising value for shareholders very seriously. Early in the year, we received an indicative proposal from Ageas to purchase the Company. After intensive deliberation and consultation with investors, the Board unanimously rejected this proposal, believing it to be uncertain, unattractive and significantly undervaluing the future prospects of the business.

In late November 2024, we received an approach from Aviva plc which, again, the Board rejected on the grounds that it undervalued the business. Aviva subsequently improved its offer, and we announced on 23 December 2024 that we had reached agreement on the terms of a recommended cash and share offer. Based on the closing price of Aviva shares on 27 November 2024, that offer values each Direct Line share at 275 pence, and values the entire diluted share capital at approximately £3.7 billion.

The Board firmly believes that the new strategy set out by Adam would drive substantial value, and are confident in the prospects that the Group would have as a standalone business. However, the Board also believes that Aviva's offer represents an attractive proposition for our investors and recognises that it provides an accelerated path to returns, including significant synergies and value upside potential in the combined group of companies. Therefore, following detailed consideration and engagement with investors and other stakeholders, the Board unanimously decided to recommend Aviva's offer to shareholders for approval. Aviva's culture and values align well to those of Direct Line Group and were an important consideration in the Board recommending the offer.

People

Having spoken to many of our colleagues over the past few months, I have felt the huge sense of pride that they have in the work they do to support customers, and in the progress we have made. They really care about our customers and being brilliant for them every day.

I know that working with uncertainty isn't easy, and I commend and thank them all the more for their continued support and professionalism during this period.

Customers

During the year, we continued to put our customers at the heart of our decisions and aspired to excellence through all stages of the customer journey. One area of particular focus has been on delivering good customer outcomes under the Consumer Duty. The regulations are outcome based and the Financial Conduct Authority ("**FCA**") has been clear that they expect firms to keep developing and improving. In order to enhance the Board's continued oversight of the Consumer Duty, the Customer & Sustainability Committee has been given a strengthened role.

Board

In addition to Adam Winslow, we were delighted to welcome our new CFO, Jane Poole, to the Board as an Executive Director on 10 October 2024. Jane has made a meaningful impact in the few months since her appointment, progressing the transformation of our Finance function, enhancing our financial strategies and playing a central role in the negotiations with Aviva. We were also pleased to welcome Carol Hagh to the Board as a Non-Executive Director on 1 April 2024. I am grateful to all of my Board colleagues for their unstinting support and hard work, both in supporting the management team in resetting the Group's strategy and in starting the transformation of the business, and in diligently discharging their roles during the detailed discussions leading up to our recommendation of the Aviva offer.

It has been a privilege to serve as a member of your Board since 2017 and as Chair since 2020. I am extremely proud of everything our people have achieved in building our outstanding brands, transforming our businesses and supporting our customers. I am certain they will continue to excel, either in an independent Direct Line Group or as part of the Aviva Group. I would also like to thank all our stakeholders for their continuing support and wish them every success in the future.

Danuta Gray
Chair of the Board

Agreement for the acquisition of Direct Line Group by Aviva

- As announced on 23 December 2024, the Boards of Direct Line Insurance Group plc ("**Direct Line**") and Aviva plc ("**Aviva**") reached agreement on the terms of a recommended cash and share offer for Direct Line.
- The transaction values each Direct Line share at 275 pence and values the entire diluted share capital of the Group at approximately £3.7 billion[1].
- The transaction is subject to certain regulatory approvals, including from the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**") as well as review by the Competition and Markets Authority ("**CMA**").
- Direct Line shareholder meetings are scheduled to be held on 10 March and the transaction, subject to regulatory clearances, is expected to become effective mid-2025.

Note

1. Based on the closing price of Aviva shares of 489.3 pence on 27 November 2024 (being the last closing share price before the commencement of the Offer Period) and taking into account the final dividend of 5 pence per share announced today.

Notes:

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Section 172(1) statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have had regard (amongst other matters) to those matters set out in Section 172(1)(a) to (f) Companies Act 2006.

Please refer to pages 86 to 88 for our detailed statement, which describes how the interests of the Company's key stakeholders and the matters set out in Section 172(1)(a)-(f) Companies Act 2006 have been considered in Board discussions and decision making.

CEO review

"The turnround strategy, launched in July has made a marked difference to the company's performance, and we generated good momentum across all our business lines."

Adam's letter to shareholders

In 2024 we embarked on an ambitious mission to rapidly transform Direct Line Group. Our 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.

Unlocking potential

I joined Direct Line Group in March 2024, just as the Board had rejected a "highly opportunistic" proposal from Ageas SA/NV, which they felt significantly undervalued the business and its prospects. My focus was firmly on diagnosing the issues holding back performance and demonstrating to our investors how we could rapidly unlock the potential of the Group. I spent a lot of time with our stakeholders to understand their frustration with the ways the Group had lost its technical edge and underperformed in recent years.

At our Capital Markets Day in July 2024, we laid out a new strategy for the Group to address investors' concerns and establish a roadmap to transform the business quickly. We laid out targets for becoming the customers' insurer of choice and delivering profitable growth with measurable targets across the next three years. We have made solid progress to date and started to deliver against many of the key initiatives rapidly.

We announced we would intensify our focus across our Motor and Non-Motor segments. Prioritising driving value in core disciplines has been beneficial, with all areas demonstrating positive performance. Importantly, we're also securing consumer accolades, showing that we are providing products and service that customers truly value. With two of the strongest brands in personal lines insurance, Direct Line and Churchill, and with Green Flag as the leading challenger in the Rescue market, we have fantastic assets to build upon.

Financial progress

The business has delivered a net insurance margin of 3.6%[1,2], a 12.3 point improvement on the previous year. We have a stated aim to increase this to 13 per cent[3] in 2026. We are well on our way to delivering a significant reduction in our cost base, to narrow the gap with our competitors, targeting at least £100 million of gross cost savings by end of 2025 on a run-rate annualised basis[4] and we have maintained a strong pre-final dividend solvency capital ratio at 200%[5], a good platform from which to help the Group withstand headwinds.

Strategic and operational highlights

- Direct Line Motor on Price Comparison Websites ("**PCWs**"): Successfully delivered on one of our key strategic ambitions with the launch of three new Direct Line branded Motor products on the Compare the Market PCW.
- Motor pricing: Next generation pricing models implemented alongside four material new data enrichment sources.
- Home re-platform: All own brands now live on the new technology platform which brings significant new pricing and underwriting capability and supports simplification.
- Rescue: Two new contracts signed, including a collaboration with Apple, becoming the only UK breakdown brand to offer rescue services as part of Apple's Roadside Assistance via satellite. The own patrol fleet was further expanded to over 60 vehicles across 6 regions (2023: 16 patrols across 2 regions).
- Commercial Direct: New risk models rolled out for Van and improvements made to Landlord online journeys.
- Digital: New apps launched for Direct Line and Churchill Motor, with almost 300,000 downloads to date, enabling customers to make policy changes with ease.
- Cost saving programme: A series of initiatives aimed at simplifying the organisation is projected to deliver £50 million gross cost savings in 2025, as part of our target to achieve run-rate gross savings of more than £100 million by the end of 2025[4]. Our drive to create a leaner and more efficient operating model is well advanced, with consultations now complete as part of a reduction of 550 roles.
- Claims: A range of initiatives launched across Motor and Home, designed to deliver better outcomes for customers at lower cost.
- Travel: We have decided to close our annual multi-trip and single trip travel insurance products to focus on our core markets in Motor, Home, Rescue and Commercial Direct.

Operational transformation

We have made considerable progress over the year. In Motor, in July we announced that we would be putting our 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, we delivered on this promise. We launched three new Direct Line branded motor products on the biggest PCW in the UK with an ambition to return our overall Motor policy count to growth during 2025. Our Motability partnership has also seen an increase in policy count and we aim for it to continue to grow.

Beyond Motor, we outlined ambitious plans to grow our Home, Rescue and Commercial Direct offerings. In Home we delivered own brands premium growth of 18% and increased own brands policies by 1.3%. Technology re-platforming is now largely complete with Direct Line, Churchill and Privilege all trading on a new platform.

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

Our Rescue business made significant strategic progress in 2024. We grew our '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.

Technical innovation will remain a key focus across the Group as we seek to drive home a competitive advantage. We signed a contract with Apple for Green Flag to become the first UK breakdown provider to offer rescue services through Apple's Roadside Assistance via satellite capability. This allows us to reach people who might otherwise not get help because they don't have mobile phone reception or Wi-Fi access.

We launched two new apps, for Direct Line and Churchill, meeting the needs of customers who increasingly want to engage with us digitally. We will keep our focus on aiming to build seamless customer journeys, letting people self-serve, simplifying the claims process and making our products more accessible. We aim to expand AI solutions to reduce cost and increase the speed of service to meet the evolving needs of policyholders.

In Claims we're improving the service we provide customers while unlocking savings across our operations. We're settling bodily injury claims much more proactively, reducing the number of cars we write off and using our network of owned repair centres to control costs. Effective claims management also relies on excellent counter fraud capabilities, and we delivered a 21% increase in cost savings after introducing data analytics and voice analysis profiling.

Effective risk management

As a general insurer, the environmental factors impacting the Group's performance are major UK floods, windstorms, freeze events and subsidence. We believe we are appropriately reserved against those perils. During the year, we acquired climate scenario modelling capability to support our assessment of the impact climate change could have on our underwriting and investment portfolio. This also helps us better understand the opportunities that may arise from the transition to a lower-carbon economy.

When implementing the strategy outlined at the Capital Markets Day, we ensured that we set out to embed enhanced risk controls within the business. For example, new pricing and risk models enable us to be more agile, allowing for more frequent rating and risk model updates. This renewed focus on risk management procedures, monitoring emerging threats and tightening control environments helps protect profitability and reduces the likelihood of unexpected impacts on our Group.

Cultural transformation

We have recruited an entirely new Executive Committee of high calibre, experienced leaders, with a track record of delivery. This new leadership team have made great strides in transforming the culture of the business, and our colleagues have embraced the opportunity to grow and operate with a high-performance mindset.

Transforming a business is not easy, and we've had to make tough decisions about people and capital expenditure. We are simplifying our management structure in line with our aim of being a more efficient organisation with clearer accountability.

Over the last year we have made the necessary changes to succeed in what is an incredibly competitive industry. Throughout it all, our talented colleagues have consistently demonstrated their resilience, energy and commitment. They take immense pride in our brands and want to be brilliant for our customers every day.

Navigating headwinds

In 2024, the insurance industry continued to grapple with significant trading headwinds. Inflation drove up the cost of claims, particularly in Home and Motor, where repair and replacement costs have surged in recent years. Economic uncertainty and the ongoing pressures from the cost-of-living crisis have created an increasingly competitive market, with insurers facing challenges in balancing affordable premiums while maintaining profitability. These factors meant we needed to adopt innovative approaches to underwriting, pricing, and risk management.

Looking forward

2024 was a landmark year for Direct Line Group, with the Board recommending a cash and share offer for the purchase of Direct Line Group by Aviva plc. On 10 March 2025 Direct Line Group's shareholders will vote on the transaction.

The potential acquisition by Aviva, which remains subject to shareholder and regulatory approval, reflects the attractiveness of the Group, and we believe indicates the significant strength of our brands and products, the trust of our customers, talent of our people and the scale of the future opportunity. In the meantime, we remain an independent business focused on transforming our organisation, so we are better equipped to serve our customers with exceptional products and services. While we need to plan appropriately for this potential takeover, we need to make sure we don't take our foot off the accelerator when it comes to delivering business change.

I am filled with immense pride in what this business has achieved since I joined. The passion and dedication of our colleagues, with an unwavering commitment to delivering brilliant customer outcomes, is unparalleled. Our mission goes beyond policies and claims: we help safeguard communities, support the vulnerable and allow our customers to face the future with confidence.

We are set to embrace the opportunities of tomorrow thanks to the hard work and dedication of all those at Direct Line Group.

Adam Winslow
Chief Executive Officer

Notes:

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3. Net insurance margin for ongoing operations, normalised for event weather.
4. The Group's total operating expenses, acquisition expenses and claims handling expenses, adjusted to exclude restructuring and one-off costs, commission expenses and costs associated with the Brokered commercial business, Motability and By Miles.
5. Estimates based on the Group's Solvency II partial internal model.

CFO review

"I was delighted to join the Group as CFO at such an important time and lead our financial strategy as we aim to grow, to deliver on our commitments to serve millions of customers, and to create long-term sustainable shareholder value."

Gross written premium and associated fees[1,2]

£3,732m

2023: £2,978m

Ongoing[2] operating profit[1]

£205m

2023: £190m loss

Ongoing[2] net insurance margin[1]

3.6%

2023: minus 8.7%

2024 has been a year of significant transition for our Group. I was delighted to join the Group as CFO at such an important time and lead our financial strategy as we aim to grow, to deliver on our commitments to serve millions of customers, and to create long-term sustainable shareholder value.

Against a challenging external environment, we have embarked on a bold reset strategy, to focus on improving business performance, enhance financial strength, and embed a robust culture of accountability and control.

Financial highlights

This report outlines the financial results for the year. 2024 performance illustrates the early stages of our turnaround and provides a strong foundation upon which to build as we accelerate delivery of our strategy. Our key financial highlights were:

- 25% growth in gross written premiums and associated fees. Strong growth of 32% in Motor including Motability and 11% in Non-Motor, above our 7% to 10% compound annual growth rate ("**CAGR**") target.
- £395 million increase in ongoing operating profit, largely due to the turnaround in Motor profitability, alongside a strong result in Non-Motor.
- Net insurance margin of 3.6% for ongoing operations, a 12.3pt improvement versus prior year, demonstrating disciplined underwriting.
- Investment income was £200 million (2023: £139 million), as we continued to benefit from higher rates with a Group net investment yield of 4.1%.
- Group profit before tax was £218 million, £59 million lower than previous year which included a gain of £444 million from the sale of the Brokered commercial business.
- Tangible net asset value growth of 10% to £1,362 million and net asset value grew by 4% to £2,138 million.
- Strong solvency capital ratio (pre dividend) of 200% and the Board has recommended a final dividend of 5.0 pence per share. The Group generated 20pts of capital during the year supporting the strong balance sheet.

Further information is set out in the Group financial performance section on page 20.

Driving business performance

It is critical, at this stage of our turnaround, that we focus on supporting strategic execution and driving improved business performance. To achieve this, our Finance team are driving a step change in performance focus by providing improved management information to the commercial teams and prioritising financial performance. We aim to do this while maintaining excellent cost control, operating more efficiently and focusing on our ambition of achieving at least £100 million of gross cost savings by end of 2025 on a run-rate annualised basis[3].

In 2024, we focused on strengthening our performance in core segments, leveraging our strategic advantages, and investing in key areas of growth. Our results highlight early stages of recovery as we delivered 25% growth in gross written premiums and associated fees[1,2], a £395 million improvement in ongoing operating profit[1,2] and 10% growth in tangible net asset value[1]. These results provide a strong foundation from which to be able to deliver on our strategic ambition of achieving 13% net insurance margin[1,4] in 2026.

Strengthening financial resilience

Ensuring long-term financial strength is a key priority, positioning us well for sustainable growth and enhanced shareholder value opportunities. I have reviewed our balance sheet, acted to assure balance sheet strength and remain focused on prudent capital management. By leveraging targeted financial strategies, we aim to further optimise capital allocation, enhance efficiency, and help drive long-term performance.

- Capital allocation framework: During 2024, we introduced a more rigorous capital allocation framework to help us prioritise investments in the most profitable and strategically aligned opportunities.
- Investments: Our investment portfolio is already well diversified, and optimised in line with our approach to asset and liability management. During the year we reinvested cash back into investment grade credit and introduced index linked gilts, which are capital light, to match our PPO liabilities and further diversify whilst generating good yields.
- Reinsurance programme: At the end of 2024 we implemented a comprehensive reinsurance programme designed to reduce earnings volatility, strengthen our balance sheet, and support our long-term financial health. In our January renewals we optimised cost and risk: in Motor we now have unlimited cover above £5 million; in property we increased our catastrophe cover limit in line with our exposure to cover a 1 in 200 year loss event; while retention is unchanged at £100 million.
- Reserve strength is a key underpin to balance sheet strength and the setting of best estimate liabilities is a key accounting judgment in the Group's financial statements. Alongside the independent re-projections performed by our auditors, the Board annually commissions an independent review of our claims reserves. These alongside Audit Committee challenge to our internal actuarial analysis on reserves, provides us with additional comfort that our best estimate liabilities are within a reasonable range.

Embedding a culture of accountability and control

We enhanced our financial control framework and assurance, delivering greater oversight, control and proactive risk management. This will help to improve long-term stability.

- Governance enhancements: A comprehensive overhaul of our governance structures is progressing and aims to strengthen accountability at all levels and to ensure rigorous oversight and effective decision making.
- Financial control: We enhanced our financial control framework and controls assurance, delivering greater oversight, control, and proactive risk management.
- Focus on risk awareness: We proactively identify and address emerging risks, positioning the organisation to respond effectively to an evolving landscape.
- Cultural transformation: A strong and engaged workforce underpins our ability to achieve sustainable growth. By embedding a sense of accountability and ownership, we are empowering teams to deliver results and drive the company's turnaround strategy.

Outlook

As we continue our turnaround journey, our financial strategy remains focused on our clear objectives of delivering profitable growth, enhancing operational efficiency, and reinforcing our financial resilience. Whilst we have made significant progress, we recognise there is more work to do to achieve our long-term ambitions. I am confident that the disciplined execution of our strategy can deliver lasting value for our customers, colleagues, and shareholders.

Jane Poole
Chief Financial Officer

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
2. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly. See glossary on pages 238 to 241 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 246 to 253.
3. The Group's total operating expenses, acquisition expenses and claims handling expenses, adjusted to exclude restructuring and one-off costs, commission expenses and costs associated with the Brokered commercial business, Motability and By Miles.
4. Net insurance margin for ongoing operations, normalised for event weather.

Chief People Officer review

"At Direct Line Group we are a team of talented individuals, in a place that empowers us to be the best we can be to drive high performance."

Colleague engagement

72

UK average: 72

Engagement survey response rate

82%

UK average: 75%

Jane's letter to the shareholders

At Direct Line Group we are a team of talented colleagues, in a place that empowers us to be the best we can be. We believe that by working together, we can achieve great things. Inspiring, challenging and supporting each other to aim higher to continually improve our performance and set new standards. We take accountability for our work. We strive to be brilliant for customers every day and deliver great outcomes for them. We celebrate difference and value diverse perspectives, ideas and opinions.

In 2024, we have been focused on continuing to support and encourage colleagues to build on their skills and experience to do the best work of their career and make their full contribution to becoming a high performing business.

Driving high performance culture

We have continued the emphasis around high performance, giving greater clarity to colleagues on what this looks like, what they need to deliver and how to deliver it, through setting clear objectives and building our managers' capability to have better performance and development conversations. We have communicated this change to provide colleagues with clarity, fairness and transparency.

We continue to conduct multiple engagement surveys throughout the year to seek feedback from our colleagues on how they are feeling so that we can make actionable change. In September 2024, we were proud to receive an Engagement score of 72, which was a growth of 3% when compared to our previous survey in February 2024, and is in line with the average engagement across the UK.

Strengthening our Leadership Capability

In 2024, we appointed a new Executive team. To accelerate the development of the team, we commenced a 12-month group development programme partnering with an external team performance coach. The programme involves a combination of individual and group coaching, building strong alignment of goals and performance standards, establishing effective team practices, and ultimately aims to ensure groups are performing at their best, both individually and collectively.

Alongside this, we placed a key focus on the development of our senior leaders, including externally facilitated, psychometric leadership assessments followed by the launch of a bespoke programme designed to accelerate our high performance culture supported by an external coach.

There is strong evidence to suggest our recruitment and development approach is adding value, with our September 2024 employee engagement survey having reported a significant 10 percentage point increase in confidence in our senior leadership team since the survey in February 2024.

Rewarding Colleagues

In April 2024, all eligible colleagues (excluding senior management) received at least a 5% pay rise, with our minimum salary rising by 7% to £23,400 a year, in line with the Living Wage Foundation's National Real Living Wage (as set in October 2023 for roles outside of London). This was 5% above the Government's statutory National Living Wage, effective 1 April 2024, for those aged 21 and over. From April 2024, all colleagues became eligible either for incentives or our annual incentive scheme.

A diverse and inclusive business

We know that to succeed as a high performing business we need our workforce to be truly representative of our customers and society. Diverse perspectives, ideas and opinions lead to more insight, innovation and better decision making. And we know that being diverse is not enough, we also need to be inclusive, so everyone feels free to be themselves and be able to succeed in their careers.

We believe that delivering change requires both policies and targets and a change in mindsets so we undertake activity to deliver both. Some examples include:

– Targeting ambitious new representation targets by 2027 and including them in their annual objectives.
– Using inclusive hiring principles, which include the use of recruitment tools, such as language decoders for job adverts and panel-based interviewing.
– Building a stronger pipeline of diverse talent, especially in areas where the jobs of the future are, because we want to future-proof our activity. This includes work experience, mentoring and skills building programmes that target less advantaged communities for our Ignite apprenticeship programmes.
– Developing our partnerships with The Diversity Trust, Race Equality Matters and Spear and maintaining our relationship with Parenting Mental Health. The intention of these partnerships is to support external communities whilst also driving greater equity, inclusivity and active allyship across the Group.
– We also partner with the Business Disability Forum, who have supported us this year in auditing our guidance on working with vulnerable customers, and with the ABI who, through their active DEI network, provide benchmarking opportunities and learning on industry best practice.
– Learning from our Diversity Network Alliance ("**DNA**") which comprises seven employee networks which are a key driver of diversity and inclusion across our business. They focus on the following areas: Belief, Life (families and carers), LGBTQ+, Neurodiversity and Disability, REACH (race, ethnicity and cultural heritage), Social Mobility and Thrive (gender).

We feel confident that all of these things are contributing to us becoming a more diverse and inclusive business.

Finally, I wanted to add what a pleasure it has been joining the Group. I have been so impressed by the talent across the organisation, the commitment to deliver against our strategy and the strong sense of a high performance culture that we are building. I am looking forward to spending more time with the teams, across our different locations over the coming months.

Jane Storm
Chief People Officer

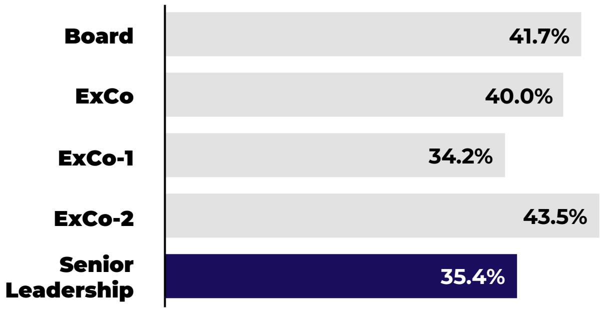
Note:

1. Senior leadership is defined as ExCo and their Direct Reports, where our definition of ExCo-1 is direct reports of the approved list when they meet all the following criteria:
   – must be at a certain reward level and therefore not support staff;
   – not a fixed term contractor covering maternity or medical leave; and
   – not on garden leave.

Senior Leadership[1] female representation

Increasing the diversity of our senior leadership is an ongoing target for the Group. In 2024 we made an intentional move to ensure Diversity Equity & Inclusion ("DE&I") is considered through all people and business decisions. In 2024 we have made progress towards our 2027 target of women comprising 40% of Senior Leadership, particularly at ExCo level.

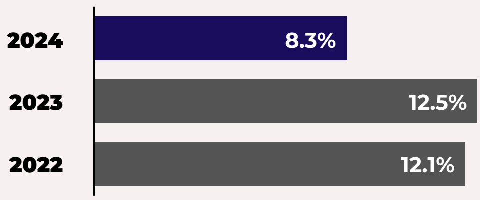
Senior leadership[1] female representation as at 31 December 2024



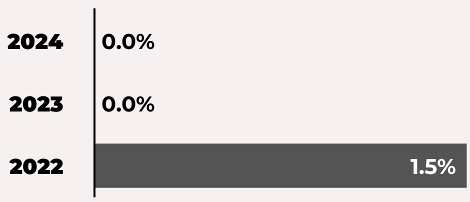
Senior Leadership ethnic minority and Black representation

We recognise that we need to do more to ensure equitable representation across our organisation, particularly for ethnic minorities, and have set targets to achieve representation in Senior Leadership roles of 16% ethnic minorities, including 4% Black representation, by the end of 2027. We are accelerating programmes to improve inclusivity across the employee lifecycle, increasing the retention and promotion of colleagues from ethnic minority backgrounds. We have strengthened our succession plans, including high potential talent from under-represented groups and will review these annually. To facilitate colleague progression, we invested in access to WeQual, the world's leading development network for women leaders and INvolve Emerging Leaders' programmes for under-represented communities.

Ethnic minority representation in Senior Leadership[1]

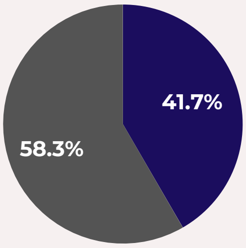


Black representation in Senior Leadership[1]



Gender diversity[1] of our Board

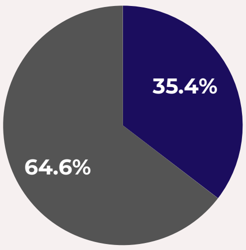
As of 31 December 2024



- Women (5)
- Men (7)

Gender diversity[1] of Senior Leadership

As of 31 December 2024

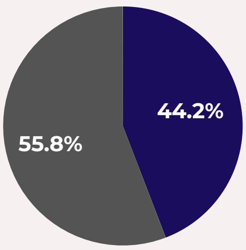


- Women (17)
- Men (31)

Gender diversity of Senior Leadership defined as Executive Committee and direct reports, excluding those in support or administrative roles

Gender diversity[1] of all employees

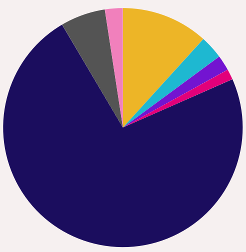
As of 31 December 2024



- Women (3,966)
- Men (5,009)

Ethnicity of all employees

As of 31 December 2024



- **11.7%** Asian (1,053)
- **3.1%** Black (282)
- **2.1%** Mixed (188)
- **1.4%** Other (126)
- **73.2%** White (6,566)
- **6.1%** Prefer not to Say (544)
- **2.4%** Not Specified (216)

Gender pay gap[1]

In 2024, our mean gap widened by 1.1 percentage points and our median gap by 1.7 percentage points. Our pay gap is now broadly in line with peers when compared with the broader financial and insurance services sector but we want to see that gap close. We are comfortable that we do not pay people differently because of their gender and believe that the way to reduce the gap in the medium to long term is to continue with our work to seek to address the disproportionate representation of women at senior levels and in certain areas of our business. The figures used for the gender pay gap reporting are reflective of the snapshot at 5 April 2024, which this year has been impacted by a lower proportion of women in senior leadership roles across the Group at that time. Since this time, good progress has been made in enhancing women in senior leadership roles. A further influence in the pay gap relates to our accident repair centres, an area that is heavily resourced by men and where pay levels are at a market premium compared to other positions within our lower bands due to the external recruitment market, resulting in them being positioned in our top two pay quartiles.

Our 2024 gender pay gap showed:

Gender pay gap

	Mean	Median
2024	**22.2%**	**25.1%**
2023	21.1%	23.4%
2022	19.3%	20.3%

Gender bonus gap

	Mean	Median
2024	**56.3%**	**43.6%**
2023	53.8%	43.8%
2022	46.7%	45.4%

% of employees receiving bonus

	Men	Women
2024	**77.2%**	**71.2%**
2023	84.2%	87.3%
2022	83.1%	82.6%

Note:

1. Gender diversity refers to Legal Sex.

Ethnicity pay gap[2]

This is the fourth year that we are voluntarily disclosing our ethnicity pay gap. As with the gender pay gap, we are comfortable that we do not pay people differently because of their ethnicity and believe that the way to reduce the gap in the medium to long term is to continue with our work to address the disproportionate representation of ethnic minority colleagues at certain levels and in certain areas of our business.

We are proud that 91% of colleagues have disclosed their ethnicity with us, as we continue to encourage more colleagues to share, the numbers we report in the future may change as a result. It is important to note that when pay gap data is represented by a smaller number of colleagues, it can vary significantly due to changes in the make up of our colleagues during the year. Our pay gap for all ethnic minorities remains low and has narrowed in 2024.

Ethnicity pay gap

	2024 Mean	**2024 Median**	2023 Mean	2023 Median
Ethnic minority (overall)	**-0.8%**	**11.0%**	1.0%	12.7%
Asian	**-6.6%**	**8.9%**	-2.7%	14.1%
Black	**16.8%**	**19.7%**	12.2%	17.8%
Mixed	**3.2%**	**9.0%**	3.2%	8.2%
Other	**-0.3%**	**-4.9%**	2.9%	-0.2%

Ethnicity bonus gap

	2024 Mean	**2024 Median**	2023 Mean	2023 Median
Ethnic minority (overall)	**27.2%**	**4.1%**	28.7%	20.4%
Asian	**29.4%**	**0.0%**	29.2%	20.5%
Black	**42.4%**	**16.3%**	40.6%	24.5%
Mixed	**21.7%**	**3.4%**	22.3%	15.3%
Other	**-3.3%**	**12.6%**	16.9%	10.1%

% of employees receiving bonus

	2024	2023
White	**77.4%**	88.0%
Ethnic minority (overall)	**63.5%**	78.5%
Asian	**64.0%**	77.7%
Black	**53.4%**	74.1%
Mixed	**69.4%**	78.6%
Other	**72.8%**	89.6%

Notes:

1. Gender pay gap shows the difference in average pay between women and men. This is different to equal pay, which is women and men receiving the same pay for work of equal value. Our reporting is based on a snapshot date of 5 April 2024.
2. Ethnicity pay gap shows the difference in average pay between ethnic minorities, Asian, Black, Mixed, Other and White colleagues. This is different to equal pay that is ethnic minority and White colleagues receiving the same pay for work of equal value. Our reporting is based on a snapshot date of 5 April 2024 and 91% of colleagues that have shared their ethnicity with us.

Market Overview

Motor premium and claims inflation

The UK motor market[1] continued to be affected by challenging conditions, driven by the impact of elevated inflation. 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.

In February 2024, the Association of British Insurers ("**ABI**") published a 10-Point Roadmap to help combat the cost of motor cover. The Roadmap outlined ten actions that the industry, government or regulators could take, and areas where improvements could be made to address the affordability of motor insurance. The ABI believes the Government can help combat high claims costs by addressing the skills and capacity challenge in the vehicle repair sector, improving the UK's roads, and delivering its road safety strategy.

During the year, the Government announced a cross-government motor insurance taskforce, supported by industry experts, to help drive down the costs of car insurance.

The Government announced changes to the discount rate used by courts to decide how much insurer compensation personal injury claimants should receive as a lump sum. In September the discount rate for Scotland and Northern Ireland changed to 0.5% (previously minus 0.75%) and in January 2024, the discount rate in England and Wales changed to 0.5% (previously minus 0.25%).

The Group focused on maintaining margins throughout the year and growing its share of new business through the PCW channel. In December the Group launched its Direct Line brand on its first PCW, the channel where over 90% of customers buy their insurance.

Home premium and claims inflation

The UK household market[2] 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.

Climate change

A focus on climate remains, with particular emphasis placed on how firms are assessing and managing longer-term climate-related risks. Increased importance is also being given to the communication of plans that companies have in place to support the transition to a low-carbon economy. This includes the actions that are being taken to progress against emission reduction targets and net zero aims. Furthermore, we continue to expect an increase in regulatory focus on how firms are managing climate-related financial risks, as well as how this is reported, supported by developments in reporting frameworks and disclosure requirements.

The Group continues to respond to climate change, and we take our responsibilities seriously in our assessment of climate-related risks to our business. Our disclosure against the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") (see pages 58 to 71) sets out our strategic response to climate change and reflects continued action to further develop our understanding and management of the associated risks and opportunities. The disclosure reports on the progress we have made in the year against our carbon emissions reduction targets, which were approved by the Science Based Targets initiative ("**SBTi**") in 2022.

Notes:

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

Group financial performance

	Notes	2024	2023	Change
Ongoing operations[1,2]				
In-force policies[1] (thousands)		**8,827**	9,339	(5.5%)
		FY 2024	FY 2023	Change
	Notes	**£m**	£m	£m
Ongoing operations[1,2]				
Gross written premium and associated fees[1]		**3,731.9**	2,977.6	25.3%
Net insurance revenue[1]		**2,857.1**	2,422.6	17.9%
Insurance service result		**104.6**	(212.0)	316.6
Net insurance margin[1]		**3.6%**	(8.7%)	12.3pts
Combined operating ratio[1]		**96.4%**	108.7%	12.3pts
Net insurance claims ratio[1]		**69.9%**	82.1%	12.2pts
Net acquisition costs ratio[1]		**6.3%**	6.8%	0.5pts
Net expense ratio[1]		**20.2%**	19.8%	(0.4pts)
Normalised net insurance margin[1]		**3.0%**	(10.0%)	13.0pts
Investment income		**200.3**	139.1	44.0%
Unwind of discounting of claims[1,3]		**(98.9)**	(116.5)	17.6
Other operating income and expenses before restructuring and one-off costs		**(1.0)**	(0.5)	(100.0%)
Ongoing operating profit/(loss)[1,2]		**205.0**	(189.9)	394.9
Current-year operating profit/(loss)[1]		**208.2**	(45.4)	253.6
Prior-year reserves development		**(3.2)**	(144.5)	141.3
Other investment movements[4]		**111.9**	98.9	13.1%
Restructuring and one-off costs		**(118.1)**	(59.5)	(98.5%)
Brokered commercial business, Non-core and Run-off		**39.7**	(1.5)	41.2
Other finance costs		**(15.4)**	(14.5)	(6.2%)
(Loss)/gain on disposal of business		**(4.7)**	443.9	(101.1%)
Profit before tax		**218.4**	277.4	(59.0)
Tax charge		**(55.8)**	(54.5)	(1.3)
Profit for the year attributable to the owners of the Company		**162.6**	222.9	(60.3)
Performance metrics				
Basic earnings per share (pence)	12	**11.2**	15.9	(4.7)
Diluted earnings per share (pence)	12	**11.1**	15.7	(4.6)
Operating earnings/(loss) per share (pence)[1,3]		**9.8**	(12.8)	22.6
Return on equity[1]	14	**7.0%**	10.6%	(3.6pts)
Operating return on tangible equity[1,3]		**10.0%**	(14.9%)	24.9pts
Investments metrics				
Investment income yield[1,3]		**4.1%**	3.5%	0.6pts
		2024	2023	Change
Capital and returns metrics				
Dividend per share – final (pence)		**5.0**	4.0	25.0%
Dividend per share – total ordinary (pence)		**7.0**	4.0	75.0%
Net asset value per share (pence)	13	**164.3**	158.0	4.0%
Tangible net asset value per share (pence)[1]		**104.7**	95.6	9.5%
Solvency capital ratio – post dividends[1,5,6]		**195%**	188%	7pts

Notes:

1. See glossary on pages 238 to 241 for definitions.
2. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly.
3. See appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
4. Other investment movements relate to net fair value gains/(losses), the effect of the change in the yield curve and interest expense on funds withheld liabilities.
5. Estimates based on the Group's Solvency II partial internal model.
6. The full year 2023 solvency capital ratio has been re-presented as explained in the Capital analysis sub-section of the Group financial performance section in this report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).

2024 performance

Profit from ongoing operations increased by £395 million to £205 million driven by a turnaround in Motor earnings which increased by £427 million. Non-Motor delivered a profit of £98 million.

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. Results relating to ongoing operations are referenced in Appendix B to the report and in the financial statements, note 2 (Segmental information) has also been amended to reflect the change. The insurance service result from ongoing operations was a profit of £105 million (FY 2023: £212 million loss) and for the Group, as a whole, it was a profit of £126 million (FY 2023: £227 million loss).

The Group profit before tax was £218 million, £59 million lower than prior year, which included £444 million from the sale of the Brokered commercial business in 2023.

In-force policies[1] and gross written premium and associated fees[1]

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 we 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 we had a full year of premium in 2024 compared to only seven months during 2023, and higher own brand average premiums. Non-Motor achieved growth of 11.0%, ahead of the CAGR target of 7% to 10%, due to double-digit premium growth in Home and 8.8% growth in Commercial Direct.

Insurance service result

The net insurance margin for ongoing operations was 3.6%, 12.3pts better than 2023, primarily due to a 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). Our 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.

The prior-year reserves development ratio was an immaterial strengthening of 0.1% (FY 2023: 6.0% strengthening). Motor saw positive development in prior year claims, following the changes to the Ogden discount rate for large bodily injury claims, which was more than offset by prior year strengthening in Non-Motor.

The net acquisition costs ratio for ongoing operations improved by 0.5pts to 6.3% as higher acquisition costs were more than offset by higher premiums. The net expense ratio for ongoing operations was broadly stable at 20.2% (FY 2023: 19.8%) as the full year of Motability costs alongside higher depreciation and amortisation charges and general inflation were largely offset by premium growth.

Expenses in insurance service result

Operating expenses for ongoing operations were £577 million, an increase of £97 million compared with FY 2023. Controllable costs increased by £51m in line with growth from Motability and expected inflation, resulting in a broadly stable net expense ratio of 20.2% (2023: 19.8%).

	FY 2024 £m	FY 2023 £m
Commission expenses	**(121.2)**	(104.8)
Marketing	**(58.1)**	(61.1)
Acquisition expenses	**(179.3)**	(165.9)
Staff costs[7]	**(225.2)**	(185.1)
IT and other operating expenses[7,8]	**(104.4)**	(93.2)
Insurance levies	**(104.1)**	(79.1)
Depreciation, amortisation and impairment of intangible and fixed assets[9]	**(143.6)**	(122.9)
Operating expenses	**(577.3)**	(480.3)
Total expenses – ongoing operations[1,2]	**(756.6)**	(646.2)
Total expenses – Non-core and Run-off[1]	**(45.2)**	(54.2)
Total expenses – Brokered commercial business[1]	**(105.3)**	(207.5)
Total expenses	**(907.1)**	(907.9)
Net acquisition costs ratio[1] – ongoing operations	**6.3%**	6.8%
Net acquisition costs ratio[1] – total Group	**7.5%**	9.3%
Net expense ratio[1] – ongoing operations	**20.2%**	19.8%
Net expense ratio[1] – total Group	**21.6%**	19.7%

Brokered commercial business[1,2]

The Group has excluded the results of the Brokered commercial business from its ongoing results and has restated all relevant comparatives across this review. The Group agreed the transfer of the Group's Brokered commercial lines insurance business and associated partnerships to Royal & Sun Alliance Insurance Limited with effect from 1 October 2023 through a combination of quota share reinsurance and a form of renewal rights transfer. As a result, the economic effect of the Brokered commercial insurance business moved to Royal & Sun Alliance Insurance Limited and the back book of policies has remained with the Group.

For 2024, gross written premium and associated fees were £437 million (2023: £666 million). The operating profit relating to the Brokered commercial business in 2024 was £36 million (2023: £28 million). The formal separation and operational transfers started in the second quarter of 2024, with subsequent transfers of outstanding elements of the overall Brokered commercial insurance business following.

Non-core and Run-off[1,2]

The Group has excluded the results of Other personal lines products, including three partnerships that were previously disclosed as being exited, from its ongoing operations and has restated all relevant comparatives across this review. Other personal lines is made up of Pet, Travel, Creditor and Select, our insurance targeted at mid- to high-net worth customers. Pet is the largest product within Other personal lines. As announced at the Group's Capital Markets Day in July 2024, the decision was taken to pause investment in these products. Other personal lines represented around £130 million of gross written premium and associated fees in 2023.

Three partnerships in Travel and Rescue have now been exited and will reduce the Group's exposure to low margin insurance products packaged with bank accounts so it can redeploy capital to segments with higher return opportunities. The two Travel partnerships were with NatWest Group and Nationwide Building Society and expired during the first half of 2024, although upgrades on existing Nationwide Building Society policies will continue to be underwritten by the Group until April 2025. The Rescue partnership was with NatWest Group and expired during the second half of 2022.

Gross written premium and associated fees were £178 million (2023: £279 million). The operating profit relating to Non-core and Run-off was £4 million (2023: £29 million loss).

Investment result and unwind of discount rate[1]

Net investment income from ongoing operations increased to £200 million (FY 2023: £139 million) primarily driven by interest rates remaining high following an environment of global interest rates rising during 2023, and a phased reinvestment back into investment grade credit more aligned with the Group's benchmark weighting, resulting in an investment income yield of 4.1%.

	FY 2024 £m	FY 2023 £m
Investment income	**207.5**	146.3
Investment fees	**(7.2)**	(7.2)
Net investment income	**200.3**	139.1
Unwind of discounting of claims[1,3]	**(98.9)**	(116.5)
Finance income and expenses in operating profit	**101.4**	22.6

	FY 2024	FY 2023
Investment income yield (total Group)[1]	**4.1%**	3.5%

Finance income and expenses in operating profit also benefited from a decrease in expenses related to the unwind of the discounting of claims.

Reconciliation of operating profit/(loss) to basic earnings per share

	FY 2024 £m	FY 2023 £m
Motor	**107.0**	(319.6)
Non-Motor	**98.0**	129.7
Operating profit/(loss)[1] – ongoing operations[1]	**205.0**	(189.9)
Operating profit[1] - Brokered commercial business[1]	**36.2**	27.6
Operating loss[1] – Non-core and Run-offl	**3.5**	(29.1)
Operating profit/(loss)[1] – total Group	**244.7**	(191.4)
Restructuring and one-off costs[1]	**(118.1)**	(59.5)
Net fair value gains	**37.1**	124.4
Net insurance finance income – effect of change in yield curve[1]	**89.2**	(25.5)
Interest expense on funds withheld liabilities	**(14.4)**	–
(Loss)/gain on disposal of business	**(4.7)**	443.9
Other finance costs	**(15.4)**	(14.5)
Tax charge	**(55.8)**	(54.5)
Profit for the year attributable to the owners of the Company	**162.6**	222.9
Basic earnings per share (pence)	**11.2**	15.9
Operating return on tangible equity[1,3]	**10.0%**	(14.9%)

Restructuring and one-off costs

The Group incurred £118 million of restructuring and one-off costs during 2024 (2023: £60 million), which were a result of several items including cost out and control initiatives, non-cash impairments, as well as work carried out in relation to the takeover approach from Ageas NV and the offer from Aviva plc.

Net fair value gains[1,2]

Net fair value gains in the period were £37 million (2023: £124 million), reflecting a further tightening of credit spreads and interest rate movements year-on-year and the pull to par on the Group's credit holdings.

Net insurance finance income – effect of change in yield curve

Net insurance finance income of £89 million (2023: £26 million expense) reflects the gross and reinsurance effect of changes in the yield curve and the ASHE index on the discounting of previously recognised PPO claims.

Other finance costs

Other finance costs were £15 million (2023: £15 million) and relate to interest payable on the Group's £260 million (nominal) subordinated debt due in 2032.

Profit before tax

Profit before tax reduced by £59 million to £218 million (2023: £277 million) primarily due to the effect of the sale of the Brokered commercial business in 2023 which generated £444 million.

Effective corporation tax rate

The Effective Tax Rate ("**ETR**") for 2024 was 25.5% (2023: 19.6%), which was slightly higher than the standard UK corporation tax rate of 25.0% (2023: 23.5%). This was driven primarily by disallowable expenses, partly offset by tax relief for coupon payments on the Group's Tier 1 notes, which are accounted for as a distribution, together with a prior-year credit. This is higher than the effective tax rate for 2023 which reflected the offset of capital losses brought forward which had not previously been recognised in deferred tax.

Operating return on tangible equity[1,3]

The operating return on tangible equity increased by 24.9pts to 10.0% (2023: minus 14.9%) due primarily to the increase in the Group's operating profit from ongoing operations.

Earnings per share

The basic earnings per share in 2024 was 11.2 pence (2023: 15.9 pence). Diluted earnings per share in 2024 was 11.1 pence (2023: 15.7 pence), mainly reflecting a reduction in the Group's post-tax profit for the calculation of earnings per share in 2024 as improvements to operating profit were offset by the non-repeat of the gain on the sale of the Group's Brokered commercial business experienced in 2023. Operating earnings per share was 9.8 pence (2023: 12.8 pence loss).

The financial performance of the Group is discussed in detail in this and the Operating review sections. The calculation of earnings per share is presented in note 12. The calculation of operating earnings per share is presented in Appendix B.

Notes:

1. See glossary on pages 238 to 241 for definitions
2. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly. See glossary on pages 238 to 241 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 246 to 253.
3. See appendix A – Alternative performance measures on pages 242 to 245 of insurance finance costs, operating return on tangible equity, operating earnings/(loss) per share and investment income yield.
4. Other investment movements relate to net fair value gains/(losses), the effect of the change in the yield curve and interest expense on funds withheld liabilities.
5. Estimates based on the Group's Solvency II partial internal model.
6. The full year 2023 solvency capital ratio has been re-presented as explained in the Chief Financial Officer review of this report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).
7. Staff costs and other operating expenses attributable to claims handling activities are allocated to the cost of insurance claims.
8. IT and other operating expenses include professional fees and property costs.
9. Includes right-of-use ("**ROU**") assets and property, plant and equipment. For the year ended 31 December 2024, there were no impairment charges which relate solely to own occupied freehold property (2023: no impairments).

Cash flow

	Note	2024 £m	2023 £m
Net cash (used in)/generated from operating activities		**(364.5)**	404.9
Of which:			
Operating cash flows before movements in working capital		**137.2**	(337.0)
Movements in working capital		**(168.2)**	469.0
Tax received/(paid)		**13.9**	(30.9)
Cash flow hedges		**(0.3)**	(0.6)
Cash (used in)/generated from investment of insurance assets		**(347.1)**	304.4
Net cash (used in)/generated from investing activities		**(106.5)**	398.3
Net cash used in financing activities		**(129.6)**	(51.8)
Net (decrease)/increase in cash and cash equivalents	25	**(600.6)**	751.4
Cash and cash equivalents at the beginning of the year		**1,689.8**	938.4
Cash and cash equivalents at the end of the year	25	**1,089.2**	1,689.8

The cash that the Group used in operating activities (£365 million), investing activities (£107 million) and financing activities (£130 million) resulted in a net decrease in cash and cash equivalents of £601 million to £1,089 million (2023: £751 million increase to £1,690 million).

Net cash used in operating activities of £365 million is largely as a result of cash used in investment of insurance assets of £347 million (2023: £304 million cash generated). The Group has considerable assets under management and during the period purchases of debt securities held at fair value through profit or loss ("**FVTPL**") exceeded disposals and maturities. The Group had an operating cash inflow before movements in working capital of £137 million (2023: outflow £337 million), due to the improvement in the insurance service result. After taking into account movements in working capital, taxes and cash flow hedges, the Group's cash outflow before investment of insurance assets was £31 million (2023: inflow £132 million).

Net cash used in investing activities of £107 million primarily reflected the Group's continuing investment in its major IT programmes (2024: £93 million, 2023: £124 million) while the net cash generated from investing activities in the period ended 31 December 2023 primarily reflected net proceeds from the sale of the Brokered commercial business of £470 million.

Net cash used in financing activities of £130 million included £95 million in dividends and Tier 1 capital coupon payments (2023: £17 million in Tier 1 capital coupon payments) and £13 million (2023: £11 million) in lease principal payments.

The levels of cash and other highly liquid sources of funding that the Group holds to cover its claims and other cash flow obligations are continually monitored with the objective of ensuring that the levels remain within the Group's risk appetite.

Balance sheet management

Capital management and dividend policy

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 intends 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.

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, with the remaining regular dividend paid as a final dividend in the second quarter of the following year. The Company 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).

Subject to shareholders approving the dividend at the annual general meeting on 14 May 2025, the dividend is scheduled to be paid on 19 May 2025 to shareholders on the register on 4 April 2025. The ex-dividend date will be 3 April 2025.

Note:

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

Capital analysis

The Group is regulated under Solvency II requirements, as modified by the PRA's 2024 reforms, by the PRA on both a Group basis and for the Group's principal underwriter, U K Insurance Limited. In its results, the Group has estimated its Solvency II own funds, SCR and solvency capital ratio as at 31 December 2024.

Capital position[1]

At 31 December 2024, the Group held a Solvency II capital surplus of £1.11 billion above its regulatory capital requirements, which was equivalent to an estimated solvency capital ratio post dividends of 195%.

At 31 December	2024	2023
Solvency capital requirement (£ billion)	**1.16**	1.13
Capital surplus above solvency capital requirement (£ billion)	**1.11**	1.00
Solvency capital ratio pre-final dividend[1]	**200%**	192%
Solvency capital ratio post-dividends[1]	**195%**	188%

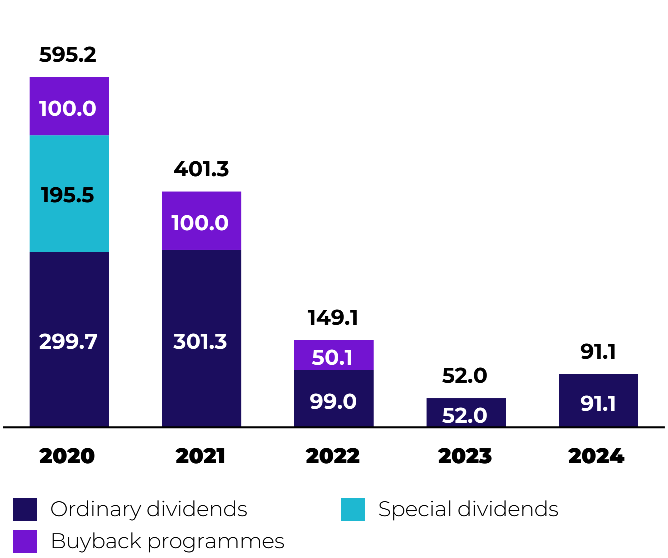
Note:

1. The full year 2023 solvency capital ratio has been re-presented as explained below (the post-dividend ratio previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).

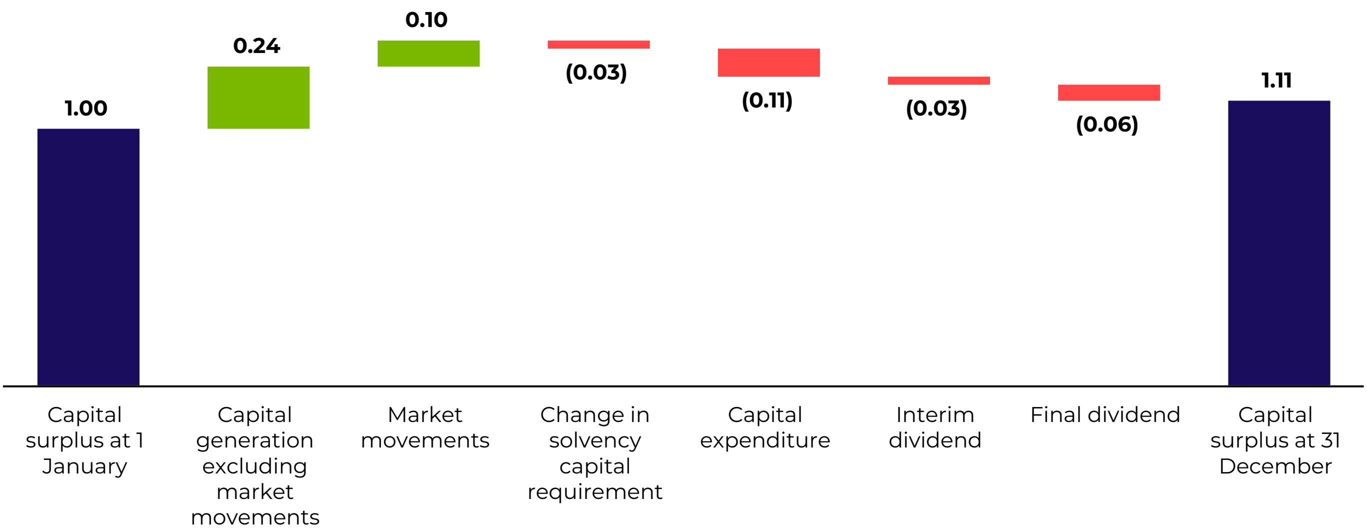
During the Group's half year results preparation, a miscalculation was identified within the Group's audited Solvency II own funds for the year ended 2023. This miscalculation arose in the Solvency II treatment of the whole account quota share reinsurance arrangement (incepted 1 January 2023), and in particular the translation of the reinsurance debtors between IFRS and Solvency II own funds. This miscalculation 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%).

Capital Returns (£million)



Movement in capital surplus[1] (£bn)



Movement in capital surplus[1]

	2024 £bn	2023 £bn
Capital surplus at 1 January	**1.00**	0.57
Capital generation excluding market movements	**0.24**	0.46
Market movements	**0.10**	0.06
Capital generation	**0.34**	0.52
Change in solvency capital requirement	**(0.03)**	0.08
Surplus generation	**0.31**	0.60
Capital expenditure	**(0.11)**	(0.15)
Interim dividend	**(0.03)**	–
Final dividend	**(0.06)**	(0.05)
Decrease in ineligible Tier 3 capital[2]	**–**	0.03
Net surplus movement	**0.11**	0.43
Capital surplus at 31 December	**1.11**	1.00

Notes:

1. The full year 2023 movement in capital surplus has been re-presented as explained in the Capital position section of this report.
2. At 31 December 2024 and 31 December 2023 no ineligible Tier 3 capital arose as the Group's available Tier 3 capital was under the amount of Tier 3 capital permitted under the Solvency II regulations (15% of the Group's SCR). In FY 2023 there was a £0.03 billion reduction in ineligible Tier 3 capital as ineligible Tier 3 capital reported at FY 2023 reduced to £nil.

During 2024, the Group generated £0.34 billion of Solvency II capital from a combination of operating earnings, one-off benefits from partnerships and market movements. After a change to the solvency capital requirement of £0.03 billion, capital expenditure of £0.11 billion and dividends of £0.09 billion, the net surplus for the year increased by £0.11 billion to £1.11 billion.

Change in solvency capital requirement

	2024 £bn
Solvency capital requirement at 1 January	**1.13**
Parameter changes	**–**
Exposure and model changes	**0.03**
Solvency capital requirement at 31 December	**1.16**

During 2024, the Group's SCR increased by £0.03 billion to £1.16 billion primarily due to updated exposure positions.

Scenario and sensitivity analysis[1]

The following table shows the impact on the Group's estimated solvency capital ratio in the event of the following scenarios as at 31 December 2024. The impacts on the Group's solvency capital ratio arise from movements in both the Group's SCR and own funds.

	Impact on solvency capital ratio[1]	
At 31 December	**2024**	2023
Deterioration of small bodily injury motor claims equivalent to that 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)
100 bps increase in PPO real discount rate[2]	**(11pts)**	(15pts)
100 bps increase in credit spreads[3,4]	**(6pts)**	(6pts)
100 bps decrease in interest rates with no change in the PPO discount rate[3]	**(4pts)**	(6pts)

Notes:

1. Sensitivities are calculated on the assumption that full tax benefits can be realised.
2. The periodic payment order ("**PPO**") real discount rate 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. The sensitivity was previously labelled, "Increase in Solvency II inflation assumption for PPOs by 100 basis points". The underlying sensitivity and historic results remain the same.
3. 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.
4. 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 interactions.
- The impact of a change in assumptions is often non-linear and users of this information should not assume that applying a linear calculation 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 a 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.

Own funds

The following table splits the Group's eligible own funds by tier on a Solvency II basis.

At 31 December	2024 £bn	2023 £bn
Tier 1 capital before foreseeable distributions	**1.71**	1.51
Foreseeable dividend	**(0.06)**	(0.05)
Tier 1 capital – unrestricted	**1.65**	1.46
Tier 1 capital – restricted	**0.32**	0.32
Eligible Tier 1 capital	**1.97**	1.78
Tier 2 capital – subordinated debt	**0.21**	0.22
Tier 3 capital – deferred tax	**0.09**	0.13
Total eligible own funds	**2.27**	2.13

Note:

1. Full year 2023 eligible own funds have been re-presented as explained in the Capital position section of this report.

During 2024, the Group's eligible own funds increased from £2.13 billion to £2.27 billion. Eligible Tier 1 capital after foreseeable distributions represents 87% of own funds and 170% of the estimated SCR. Tier 2 capital relates to the Group's £0.21 billion 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 under the Solvency II regulations is 20%. Restricted Tier 1 capital relates solely to the Tier 1 notes issued in 2017.

The amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR and the amount of Tier 3 alone is 15% of the Group's SCR. The Group has no ineligible Tier 3 own funds.

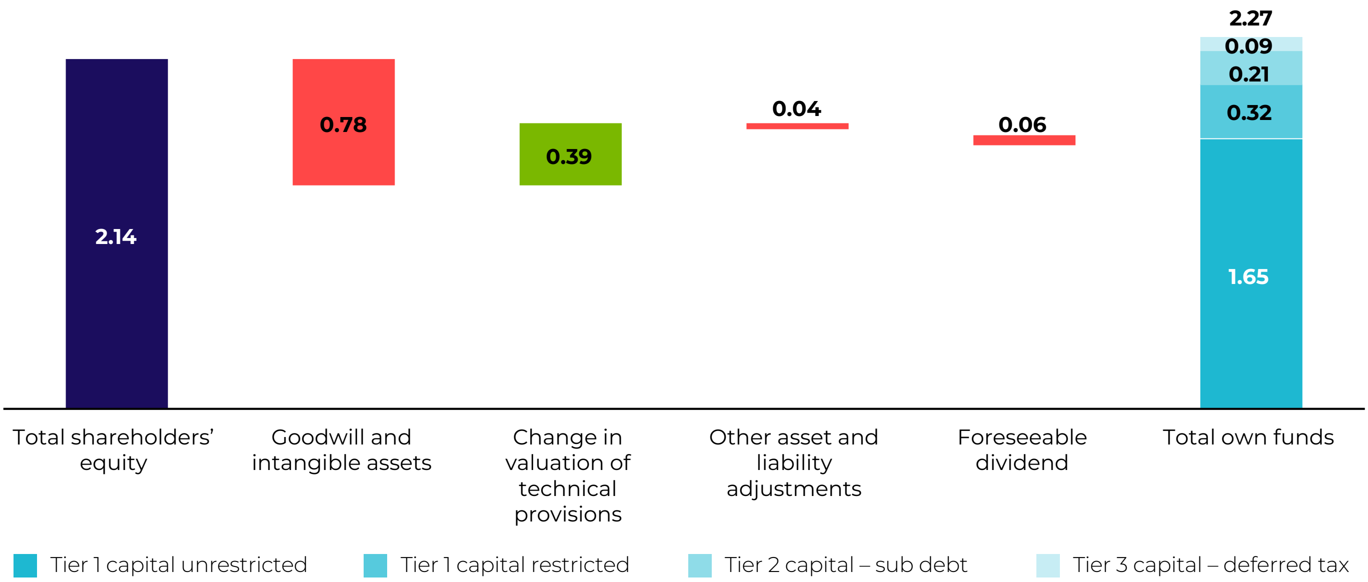
Reconciliation of IFRS shareholders' equity to Solvency II eligible own funds

At 31 December	2024 £bn	2023 £bn
Total shareholders' equity	**2.14**	2.06
Goodwill and intangible assets	**(0.78)**	(0.82)
Change in valuation of technical provisions	**0.39**	0.34
Other asset and liability adjustments	**(0.04)**	(0.07)
Foreseeable dividend	**(0.06)**	(0.05)
Tier 1 capital – unrestricted	**1.65**	1.46
Tier 1 capital – restricted	**0.32**	0.32
Eligible Tier 1 capital	**1.97**	1.78
Tier 2 capital – Tier 2 subordinated debt	**0.21**	0.22
Tier 3 capital – deferred tax	**0.09**	0.13
Total eligible own funds	**2.27**	2.13

Notes:

1. Full year 2023 eligible own funds have been re-presented as explained in the Capital position section of this report.
2. At 31 December 2024 and 31 December 2023 no ineligible Tier 3 capital arose as the Group's available Tier 3 capital was under the amount of Tier 3 capital permitted under the Solvency II regulations (15% of the Group's SCR).

Reconciliation of IFRS shareholders' equity to Solvency II eligible own funds (£bn)



Investment portfolio

Our 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 PPOs and non-PPOs liabilities in an optimal manner; and
- to deliver a suitable risk-adjusted investment return commensurate with our risk appetite.

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.

Asset and liability management

The following table summarises the Group's high-level approach to asset and liability management.

Liabilities	Assets	Characteristics
More than 10 years, for example PPOs	Property and infrastructure debt and index-linked sovereign	Inflation linked or floating
Short and medium term - all other claims	Investment-grade credit	Fixed - key rate duration matched
Tier 1 equity	Investment-grade credit	Fixed
Tier 2 sub-debt	Commercial real estate loans and cash	Floating
Tier 2 sub-debt fixed	Investment-grade credit and cash	Fixed or floating
Surplus - tangible equity	Investment-grade credit, short-term high yield, cash and government debt securities	Fixed or floating

Asset allocation and benchmarks – U K Insurance Limited

The current strategic benchmarks for U K Insurance Limited are detailed in the following table:

	Benchmark Holding 2024	**Actual Holding 2024**	Benchmark Holding 2023	Actual Holding 2023
Investment-grade credit	**61.0%**	**55.7%**	60.0%	43.8%
High yield	**6.0%**	**5.9%**	6.0%	5.4%
Investment-grade private placements	**0.0%**	**1.1%**	0.0%	1.4%
Credit	**67.0%**	**62.7%**	66.0%	50.6%
Sovereign	**13.0%**	**14.4%**	10.0%	13.0%
Total debt securities	**80.0%**	**77.1%**	76.0%	63.6%
Infrastructure debt	**4.0%**	**3.7%**	4.0%	4.1%
Commercial real estate loans	**4.0%**	**2.6%**	6.5%	2.8%
Other loans	**0.0%**	**0.1%**	0.0%	0.1%
Cash and cash equivalents	**7.0%**	**10.9%**	8.0%	24.1%
Investment property	**5.0%**	**5.6%**	5.5%	5.3%
Total investment holdings	**100.0%**	**100.0%**	100.0%	100.0%

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.

Investment holdings and yields[1]

	2024			2023		
	Holding (£m)	**Income (£m)**	**Gross yield (%)**	Holding (£m)	Income (£m)	Gross yield (%)
Investment-grade credit[2]	**2,869.6**	**79.5**	**3.1%**	2,288.1	51.1	2.2%
High yield	**302.7**	**20.0**	**6.8%**	281.2	16.5	5.9%
Investment-grade private placements	**55.7**	**1.8**	**2.9%**	70.6	2.8	3.3%
Credit	**3,228.0**	**101.3**	**3.5%**	2,639.9	70.4	2.6%
Sovereign[2]	**746.0**	**28.5**	**4.0%**	681.2	8.5	1.4%
Total debt securities	**3,974.0**	**129.8**	**3.6%**	3,321.1	78.9	2.4%
Infrastructure debt	**188.7**	**14.7**	**7.3%**	214.2	14.8	6.6%
Commercial real estate loans	**135.5**	**10.0**	**7.1%**	145.9	12.9	7.5%
Other loans	**5.4**	**0.1**	**2.1%**	3.1	0.0	0.4%
Cash and cash equivalents[3]	**791.1**	**58.2**	**5.2%**	1,448.0	65.2	5.5%
Investment property	**287.6**	**17.4**	**6.1%**	277.1	16.1	5.8%
Equity investments[4]	**20.1**	**0.0**	**0.0%**	19.7	0.0	0.0%
Investment fees	**–**	**(8.8)**	**–**	–	(9.3)	–
Total assets under management	**5,402.4**	**221.4**	**4.1%**	5,429.1	178.6	3.5%

Notes:

1. Excludes £298.1 million (2023: £241.8 million) which is invested within money market funds under the 100% quota share reinsurance treaty for the Brokered commercial business, which is operated on a funds withheld basis and is retained as security against the reinsurer's obligations.
2. Asset allocation at 31 December 2024 includes investment portfolio derivatives, which have a mark-to-market liability value of £19.6 million which is split as assets of £19.6 million included in investment grade credit and of £nil included in sovereign debt (31 December 2023: mark-to-market asset value of £12.0 million and £0.4 million liability respectively). This excludes non-investment derivatives that have been used to hedge operational cash flows.
3. Net of bank overdrafts: includes cash at bank and in hand and money market funds.
4. Equity investments consist of quoted shares and insurtech-focused equity funds. The insurtech-focused equity funds are valued based on external valuation reports received from a third-party fund manager.

At 31 December 2024, total assets under management of £5,402 million were 0.5% higher than at the start of the year. Total debt securities were £3,974 million (31 December 2023: £3,321 million), of which 2.2% were rated as 'AAA' and a further 63.1% were rated as 'AA' or 'A'. The average duration at 31 December 2024 of total debt securities was 2.5 years (31 December 2023: 2.1 years).

At 31 December 2024, total unrealised losses on investments held at FVTPL were £90 million (31 December 2023: £137 million unrealised losses).

	Note	FY 2024 £m	FY 2023 £m
Investment income		**207.5**	146.3
Investment fees		**(7.2)**	(7.2)
Net investment income in operating profit – ongoing operations		**200.3**	139.1
Net investment income – Brokered commercial business		**33.6**	35.2
Net investment income – Non-core and Run-off		**1.3**	4.3
Net investment income – total group	4	**235.2**	178.6
Net FV gains	6	**37.1**	124.4
Total investment income recognised through the statement of profit or loss	6	**272.3**	303.0

Net investment income in operating profit for ongoing operations increased to £200 million (2023: £139 million) primarily driven by interest rates remaining high following an environment of global interest rates rising during the first half of 2023, and a phased reinvestment back into investment grade credit more aligned with the Group's benchmark weighting.

Fair value gains were £37 million (2023: £124 million), with a tightening of credit spreads and interest rates accounting for the majority of the movement.

Net asset value

	Note	2024 £m	2023 £m
Net assets	13	**2,137.9**	2,058.2
Goodwill and other intangible assets	13	**(776.3)**	(818.6)
Tangible net assets	13	**1,361.6**	1,239.6
Closing number of Ordinary Shares (millions)	13	**1,301.0**	1,297.7
Net asset value per share (pence)	13	**164.3**	158.6
Tangible net asset value per share (pence)[1]	13	**104.7**	95.5

Note:

1. See glossary on pages 238 to 241 for definitions and Appendix A - Alternative performance measures on pages 242 to 245.

Net assets at 31 December 2024 increased by £80 million to £2,138 million (31 December 2023: £2,058 million) and a reduction in own shares held by the Group, increasing the closing number of shares, resulting in tangible net assets per share increasing to 104.7 pence (31 December 2023: 95.5 pence).

Leverage

The Group's financial leverage reduced slightly to 22.1% (2023: 22.7%).

	2024 £m	2023 £m
Shareholders' equity	**2,137.9**	2,058.2
Tier 1 notes	**346.5**	346.5
Financial debt – subordinated debt	**259.1**	258.8
Total capital employed	**2,743.5**	2,663.5
Financial leverage ratio[1]	**22.1%**	22.7%

Note:

1. Total IFRS financial debt and Tier 1 notes as a percentage of total IFRS capital employed.

Credit ratings

Moody's Investors Service provides insurance financial-strength ratings for U K Insurance Limited, our principal underwriter. Moody's rate U K Insurance Limited as 'A2' for insurance financial strength (strong) and has been put on review for potential upgrade.

Reserving

We make provision for the full cost of outstanding claims from the general insurance business at the statement of financial position date, including claims estimated to have been incurred but not yet reported at that date and associated claims handling costs. We consider the class of business, the length of time to notify a claim, the validity of the claim against a policy, and the claim value. Claims reserves could settle across a range of outcomes, and settlement certainty increases over time. However, for bodily injury claims the uncertainty is greater due to the length of time taken to settle these claims. The possibility of annuity payments for injured parties also increases this uncertainty.

The liability for incurred claims ("**LIC**") reserves are the combination of best estimate of liabilities ("**BEL**") and a risk adjustment, which is set around the 75th percentile on an ultimate basis and provides a margin on top of the BEL reflecting the uncertainty on a best estimate basis. The BEL is set on a discounted basis and includes an allowance for direct and indirect claims handling expenses, as well as events not in data ("**ENIDs**"), set by reference to various actuarial scenario assessments. ENIDs also consider other short- and long-term risks not reflected in the actuarial inputs, as well as the Corporate Actuarial Function's view on the uncertainties in relation to the BEL.

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

The Ogden discount rate for England and Wales increased from minus 0.25% on 11 January 2025. The bodily injury discount rate increased in Scotland and Northern Ireland on 24 September 2024 from minus 0.75% and minus 1.5%, respectively. The impact of potential future changes in the discount rate is shown in the sensitivity table below. Since 2021, we have reduced the level of Motor reinsurance purchased, resulting in higher net reserves for accident years 2021 to 2024.

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

At 31 December 2024, the real discount rate for PPOs is 1.5% (2023: 0.7%), the combination of cash flow weighted inflation and discounting of 3.7% (2023: 3.9%), which allows for increased short-term ASHE 6115 inflation of 6.5% over the next 12 months, followed by a number of years of heightened inflation before reverting to a long term assumption of 3.5%, and a yield curve based discount rate of 5.2% (2023: 4.6%).

The assessment of claims inflation, and the underlying drivers of claims inflation, remains a key consideration in deriving the reserves. Claims inflation is correlated with price inflation but there are several individual factors that are considered in addition, for example the salary of care workers, the price of used cars, judicial costs and repair costs. A range of general and specific scenarios for excess inflation has been considered in the reserving process.

The Group's prior-year reserves development (excluding restructuring and one-off costs) in 2024 was a reserve release of £5 million (2023: £124 million), driven by reserve releases in Motor and Non-core and Run-off, partially offset by reserve strengthening in Non-Motor and Brokered commercial.

Net liability for incurred claims

	31 Dec 2024 Estimate of present value cash flows £m	31 Dec 2024 Risk adjustment £m	**31 Dec 2024 Total £m**	31 Dec 2023 Estimate of present value cash flows £m	31 Dec 2023 Risk adjustment £m	**31 Dec 2023 Total £m**
Motor	**(1,661.8)**	**(77.8)**	**(1,739.6)**	(1,634.9)	(79.9)	(1,714.8)
Home	**(488.3)**	**(20.9)**	**(509.2)**	(483.2)	(22.4)	(505.6)
Total ongoing operations[1]	**(2,150.1)**	**(98.7)**	**(2,248.8)**	(2,118.1)	(102.3)	(2,220.4)
Brokered commercial business[1,2]	**26.8**	**(10.8)**	**16.0**	(354.7)	(18.5)	(373.2)
Run-off partnerships	**(72.1)**	**(2.7)**	**(74.8)**	(136.8)	(4.5)	(141.3)
Total	**(2,195.4)**	**(112.2)**	**(2,307.6)**	(2,609.6)	(125.3)	(2,734.9)

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245.
2. 2024 balances reflects 12 months of the Royal & Sun Alliance Insurance Limited quota-share reinsurance compared with three months in 2023.

Sensitivity analysis – changes in: the discount rate used in relation to PPOs and other claims, the assumed Ogden discount rate and claims inflation

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

	Increase/(decrease) in profit before tax and equity gross of reinsurance		Increase/(decrease) in profit before tax and equity net of reinsurance	
	2024	2023	**2024**	2023
At 31 December	**£m**	£m	**£m**	£m
Discount curve - PPOs				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	**87.0**	95.0	**38.5**	39.0
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	**(115.1)**	(127.8)	**(51.4)**	(52.1)
Discount curve - other claims				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	**65.1**	55.9	**41.3**	37.2
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	**(68.3)**	(58.6)	**(43.2)**	(38.9)
Ogden discount rate				
Impact of the Group reserving at a discount rate of 1.5% compared to 0.5% (2023: 0.75% compared to minus 0.25%)	**143.6**	105.1	**57.7**	48.1
Impact of the Group reserving at a discount rate of minus 0.5% compared to 0.5% (2023: minus 1.25% compared to minus 0.25%)	**(204.9)**	(220.6)	**(73.8)**	(97.0)
Claims inflation				
Impact of a decrease in claims inflation by 200 basis points for two consecutive years	**129.7**	112.8	**73.9**	71.7
Impact of an increase in claims inflation by 200 basis points for two consecutive years	**(131.7)**	(114.6)	**(75.0)**	(72.8)
Risk adjustment (restated)				
Impact of a risk adjustment at the 70th percentile compared to the booked risk adjustment at the 75th percentile	**52.3**	52.3	**26.9**	28.9
Impact of a risk adjustment at the 80th percentile compared to the booked risk adjustment at the 75th percentile	**(61.4)**	(60.5)	**(30.2)**	(33.9)

The PPO sensitivity above is calculated on the basis of a change in the discount rate used for the actuarial best estimate reserves as at 31 December 2024. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.

Notes:

1. These sensitivities exclude the impact of taxation.
2. These sensitivities reflect one-off impacts at the statement of financial position date and should not be interpreted as predictions.
3. The sensitivities relating to an increase or decrease in the discount rate used for PPOs illustrate a movement in the time value of money. The PPO sensitivity has been calculated on the direct impact of the change in the discount rate with all other factors remaining unchanged. The sensitivity is calculated on the basis of a change in the discount rate used for the actuarial best estimate reserves as at 31 December 2024. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.
4. The sensitivities relating to an increase or decrease in the yield curve used to discount all reserves excluding PPOs illustrate a movement in the time value of money from the assumed level at the statement of financial position dates. The sensitivity has been calculated on the direct impact of the change in the discount curve with all other factors remaining unchanged.
5. Ogden discount rate sensitivity has been calculated on the direct impact of a permanent change in the discount rate in England and Wales with all other factors remaining unchanged.
6. The risk adjustment sensitivities are with respect to the discounted risk adjustment at the statement of financial position dates, with the year-end 2023 sensitivities having been restated from an undiscounted basis as reported in the Group's 2023 Annual Report and Accounts.

Reinsurance

The objectives of the Group's reinsurance strategy are to reduce the volatility of earnings, facilitate effective capital management, and transfer risk outside the Group's risk appetite. This is achieved by transferring risk exposure through various reinsurance programmes with the material ones being:

- Catastrophe reinsurance to protect against an accumulation of claims arising from a natural perils event. The retained deductible is £100 million and cover is placed annually on 1 January up to a modelled 1-in-200 year loss event.
- Motor reinsurance to protect against a single claim or an accumulation of large claims, which renews on 1 January. The retained deductible is set at an indexed level of £5 million per claim up to an unlimited amount.
- Motor excess of loss reinsurance for Motability Operations has been renewed with effect from 1 October 2024. The retained deductible is set at an indexed level of £5 million per claim up to an unlimited amount. Motability policies are 80% quota share reinsured.
- Following the Group's sale of its Brokered commercial business to RSA Insurance Limited, quota share reinsurance between the two parties incepted on 1 October 2023, on an earned basis, covering 100% of all premiums earned and claims incurred after this date.
- Whole account (excluding Motability) structured quota share reinsurance with a 10% cessation, ceded on a funds-withheld basis with inception on 1 January 2023 for a three-year term.

Tax management

The Board recognises that the Group has an important responsibility to manage its tax position effectively. The Board has delegated day-to-day management of taxes to the Chief Financial Officer and oversight is provided by the Audit Committee.

These arrangements are intended to ensure that the Group complies with applicable laws and regulations; meets its obligations as a contributor and a collector of taxes on behalf of the tax authorities; and manages its tax affairs efficiently, claiming reliefs and other incentives where appropriate.

Tax authorities

The Group has open and co-operative relationships with the tax authorities with which it deals in the countries where the Group operates, namely the UK, the Republic of Ireland, South Africa and India.

Tax policy and governance

The Group's tax policy has been reviewed and approved by the Audit Committee. The Group Tax function supports the Chief Financial Officer in ensuring the policy is adhered to at an operational level.

For more information please see our published Group Tax policy on the Group's website at:

www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements.html

Total tax contribution

The Group's direct and indirect tax contribution to the UK Exchequer is significantly higher than the UK corporation tax that the Group would ordinarily pay on its profits. The Group collects taxes relating to employees and customers on behalf of the UK Exchequer and other national governments. It also incurs a significant amount of irrecoverable value added tax relating to overheads and claims. Taxes borne and collected in other tax jurisdictions have not been included in this note as the amounts are minimal in the context of the wider UK Group.

During 2024, the sum of taxes either paid or collected across the Group was £1,032.1 million

The Group's 2024 tax contribution is detailed further on page 50 in Society in the Sustainability section.

Jane Poole
Chief Financial Officer

Motor

Operating profit/(loss)

£107m

2023: £(320)m

Gross written premium

£2,700m

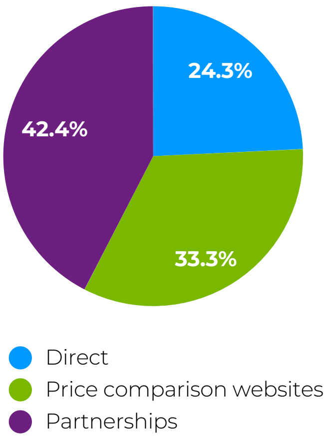
2023: £2,048m

In-force policies (thousands)

3,831

2023: 4,181

Gross written premium by channel



Performance summary

Operating profit of £107 million, an increase of £427 million as the result started to benefit from pricing and underwriting actions taken during 2023.

Gross written premium grew by 31.8%.

In-force policies reduced by 8.4% as we continued to focus on disciplined underwriting. Direct own brand policy count reduced by 13.2%.

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. Alongside a higher investment result, this delivered a £427 million increase in operating profit to £107 million.

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.

Financial summary

	2024 £m	2023 £m
In-force policies[1] (thousands)	**3,831**	4,181
Of which:		
Direct own brands[2]	**2,927**	3,373
Partnerships	**904**	808
Gross written premium[1]	**2,700.0**	2,047.8
Of which:		
Direct own brands[2]	**1,554.9**	1,601.3
Partnerships	**1,145.1**	446.5
Operating profit/(loss)[1]	**107.0**	(319.6)
Profit/(loss) before other finance costs	**207.0**	(274.4)
Net insurance margin[1]	**1.0%**	(21.1%)
Net insurance claims ratio[1]	**74.9%**	95.5%
Current-year attritional net insurance claims ratio[1]	**76.0%**	86.7%
Prior-year reserves development ratio[1]	**(1.1%)**	8.8%
Net acquisition costs ratio[1]	**4.6%**	5.7%
Net expense ratio[1]	**19.5%**	19.9%

In-force policies and gross written premium and associated fees

Motor premiums grew by 31.8% compared to 2023 driven by the Group's partnership with Motability, where we had a full year of premium in 2024 compared to only seven months during 2023. Our partnership with Motability accounts for around 41% of Motor gross written premiums, is developing well and delivered 14% growth in policy count during 2024.

Motor average premiums[2,3]

£	FY 2024	FY 2023
New business	**583**	551
Renewal	**508**	441
Own brands	**530**	470

Overall the motor market remained challenging in the second half of 2024 and we continued to trade with discipline. This resulted in a further reduction in our own brand policy count, which for 2024 was down 13.2%. The reduction in policy count was partly offset by an increase in average premiums, which were in line with market, leading to a 2.9% reduction in our own brand[1] gross written premiums and associated fees. Retention across own brands improved during the year while we also delivered 3% policy count growth in the PCW channel.

Underwriting

The current-year attritional net insurance claims ratio improved by 10.7pts to 76.0% reflecting the benefit from the pricing actions taken during 2023 and 2024 and claims inflation tracking in line with expectations of high single digits. Prior-year reserves saw a release of £21 million compared with a reserve strengthening of £138 million in 2023.

Net insurance margin and operating profit/(loss)

The combination of an improved current-year attritional net insurance claims ratio, and prior year development ratio, delivered a 22.1pt improvement in the net insurance margin to 1.0%, (2023: minus 21.1%). The insurance service result was a profit of £19 million and operating profit was £107 million due to higher investment income.

Profit before other finance costs

Profit before other finance costs improved to a profit of £207 million from a loss of £274 million in 2023 due to the factors described above together with positive movements from changes in the yield curve.

Notes:

1. See glossary on pages 238 to 241 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 246 to 253.
2. Direct own brands include in-force policies under the Direct Line, Churchill, Darwin, Privilege and By Miles brands.
3. Average premium figures quoted relate to Motor own brands excluding the By Miles brand.

Non-Motor

Operating profit

£98m

2023: £130m

Gross written premium and associated fees

£1,032m

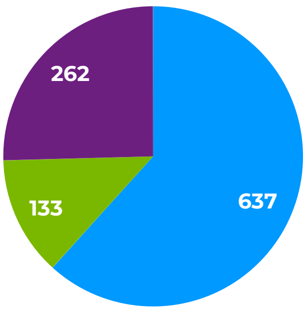
2023: £930m

In-force policies (own brands) (thousands)

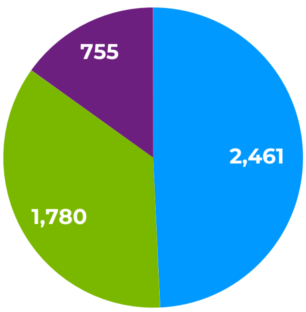
3,469

2023: 3,503

Gross written premium by product (£m)



In-force policies by product (thousands)



Performance summary

Operating profit reduced to £98 million, primarily due to higher weather-related claims and prior-year strengthening.

Total gross written premium grew 11.0% to £1,032 million. Direct own brand gross written premium grew 13.1% to £831 million.

Total in-force policies 3.1% lower at 5.0 million. Direct own brand policies were 1.0% lower at 3.5 million.

Non-Motor delivered a solid result, with double-digit gross written premium growth, a net insurance margin of 8.9% (7.0% when normalised for event weather) and operating profit of £98 million.

In-force policies and gross written premium and associated fees

Non-Motor delivered gross written premium growth of 11.0% during 2024, which is ahead of our target of 7% to 10% CAGR announced at the Capital Markets Day in July 2024. Growth was supported by a double digit increase of 15.5% in Home and 8.8% in Commercial Direct while Rescue premiums were 3.3% lower.

Home own brands returned to policy count growth in 2024 as competitiveness improved due to significant premium inflation in the market, particularly in the first half. Strong retention and a 13% increase in average premiums delivered own brand gross premium growth of 17.5% year-on-year. Home partnerships premium increased by 9.7% during the year.

Financial summary

	2024	2023
In-force policies[1] (thousands)	**4,996**	5,158
Home	**2,461**	2,444
Rescue	**1,780**	1,965
Commercial Direct	**755**	749
Of which: Own brands[2]	**3,469.0**	3,503.0
Gross written premium and associated fees[1]	**1,031.9**	929.8
Home	**636.8**	551.5
Rescue	**132.8**	137.3
Commercial Direct	**262.3**	241.0
Of which: Own brands[2]	**831.3**	734.9
Operating profit[1]	**98.0**	129.7
Profit before other finance costs	**110.4**	156.9
Net insurance margin[1]	**8.9%**	14.0%
Net insurance claims ratio[1]	**59.8%**	57.5%
Current-year attritional net insurance claims ratio[1]	**52.8%**	53.7%
Prior-year reserves development ratio[1]	**2.5%**	0.7%
Event weather ratio[1]	**4.5%**	3.1%
Net acquisition costs ratio[1]	**9.7%**	8.9%
Net expense ratio[1]	**21.6%**	19.6%
Normalised net insurance margin[1]	**7.0%**	10.2%

Home average premiums

£	FY 2024	FY 2023
New business	**259**	206
Renewal	**278**	249
Own brands	**274**	242

In Commercial Direct, gross written premium grew 8.8% compared to the prior year driven by growth in Landlord and small-to-medium enterprises ("**SME**") while Van was broadly stable. Policy count was 0.8% higher as we continued to target growth in the attractive Landlord and SME markets, more than offsetting a reduction in Van policies, where we increased average premiums to take into account elevated levels of inflation. Overall, retention was stable across the Commercial Direct book.

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 we sell a Rescue policy alongside a Motor policy.

Underwriting

The insurance service result was £85 million (2023: £120 million).

The net insurance claims ratio was 59.8%, 2.3pts higher than prior year, with the increase largely driven by higher weather-related claims and prior year strengthening. Weather event-related claims in Home and Commercial were £43 million, £16 million higher than prior year. The 2025 event weather claims assumption is £70 million (2024: £62 million.)

The current-year net insurance attritional claims ratio was 52.8%, 0.9pts lower than prior year. The prior-year claims development ratio was 2.5%, mainly reflecting strengthening in assumptions for subsidence and escape of water claims from older years.

Net insurance margin and operating profit

The net insurance margin was 8.9% or 7.0% when normalised for event weather, 3.2pts lower than prior year. However, underlying margins were strong adjusting for the attritional weather and prior year movements.

Operating profit was £98 million or £79 million normalised for event weather.

Profit before other finance costs

Profit before other finance costs reduced to £110 million from a profit of £157 million at 2023 due to the factors described above alongside a small reduction in benefits received from changes in the yield curve.

Notes:

1. Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 246 to 253.
2. Direct own brands include in-force policies under the Direct Line, Churchill and Privilege brands.

Risk management

Our Risk Management Framework

The Risk Management Framework sets out, at a high level, the Group's approach to setting risk strategy, and managing risks to the strategic objectives and day-to-day operations of the business. The Risk Management Framework is designed to manage the Group's risk proactively and to enable dynamic risk-based decision making.

This includes clear accountabilities and risk ownership designed to ensure that we identify, manage, mitigate and report on all key risks and controls, and is governed through the Group's three lines of defence model:

First line: Management is responsible for embedding risk management into business as usual and change processes whilst creating transparent reporting of risks and management actions. The Chief Controls Office ("**CCO**") supports Management and Senior Management Function ("**SMF**") holders in discharging their responsibilities with respect to risk and control.

Second line: Is responsible for the design of the Risk Management Framework and oversight of its implementation with the provision of proportionate oversight of key business decisions and challenge of risks, events and management actions throughout the Group.

Third line: Group Audit is responsible and accountable for providing an independent and objective view of the adequacy and effectiveness of the Group's risk management, governance and internal control framework.

Aligned to the three lines of defence model, the Risk Management Framework articulates the high-level principles and practices needed to achieve appropriate risk management standards and the inter-relationships between components of the Risk Management Framework.

The Risk Policies and Minimum Control Standards ("**MCS**") are key elements of the Risk Management Framework that interpret risk management control objectives into a set of risk and control requirements to be implemented across the Group. The Group's key controls are aligned to these control objectives and are subject to regular assessment.

The Group uses a systematic approach for the assessment of risks and the controls in place to mitigate risks, through the Risk and Control Self-Assessment ("**RCSA**") process. The objective of RCSA is to ensure that the Group understands the risks to the achievement of its strategic objectives, and to provide reasonable assurance over the effectiveness of mitigating controls, and to ensure an up to date and consistent view of risks and controls.

Risk appetite

Our risk appetite statements define the opportunities and associated level of risk the Group is prepared to accept to achieve its business objectives. These statements, supported by a suite of Key Risk Indicators ("**KRIs**"), support management in making decisions aligned to the risk appetite of the Group. Risk appetite statements are both qualitative and quantitative risk statements and forward- and backward-looking. We review our risk appetite statements and KRIs annually.

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

Overarching risk objective

The Group recognises that its long-term sustainability is dependent on having sufficient economic capital to meet its liabilities, therefore protecting customers, its reputation and the integrity of its relationship with policyholders and other stakeholders. As part of this, its appetite is for general insurance risk, focusing on personal lines retail and small and medium-sized enterprise insurance in the United Kingdom. DLG has appetite for non-insurance risks, as appropriate, to enable and assist it to undertake its primary activity of insurance.

Three strategic risk objectives

1. Maintain capital adequacy

The Group seeks to hold capital resources in the range of 140% to 180% of the partial 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, but a target of 180% of SCR consistent with its Dividend Policy.

2. Stable/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 year insurance, market or credit risk event.

3. 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.

Managing risk in line with our strategy

Our management team, with oversight from the Board, is responsible for developing our strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets, and identified the actions needed to deliver them, including the management of risks arising from the strategic plan.

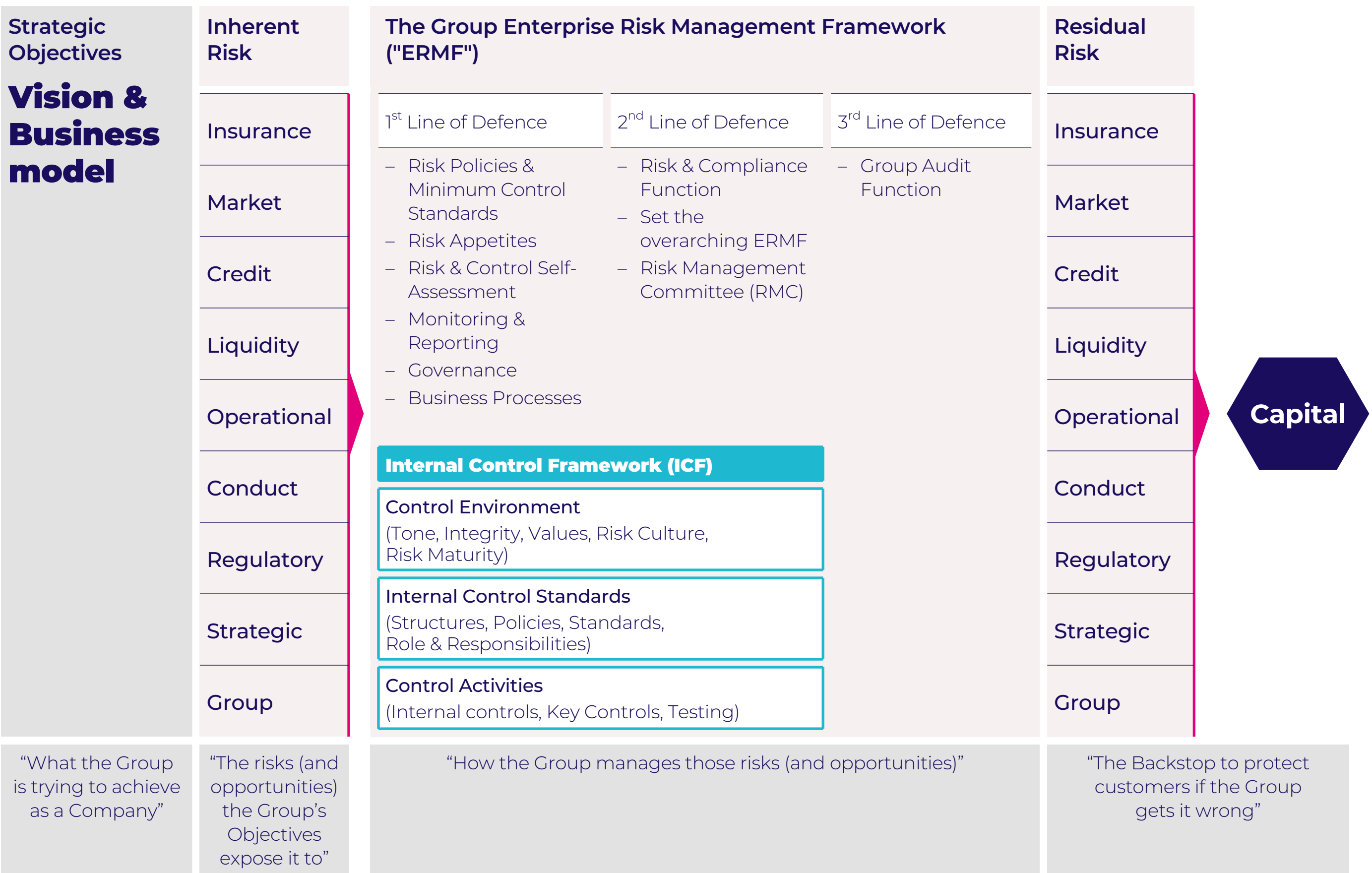
The Risk Strategy supports optimal business decision-making through the proactive identification, assessment and management of risks to the Group and its pursuit to be the customers' insurer of choice.

The Group recognises the need to ensure that:

- the Risk Strategy is aligned to the Group's vision, purpose and strategic objectives;
- risk and capital requirements are managed within the Board's risk appetite;
- the reputation of the Group is maintained;
- strong risk management capability is in place across the business; and
- it drives for sustainable value for shareholders.

This is delivered by ensuring that:

- a robust, proportionate, proactive and forward-looking Risk Management Framework is maintained to support the business in achieving its strategic objectives;
- Risk Strategy aligns to the Group Strategy;
- risk management within the Group is a forward-looking activity;
- strong risk behaviours and attitudes are exhibited across the Group; and
- effective relationships are maintained with the Group's regulators.



Principal risks and uncertainties

Our principal risks and uncertainties have been identified as those most likely to materially impact the Group's solvency capital. These risks and uncertainties have been assessed as events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation. The principal risks presented here are not intended to be exhaustive but are consistent with those reported to the Risk Management Committee and Board Risk Committee for review and discussion.

Principal risk	Description	Risk commentary	
Insurance Risk **Trend – stable**	Insurance risk is the risk arising from insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It takes account of the uncertainty related to the Group's existing insurance and reinsurance obligations as well as to new business expected to be written. It includes the risk of loss, or of adverse change in the value of insurance liabilities, resulting from: – fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements; and – significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (for example catastrophe risk).	Key drivers of the outlook for Insurance risk include reserve, underwriting, distribution, pricing and reinsurance risks. Issues relating to claims inflation, ongoing Motor insurance affordability concerns resulting in the creation of the Motor Insurance Task Force, motor market premium softening and the uncertainty in economic environment, with elevated geopolitical tensions, have been key areas of focus for the Group in 2024. Claims trends have been significantly impacted by persistent claims inflation and large claims, particularly in the motor market, contributing to uncertainty in claims reserving and pricing in 2024 and beyond. This notwithstanding, our reserving processes reflect improved insight in claims experience and inflation trends resulting from extensive work undertaken across the business. In addition, the Group is continuing its pricing and underwriting transformation journey, targeting technical excellence in support of best market practice in line with our strategic objectives. This includes ongoing monitoring of our underwriting risk profile following the launch of the Direct Line for Motor brand on price comparison websites in December 2024. Key risk themes relating to this category include the macroeconomic environment, regulatory and legislative environment, climate, organisational resilience and agility, and a softening motor market. We use scenario testing to understand the potential financial impacts of the key risks and we continue to monitor them closely.	With respect to climate change, this potentially poses significant risks to our business in the longer term, particularly in terms of weather-related perils. It could impact the frequency and severity of events such as floods, windstorms, freezes, droughts, and subsidence, leading to more extreme occurrences in the future. To mitigate our exposure to these extreme weather events, the Group employs reinsurance arrangements and participates in the Flood Re scheme. Additionally, we use stress and scenario testing to quantify the potential short and long term impacts of climate change on our customers, business model, and financial performance. These stress tests particularly focus on the impact on liabilities in the property (Home and Commercial) lines of business.
Market Risk **Trend – stable**	Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.	Key drivers of market risk are the sensitivity of the values of our assets and investments to changes in credit spreads, our exposure to losses as a result of changes in interest rates, term structure or volatility, and wider market volatility, including the key risk themes of the impact from the macroeconomic environment and geopolitical landscape. In particular, the worldwide and UK economic environment remains uncertain with elevated geopolitical tensions that could affect equity, credit and property markets and lead to credit spread increases, foreign exchange rate volatility and the impact of interest rate changes.	Our Board has approved a strategic asset allocation and investment strategy that limits our exposure to individual asset classes and illiquid investments. Technical provisions are affected by changes in interest rates and inflation, and in particular Periodic Payment Orders as these are of longer duration. We apply asset liability matching techniques to partially mitigate these sources of risk. We also use risk reduction techniques such as hedging foreign currency exposures with forward contracts.

Principal risk	Description	Risk commentary
Credit Risk **Trend – stable**	The risk of loss resulting from default in obligations due from, and/or changes in the credit standing of, issuers of securities, counterparties or any debtors to which the Group is exposed.	The Group monitors its key counterparties, specifically the security of the issuers within its investment portfolio and that of its reinsurance counterparties. To manage credit risk, we set credit limits for each material counterparty and actively monitor credit exposures, whilst also considering new future exposures. With respect to reinsurance counterparty credit risk, our exposures are mainly held with reinsurers with high credit ratings. Reinsurance is only purchased from reinsurers that hold a credit rating of at least A– for short tail reinsurance and the majority of long tail reinsurance is to be purchased from reinsurers rated A+ or above. Exceptions to the above or strategic reinsurance arrangements are assessed on a case-by-case basis and follow clearly defined internal credit risk processes. Finally, we also have well defined criteria to determine which customers and brokers are offered and granted credit.
Operational Risk **Trend – stable**	Operational risk is the risk of loss due to inadequate or failed internal processes or systems, including from human error or from external events. Risks relating to this category include, technology and infrastructure, change, cyber, operational disruption, financial reporting, and procurement and outsourcing.	Our approach is to manage our operational risks proactively, to mitigate potential customer harm, regulatory or legal censure, financial, reputational, or environmental, social, governance ("**ESG**") impacts. This is principally achieved through robust control, and the Group is continuing to strengthen its control environment through various improvement initiatives across the business. This includes implementation of a new Risk & Control Self-Assessment process, facilitated by a new Chief Controls Office function in the first line, ensuring greater consistency in control assessment and testing. Material progress has been made in 2024, with further embedding to continue into 2025. Technology and infrastructure risk is defined as the risk of loss resulting from inadequate or failed information technology processes through strategy, design, build or run components internally or externally provisioned. This includes IT resilience and cyber security. Changes to our technology environment follow an industry standard service management framework that provides risk assessment, planning, testing and validation prior to production with ongoing control and performance monitoring. Change risk is defined as the risk of failing to manage the change portfolio and associated change initiatives, within desired scope, time, cost, quality and Group risk appetite, leading to a failure to deliver strategic benefits, good customer outcomes and possibly causing business disruption. The Group's Transformation Management Office ("**TMO**") is responsible for implementing and embedding changes to further mature our organisational change portfolio management, delivery capability, and associated control environment. Cyber risk arises from inadequate internal and external cyber security, where failures impact the confidentiality, integrity and availability of our data. The Group's Chief Information Security Officer is responsible for ensuring the appropriate cyber security policies and controls are in place and operating effectively. Operational disruption risk is the risk of failing to deliver products and services at an acceptable predefined level following disruptive events. The Group's Operational Resilience Framework sets out requirements for maintaining resilience which includes, identifying Important Business Services ("**IBS**"), setting tolerances, and regularly assessing the Group's ability to remain within these tolerances during disruptions. The Group has planned mitigations in the event of a disruptive event and monitors a suite of IBSs. All IBSs undergo scenario testing, as per regulatory guidelines, to identify vulnerabilities and develop suitable mitigations. Financial reporting risk is defined as 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. 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 as announced on 23 August 2024. The Group has taken action to strengthen the control environment in relation to the specific area where the miscalculation occurred. Procurement and outsourcing is the risk of an outsourcing arrangement that is deemed critical or material failing to deliver the service provision in question to the expected levels. The Group adheres to a defined framework for the appointment and management of suppliers, outsourcing arrangements and Intra-Group relationships. The Group manages its suppliers through ongoing oversight and assurance.

Principal risk	Description	Risk commentary	
Conduct and regulatory compliance risk **Trend – stable**	The risk of failing to deliver good customer outcomes and/or failing to deliver on our regulatory commitments.	The Group sees its obligations to deliver good customer outcomes as a priority area of focus. Our 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 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. We have continued to engage with industry bodies, regulators and HM Treasury regarding the future regulatory framework within the UK.
Strategic Risk **Trend – stable**	The risk of direct or indirect adverse effects resulting from strategies not being optimally chosen, implemented or adapted to changing conditions.	Strategic risk is influenced by internal and external developments, including the potential impacts of the cost of living, regulatory change, changing trends for insurance products, the potential for new and ongoing geopolitical conflicts, and climate-related risks. These factors continue to have an impact on the delivery of the Group's Strategy due to a high level of uncertainty in the market and changes in consumer behaviour and engagement models. Delivery of our strategy is being closely monitored and managed with the support of the Group's Transformation Management Office.	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 our regular and project risk reporting processes.

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 in place an emerging risks process 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 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 report 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 prioritising 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 relating to 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.

Sustainability

Direct Line Group believes that responsible business behaviour is the key not only to being a sustainable business but also a successful one. It supports our vision of insurance as a force for good in society and builds trust among the Group's stakeholders.

Ensuring a sustainable future for the Group means taking positive action on environmental, social and governance issues. This includes fair treatment of customers and colleagues, transparency on climate-related risks, high standards of conduct in business relationships and making a positive contribution to UK society.

This section aims to provide the non-financial and sustainability information sought by investors and other stakeholders. It sets out the practical ways in which legal requirements under the Companies Act and other measures, including climate-related reporting, are carried out.

For more information on corporate governance, see the report on Pages 75 to 100.

To reflect the Group's priorities as a responsible business, this section organises the information under five pillars: Customers, People, Society, Planet and Governance.

Our vision

To create a world where insurance is personal, inclusive and a force for good

	Customers	People	Society	Planet	Governance
Ambitions	**Earn our customers' trust by demonstrating how we are acting in their interests**	**Encourage a culture that celebrates difference and empowers people so they can thrive**	**Use our expertise to improve outcomes for society and the communities we serve**	**Protect our business from the impact of climate change and give back more to the planet than we take out**	**Look to the long term for our stakeholders, build a reputation for high standards of business conduct and develop a sustainable business**
Priority areas	– Good customer outcomes – High service levels – Inclusive and accessible digital journeys – Develop products that offer better choice and value for money	– High workplace standards – Fair outcomes for all colleagues – Invest in skills and career development – Increase representation in our Senior Leadership	– Improve employability skills and access to employment for under represented young people – Colleague engagement	– Reduce operational emissions – Decarbonise investment portfolio – Manage climate-related risks and opportunities – Engage and align suppliers with environmental aims	– Robust corporate governance and effective leadership – Ethical and professional conduct – Responsible procurement – Responsible use of data and technology
2024 actions	– Launched Churchill and Direct Line apps – Developed proposition for Direct Line launch on Price Comparison Websites – Rolled out new home platform	– New target operating model – Improved skills – Made some progress against diversity targets	– Young people positively impacted through Community Fund outreach programmes – Colleagues engaged in Community Fund programmes – Announced new Community Fund charity partners	– Further reduced operational emissions (Scope 1 + 2) by 3% compared to 2023. – Further reduced commercial real estates investment emissions by 20% year on year. – Increased supplier sustainability weighting to 10% in the procurement process	– 99.5% of colleagues trained on Business Code of Conduct and associated standards – Introduced new AI responsibility framework and risk assessments – Over 95% of suppliers paid on time (under 30 days)

Non-financial and sustainability information statement

This non-financial and sustainability information statement highlights information necessary for an understanding of the Company's development, performance, position and impact of its activity, information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters.

Where possible, the following table states where additional information can be found that supports the requirements of sections 414CA and 414CB of the Companies Act 2006.

Reporting Requirement	Annual Report	Page	Relevant policies, statements and codes available at directlinegroup.co.uk
Environment	Sustainability	44 to 57	Environment Statement
	Task Force on Climate-related Financial Disclosures	58 to 71	
	Streamlined Energy and Carbon Reporting	72 to 73	
Anti-bribery and anti-corruption	Financial crime and anti-bribery and corruption	108	Prevention of Financial Crime Policy Code of Business Conduct
	Ethical Code for Suppliers	55	Ethical Code for Suppliers Whistleblowing Policy
Employees	People	15 to 18 48	Flexible Working Policy Health & Safety Policy
Business model	Group at a glance – our business model	2	Prompt Payment Code
	Our investment story and strategy	3	Responsible Investment Policy
	Delivering for our customers	4 to 5	Underwriting Standards
			Tax Policy
Social and community matters	Society	49 to 50	Board Diversity Policy
	Nomination and Governance Committee report – Diversity and inclusion	110	Data Privacy Policy
			Corporate Website Privacy Notice
Human rights	Human rights and modern slavery	55 and 112	Human Rights, Diversity and Inclusion Policy Modern Slavery Statement
KPIs	Our financial key performance indicators	7	
	Colleague engagement	15	
	Net Promoter Score	47	
	Operational emissions	53	
Risk management	Risk management	38 to 43	
	Principal risks and uncertainties	40 to 42	
	Emerging risks	43	

The table below has been produced to comply with the requirements of section 414CB of the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022. The information listed is incorporated by cross-reference.

Reporting requirement	Page	Further information
(a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities	58 to 59	Refer to Governance
(b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities	72 to 73 59 58 to 71	Refer to Risk Management Refer to Management's role Additional information available throughout TCFD report
(c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process	72 to 73	Refer to Risk Management
(d) a description of: – (i) the principal climate-related risks and opportunities arising in connection with the company's operations; and – (ii) the time periods by reference to which those risks and opportunities are assessed	69	Refer to table within Our strategic response
(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy	69 to 71	Refer to Our strategic response
(f) an analysis of the resilience of the company's business model and strategy, taking into account consideration of different climate-related scenarios	61 to 68	Refer to Scenario analysis
(g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets	70, 71 and 71 to 73	Refer to Science-Based Targets
(h) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based	71 to 73	Refer to Metrics and Targets

Customers

"In 2024 we took the momentous decision to put our best known brand, Direct Line, on Price Comparison Websites so we are offering even more choice to motor insurance consumers."

The Group has two of the UK's iconic motor insurance brands in Direct Line and Churchill. It is in the top three for Motor and Home[1], number one for single property Landlord[2] insurance and has the UK's third largest Rescue provider in Green Flag[3].

In 2024, we focused on strengthening our performance in our core businesses of Motor, Home, Commercial Direct and Rescue alongside reducing costs and improving our claims capabilities.

We are aiming for excellence through all stages of the customers' journey in order to become their insurer of choice. We have invested over the past two years in digitalising that journey and the transformation has further to run in 2025. Our approach to earning customers' trust can be broken down into three themes: choice, value for money and service.

Choice

- **More choice:** Churchill, Darwin, Privilege and By Miles have been available on price comparison websites for many years and this year we took the momentous decision for Direct Line to join them. This went live on Compare the Market in December 2024.
- **Essentials policies** meet the needs of drivers who want core insurance cover and are willing to trade additional elements for a lower premium. First launched by Churchill in 2022 via a leading price comparison website, a large proportion of new sales are being driven by this product. Direct Line Essentials was launched in September 2023 and we have identified a similar opportunity for a Home Essentials product and are designing one for launch in 2025.
- **By Miles**, where customers pay according to car usage, launched Connect for Volvo drivers in August enabling these customers to purchase a By Miles policy without requiring a separate Miles Tracker. This takes the number of vehicle manufacturers on our Connect platform to six.
- **Enhanced renewal options:** We launched a new retention toolkit that offers contact centre colleagues better support when having conversations with renewal customers. Also, for renewing customers who pay in full, we now show a monthly payment option to make it clear the cost can be spread.
- **Expansion of Green Flag's own patrols:** Green Flag launched its own patrol service in 2023 in Scotland and the West Midlands. In 2024, Yorkshire, the Northwest and East Midlands were added and coverage is being extended across the Midlands and southern England in 2025. The new service, which last year fixed 95% of the problems it responded to at the roadside, complements the independent network of third-party roadside rescue operators who carry out more complex recoveries. In 2024 our patrols attended 19,491 customers, reaching them, on average, in 54 minutes.
- **Commercial Direct** put tool theft on the agenda with a campaign to draw attention to the impact these losses have on tradespeople. We provided practical advice on how to protect tools and other property. Our data was widely reported by the media, helping to drive awareness.

Value for Money

- To help with the cost of living challenge we offered an Essentials range to customers and through our By Miles brand, which ties premiums to car usage, offer customers better choice and ways to control their insurance costs. Customers can also use the new Churchill and Direct Line Apps to tailor policies to their needs.
- Independent benchmarking by Consumer Intelligence confirmed Green Flag offered more competitive pricing than AA and RAC, across all cover levels, for both vehicle and personal cover.
- Commercial Direct's Landlord product won the What Mortgage best landlord insurance provider for the 12th year in a row and scored 4.7/5 on Trustpilot.
- **Darwin smart pricing:**
  - Improved pricing: We significantly improved our pricing capability allowing us to offer competitive prices to more UK drivers.
  - Renewals research: In 2024, we incorporated additional feedback from customers into pricing and customer experience improvements in our renewal journey resulting in a step change in retention rates.

Notes:

1. Source: Ipsos Mori – FRS, January to December 2024.
2. Source: Consumer Intelligence Market Benchmarking – September & December 2024, 500 risks per month.
3. Mintel Vehicle Assistance and Recovery UK Oct 2024.

- Premium Finance: With rising costs, more customers are looking to spread the cost of insurance across their policy term. Darwin has reviewed this scheme aiming to minimise barriers and to offer an appropriate rate of interest. In 2024 we piloted and rolled out a new scheme which reduced the initial deposit and extended the remaining payments over a longer period. Learnings from the Darwin pilot also allowed us to extend this scheme across our other brands.
- The Green Flag partnerships team collaborated with Virgin Money to upgrade the level of Rescue cover for their Club M packaged bank account customers. Before this upgrade customers only had access to local cover. Following the upgrade, National and European Cover became available on 1 February 2024, along with other new benefits including Onward Travel and Personal Cover in the UK.
- Working with Apple and utilising its robust satellite services, Green Flag is the first UK breakdown brand to offer rescue services as part of Apple's Roadside Assistance via satellite on iPhone.

Service

- Better customer experience: enhanced digital capabilities have enabled customers to manage their policies better. Two Apps were launched in 2024, Churchill in July and Direct Line in September. Customers can use them to change cover, view policy documents, start a claim and get support on the go. By the end of the year, 205,531 customers were using the Apps, growing at an average rate of 1,181 sign-ups a day. The Churchill app reached #4 in the Finance charts towards the end of October and is rated 4.5/5 on iOS App Store, on which Direct Line is rated 3.95.
- "MyAccount": one time passcode was introduced to make it easier for customers to access their online insurance information without the need to remember a password. Since its rollout from early 2024, this service has increased successful sign ins by 20% and reduced customer password resets by almost 90%.
- Our dedicated personal insurance advisors visit customers when they've been impacted by flooding, to assess the damage to the home and provide much needed advice and reassurance. Advising on appropriate alternative accommodation, if required, is the first and main action taken to ensure the safety of impacted customers. They also provide guidance on what is safe to do and not do during the time water is inside the property. The Group engage with policymakers and others to highlight the importance of flood defences and infrastructure to protect properties from the risk of flood, as part of an effective and sustainable flood resilience strategy.
- Claims tracking and repairs efficiency: The Group has improved the digital experience in motor claims so that customers can track progress online, reducing the need to call for updates. This has fed into improved Net Promoter Scores.
- In DLG Autocentres, the average repair time[1] of 24.2 days is ahead of the national average time at 34.4 days. Our own garages also compare well with 3rd party network providers for both customer experience and cost to repair.
- To keep pace with the most up to date repair techniques and the highest customer safety standards, we've launched our innovative Vehicle Damage Assessor accreditation programme. What's more, we are one of the few organisations in the UK that is equipped to offer this certification in our training centre based in our flagship Stechford Technology Centre. Our training is recognised by the Institute of the Motor Industry.
- The Direct Line Motability team has improved their interaction with customers. All frontline teams are experienced in supporting customers with dementia and many have also had autism awareness training. By the end of 2025 all frontline teams will have completed their autism awareness training. They also launched a "Hyper Care" team to ensure that when the most vulnerable customers make a claim there is dedicated support on hand so customers understand the next steps and feel supported and informed. This customer centric approach has helped us attain an overall average end of amendment customer score of +91 NPS and end of claim customer NPS score of +80. (TLF data).
- **Overall the Group's Net Promoter Score[2] increased across 2024 ending the year at 52.2 improving from 50.1 in 2023.**

Green Flag Apple Satellite case study

When a customer's car began billowing smoke on a remote road in North Wales, she found herself alone, isolated and without any mobile phone signal. Using Apple's Roadside Assistance via satellite on iPhone she contacted Green Flag who responded within a minute. In a panic, she accidentally provided her own phone number instead of her mother's for her family to be informed she was safe. Our team quickly identified the error, located the correct number, and reassured her family. After quickly dispatching a rescue vehicle, we sent regular updates to support our customer, ultimately leading to a safe resolution.

September 2024 Which? Best Buy Buildings & Contents Insurance

What Mortgage Awards 2013–2024 Winner Best Landlord Insurance Provider

Inclusive Top 50 UK Employers

The Institute of Customer Service

Notes:

1. Cycle Time taken from Activeweb.
2. The Group's NPS is calculated using Churchill, Direct Line and Green Flag responses from customer surveys after purchase, amend, claim, cancel and renew (Green Flag is rescue claim only).

People

> **"Colleagues have raised their skill levels to help meet the goal of technical excellence and used their experience to adapt to new ways of working."**

The Group has focused on encouraging and enabling colleagues to play a clear role in improving the Group's performance.

This has involved embedding a high-performance culture based on the brand's core values of customer service and teamwork. Colleagues have raised their skill levels to help meet the goal of technical excellence and used their experience to adapt to new ways of working. A simpler operating structure has improved accountability for delivering better performance.

Building skills and capabilities

Our training and development programmes are focused on building essential skills to meet our customers' needs, making the most of new digital platforms. Technical skills are being upgraded across the Group, from data analysis to our in-house automotive service centres. Our apprenticeship and graduate programmes make a key contribution to this.

Graduates

A fifth cohort of graduates with a STEM degree joined our Technical Engineering Programme within Automotive Services. Graduate schemes are rare in the automotive industry and we offer a number of Institute of the Motor Industry accredited qualifications. Our programme is flexible, allowing graduates to experience different aspects of the business and pursue different paths, including data analytics.

A diverse and inclusive business

In the past year we've moved our Diversity & Inclusion ("**D&I**") partner into our Leadership, Talent and Early careers centre of excellence, as part of the People Partner and Organisational Effectiveness team. This ensures we take a holistic and pragmatic approach, using data to identify opportunities to improve equity and inclusion across all people processes. We've also aligned our D&I priorities with the new Group strategy, contributing to a high performing business.

Our shift in approach is driven by clear D&I objectives set by senior leadership and implemented throughout the organisation. Our commitment has been recognised by a jump from 17th to 12th in the 2024/25 Inclusive Top 50 UK Employers rankings. Highlights cited by the judges included improved representation of under-represented groups at senior level; bias mitigation in performance management training; and a social mobility network.

The work done in 2024 focused on building talent pipelines, enhancing leadership capability, meeting regulatory requirements and achieving equitable outcomes in performance management. Here are some examples:

- new targets to increase representation at senior leadership level of females to 40% and ethnic minority colleagues to 16% (including Black colleagues to 4%) by the end of 2027
- we've made significant progress towards our female target increasing by 4.1% year on year but have more work to do to seek to ensure ethnic minority representation continues to increase. Current initiatives include targeting diversity in recruitment shortlists, setting leadership objectives for representation in succession and developing our internal talent development methods to support those from underrepresented groups
- senior leadership championing D&I, supported by employee-led "DNA" strands (Belief, Families & Carers, Gender, LGBTQ+, Neurodiversity and Disability, Race and Ethnicity, and Social Mobility)
- comprehensive policies to encourage dignity and respect, zero tolerance of bullying and harassment, clear processes to report incidents
- a communication strategy that ensures we keep D&I top of mind, driving accountability and allyship beyond our employee networks with regular contributions from the ExCo
- using data to identify focal areas to address change such as representation of females in our Motor Network.

Ignite Apprenticeship Programme

The Ignite apprenticeship programme, launched in 2022, celebrated 159 completions in 2024 with standout results: 56% achieved distinction and 17% earned merit.

At the end of the year, 257 colleagues were actively engaged in apprenticeships across the Group. Of these, 32% were focused on data and technology and 45% on vehicle repair, with the remainder developing vital business skills. Among the 127 new apprentices in 2024, 68 were new hires with 62% of those joining auto services and a further 25% dedicated to Motability. We utilised 81% of our apprenticeship levy, with 10% of our spending supporting local communities and smaller enterprises.

We are working with The Schools Outreach Company to increase the number of female applications for our vehicle repair apprenticeship and have signed up to the Automotive 30% Club (aiming to fill 30% of key leadership positions across the Automotive industry with females by 2030). Targets have been set to increase the number of females in leadership positions within the Auto Repair Network.

Society

"The number of students likely to consider a career in insurance rose from 13% pre-programme to 95% afterwards. The Group has started to hire participants into paid roles."

A key part of our responsible business strategy is to use our expertise and resources to improve outcomes for society and the communities we serve. When our communities prosper, so does our business and so does the sense of well-being among our colleagues.

Community Fund

The Community Fund helps to build a more inclusive and equitable society by supporting disadvantaged young people in their quest for a brighter future. This complements our commitment to being an inclusive and diverse employer, which helps us to attract and retain a wide range of talent.

Our Bright Futures programme connects our colleagues with young people from lower socio-economic backgrounds via volunteering opportunities to help them acquire the knowledge and networks they need to improve their employment chances.

In 2024, our colleagues gave 2,027 volunteering hours to support more than 11,000 disadvantaged young people through activities ranging from paid work experience to mentoring. This more than doubled the total number reached since the launch of the programme in September 2022.

Around half of these young people completed our virtual work experience programme, with 43% based in coastal or rural "cold spots" (regions with low social mobility). Of these, 38% were eligible for free school meals and 28% came from ethnic minority backgrounds. The number likely to consider a career in insurance rose from 13% pre programme to 95% afterwards. The Group has started to hire participants into paid roles such as apprenticeships.

Our commitment to social mobility was recognised by the Social Mobility Foundation Employers Index as we rose eight places to 60. The Index measures eight areas of employer-led social mobility including recruitment approach, internal progression opportunities and engagement with young people.

In 2024, the Community Fund donated £50,000 to four new charity partners – Parenting Mental Health, Race Equality Matters, employment support programme charity SPEAR and The Diversity Trust. Each organisation focuses on at least one of the fund's strategic areas, such as increasing minority group inclusion and improving outcomes for social mobility.

Charitable giving

Participating in charity initiatives enhances employees' engagement with the company by fostering a sense of belonging and connection, enabling them to align their professional roles with personal values.

We launched a new volunteering platform, "Neighbourly", in May which provides market-leading data insights and reporting capabilities. It found that 90% of volunteers reported a positive change in their feeling of connection to the Group and 60% upgraded their coaching skills. Our Community & Social Committees continued to help colleagues get involved in community activities and support fundraising ventures.

Colleagues can support good causes in three main ways: 'give as you earn', for which the Group earned a Platinum Payroll Giving Quality Mark Award; community cashback – each individual can apply for £250 to support their volunteering or fundraising activity; and 'Change for Charity' – in 2024 donations deducted from monthly pay went to MIND.

WhizzKidz: through our partnership with the charity devoted to young wheelchair users, we donated £10,000 to children living near our offices. With this partner, we also ran a Disability Awareness Training session for more than 100 colleagues.

Insure Your Future – The Group spearheaded an industry-wide collaboration with five insurers to expand career opportunities in the sector for 500+ students from diverse backgrounds.

Direct Line Group financially contributed to SPEAR programme in London and Leeds to support young people, who may be care-experienced, receiving state welfare, or have a disability or neurodifference, to find ways into employment. We also collaborated with them on their "Hire Me" events to help other students from lower socioeconomic backgrounds to find jobs. The Group's colleagues volunteered to participate in career events, CV support sessions, and mock interviews. We are proud that our investment in SPEAR promotes social mobility in communities local to our offices and aligns to our objective of being an equitable and inclusive employer.

Values in action

As a leading insurer, we conduct research and mount campaigns that tackle societal challenges.

In 2024, Churchill uncovered the shocking statistic that 1,200 children are injured every month in traffic collisions within 500 metres of a school. Film evidence from key locations revealed that 10% of children were using their phones while crossing the road and one in five secondary school pupils were hit or narrowly missed by vehicles whilst using their phones. We launched a campaign – 'Eyes up, screens down' – to highlight the dangers.

On 'Drink Driving', we delivered a campaign to raise awareness of the danger of being over the legal alcohol limit following a wedding. Research revealed that 29% of people have 16 or more drinks at a wedding and one in six admit they could still be over the limit the morning after. The campaign highlighted the time it takes for alcohol to leave the system and urged people to think before getting behind the wheel.

The Group's in-person career insight sessions, held at our offices or delivered by a Group employee, catered for 6,300 young people, of whom 84% were eligible for free school meals and 89% were from ethnic minority backgrounds.

Insure Your Future event: As part of National Careers Week, we brought together several insurance companies to introduce young people (aged 16-20) from diverse backgrounds to a career in insurance. 510 students took part in the business simulation exercise and by the end of the day there was a 27% increase in attendees agreeing that they could see themselves working in insurance.

Bright Futures: Students enhance their teamwork, communication, and commercial awareness during a Insurance Business simulation in London.

Our 2024 tax contribution

In accordance with applicable tax laws and regulations and our responsibilities both as a contributor of corporate taxes and as a collector of taxes on behalf of HMRC, in 2024 the Group's net tax contribution was £1,032.1 million, which includes the Group's direct and indirect taxation.

Our customers	IPT	**£392.1m**
Our suppliers	VAT	**£32.7m**
Our people	PAYE NIC	**£119.6m**
Our operations	Other taxes including business rates	**£10.7m**
	Irrecoverable VAT	**£369.9m**
	Employers NIC	**£52.1m**
Our performance	Corporation Tax	**£55.0m**

HM Treasury

£1,032.1m[1]

Net tax contribution

Society

- Public services
- Healthcare
- Infrastructure
- Welfare
- Education
- Defence

Note:

1. The Group's total tax contribution in 2024, including direct and indirect tax contributions.

Planet

"In 2024, 21% of managed suppliers had signed up to SBTi-aligned decarbonisation targets or an equivalent."

For more information, please see page 54.

Planet

Our strategic focus on climate change aims to reduce our impact on the environment and manage the impact of climate change on our business, playing a part in accelerating the transition to a low-carbon future.

Our climate ambition is to be a Net Zero business across scopes 1, 2 & 3 by 2050. Management's priorities are to decarbonise our most carbon-intensive activities, protect our business from the impact of climate change (see Task Force on Climate-related Financial Disclosures report on pages 58 to 71) and support our customers in the transition to a low-carbon economy.

Science Based Targets

In 2024, we continued to deliver against our five Science-Based Targets ("**SBTs**"), which are aligned to a 1.5°C pathway and were approved by the Science Based Targets initiative ("**SBTi**") in 2022. We plan to continue to drive initiatives to decarbonise our operational and investment emissions.

From 2025, we expect that updated sector guidance from SBTi will enable us to create a new baseline for emissions, expand the scope of our SBTs and further develop the transition plans consistent with our Net Zero ambition.

Our climate ambition

To become a Net Zero business across scope 1, 2 & 3 by 2050

Management priorities

Decarbonising our accident repair centres and office estate	**Decarbonising our investment portfolio**	**Engaging our supply chain**	**Supporting customers in the low carbon transition**	**Enhancing management of climate-related financial risks and opportunities**

Science-Based Targets to support our ambition

Operational emissions (Scope 1 & 2)	**Investment portfolio (Scope 3): Corporate bonds**		**Investment portfolio (Scope 3): Commercial property**	**Investment portfolio (Scope 3): Real estate loans**
1. Reduce emissions by 46% across our office estate and accident repair centres by 2030[1]	2. Align our scope 1 & 2 portfolio temperature rating to 2.08°C by 2027	3. Align our scope 1, 2 & 3 portfolio temperature rating to 2.31°C by 2027	4. Reduce emissions from our commercial property portfolio by 58% per square metre by 2030[1]	5. Reduce emissions from our real estate loans portfolio by 58% per square metre by 2030[1]
In 2024, we reduced our operational Scope 1 & 2 emissions by 46% compared to 2019	In 2024, the temperature rating of the Scope 1 & 2 portfolio was 2.01°C	In 2024, the temperature rating of the Scope 1, 2 & 3 portfolio was 2.31°C	In 2023, we reduced emissions from our commercial property by 39% per square metre[2]	In 2023, we reduced emissions from our real estate loans by 26% per square metre[2]

Notes:

1. Against a 2019 baseline.
2. Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, progress against our commercial property and real estate loan targets is reported with a one-year time lag.

Science-Based Targets

The Group made good progress in 2024 and is on track to deliver against its Science-Based Targets. Last year we reduced our operational Scope 1 & 2 emissions by 5%[1] compared to 2023. This amounts to an overall reduction of 46%[1] against our 2019 baseline, meaning we have delivered against our 2030 target early.

2024 performance | **Progress against targets**

Operational emissions (Scope 1 & 2)

Covering

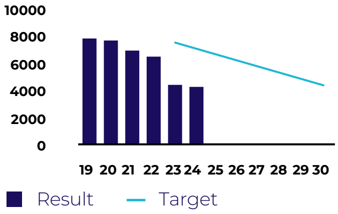
Operational footprint

Our buildings and garage network Including our 23 auto services sites and 13 offices.

Targets

T 1. Reduce emissions by 46% across our offices and accident repair centres by 2030 against the 2019 baseline.

Operational emissions (Scope 1 & 2)



In 2024 we further reduced these emissions by 5%[1] compared to 2023 as we continue to make progress in downsizing and investing in our office estate, electrifying our auto services sites and using alternative fuels in our recovery trucks.

Overall, we have now reduced our Scope 1 and 2 emissions by 46%[1] against our 2019 baseline meaning we have delivered against our 2030 target early. Our work will continue this year and beyond as we look to renegotiate our renewable energy contracts and continue the electrification of our auto services sites.

Investments (Scope 3)

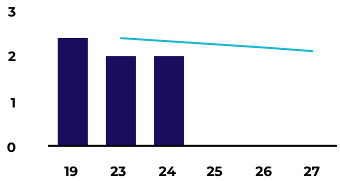
Corporate bonds

The largest asset class in our investment portfolio and typically short-duration holdings.

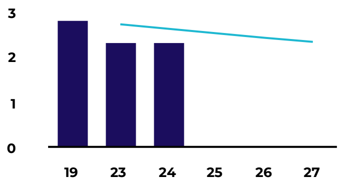
T 2. Align our Scope 1 and 2 corporate bonds portfolio temperature rating to 2.08°C by 2027 from 2.44°C in 2019.

T 3. Align our Scope 1, 2 and 3 portfolio temperature rating to 2.31°C by 2027 from 2.80°C in 2019.

Corporate bonds Scope 1 and 2 temperature rating



Corporate bonds Scope 1, 2 and 3 temperature rating



Our performance in 2024 shows we were successful in reducing the temperature rating of this portfolio to 2.01°C for Scope 1 & 2 against our 2019 baseline of 2.44°C (Target 2) and to 2.31°C for Scope 1, 2 & 3 (Target 3) against our 2019 baseline of 2.8°C. This means we have hit our 2027 targets early, something we have achieved through working with our investment managers and providing them with clear mandates.

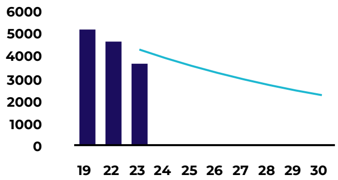
Reductions have been largely driven by an increasing number of investee companies achieving lower temperature ratings by setting ambitious greenhouse gas reduction targets including SBTs. This has helped to lower the aggregate portfolio temperature score.

2023 Performance

Commercial property

T 4. Reduce commercial property emissions by 58% per square metre by 2030 compared to the 2019 baseline of 5,197 tCO_2e.

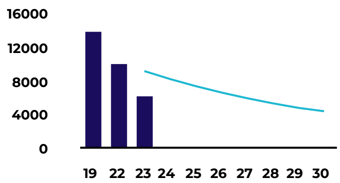
Commercial Property investments



Real estate loans

T 5. Reduce real estate loans emissions by 58% per square metre by 2030 compared to the 2019 baseline of 13,769 tCO_2e.

Real Estates Loans



We are reporting on our 2023 performance for these two assets in this year's report, as there is a lag in the availability of energy performance data from our investment managers ahead of our annual reporting.

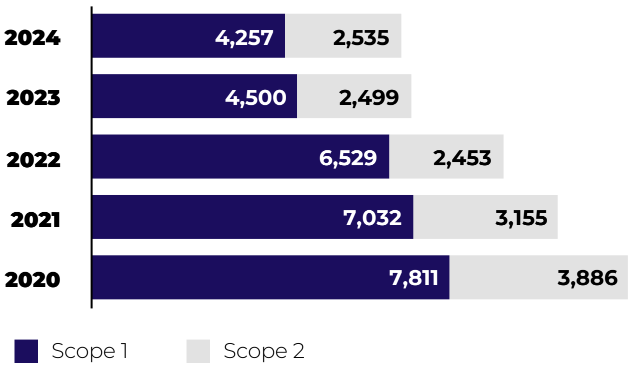
Our performance in 2023 shows we were successful in reducing the Commercial Property investment intensity by 39% against our 2019 baseline of 67 kCO_2e/m^2 and on the real estate loans we reduced our energy intensity by 26% against our 2029 baseline of 81 kCO_2/m^2.

Reductions in emissions were mainly delivered through the implementation of an investment strategy requiring all assets in our property portfolio to have an Energy Performance Certificate of 'D' or better, or a funded plan to achieve that level and engaging with investee companies, tenants and property owners to encourage them to commit to emissions reduction measures.

Note:

1. We are required to use Scope 1 and Scope 2 market-based emissions for SBTi operational target-setting and reporting. When including Scope 2 location-based emissions this reduction is equivalent to a 3% reduction when compared to 2023 and a 53% reduction against the 2019 baseline.

Operational emissions



Overall, when compared to 2023, our Scope 1 and 2 emissions decreased by 3%.

Our Auto Services, comprising 23 accident repair centres and our recovery fleet, makes up over 70% of our operational emissions. In 2024, Scope 1 and 2 emissions associated with our repair centres reduced by 6%, compared with 2023.

We have achieved this through:

- the use of hydrogenated vegetable oil in our accident repair centres as an alternative fuel for our recovery trucks. This initiative has now been implemented at 95% of our repair centres, resulting in an estimated 2,312 tCO_2e saved in 2024;
- installing electrical infrastructure to remove gas from paint spray booths at one of our site, providing an estimated saving of 399 tCO_2e in the year; and
- generated 140,000 kWh of energy from roof mounted solar at one of our DLG Auto Services sites, providing 13% of the total electricity used on-site.

Group energy consumption (kWh)[1,2]

	2024	2023
Electricity	**12,133,434**	11,906,788
Gas	**16,862,562**	19,779,732
Total	**28,995,996**	31,686,520

The Group adheres to the SBTi concept of the "mitigation hierarchy", namely that the Group addresses its value chain emissions and implements strategies to achieve these targets as a priority, ahead of actions or investments to mitigate emissions by using carbon offsets. Working with Climate Impact Partners, we have supported a carbon removal project to Verra Verified Carbon Standard in Uruguay since 2023 to offset our remaining Scope 1 and 2 emissions over a three-year period. The project involves reforestation and a sustainable approach to wood production. The Project is certified by the Forest Stewardship Council(FSC), balancing timber production and sales with habitat creation for wildlife. It provides employment for the local community and enhances biodiversity and carbon sequestration opportunities.

Investments

Emissions from investments make up approximately 70% of our Scope 3 total. Aligned to our climate ambition, our long-term goal is to reach Net Zero across our investment portfolio.

To deliver against our four current SBTs for investments, we have incorporated key climate considerations into our investment strategy. In 2024 we:

- continued to make progress towards meeting our SBTs for GHG emissions reduction for in-scope asset classes;
- reported performance against our SBTs for commercial property and real estate loan portfolios for the first time;
- continued to reduce the carbon intensity of our corporate bond portfolio in line with our goal of a 50% reduction by 2030 from a 2020 baseline; and
- encouraged high emitters to set science-based emissions reduction targets as a signatory to the CDP's science-based targets campaign.

Our investments are underpinned by a wider Environmental, Social and Governance ("**ESG**") framework. We expect all external investment managers to be signatories to the United Nations Principles for Responsible Investment ("**UN PRI**"), ensuring that UN PRI criteria are integrated into the investment process.

Our investment policy:

- excludes any company with a low MSCI low-carbon transition score (indicating assets could be economically stranded);
- excludes companies involved in thermal coal activity, either mining or power generation, at greater than 5% of revenues unless the company is taking positive climate action[3];
- has a preference for investments in green bonds where the risk return characteristics are similar to conventional bonds; and
- requires all assets in our property portfolio to have an Energy Performance Certificate of 'D' or better, or a funded plan to achieve that level.

Looking ahead, our priorities include:

- ensuring Investment Managers are engaging with investee companies, tenants and property owners to encourage them to implement half-hourly metering of their utilities and to set emissions reduction targets;
- setting targets for asset classes not yet covered once standards and methodologies are established;
- monitoring targets for all asset classes based on the latest methodologies and best practice; and
- increasing the coverage across our private asset investments.

For more detail on how we manage climate-related risks and opportunities in our investment portfolio please see page 71.

Notes:

1. 100% of the reported energy consumption relates to operations, all of which are based in the UK.
2. Data is reported in compliance with the Streamlined Energy and Carbon Reporting ("SECR") requirements (see page 72).
3. Companies taking positive climate action are defined as those that are committed to setting Science-Based Targets or have a 2°C or better carbon performance alignment from the transition pathway initiative.

Supply chain

Emissions from our supply chain make up approximately 30% of our Scope 3 emissions, highlighting the importance of engaging with our suppliers to achieve our climate ambition. Our Supply Chain Sustainability Programme is embedded in our approach to responsible procurement. The focus of this programme is twofold:

- engagement with our Tier 1 suppliers to keep them updated on the Group's climate commitments and practices, and to obtain information on their appetite for and approach to emissions reduction and target-setting; and
- embedding sustainability considerations into supply chain decisions, processes and management.

During 2024 we increased the sustainability weighting for contracts over a million pounds, which means that 10% of the criteria relate to sustainability-related criteria. In addition to measuring supply chain emissions, we monitor the effectiveness of our engagement strategy. In 2024, 86% of the managed supply base that we reached out to responded positively to our direction of travel on emissions reduction. By the end of the year, 21% of managed suppliers had signed up to SBTi-aligned targets or an equivalent.

Looking ahead, our priorities include creating a new baseline for our supply chain emissions, updating the emissions reduction target and moving to more accurate emissions measurement methodologies.

Biodiversity

We continue to monitor our nature-related dependencies, impacts, risks and opportunities as part of the wider integration of ESG factors into our Group risk framework. While our immediate strategic priority is to manage climate-related risks, we recognise that conserving and restoring nature is essential to limit emissions and adapt to climate change. This includes nature's role in storing carbon and providing natural defences against extreme weather events.

We are involved in various UK initiatives, including supporting the Get Nature Positive movement formed by the Council for Sustainable Business and supported by Defra. Incorporating biodiversity into specific business activities, in 2024 we continued to fund a tree-planting project in a flood prevention scheme in Yorkshire, replacing trees we removed when home insurance policyholders make subsidence claims.

Working with nature recovery charity Heal Rewilding, we provided a loan in 2023 to acquire a 460-acre site in Bruton, Somerset, where rewilding is in progress and wildlife is flourishing. Over the last year, Heal Rewilding made major progress in its work to rebuild wildlife populations, tackle climate change and support people's well-being. Surveys of birds found 67 species, including 11 red-listed and 16 amber-listed, with the breeding populations of some red-listed birds faring unexpectedly well, including linnet, tree pipit and yellowhammer. The baseline survey for invertebrates found unexpectedly high abundance of common species, a key finding because they are a vital food source for birds, mammals, reptiles and amphibians. The year also saw a significant expansion of community engagement work at the site, with nearly 300 free visits by people with additional needs, dementia and mental health challenges, young adults with life challenges, and disadvantaged families, and free visits by schoolchildren and young apprentices.

While our immediate strategic priority is to manage climate-related risks, we recognise that conserving and restoring nature is essential to limit emissions and adapt to climate change.

Governance

"Our shared values shape the Group's culture and conduct in pursuit of the Group's purpose. These guiding principles help colleagues to work together effectively, make good decisions and deliver for our customers."

Governance and responsible business

Pursuing excellence in corporate governance and maintaining the highest standards of business conduct are fundamental to building a long-term, sustainable business. Our Corporate Governance report, including the work of our Customer and Sustainability Committee, can be found on pages 75 to 141. This section drills down into the governance framework and approach that drive alignment of responsibility and sustainability aims with business goals, in line with the Group's risk framework.

Ethical business and professional conduct

Our shared values shape the Group's culture and conduct in pursuit of the Group's purpose. These guiding principles help colleagues to work together effectively, make good decisions and deliver for our customers. Our Group Code of Conduct sets out the high standards of behaviour that we expect. Key areas covered include combatting discrimination, harassment and bullying, treating customers and suppliers fairly, diversity and inclusion, fair competition and contributing to society.

Aligned to the Group risk framework, the Code is supplemented by detailed policies and guidance that raise awareness of financial crime and set out action to combat it. Anti-bribery and corruption, anti-money laundering, terrorist financing, fraud prevention and sanctions are covered. This seeks to ensure that we can protect our business and customers from financial harm as well as fulfilling regulatory and legal responsibilities.

As part of our annual e-learning programme, colleagues completed training on ethics and regulatory policy, including compulsory assessment elements. In 2024, we enhanced this programme by including new scenario-based examples and additional content in relation to timeliness of logging gifts & hospitality requests and 97% of colleagues completed modules on anti-bribery and corruption. The Group's whistleblowing policy supports these standards and helps promote a culture of openness. Anyone can raise concerns with managers or utilise the services of an independent third party including a confidential telephone helpline.

Group policies and statements are available publicly at www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements

Responsible procurement

As an extension of our business it is important that our Suppliers embody our values and standards just as we have a responsibility to treat them fairly and respectfully. This helps to build long-term positive relationships that best serve our customers and society. This approach is encapsulated in our Ethical Code for Suppliers. The Code sets out our expectations in areas such as human rights, labour standards, environment and governance. It requires adherence to International Labour Organisation ("**ILO**") standards, which include a ban on the use of child labour and forced or bonded labour.

Having rolled out a refreshed Code in 2023, all managed suppliers were required to confirm their acceptance of it and encouraged to ensure their supply chains also adhered to the principles. Our Supplier Management and Outsourcing Policy has processes in place to ensure we maintain high standards, which include:

- supplier segmentation based on factors such as value, expenditure and risk exposures;
- supplier assurance and oversight
- rigorous due diligence when onboarding new suppliers; and
- open and transparent sourcing including assessment of potential new suppliers against criteria that cover environmental, social and governance factors.

These processes are reviewed on an annual basis to ensure they remain aligned with potential exposures faced by the business. For more information on how we are embedding environmental sustainability through our supply chain, please see page 54. We expect managed suppliers to provide assurances of compliance with the Modern Slavery Act through a published statement (where applicable). The procurement process includes an annual review of our modern slavery risk, annual training, due diligence on new suppliers and active assurance and management of existing suppliers. Further detail on our approach and adherence to the Act can be found in our latest Modern Slavery Statement.

Data ethics and privacy

At Direct Line Group, enriching our data and making effective use of technologies such as artificial intelligence ("**AI**") and machine learning are crucial to our strategy to become the customers' insurer of choice. They enable us to better meet customer needs and upgrade their digital experience, for example, by increasing pricing accuracy and providing best-in-class claims management.

The need for customers to trust the way we use their data is paramount. This means using their data ethically while we perform our day-to-day jobs. Our Data Ethics Principles sit at the heart of a holistic framework, establishing the values to which colleagues must adhere and driving fairness, transparency and accountability.

Data Ethics Principles

1. Respect the person behind the data.
2. Ethics will be designed into data processes and solutions from the outset.
3. Understand and document the purpose for any data collected, used and/or shared.
4. Comply with applicable laws and regulations in connection with data, its collection and use.
5. Understand the limitations and quality of the data we use and how this may impact the decisions we make.
6. Actively pursue a fair, explainable and transparent approach to algorithmic and statistical decision-making.
7. Ensure accountability and appropriate governance for any automated decision process.
8. Provide appropriate guidance and training to support and encourage responsible data use.

We have implemented an extensive control framework to manage privacy and security risks and meet our responsibilities under data protection legislation, following regulatory and industry standards and guidance. Governance forums ensure privacy and security considerations receive high levels of visibility. All businesses within the Group are required to meet the standards set out in the framework and provide evidence of compliance with UK GDPR obligations. All colleagues and contractors receive annual training on data protection and security responsibilities.

During 2024, we enhanced our approach to data privacy and security by implementing several key initiatives. These included the introduction of privacy enhancing technologies ("**PETs**") to protect personal data, improving our data anonymisation and pseudonymisation processes, and strengthening our accountability and governance frameworks. We also focused on ensuring compliance with data protection laws through comprehensive training and awareness programs, and by updating our internal controls and risk assessments to address new technological developments and regulatory requirements.

Please see our online Group Data Privacy Policy for more information on our privacy framework, privacy and security programmes, and governance.

External ratings, memberships and benchmarks

We actively support a variety of membership organisations, and disclose information to ratings and benchmarking authorities, as well as receive ESG performance ratings.

ESG ratings

MSCI
In 2024, we received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment

MSCI ESG Rating
AAA

Sustainalytics[1]
In 2024, we received an ESG Risk Rating of 22.2 and were assessed by Sustainalytics to be at a medium level of risk.[2,3]

ESG Risk Rating
22.2

Ecovadis
We were awarded a silver medal in 2024

Ecovadis
Silver medal

Carbon Disclosure Project
We were awarded a B score for the 2024 assessment.

CDP score
B

Planet

Science Based Targets initiative
In 2024, we continue to make good progress towards our Science-Based Targets, (Targets were approved in November 2022)

Race to Zero
As part of our Race to Zero pledge, we have signed the Business Ambition for 1.5°C

Get Nature Positive
We are a supporter of the Get Nature Positive campaign, focused on restoring nature and biodiversity

People

Inclusive top 50 employers
We ranked 12th on the Inclusive Top 50 UK Employers List 2023/24

Social Mobility Pledge
We support the Social Mobility Pledge and have focused on helping students with their careers through our Community Fund

Women in Finance
We are a signatory to HM Treasury's Women in Finance Charter

Race at Work Charter
We support the Race at Work Charter to take positive action towards supporting ethnic minority representation and inclusion

The Faith & Belief Forum
We are a signatory of the Charter for Faith & Belief Inclusion which aims to help create understanding between people of different faiths and beliefs and a society which is fair to people of all backgrounds – religious and non-religious

Notes:

1. (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.
2. Assessed to be at a medium level of risk of experiencing material financial impacts from ESG factors.
3. Copyright © 2024 Morningstar Sustainalytics. All rights reserved. This section contains information developed by Sustainalytics.

Task Force on Climate-related Financial Disclosures

Introduction

The Group's 2024 disclosure against the Recommendations and Recommended Disclosures of the Task Force on Climate-related Financial Disclosures ("**TCFD**") reflects our ongoing work to further integrate climate risk management across the business, while also outlining the progress we are making against our climate ambitions, including our Science-Based Targets.

We continue to assess and develop our disclosures against the Recommendations and Recommended Disclosures of the TCFD and recognise its importance in evolving our understanding and management of the risks and opportunities associated with climate change.

The Group, as at the time of publication, has complied with the requirements of UK Listing Rule 6.6.6R(8) by including climate-related financial disclosures consistent with 9 of the 11 TCFD Recommendations and Recommended Disclosures for all sectors ('Section C Guidance for All Sectors'), including the supplemental guidance for insurance companies ('Section D Supplemental Guidance for the Financial Sector') within the 2021 TCFD Annex.

The Group has reported against all 11 Recommended Disclosures and believes its disclosure against 9 of the 11 Recommendations meets the objectives of the TCFD framework, with further detail regarding the two remaining Recommendations explained below.

For Metrics and Targets disclosure Recommendations (a) and (b), which includes sector-specific guidance for insurance companies, we continue to work towards developing our disclosure against the relevant components of these two Recommendations, as outlined below.

Metrics and Targets disclosure Recommendation (a):

- to provide additional metrics, including cross-industry metrics, within our disclosure to support measurement and management of climate-related transition risks and opportunities; and
- to describe the extent to which our insurance underwriting activities, where relevant, are aligned with a well below 2°C scenario.

Metrics and Targets disclosure Recommendation (b):

- to disclose, where data and methodologies allow, the weighted average carbon intensity or GHG emissions associated with commercial property and specialty lines of business.

The Group expects its disclosure against these to evolve over time, with improving alignment to these forming part of the actions embedded within our climate-related risk management roadmap. For Recommendation (b), above, whilst we continue to review emerging best practice, at present, we do not believe available methodologies allow meaningful measurement of these metrics for small commercial property portfolios. See page 70.

Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022

The climate-related financial disclosures made by the Group, within the following pages, comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022. The Non-Financial and Sustainability Information Statement, on page 45, outlines where disclosure against each of these requirements can be found.

International Sustainability Standard Board's ("ISSB") IFRS S1 and IFRS S2

The Group notes the ISSB's Sustainability Disclosure Standards, IFRS S1 and S2, issued in 2023, and welcomes the value the Standards will have in evolving the global baseline for climate-related reporting. The Standards are currently subject to UK endorsement.

Governance

Our approach

The Group's approach to the governance of its sustainability strategy is underpinned by a clear commitment from the Board and senior management to align sustainability goals with the Group's strategy, and to encourage accountability across the business.

Our five-pillar sustainability strategy (see page 44), endorsed by the Board, aims to foster the highest standard of Environmental, Social and Governance practice and deliver long-term sustainability for all our stakeholders. The Planet pillar takes the lead on climate-related issues.

Boards and Committees

The potential and actual impact of climate change on the business ("**inbound**"), as well as the Group's impact on the environment ("**outbound**"), are issues requiring robust governance to empower business areas in the management of climate-related risks and opportunities.

It starts with the Group's Board, which seeks to underpin all of the Group's activities with the highest standards of corporate governance. The Board has oversight on two key aspects of the Group's approach:

- Each year, the Board assesses the strategic plan (the "**Plan**") in conjunction with the Group's Own Risk and Solvency Assessment ("**ORSA**"), which considers material risks to the Plan, including climate change-related risks. More information on climate change and our financial planning can be found on page 60.
- The Board oversees the Group's sustainability activity through its Committees, which scrutinise and provide appropriate challenge on the Group's five pillar sustainability strategy, including the establishment and monitoring of Science-Based Targets and the Group's development of a climate-related risk management roadmap (see page 59). The Chair of each Committee reports to the Board after each Committee meeting.

Committees

- The **Audit Committee** meets a minimum of four times a year and is responsible for overseeing the Group's financial statements and non-financial disclosures, including climate-related financial disclosures.
- The **Board Risk Committee** oversees financial, regulatory compliance, conduct and operational risk, including the risk to the Group from climate change. It meets a minimum of four times a year and receives reports on stress testing of long-term climate change scenarios, discusses strategies for managing the associated risks and receives updates on emerging risks throughout the year, with deep dives as appropriate. During the year, the Committee played a key role in monitoring the Group's climate-related risk management roadmap and identifying areas of opportunity for improvement.
- The **Investment Committee** meets a minimum of three times a year and considers the strategy for incorporating ESG factors into the Group's investment management, which has seen our credit portfolios tilted towards issuers with a low carbon transition category.

- The **Nomination and Governance Committee** meets a minimum of two times a year, monitoring the Board's overall structure, size, composition and balance of skills. This Committee is also responsible for monitoring the Group's observance of corporate governance best practice.
- The **Customer and Sustainability Committee** receives updates on progress made under our Customer, People, Society, Planet and Governance pillars. The Committee meets a minimum of four times a year. During 2024, it has reviewed progress against the Group's Science-Based Targets, approved by the Science Based Targets initiative ("**SBTi**") in 2022; and reviewed performance and approach on key stakeholder matters, along with the Group's participation in various sustainability-related initiatives. The Committee continues to monitor the Group's progress towards its Net Zero aims.
- The **Remuneration Committee** meets a minimum of four times a year and considers how executive remuneration can be used to drive progress on climate-related matters. An emissions metric has been applied to long-term incentive plan ("**LTIP**") awards made since 2022 and makes up a 10% weighting of the total award made under the LTIP. The emissions performance condition includes a targeted reduction in emissions and temperature score and is based on the Science-Based Targets that were approved by the SBTi in 2022.

More information on the structure of the Board and Board Committees can be found within the Corporate Governance report on page 94.

Management's role

There are three primary management roles designed to oversee the delivery of the Group's assessment and management of climate-related matters:

- the Chief Executive Officer ("**CEO**") has oversight of overall climate-related matters;
- the Chief Financial Officer ("**CFO**") oversees the implementation of the Group's investment strategy and is advised by the Investment Committee on the application of ESG weightings, including those related to climate change, to the relevant portfolios. The CFO is a member of the Investment Committee and the Director of Investment and Capital Management is a regular attendee. The CFO also oversees the identification and management of climate-related financial risk; and
- the Chief Risk Officer ("**CRO**") provides subject matter advice, challenge and objective opinions on all risk matters, including climate-related risk, through their oversight of the Risk Function. The CRO is also tasked with establishing appropriate risk management processes and frameworks for climate-related risks.

Further information relating to our climate risk identification process can found on page 67.

In the year, the Group's **Climate Executive Steering Group** ("**CESG**" or the "**Steering Group**") acted as a management forum to assess the potential impacts of climate change on the business, along with the business's impact on the environment. The CESG consisted of members representing various teams across the organisation, which included senior management representation, and supported the Customer and Sustainability Committee's oversight of the Group's progress against its climate ambitions.

The Steering Group's responsibilities also included monitoring the Group's performance against its climate ambitions, including its Science-Based Targets, and overseeing input into the Group's business development and strategic processes to make sure climate is given appropriate consideration in long term strategy and planning. This included the identification and oversight of climate-related opportunities.

In 2024, tracking and management of the financial aspects of climate risk management activities, as identified in the Group's climate-related risk management roadmap, transferred from the CESG to the Risk Management Committee and Board Risk Committee. Regular updates are provided to support their oversight of climate-related risk.

The roadmap sets out a range of actions to further integrate climate risk management across the business and to build additional capabilities in areas such as climate risk modelling and scenario analysis.

A Climate Risk Workshop meets monthly with representation across the business including Risk, Finance and Sustainability. During 2024, it received updates relating to enhancements to the risk management framework and climate scenario testing capabilities.

Further information relating to the processes by which management are informed about climate-related issues can be found on page 67. More information on the key performance indicators used to assess, monitor and manage climate-related risks and opportunities can be found on pages 68 to 71.

Strategy

The effects associated with climate change are far reaching and have the potential to cause significant economic and societal impact. We know that through the actions we take as a business we can contribute to a more sustainable future and as an insurer with over 8.8 million in-force policies[1], we recognise our role in supporting – and accelerating – the transition to a low-carbon economy.

Our strategy focuses on mitigating against, and adapting to, climate change. This involves driving change across our underwriting activities, our operations and our investments, and includes the actions we are taking to progress against our Science-Based Targets and Net Zero ambitions.

The following pages examine this strategy alongside the actual and potential impacts of climate change on the Group, in line with the TCFD Recommendations and Recommended Disclosures, and outline how we continue to develop our approach to climate-related risks and opportunities across the business.

Note:

1. Based on the Group's ongoing operations. See glossary on pages 238 to 241 for definitions.

Climate change risks and opportunities

The potential impacts of climate change on organisations are classified into the following three categories by the TCFD:

- **physical risks** – resulting from the physical effects of climate change;
- **transition risks** – resulting from the transition to a lower-carbon economy; and
- **opportunities** – arising from efforts to mitigate and adapt to climate change.

We also recognise that litigation risk, which includes risks arising when parties who have suffered losses from climate change seek to recover them from those they believe may have been responsible, could also cause adverse impact. This could include direct climate-related litigation against the Group or insurance risk arising from the underwriting of liability products. The Group considers the risks associated with this to be low due to low exposure in high-risk industry sectors. Following the sale of the Brokered commercial business in 2023 we expect our exposure to liability insurance risk to reduce further as the retained back book for this business continues to run off over time.

Materiality

A greater level of estimation and assumption is required when assessing materiality in the context of climate change and this, combined with the longer term and forward-looking nature of climate-related risks and opportunities, makes the assessment inherently uncertain. As a result, we have chosen not to quantify a materiality threshold for the purposes of our climate-related financial disclosures.

Our approach to determine where information is material is supported by quantitative assessment, such as the findings of our scenario analysis activities where we consider the potential financial impact of climate change over the longer term. Our approach means we disclose relevant information that focuses on the areas of our business that could be most affected by climate change, which we identify as our underwriting activities, our operations and our approach to investments. The key physical and transition risks and opportunities that could impact these areas are outlined on page 64.

We will continue to review emerging best practice associated with assessing climate-related materiality and we expect this to evolve over time. More information on our current approach to measuring the impact of climate-related risk, and the integration of climate change into the Group's overall risk management processes, can be found below and on page 67.

Defining the short, medium and long-term time horizons

As in previous years, our approach to defining the time horizons associated with climate-related risks and opportunities is to align closely with the scenarios considered in the Group's quantitative analysis of climate-related risk, which typically considers scenarios that span over a significantly longer time period (see page 61).

When defining the time horizons, the useful life of assets was considered. However, the Group's assets are primarily depreciated or amortised over a period of up to 15 years. As such, from a climate-related risk perspective, this falls into our short-term, and lower end of our medium-term, time horizon and therefore climate-related risk is not a significant input into determining asset useful economic lives.

The time horizons over which specific climate-related issues will manifest themselves vary significantly. However, in general, transition risks are likely to materialise more rapidly than physical risks, which are likely to be gradual and materialise over the longer term. The timing of climate-related litigation risk is less certain due to the nature of the exposure.

The key physical and transition risks and opportunities that could significantly impact the Group, as well as the time horizons over which they could manifest, is available further into our disclosure on pages 64 to 66.

Financial planning, performance and position

Without appropriate management, the risks posed by climate change could adversely impact the Group's financial performance and financial position.

To help quantify the potential impact of climate change we:

- perform scenario analysis, which enhances our understanding of the financial risks associated with the longer-term impacts of climate change and provides an indication of strategic resilience (see pages 61 to 63);
- undertake climate risk modelling to assess the most predominant physical drivers of risk in our property insurance products, enabling us to evaluate the potential impact to the Group's capital position (see pages 67 to 68); and
- integrate climate risk into the Group's overall approach to risk management. This includes measuring the relative significance of climate-related risks to other risks in the Group Risk Taxonomy (see page 67).

Financial planning

We acknowledge that limitations exist in aligning climate change and financial planning. A key issue relates to the modelling of the impact of climate change, which typically extends out to a significantly longer time period than our current financial plan.

Although limitations and uncertainties associated with the longer-term impacts of climate change exist, we continue to embed climate-related considerations into our planning.

This includes within the Group's Plan, which reflects the strategic planning that is ongoing across the business and covers any climate-related initiatives that are embedded within. These include the costs associated with the actions we are taking to reduce the carbon footprint of our accident repair centres, and the use of reinsurance in our property insurance business, acknowledging that the cost to obtain catastrophe reinsurance could be impacted by an increase in the frequency and severity of major weather events.

We also monitor losses from major weather events, which include inland and coastal flooding, storm surge, freeze events and subsidence. We use sophisticated modelling techniques to estimate the expected losses from event weather in our property book to set an annual expectation for event weather-related claims. The impact of major weather relative to this annual expectation for 2024 can be found within Metrics and Targets on page 69.

Financial performance and position

In preparing the financial statements, the Group has assessed the impact of climate change. While the risks associated with climate change remain uncertain looking forwards, the impact of event weather is reflected in the Group's historical performance and position as at 31 December 2024. The potential impact of climate change on insurance risk is also discussed in further detail within note 1 to the consolidated financial statements (see page 176).

Areas of physical and transition risks the Group could be exposed to are outlined in the table on page 64. The financial impact of these risks can, if realised, be grouped broadly into the following:

- Adverse impacts to revenue and market share due to a failure to understand, and adapt to, the scale of change in market demand for products and services due to climate-related policy, technology and consumer preference.
- Increased climate-related operating costs and capital expenditure due to the investments we make to progress against our emission reduction targets, or higher operating costs due to carbon cost increases or regulatory requirements designed to limit carbon emissions.
- Changes in the value of our financial investments due to the influence of physical and transition risk impacting the wider economy.
- An increase in the frequency and severity of natural catastrophes and other weather-related events adversely impacting insurance liabilities.

We also recognise that our access to capital can be materially affected by factors including, but not limited to, financial performance and investment decisions, which have their own associated climate-related risks. In addition, our performance is assessed externally by ESG rating agencies, to which investors and other stakeholders are giving increasing prominence. Adverse impacts to our debt rating could negatively affect cost and access to sources of debt finance and subsequent interest rates.

In our approach to acquisitions and divestments, any climate-related risks and opportunities are expected to form part of our usual due diligence process.

Scenario analysis

The Group uses scenario analysis to better understand the potential impacts climate change could have on our business model and strategy.

Since 2021, we have updated our scenario stress testing annually, evolving our approach to take account of changes in our exposure, updates to our underlying risk models, leverage new software, and to further enhance how we communicate the outputs of our modelling in an effective way. Our analysis focuses on the impact that transition and physical risks could have on investment asset values and on liabilities associated with weather-related perils.

Our stress tests have been designed around Intergovernmental Panel on Climate Change ("**IPCC**") pathways that project both socio-economic changes and greenhouse gas concentrations into the future. This allows us to assess the combined potential impacts of transition and physical risks on our business. The IPCC's scenarios are globally recognised and standardised, facilitating consistent and comparable stress testing aligned with a wide variety of impact assessment studies.

Specifically, we considered SSP2 ("**Middle of the Road**"), in combination with RCP4.5 ("**SSP2-4.5**"), and SSP5 ("**Fossil-fuelled Development**"), in combination with RCP8.5 ("**SSP5-8.5**"), focusing on two future points in time for our stress testing:

- 2030, to support our understanding of the potential impacts on our business strategy; and
- 2050, to support our understanding of the potential impacts on our long-term business model.

The choice of the SSP2-4.5 pathway represents a useful baseline for understanding climate change impacts in terms of physical risk, while incorporating the transition risk associated with some reduction in emissions. The choice of the SSP5-8.5 pathway allows us to understand the effects of a severe but realistic outcome in terms of physical risk. A scenario such as this would see over 2^{o}C of global warming, which is seen as a critical threshold with irreversible and far-reaching consequences for the physical environment. The choice of scenarios and timelines are sufficient to explore a wide range of potential outcomes due to climate change, which can be expanded upon in future by the consideration of additional pathways.

Across both considered scenarios, increased temperatures mean that the mid-Atlantic atmosphere can hold more moisture, leading to more extreme rainfall events and flooding in the UK. Sea levels will rise, although not uniformly, which would increase the severity of coastal flooding events. The scenarios also consider that there will be more frequent and intense droughts. Drought conditions can lead to the drying and shrinking of clay soils, which are prevalent in many parts of the UK, leading to increased subsidence.

Our modelling approach

Different methods are used to quantify the impact of the scenarios on our investment assets and weather-related liabilities.

We use a specialised third-party software tool as the basis for stress tests on our investment portfolio. The tool enables a transition risk adjusted valuation and a physical climate adjusted valuation to understand the financial impact of the scenarios on individual securities and the overall portfolio. It uses a bottom-up approach that considers individual companies and geolocation in assessing the potential impact for a portfolio.

For estimating the impact of climate change on liabilities due to flood and windstorm, we use third-party catastrophe modelling software. This aligns with the approach for quantifying catastrophe risk on our current portfolio. Custom adjustments are applied to these models for each chosen scenario and time horizon, reflecting changes in severe flood frequency and the impact of sea level rise on coastal flooding.

This approach allows us to quantify changes in average annual losses by peril, as well as changes in the size of extreme losses, such as a 1 in 100-year loss, for example. All scenarios are applied to our current exposures to ensure focus of the stress test remains on climate change specific impacts. The windstorm and flood impact assessments are updated quarterly for portfolio exposure changes, and form part of our regular catastrophe risk reporting.

For estimating the impact on subsidence, we extrapolate published analyses from the British Geological Survey to estimate the impact on average annual losses.

Summary of results

2050 time horizon

Under the Middle of the Road pathway, climate policies are implemented at a moderate pace and whilst there is progress towards sustainable development goals, it is uneven and slow. Technological development proceeds without fundamental breakthroughs and there is a gradual shift towards cleaner technologies while fossil fuel dependency decreases slowly. The necessity for policy changes under this scenario leads to transition risks that affect carbon-intensive industries and property portfolios.

The impact observed on our asset portfolio under this scenario was a small decrease in the value of assets under management, estimated at less than a 1% impact. In this scenario, transition risks dominate, particularly for the commercial property asset class which makes up only a small portion of our overall portfolio. The impact is further limited due to the mix of our portfolio, which is heavy in liquid assets such as cash, gilts, and publicly traded debt, and has negligible exposure to carbon-intensive industries.

From a physical risk perspective the scenario aligns to an approximate 1.8°C temperature rise above pre-industrial levels by 2050. For the UK, this is expected to lead to increases in precipitation and flooding, though to a lesser degree when compared to the Fossil-fuelled Development scenario. Sea levels under the Middle of the Road scenario rise by over 20cm, on average.

Under the Fossil-fuelled Development pathway, economic growth is driven by intensive use of fossil fuels with minimal effort to mitigate climate change. As such, there are fewer transition risks due to fewer changes in policy or the economy. The consequence is that greenhouse gas concentrations and global average temperatures would continue to rise, reaching an estimated 2.5°C above pre-industrial levels by 2050. This would lead to far greater physical risks with much more extremes in temperature and precipitation for the UK.

The impact on the valuation of our investment portfolio is much smaller under this scenario compared with SSP2-4.5 because of the lower transition risk. However, we still observe reductions in asset values due to the increased physical risk, particularly in the publicly traded credit asset class where more extreme weather events could potentially lead to operational disruptions and asset devaluation for these companies.

Catastrophe modelling results for both scenarios at the 2050 time horizon showed increases in average annual losses from both inland flooding and the coastal flooding element of windstorm. This includes a significant increase in predicted inland flood losses of 30% under the SSP2-4.5 scenario and over 65% for the SSP5-8.5 scenario, with the increases observed in coastal flooding of 51% and 70%, respectively.

Under both scenarios, the higher weather-related losses are further increased when including subsidence, where average annual losses would grow by over 30% in the SSP2-4.5 scenario. Under the SSP5-8.5 scenario, subsidence risk would be more pronounced.

The following graph shows the impact of the scenarios on the average annual losses for three weather-related perils. The results illustrate the magnitude of impact from the scenarios compared with the base case, and the relative importance of each peril on the overall loss. Within the results, the windstorm peril includes the associated losses from both wind damage and coastal flooding.

The graph highlights that, whilst inland flood and subsidence showed the strongest sensitivity to climate change, windstorm continues to dominate the combined loss.

Although we observed an increase in average annual losses across all perils, when the results are viewed in the context of the combined modelled weather losses, the impact from climate change is less pronounced as most of the combined losses are from windstorm, and in particular the wind damage element of this peril. Under our modelling for the scenarios, windstorms see only a small increase in losses, which is due to the impact of sea level rise on coastal flooding.

Average annual losses by peril

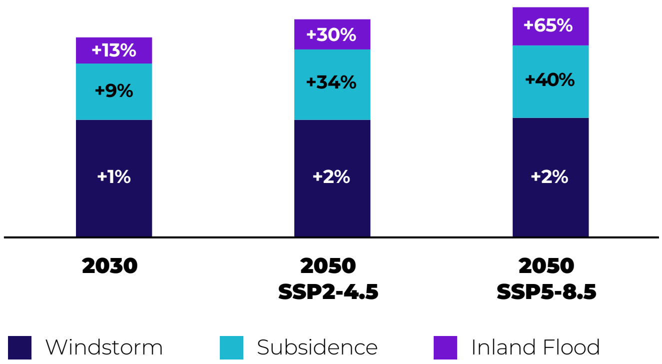


Figure 1: Average annual losses by peril under both scenarios and time horizons. Numbers within the bars represents the change in peril-specific losses compared to the base. The 2030 result reflects the similar impact under both the SSP2-4.5 and SSP5-8.5 scenarios.

There is significant uncertainty associated with how climate change may affect UK windstorms and in previous iterations, we incorporated the results of studies showing that climate change may suppress the occurrence of large storms. However, other studies argue that windstorms may become more extreme and, as such, we have chosen to exclude the former, more optimistic view, from our most recent modelling. Going forward, we seek to enhance our understanding of the science and how we can better incorporate this uncertainty into our stress testing.

2030 time horizon

At the 2030 time horizon, under both scenarios, the effects of climate change are expected to be more benign compared to 2050, both in terms of physical and transition risk.

The focus on the 2030 time horizon continues to be valuable due to its direct relevance with the Group's five-year Strategic Plan. Given that we observed limited impact on the investment asset values at 2050, the associated impact at the 2030 time horizon was not examined in detail.

In terms of physical risk, by 2030 there are no material differences between the two scenarios and both see an approximate increase in temperatures of around 1.4°C against a pre-industrial average. Based on climate models, this could lead to an increase in flood and subsidence risk, which in turn would result in an increase to the amount of capital the Group needed to hold to meet these additional liabilities.

We continue to keep track of scientific literature and maintain in-house expertise to further support our understanding of new scientific developments relating to peak flood risk.

Business impact

The increase in losses from weather-related perils could result in a material increase in budgeted loss for weather, as well as to the cost of reinsurance and capital.

Under both scenarios, the combined increase in weather-related losses would need to be addressed through a combination of measures including pricing and underwriting action, increased reinsurance coverage, and investment in other mitigation measures. This is deemed a manageable change for the business given that weather-related losses are only a small component of the Group's overall expected losses. This is further supported by the ability to reprice policies annually.

Losses under the scenarios at the 2050 time horizon, with our current reinsurance in place, would be higher than our current appetite for catastrophe risk. However, changes to capital requirements at a Group level are mitigated by diversification from parts of the business less sensitive to climate change risk, and the estimated potential impact on capital requirements could be mitigated further by additional reinsurance cover. This assumes that reinsurance markets would still continue to offer the coverage and terms that are offered today, although we acknowledge that heightened global catastrophe activity could increase the cost of obtaining reinsurance. In future stress and scenario work, we intend to address the cost of reinsurance more explicitly in our modelling.

Overall, the short-term nature of the business and the ability to reprice annually help limit the impact on general insurance liabilities, while reinsurance arrangements also provide further risk mitigation. Nevertheless, the scenarios highlight that the increased physical effects of climate change could make some policies and perils either uninsurable or unaffordable.

Reverse stress test – electric vehicle adoption

In 2023, we conducted a reverse stress test to establish whether the long-term future for motor insurance, specifically, the adoption of electric vehicles, poses a threat to the viability of our current business model. While not commonly covered by transition risk scenarios, changes in consumer behaviour form a significant part of the transition to a net zero emissions economy.

Whilst this exercise has not been updated in 2024, the overall conclusions outlined below remain relevant as in the short term, re-running the reverse stress test is unlikely to produce materially different results.

For the short term time period, that covered to the end of 2025, the findings showed that there are only minor differences between the scenario impacts, with more significant movements unfolding over a longer timeframe. Over the longer term, the results varied considerably across the different scenarios and included possible adverse impacts to the Group's business model or market share. Conversely, at the favourable end of the range, the findings represented a possible growth opportunity. The analysis also identified that the outcomes are sensitive to assumptions which are largely outside of the Group's control, such as the rate of adoption of electric vehicles in the UK, which is supported by changes in technology and policy designed to limit carbon emissions.

The analysis supports our assessment of transition risk and highlighted the importance of enhancing capabilities, particularly around the Group's ability to identify and respond to the emerging electric vehicle and mobility landscape. More information on how we are evolving our strategic response to the adoption of electric vehicles can be found on page 65.

Key assumptions

In formulating scenarios to stress test key sensitivities of our current business model we acknowledge there are limitations in the assumptions used, particularly relating to the longer-term 2050 time horizon.

For example, the scenarios used do not take into account:

- the Group's long-term commitments within its investment strategy, including the ambition of holding a net zero emissions investment portfolio by 2050, which could result in lower transition risk (see pages 66 and 71); and
- the expiry of the Flood Re scheme in 2039. The ceding of peak flood risk is a part of our current business strategy and we have therefore assumed ceding would be available in the 2050 scenarios. This implies that either Flood Re would be extended, or that an alternative private market reinsurance solution would exist.

Additionally, whilst we have used credible scientific data to build our scenarios, we recognise considerable uncertainty and diverse opinions exist in relation to how climate change will affect extreme weather in the UK. This provides incentive for critically assessing the scenario design on a regular basis and for considering alternate scenarios in future modelling, such as more extreme windstorms, for example.

We plan for the scenarios to expand and evolve over time which includes continuing to challenge our assumptions. The scenario design is iterative, as we learn how climate change may affect our specific risk profile, while also allowing us to focus on the aspects of the business most likely to be materially impacted by the effects of climate change.

Management actions

The findings from our analyses continue to highlight the importance of the Group's existing Management Action Framework, which includes a range of actions that could mitigate against the risks identified through our climate-related modelling.

Considering the level of impacts that we have observed as part of our modelling, we have identified a number of management actions that would be effective to mitigate these risks and respond to new opportunities.

Our Management Action Framework consists of three broad categories based on the purpose and nature of the action:

- **Contingent Management Actions** – These follow the Group's existing Contingent Management Actions framework and would be deployed to mitigate the scenario impacts, assuming these arise as instantaneous shocks on the balance sheet; potential action could include restricting capital distributions, for example.
- **Pre-emptive Management Actions** – These have been developed assuming that the business can observe the scenarios unfolding in real time and begin to adapt the business model in response to these emerging impacts; they cover areas such as repricing, de-risking of investments and reinsurance.
- **Strategic Management Actions** – These actions are aligned to the Group's ongoing strategic activity as part of our contribution to the transition to a lower-carbon economy. They include: taking action to progress against our Net Zero ambitions and Science-Based Targets; understanding how we can support in improving the flood resilience of UK properties in flood-prone areas; and evaluating the impact of climate change on our underwriting footprint, which includes through scenario modelling.

Our strategic response

Developing our understanding and management of climate-related risks, while seeking out opportunities that may arise from efforts to mitigate and adapt to climate change, are important aspects for maintaining the longer-term resilience of our strategy.

Our approach continues to focus on driving change across key areas of our business: our underwriting activities; our operations; and our approach to investments. The actions we are taking across these areas are considered in turn on pages 65 and 66.

In the following table, we outline the key physical and transition risks and opportunities that could significantly impact these areas and include the time horizons over which we believe these could become manifest. Additional focus on the operating segments that could be most affected by climate change can be found on page 65. More information on how we define the time horizons used can be found on page 60.

Category	Description	Examples of potential impact on the Group	Time horizon	Key area of impact
Physical risks	**Acute** – event driven risks such as flooding and storm surge. **Chronic** – longer-term shifts in climate patterns, such as a continued rise in average temperatures, changes in, and extreme variability of, precipitation and weather patterns and rising sea levels.	An increase in the frequency and severity of natural catastrophes and other weather-related events could adversely impact insurance liabilities, particularly those from our property insurance products.	S M L	U
		Disruption to our direct operations, which could include damage to our estate, impacting our ability to serve customers.	S M L	O
		Chronic risks could lead to significant changes in our underwriting criteria to maintain risk appetite, and/or higher costs to obtain catastrophe reinsurance to protect us against an accumulation of claims arising from a natural perils event.	M L	U
		Reduced returns from investments in companies whose operations are impacted by physical climate risks, and real asset investments directly impacted by physical climate risks.	S M L	I
Transition risks	Risks arising from the transition to a lower-carbon economy. These are categorised by the TCFD as: – policy and legal risks; – technology risks; – market risks; and – reputational risks.	A failure to understand the scale of change in market demand for products and services due to climate-related policy, technology and consumer preference could impact revenue and market share. This could include risks from the transition to electric-powered vehicles, for example.	S M	U O
		Costs associated with the transition to a lower-carbon economy may increase over time and the adoption of new lower emission technologies may be unsuccessful.	S M	O
		Insufficient progress against our net zero ambitions could cause stakeholder concern and reputational damage.	S M L	U I O
		Reduced returns from investments in high carbon intensity companies that are not taking action to transition to a low carbon economy, and real asset investments that are not compatible with the transition to a low carbon economy.	S M L	I
Opportunities	Efforts to mitigate and adapt to climate change can also produce commercial opportunities. These could allow us to help accelerate the transition and continue contributing to a sustainable economy.	Accelerating the speed of transition to a lower-carbon economy by, for example, supporting the move to greener transport solutions, particularly electric-powered cars, allows us to develop new insights and capabilities to help us build insurance solutions that best meet our customers' evolving needs.	S M	U
		Investment in energy-efficient features and equipment across our office estate and accident repair centres could save on energy consumption and operating costs, reduce our footprint and improve operational and resource efficiencies.	S M L	O
		Potentially enhance risk-adjusted returns from our investments by aligning the investment portfolio with the transition to a low carbon economy whilst also enhancing our reputation as a responsible investor. Ensuring the investment portfolio is resilient against the physical effects of climate change.	S M L	I

S Short-term (1 – 10 years) M Medium-term (10 – 30 years) L Long-term (30 years +)
U Underwriting I Investments O Operations

Underwriting

Property

The physical risks from climate change are most likely to manifest themselves as an insurance risk on our property insurance products, where we protect millions of our customers' properties against weather events, such as flooding and windstorms.

These natural catastrophes, and other weather-related events in the UK, are key drivers in the Group's solvency capital requirements and we recognise that climate change could cause the frequency and severity of these events to increase.

The short-term nature of the business we underwrite, the ability to re-price annually, and the risk mitigation provided by reinsurance arrangements are all important factors in how we manage our exposure. In addition, we further limit our exposure by making use of Flood Re to cede high flood risk residential properties.

In the second half of 2024, we deployed a new pricing and underwriting engine across our Home business. This is expected to provide further agility enabling us to increase the frequency with which we refresh our view of underwriting risk.

Despite this, we acknowledge that, in general, the physical risks from climate change are likely to intensify over the longer-term. To assess the effects of this, we perform scenario analysis to measure the potential impact of climate change on our insurance liabilities over a time horizon spanning over 25 years. This analysis helps us to quantify the financial implications of physical risk under different possible future climate scenarios, with the outputs providing an indication of the Group's resilience.

The analysis provides a framework to understand and assess the potential future risks associated with climate change in greater detail and the findings aid our strategic planning. This has included the development of our Strategic Management Actions (see page 63), which span across business areas and include actions such as engaging with policymakers on the importance of flood defences in the UK to protect properties located in flood-prone areas.

The potential impacts observed on the business under these scenarios, as well as the contingent and pre-emptive management actions which could be deployed to mitigate against the risks identified, can be found on page 63. These actions cover areas such as pricing, de-risking of investments and reinsurance.

Motor

Being a large personal motor insurer, the move to electric-powered vehicles is particularly pertinent to the Group and, supported by changes in technology and policy, the speed of transition to electric continues to increase. Whilst this presents new challenges, we also recognise this as an opportunity to support the move to a lower-carbon economy, through the insurance products we offer.

In recent years, our products have expanded to support our Motor customers who are making the switch to electric, for example our car insurance includes battery, home charging and charging cables cover.

We have also entered into new strategic partnerships which can help grow our data on electric vehicles, such as with Motability Operations from September 2023. We expect the number of electric vehicles we insure to increase over the course of the partnership, driving both scale and insight through our accident repair centres.

We are also building further capabilities in our repair centres, where an increasing number of our technicians are now accredited in repairing electric vehicles, supporting the development of insight into the future of vehicle technology and repair.

During 2023, we performed a reverse stress test to assess how the adoption of electric vehicles could impact the Group's business model, which considered a range of variables across three time periods and scenarios.

Operations

We continue to take action to ensure we are operating in a sustainable way, recognising this not only supports the planet, but is also a part of how we can mitigate against the potential climate risks that could cause disruption to our operations.

To date, this has included investing in our estate to integrate new energy-efficient features and equipment, launching a carbon reduction strategy in our network of accident repair centres and since 2014, purchasing the electricity for all our offices and accident repair centres from renewable sources.

Science-Based Targets

We aim to become a Net Zero business by 2050 and this includes our direct operations. Our Science-Based Targets were approved by the SBTi in 2022 and are aligned to a 1.5°C pathway, meaning we have ambitious carbon reduction plans which support our journey towards Net Zero.

For our direct operations, we are aiming for a 46% reduction in absolute Scope 1 and 2 emissions from our office estate and accident repair centres by 2030, from a 2019 baseline. Reporting against this target can be found within Metrics and Targets on page 70 and on page 52.

Operational emissions

The steps we have taken in recent years mean we understand where the most carbon-intensive areas of our operations are, allowing us to prioritise carbon reduction activity across these areas in support of our targets. Our 23 accident repair centres remain a key area of focus and we continue to embed a range of solutions as part our carbon reduction strategy, with this work being led by colleagues in the Auto Services Sustainability Programme. More information on what we have achieved in 2024 as part of the Programme can be found on page 53.

Emissions reporting

We calculate and report our GHG emissions annually and our most recent carbon emissions reporting can be found on page 73. In recognition of our hybrid operating model (where people work from home at least part of the time), since 2021 our reporting has also included emissions from homeworking. Further disclosure on the progress we have made in reducing our operational footprint to date can be found within Metrics and Targets on page 70.

Carbon offsetting

Our aim is to become less reliant on carbon offsetting and, although our journey to net zero emissions continues to gain momentum, we acknowledge that it will take time to facilitate the transition. For this reason, we offset our remaining Scope 1 and 2 emissions, with this achieved in 2024 through carbon removal credits. More information can be found on page 53.

Supply chain

The Group has an established Supply Chain Sustainability Programme, recognising the importance of engaging with our suppliers to achieve our climate ambition. During the year, work has included increasing the weighting of sustainability factors in our sourcing processes.

Further information on the activities undertaken in the year as part of our Supply Chain Sustainability Programme can be found on page 54 and the Scope 3 GHG emissions from our supply chain are reported on page 73.

Investments

We have been integrating more ESG considerations into our investment strategy over a number of years, recognising this is a long-term process which will require assessment and challenge to inform future decision making.

We know that the impacts of potential physical and transition climate-related risks arising in the wider economy will have an impact on our investment portfolio, through their influence on the value of assets. For example, our portfolio is exposed to physical risks through our investment in companies that are exposed to disruption from adverse weather events across their supply chain. It is also exposed to transition risks, where companies that we are invested in are not adapting their strategy to a low-carbon future. However, the transition to a low-carbon economy also creates significant investment opportunities.

We have the long-term goal of our entire investment portfolio being net zero emissions by 2050 and in support of our aims we continue to implement key climate initiatives into our investment strategy. During 2024, we:

- continued to work towards meeting our approved Science-Based Targets for GHG emissions reduction for in scope asset classes; and
- continued to reduce the carbon intensity of our corporate bond portfolio in line with our aim of a 50% reduction by 2030 from a 2020 base year.

The actions detailed above form part of the ongoing development of the wider ESG framework underpinning investments. In terms of holding investments in other companies, those with higher reported ESG credentials have more sustainable practices which better align to our investment, environmental and social goals. As such, for our investment-grade corporate bond portfolios, we require the MSCI ESG rating of the portfolio to be at least as high as the corresponding ESG weighted reference index or benchmark.

Science-Based Targets

In support of our long-term goal of ensuring our entire investment portfolio is net zero emissions by 2050, in line with the aims of the Race to Zero campaign, we set four science-based GHG emission reduction targets in our investment portfolio.

Approved by the SBTi in 2022, the targets cover corporate bonds, commercial property and real estate loans which, as at the end of 2024, covered 70% of assets under management.

More information on the targets, and our 2024 reporting against them, can be found within Metrics and Targets on page 71 and on page 52.

Looking through the climate lens, we also have in place the following current initiatives:

- Thermal coal screen whereby we restrict investment in firms generating more than 5% of revenues from either thermal coal mining or thermal coal power production unless the company is taking positive climate action[1].
- We actively encourage our investment managers to invest in green bonds. Green bonds are designated bonds intended to encourage sustainability and to support climate-related or other environmental projects. All our relevant corporate bond mandate guidelines now direct the portfolio manager to purchase a green bond where the risk return characteristics are similar to those of a comparable non-green bond.
- Within our investment property portfolio all assets must have an Energy Performance Certificate of 'D' or better, or a plan and funds in place to achieve that level. The property portfolio also has a tailored set of ESG targets covering areas such as carbon, energy, water and waste.

We also use climate scenario modelling to support our assessment of the impact climate change could have on the investment portfolio. This analysis enables us to measure and quantify the potential financial impact of climate-related physical and transition risk on our investments, while also providing a better understanding of the opportunities that may arise from a transition to a lower-carbon economy to inform our strategic planning.

The potential impacts observed on the investment portfolio under these scenarios can be found on pages 61 to 63.

Using our influence

We aim to use our influence to drive wider change. For example, our investment managers are signed up to the UN Principles for Responsible Investment. We also talk regularly to our external asset managers to understand (and where necessary, challenge) how they are using their global presence, size and leverage to engage and encourage corporations to tackle climate change.

Note:

1. Companies taking positive climate action are defined as those that are committed to setting Science-Based Targets or have a 2°C or better carbon performance alignment from the transition pathway initiative.

Risk Management

Our Risk Management Framework

The Risk Management Framework sets out, at a high level, the Group's approach to setting risk strategy, and managing risks to the strategic objectives and day-to-day operations of the business. The Risk Management Framework is designed to manage the Group's risk proactively and to enable dynamic risk-based decision making. This includes clear accountabilities and risk ownership designed to ensure that we identify, manage, mitigate and report on all key risks and controls, and is governed through the three lines of defence model.

Further information can be found in the Risk management section of the Strategic report on pages 38 and 39.

Risk taxonomy

The Group recognises that the effects of climate change are wide-ranging, with uncertain and extended time-horizons, and that a strategic approach to managing the risks from climate change is required. The Group reflects the effects of climate change in the drivers of those risks which are defined in the Group Risk Taxonomy. This embeds the management of climate-related risks in the normal risk management processes for managing risks across the Group's risk profile.

During 2024, the Group enhanced the coverage of climate-related risk within its policies and minimum controls standards for the financial risks considered to be most materially impacted by climate change. Materiality was assessed through SME judgement.

Risk impact

The impacts of all risks, events and action plans are rated using the Impact Classification Matrix which facilitates a consistent approach to the sizing and categorisation of risk across the Group by using Financial, Regulatory, Customer, Reputation, Operational disruptions and Economic, Social and Governance factors (including Climate Change) inputs. This includes those risks relating to climate change, including climate-related litigation risks, and allows the Group to determine the relative significance of climate-related risks in relation to other risks.

Climate-related risk identification process

Annual risk identification process

Each year, the business is required to review all current and developing risks which could impact on the achievement of strategic objectives. This process includes assessing the Group risk drivers, such as those due to climate change, and their potential impact and likelihood of risk crystallisation on both an inherent and residual basis, in addition to identifying the position which aligns with risk appetite. The risk drivers are assessed at the sub-level most appropriate for the risk, for example at a product level for insurance risk or business unit level for certain operational risks.

We also use a variety of indicators across our product segments to assess, monitor and manage climate-related risks. A number of these key metrics can be found on pages 68 to 71. Additionally, scenario analysis is used to quantify the potential impact climate change could have on the business across the short and longer term, see pages 61 to 63.

Regulatory monitoring

The Group monitors and reviews relevant outputs from the FCA, the PRA, and His Majesty's Treasury, to consider existing and emerging regulatory requirements.

During 2024, this included reviewing:

- the Bank of England's bulletin on measuring climate-related financial risks using scenario analysis;
- the Climate Financial Risk Forum's guides on three areas of climate risk: nature-related risk; use cases of short-term scenarios; and mobilising adaptation finance to build resilience;
- the FCA's finalised guidance on the anti-greenwashing rule; and
- the FCA's temporary measures for firms on 'naming and marketing' sustainability rules.

We continue to monitor future developments. Reviews are summarised and distributed to relevant stakeholders, and, where necessary, responses are coordinated and overseen by Second Line of Defence subject matter experts.

Emerging risk process

In addition to the annual risk review process, the Group has in place an emerging risks process which facilitates the identification, management and monitoring of new or developing risks which are difficult to quantify or are highly uncertain. The Group records emerging risks within an Emerging Risk Register. Updates on emerging risk and the actions being taken to address them are presented to the Risk Management Committee and the Board Risk Committee regularly, supplemented by deep dives on selected emerging risks.

Climate change, including climate-related physical and transition risk, is one of the Group's most prominent emerging risks. In the year, oversight was provided by the Climate Executive Steering Group and the Climate Risk Workshop, consisting of First Line of Defence subject matter experts from around the business where the impact of climate change is the highest, in addition to Second Line of Defence subject matter experts who provide oversight and challenge of risk management activity relating to this.

Both physical and transition risks could manifest themselves through a range of existing financial and non-financial risks, including insurance, market, operational and strategic risks. For more information on emerging risk and climate change see page 43.

Climate risk modelling

The risk to the Group's capital from extreme weather event losses is modelled, monitored, and reported internally on a quarterly basis. The largest loss potential comes from UK windstorms or floods, which are explicitly modelled within the Internal Economic Capital Model, along with less significant perils such as freeze and subsidence.

The Group uses vendor catastrophe models to quantify wind and flood risk for its in-force portfolio. These models are regularly reviewed to ensure they reflect the latest scientific understanding. Part of this review explicitly considers whether climate change has materially altered the underlying risk assessment within these models compared to historical observations. This task is managed by the Capital Management Function.

A warming climate is likely to lead to increased flooding from more frequent extreme rainfall events, and sea level rise will increase the risk of coastal flooding. This informs an evolving underwriting strategy for ceding peak flood risk to Flood Re, which incorporates the modelled view of risk.

Nearly all policies are of twelve months' duration and when renewed are priced using advanced rating engines that incorporate location-specific parameters for weather-related risk. These rating engines include catastrophe risk to ensure that pricing is adequate for potential extreme events not in the historic record. Underlying algorithms are constantly reviewed against claims data to seek to ensure adequate pricing. As climate change affects loss patterns and catastrophic risk evolves, our prices will adjust accordingly.

The Group mitigates its exposure to large catastrophic weather events through catastrophe excess of loss reinsurance.

This reinsurance covers property (Personal Lines and Commercial Direct) and motor physical damage losses. It provides significant capital benefits by transferring volatility from low-frequency, high-severity natural peril events away from the Group. The reinsurance coverage purchased is based on catastrophe modelling, capital analysis, the Group's risk appetite, cost of cover, and the overall impact on the income statement. Typically, cover is purchased with an upper limit equivalent to a 200-year modelled loss.

Metrics and Targets

We use a variety of key performance indicators across the different lines of our business to assess, monitor and manage climate-related risks and opportunities. In the table below, we summarise the key metrics used across the three areas of activity, as identified earlier in our disclosure: our underwriting activities; our operations; and our approach to investments. Further detail on these, and our targets, can be found within the pages that follow. Where the Group believes that the values associated with certain metrics are commercially sensitive these values have not been disclosed.

Area	Metric	Description	Category	Page
Underwriting	Total weather-related loss impact	Track actual performance against our an annual expectations for event weather-related claims and monitor the impact of claims associated with severe weather on the Group's net insurance margin.	Physical risk	69
	Flooding	Monitor our market share for risks to be deemed in the high- or very high-risk segments and track the volume and proportion of policies we are ceding to Flood Re.	Physical risk	69
	Electric vehicles	Monitor the number and proportion of electric vehicle policies we underwrite and track the number of new electric vehicles registered in the UK.	Transition risk and opportunities	70
Operations	Operational emissions	Calculate and report our operational emissions (Scope 1 and 2), to monitor progress towards our science-based operational emissions target.	Physical risk and transition risk	52, 70 and 73
	Measuring progress within our repair centres	Quarterly oversight of: – GHG emissions and gas consumption metrics associated with vehicle repair; – the delivery of carbon reduction plans; and – opportunities for innovating and using new solutions within repair centres, in support of plans and targets.	Physical risk, transition risk and opportunities	70 and 71
Investments	Investment portfolio emissions	Measure and report the temperature score of our corporate bond portfolio, and GHG emissions from commercial property and real estate loans, to track progress against our science-based investment targets to ensure we are delivering against our aims.	Physical risk and transition risk	52, 71 and 73

The Group has also disclosed a number of materially relevant metrics consistent with the cross-industry categories recommended by the TCFD. These include:

- **GHG emissions:** our Scope 1, 2 and 3 emissions and emissions intensity metric reporting can be found on page 73.
- **Remuneration:** our LTIP awards have an emissions performance condition which covers the targeted reductions in emissions and temperature scores that form part of our Science-Based Targets. More information can be found in the Directors' Remuneration Report from pages 115 to 141.
- **Physical risks:** the results of our scenario analysis activities, which assesses the potential impact of climate-related physical risk on the value of insurance liabilities, can be found on pages 61 to 63. Analysis of the actual impact of severe weather claims can be found on the following page.
- **Transition risks:** the results of our scenario analysis activities, which assesses the potential impact of climate-related transition risk on the value of investment assets, can be found on pages 61 to 63. These pages also include the results of a reverse stress test, undertaken in 2023, to assess how the the transition to electric vehicles could impact the Group's business model, including both risks and opportunities.

We continue to assess how we incorporate additional metrics into our disclosures, including those used to enhance the measurement and management of transition risks and opportunities, and expect this to evolve over time. In 2025, actions to explore disclosure of additional metrics, which could also support further development of the Group's transition plan, have been embedded within our climate-related risk management roadmap.

Underwriting

Weather-related loss impact

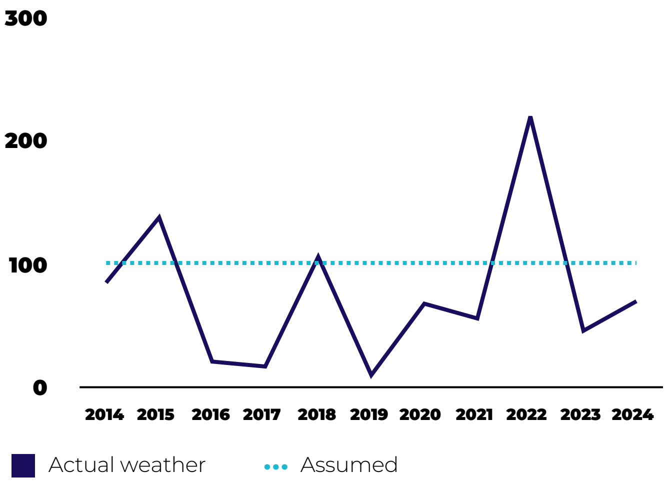
The predominant direct physical drivers of catastrophe weather risk from a capital perspective are major UK floods and windstorms. The last peak of windstorm activity was in the late 1980s and early 1990s; the last decade being particularly benign in comparison. By contrast, flood has seen more elevated activity.

Catastrophe reinsurance is purchased annually to protect against event losses greater than £100 million (see page 33). Use of the Flood Re scheme also helps mitigate against the highest individual residential flood risks.

The cost of claims relating to event weather can found within the management view statement of profit or loss (see page 247).

Severe weather claims[1] (actual % of expected loss)

The Group uses sophisticated modelling techniques to estimate the expected losses from severe weather events and uses these to set an annual expectation for major weather-related claims.

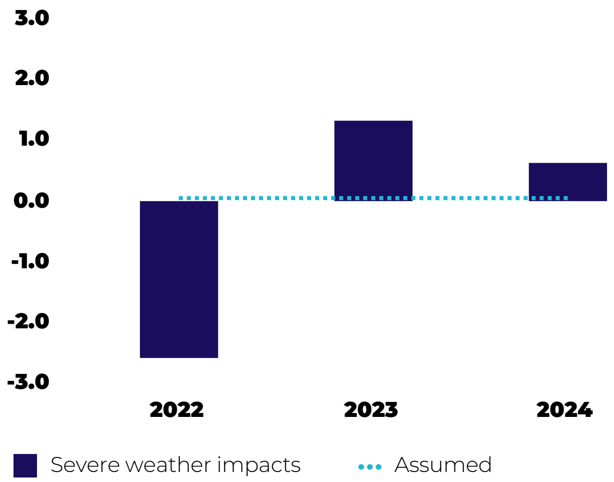


The graph above shows the impact of event weather claims relative to this annual expectation. In 2024, claims associated with severe weather were below our 2024 event weather assumption, which is set at 100% in the graph.

As shown in the graph, the trends are reflective of relatively benign activity, although there is significant variability.

In 2022, claims from weather-related events were more than double our annual assumption following three significant storms in Q1, a rise in subsidence claims from extremely high temperatures in the summer and the December freeze event. The 2018 peak was driven by the 'Beast from the East' freeze event and the 2015 peak was a result of a number of weather events in December, which caused severe flooding across the UK.

Impact of severe weather on net insurance margin[1,2] (pt)



Both these graphs reflect the number of major weather events in the year that the Group responded to. The frequency and severity of extreme weather events could be affected by climate change, which in turn will affect our view of risk, how we price severe weather risk, and the type and level of reinsurance we purchase to protect our balance sheet.

Home

Key risk indicators are produced by the Underwriting Function and reviewed monthly through relevant business forums.

The key climate change-related activities are flood, subsidence and other weather incidents. For flood and subsidence perils, we monitor the Group's market share for risks deemed to be in the high- or very high-risk segments. We also monitor and review the proportion of policies ceded to Flood Re. Each peril is monitored against set tolerances, with movements in amber or red ratings generating investigation and action as required.

We maintain a view of trends and look to take action where a trend is likely to result in a breach of tolerance.

Flooding

Governments have been working with insurers since 2000 to help make flood risk insurance more affordable and in 2016 Flood Re was introduced. Every insurer that offers home insurance in the UK, the Group included, must pay into the Flood Re scheme and this levy is used to cover the flood risks in home insurance policies.

To ensure the Group and its customers benefit from the levy and guard against the highest of flood risks, we monitor the volume and proportion of policies we are ceding to Flood Re. Properties are eligible to be ceded to Flood Re when they meet certain criteria.

Notes:

1. Data used within this analysis is based on the Group's ongoing operations. See glossary on pages 238 to 241 for definitions.
2. Following adoption of IFRS 17, analysis for periods prior to 2022 is not available. For historic reporting, see previous publications, including page 83 of the 2022 Annual Report and Accounts.

Motor

The Group's motor market is diversified throughout the UK, and although weather-related factors will influence claims frequency it is a relatively small influence compared with other factors, such as used car prices.

In the year, in order to track the transition towards electric vehicles we monitored both the number and proportion of policies we underwrite for these types of vehicles as well as the number of electric vehicles and alternatively fuelled vehicles registered in the UK. This supports us in estimating our market share and helps inform our electric vehicle strategy.

Progress against the supplemental guidance for insurance companies

The Group believes that its disclosure against certain components of the sector-specific guidance, within Metrics and Targets Recommendations (a) and (b), does not meet the objectives of the TCFD.

Below, we outline the activities we have undertaken during the year to improve our disclosure against these areas in future reporting, as well as the activities planned in future years.

The extent to which insurance underwriting activities, where relevant, are aligned with a well below 2.0°C scenario
The Group recognises that measuring underwriting emissions remains a developing area, with the frameworks and methodologies to support insurers in calculating these emissions continuing to evolve. An area of limitation that is particularly pertinent to personal lines and small commercial business insurers is the practicalities of obtaining data with sufficient accuracy and reliability to determine the emissions associated with these portfolios.

The Group has embedded plans to further assess its disclosures relating to underwriting emissions through its climate-related risk management roadmap. Actions that are currently embedded include continuing to review issued guidance related to measuring and reporting underwriting emissions as this guidance evolves, in order to further inform the Group's approach.

The weighted average carbon intensity or GHG emissions associated with commercial property and specialty lines of business, where data and methodologies allow
Following the sale of our Brokered commercial business in 2023, we expect our underwriting exposure to commercial property lines to significantly reduce as the retained back book for this business continues to run off over time.

We continue to remain active in the direct small business commercial insurance market, which includes providing insurance for small commercial properties, however, we view our exposure to carbon intensive sectors through these underwriting activities to be low, due to the type and size of the businesses we insure.

Whilst we will continue to review emerging best practice, at present, we do not believe available methodologies have sufficient maturity to meaningfully measure the weighted average carbon intensity or GHG emissions associated with small business commercial property lines. For example, current frameworks recommend collecting emissions data from companies' own disclosures or official filings, or use of physical or economic activity data, to determine emissions associated with commercial lines portfolios. Such recommendations are not currently pragmatic for insurers with small commercial business customers, such as the Group.

The Group does not underwrite any specialty lines of business.

Operational

We calculate and report our operational GHG emissions annually. Our most recent reporting can be found on page 73 where we continue to break out our Scope 1 and Scope 2 emissions into separate performance figures across our office sites and accident repair centres. We also disclose our Scope 3 footprint, which includes emissions from our supply chain.

Science-Based Targets

In support of our net zero ambitions, we have set five Science-Based Targets, in line with a 1.5°C pathway, focused on the most carbon intensive areas of our business, one of which covers our operational emissions. These targets were approved by the SBTi in 2022.

Scope	Target	2024 update
Operational	We target reducing absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year.	As at the end of 2024, absolute Scope 1 and 2 GHG emissions reduced by 46%[1], from a 2019 base year.

Our 2024 reporting shows a 46%[1] reduction in Scope 1 and 2 emissions, when compared to the 2019 baseline, meaning we have achieved our 2030 target early. This reflects the actions we have taken in recent years, which has included reducing our office footprint, investing in our estate to integrate more energy-efficient features and equipment and the carbon reduction initiatives we are implementing across our network of accident repair centres.

More information on our Science-Based Targets, including the actions we have taken against them and our future priorities, can be found on page 52.

Operational emissions performance

Overall, when compared to 2023, our Scope 1 and 2 GHG emissions decreased by 3%. A summary of the movements in the year can be found on page 73.

Auto Services Sustainability Programme

Our Auto Services Sustainability Governance Forum oversees the activity that forms part of the Auto Services Sustainability Programme. The Forum oversees progress against the activities to deliver towards the carbon reduction strategy within our accident repair centres and tracks key Programme milestones.

Note:

1. We are required to use Scope 1 and Scope 2 market-based emissions for SBTi operational target setting and reporting. When including Scope 2 location-based emissions this reduction is equivalent to a 53% reduction.

This includes monitoring the delivery and performance against GHG emissions reduction targets, where metrics, such as gas consumption and emissions associated with vehicle repair, are tracked. Scope 1 and 2 emissions from our accident repair centres are reported on page 73.

The Forum also assesses the risks that could impact the delivery or prioritisation of planned activity, coordinating the actions required to mitigate against these. It also considers metrics relating to opportunities from innovating and using new solutions in support of plans and targets, such as assessing the feasibility and benefits of adopting new lower emission technologies or equipment in repair centre sites.

Supply chain

While we wait for the publication of the Science-Based Net Zero Targets for Financial Institutions from the SBTi, which is now expected in 2025, we have chosen to set an internal emissions reduction target for our supply chain. This target forms part of our Supply Chain Sustainability Programme (see page 54.

Investments

In 2018, the SBTi launched a project to help financial institutions align their lending and investment portfolios with the ambitions of the Race to Zero campaign. The project audience includes universal banks, pension funds, insurance companies and public financial institutions.

Science-Based Targets

Our long-term goal is for our entire investment portfolio to be net zero emissions by 2050, in line with the aims of the Race to Zero campaign. To support this, we have set Science-Based Targets for our investment portfolio covering corporate bonds, commercial property and real estate loans, these were approved by the SBTi in 2022. As at the end of 2024 our investment portfolio targets covered 70% of AUM.

Asset Class	Target	2024 update
Corporate bonds	Align the Scope 1 and 2 portfolio temperature score by invested value from 2.44°C in 2019 to 2.08°C by 2027.	As at the end of 2024, the Scope 1 and 2 portfolio temperature score by invested value was 2.01°C.
	Align the Scope 1, 2 and 3 portfolio temperature score by invested value from 2.80°C in 2019 to 2.31°C by 2027.	As at the end of 2024, the Scope 1, 2 and 3 portfolio temperature score by invested value was 2.31°C.
Commercial property	Reduce GHG emissions by 58% per square metre by 2030 from a 2019 base year.	As at the end of 2023, GHG emissions reduced by 39% from a 2019 base year[1].
Real estate loans	Reduce GHG emissions by 58% per square metre by 2030 from a 2019 base year.	As at the end of 2023, GHG emissions reduced by 26% from a 2019 base year[1].

Further details on the emissions from our investments are reported on page 73.

The temperature score for corporate bonds is the implied level of warming above pre-industrial levels to which our portfolio is aligned based on the CDP's temperature rating data set. For an individual company the temperature rating is the level of warming to which a company's publicly stated emission reduction targets align. The targets are set on a linear pathway for the portfolio to reach 1.5°C by 2040 as is required by the SBTi.

We aim to achieve our corporate bond target by directing investment to companies with lower temperature scores as these are the ones taking most serious action to reduce emissions. We will also expect our external investment managers to engage with portfolio companies to encourage them to act by setting robust emissions reduction targets. We also continue to target an interim 50% reduction in weighted average carbon intensity by 2030 from a 2020 base year for corporate bonds in order to seek to ensure emissions are reducing over time.

Carbon intensity is the GHG emissions intensity per $1 million of sales. Normalising by sales allows the investor to compare carbon efficiency of different-sized firms within the same industry and has become a standard metric used in the investment industry.

For commercial property and real estate loans, targets were set using the SBTi sectoral decarbonisation approach for real estate which uses the IEA ETP 2017 Beyond 2°C scenario. Emissions for real estate relate to the energy use of buildings which is largely emissions from electricity and heating use. Work towards our real estate targets will require improving the energy efficiency of buildings, engaging with tenants to share energy use data and encouraging them to set their own emissions reduction targets.

More information on our Science-Based Targets, including the actions we have taken in the year against them and our future priorities, can be found on page 52.

Note:

1. Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, progress against our commercial property and real estate loan targets is reported with a one-year time lag.

Streamlined Energy and Carbon Reporting ("SECR") regulations

The following table highlights where information can be found that supports the requirement to disclose how the Group manages its energy consumption and carbon emissions.

Requirement	Page
Annual global GHG emissions (CO_2e):	
– from activities for which the Company is responsible	73
– from buying electricity, heat, steam or cooling by the Group for its own use	73
Annual global energy consumption in kWh, being the aggregate of:	
– energy consumed from activities for which the Company is responsible	53
– energy consumed resulting from buying electricity, heat, steam or cooling by the Group for its own use	53
The proportion of GHG emissions and energy consumed relating to the UK and offshore area[1,2]	72, 73
Methodology used to calculate emissions and energy consumption	72
At least one intensity metric in relation to emissions	73
Description of energy efficiency actions taken	53

Notes:

1. The offshore area is broadly defined as the sea adjacent to the UK, including the territorial sea, plus the sea in any designated area under section 1(7) of the Continental Shelf Act 1964 and section 41(3) of the Marine and Coastal Access Act 2009.
2. 100% of the Group's GHG emissions and energy consumption reported relates to operations, all of which are based in the UK.

Greenhouse gas emissions

The Group's annual GHG emissions reporting is provided on the following page which includes a summary outlining our performance in the year. More information relating to the progress we are making against our Science-Based Targets can be found on page 52.

Definitions

Scope 1: This covers direct emissions from owned or controlled sources. For example, our office sites throughout the UK using gas boilers, the paint booths in our auto services sites currently relying on gas powered processes, and our fleet vehicles.

Scope 2: These are indirect emissions. They are emissions associated with the production and transmission of energy we eventually use as a company across our office and auto services sites. For example, the production of the electricity we buy to heat and cool our buildings generates emissions.

Scope 3: These are indirect emissions that occur in our investments and the value chain to support our company operations. For example, employee commuting, activities related to the disposal of waste, and the goods and services we purchase to fulfil customer claims as part of our supply chain.

Reporting methodology

We apply the relevant greenhouse gas reporting requirements contained within Schedule 7, Part 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and apply the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our emissions, which includes emissions associated with electricity consumption. We use the operational control method to define the boundary for consolidating GHG emissions.

Our carbon emissions are calculated by an external third party and reviewed internally. The calculation method used for our 2024 emissions reporting remains consistent with prior periods and with the reporting standards stated above. For our 2024 reporting, the emission factors that were used in the calculation of purchased goods and services emissions were updated to EORA 26 emission factors to remain in line with best practice. Our 2023 reporting has been represented accordingly.

Emissions data is reported in compliance with the SECR requirements to disclose annual global GHG emissions. 100% of the emissions reported relate to our operations, all of which are based in the UK.

Scope 3 emissions

The GHG Protocol defines Scope 3 emissions as all other indirect emissions that occur in a company's value chain. These include Scope 3, Category 1: Purchased Goods and Services (or 'supply chain') and Scope 3, Category 15: Investments (or 'financed emissions'). Estimates necessarily have to be made regarding Scope 3 emissions as the information is not available across all Scope 3 emissions sources, such as underlying suppliers, for example.

In estimating the emissions from our supply chain, we use the GHG Protocol's spend-based approach. This involves using supplier spend data and multiplying these values by a relevant emissions factor to estimate the amount of emissions associated with purchased goods or services.

We have applied the Partnership for Carbon Accounting Financials ("**PCAF**") methodology to calculate emissions associated with our investment activities, in line with industry best practice. We have included our corporate bonds, commercial property and real estate loans within our financed emissions calculations.

Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, investment emissions from commercial property and real estate loans are reported with a one-year time lag.

Our Net Zero ambition

We aim to become a Net Zero business across all scopes by 2050, with external near-term targets and plans that cover our operational emissions (Scope 1 and 2) and our investments. At present, we have not set an external target for our supply chain emissions while we await the publication of the Financial Institutions Net-Zero Standard from the SBTi, which is now expected in 2025. For more information on our Supply Chain Sustainability Programme, please see page 54.

Group greenhouse gas emissions (tCO$_2$e)

Scope 1	2024		2023		2022		2019 (Baseline)	
Office sites	**858**		671		1,023		1,418	
DLG Auto Services	**3,399**		3,829		5,506		6,506	
Total (tCO$_2$e)	**4,257**		4,500		6,529		7,924	
Scope 2								
	Location-based	**Market-based[1]**	Location-based	Market-based[1]	Location-based	Market-based[1]	Location-based	Market-based[1]
Office sites[2]	**622**	**23**	659	16	1,089	0	4,516	0
DLG Auto Services	**1,890**	**0**	1,824	0	1,364	0	2,093	0
Total (tCO$_2$e)	**2,535**		2,499		2,453		6,609	
Total Scope 1 and 2 (tCO$_2$e)	**6,792**		6,999		8,982		14,533	
Of which: Office sites (tCO$_2$e)	**1,503**		1,346		2,112		5,934	
Of which: DLG Auto Services (tCO$_2$e)	**5,289**		5,653		6,870		8,599	
Scope 3								
Purchased goods and services[3]	**333,876**		253,844		244,316		294,080	
Fuel and energy-related activities (not included in Scope 1 & 2)[4]	**1,570**		1,300		1,518		2,459	
Upstream transportation and distribution	**477**		1,641		1,890		4,173	
Waste generated in operations	**1,529**		1,762		2,523		3,358	
Business travel	**746**		1,287		475		1,807	
Employee commuting	**6,073**		7,100		7,227		3,176	
Of which: homeworking emissions	4,327		5,256		5,583		–	
Upstream leased assets	**247**		131		189		514	
Downstream leased assets	**3,080**		2,878		1,552		1,658	
Total Scope 1, 2 and 3 excluding investments (tCO$_2$e)	**354,390**		276,942		268,672		325,758	
Investments[5]								
Corporate bonds and private placements Scope (1 & 2)	**2.01°C**		2.02°C				2.44°C	
Corporate bonds and private placements Scope (1, 2 & 3)	**2.31°C**		2.31°C				2.80°C	
Commercial property (tCO$_2$e)[5,6]			**3,679**		4,747		5,197	
Commercial property – intensity (kCO$_2$e/m^2)[5,6]			**41**		55		67	
Real estate loans (tCO$_2$e)[5]			**6,093**		10,011		13,769	
Real estate loans – intensity (kCO$_2$e/m^2)[5]			**60**		72		81	
Intensity metrics								
Scope 1 and 2 emissions (tCO$_2$e) per £ million of net insurance revenue	**2.2**		2.2		2.9			
Scope 1 and 2 emissions (tCO$_2$e) per average number of employees for the year	**0.7**		0.7		0.9		1.3	

Overall, when compared to 2023, our Scope 1 and 2 emissions decreased by 3%.

Within our repair centres, we continued to see a reduction in Scope 1 emissions through the use of an alternative fuel for our recovery trucks. These reductions were partly offset by an increase in Scope 2 emissions where we continue to switch to electric from gas to power repair equipment, where possible. See page 53 for more information.

Scope 3 emissions (excluding investments), increased by 29%, primarily driven by higher emissions from purchased goods and services. This was largely attributable to increased expenditure associated with the partnership with Motability Operations, which began in September 2023.

Investment emissions from our commercial property and real estate loans portfolio further reduced in 2023[5], primarily reflecting a continued focus on energy efficiency by tenants and property managers.

Further information relating to our performance against our Science-Based Targets can be found on page 52.

Notes:

1. Figures for Scope 2 use standard location-based methodology. We follow the GHG Protocol to disclose both location and market-based figures; and as we have secured our energy from 100% renewable sources since 2014, our Scope 2 market-based results are nil prior to 2023. From 2023, emissions from electric and plug-in hybrid vehicles in the company car fleet have been reported within the Scope 2 market-based result.
2. The 2023 figures differ from our previously reported result following a reclass of 17 tCO$_2$e between location-based and market-based.
3. As outlined on page 72, the emission factors used in the calculation of purchased goods and services emissions were updated to EORA 26 emission factors in 2024 to remain in line with best practice. The 2023 result has been represented accordingly.
4. The 2023 figure of 1,300 tCO$_2$e differs from our previously reported figure of 1,354 tCO$_2$e following recalculation.
5. Due to the practicalities of obtaining data from our external asset managers ahead of the release of the Group's annual reporting, progress against our commercial property and real estate loan targets is reported with a one-year time lag.
6. The 2022 figures differ from our previously reported figures of 4,630 tCO$_2$e and 54 kCO$_2$e /m^2 following recalculation.

Viability statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the Directors assessed the viability over a three-year period to December 2027, beyond the minimum 12 months required. This assessment considered the Group's financial performance (page 20), principal risks (page 40), capital management strategies (page 24), and regulatory compliance as detailed in the Strategic Report and Financial Statements.

Every year, the Board considers the strategic plan ("**the Plan**") for the Group, which is based on the Group operating as a standalone business. As the approved Plan is used for planning over a timeframe of three years, to 31 December 2027, this has been selected as the most suitable period for the Board to review the Group's viability.

The Group's Risk Function assesses the Plan and provides a report to the Board which supports the Board in concluding on the Group's viability.

In undertaking this review, the Group Risk Function has defined a set of key risk themes, known as top risks, grouped around the themes of financial resilience, operational resilience and future strategic fit in the context of the Plan. The Plan did not introduce any new material risks other than those already contained within the Group's Material Risk Register. Whilst outcomes for the later years in the Plan are less certain, the Plan remains a robust tool for strategic decision-making despite the unpredictability of long-term outcomes.

The Group's Risk Function has also carried out an assessment of the risks to the Plan and the dependencies for the success of the Plan. This included running adverse scenarios on the Plan to consider the downside risks and subsequent impact on forecast profit. The key scenarios applied to the Plan were in relation to the impact of adverse claims inflation, failure to achieve motor pricing initiative benefits, delay to delivery of expense reductions and a fall in asset values. In applying these scenarios, key judgements and assumptions are made, the most relevant are as follows: adverse claims inflation; failure to achieve motor pricing initiative benefits; delay to delivering expense reductions and fall in asset values.

None of the scenarios individually were concluded to present a threat to the Group's expected viability across the duration of the Plan. It is unlikely that all risks would materialise at the same time.

Finally, the Finance Function has also carried out an assessment of the risks to the Group's capital position over 2025 and 2026, incorporating moderate and severe macroeconomic stress tests individually and in combination. The stresses have been run to assess the possible impact on own funds in the period to 31 December 2025 and 31 December 2026, and both scenarios confirmed the Group's solvency capital requirement would not be breached, including when all stresses were applied in combination. The most significant stresses considered were widening credit spreads; increases in claims inflation and reduction in business volumes.

The overall conclusion of these tests was that there could be breaches in the Group's risk appetite in the long term, however a combination of contingent, pre-emptive, and strategic management actions could be deployed to address the risks and allow the business to recover to above risk appetite.

Further information in relation to the sensitivity of key factors on the Group's financial position are included in the Group financial performance section on page 20 and in the market risk note in the consolidated financial statements on page 177.

Takeover approach from Aviva plc

The Board has also assessed the impact of Aviva plc's offer to purchase the entire share capital of the Company, subject to regulatory and shareholder approval. In making its recommendation to the shareholders to accept the bid, the Board considered many factors. Further information in relation to the considerations made is included in the Section 172 (1) statement on page 86. In the event that the deal does not complete, the Directors consider that the Group would remain resilient.

Based on the results of these reviews, the Board has a reasonable expectation that the Company and the Group as standalone businesses can continue in operation, meet liabilities as they fall due and provide the appropriate degree of protection to those who are, or may become, policyholders or claimants in the period to 31 December 2027. Although the Directors cannot be certain about the actions of the new owners should a deal complete, they consider that the viability of the Groups operations should not be adversely affected.

Statement of the Directors in respect of the Strategic report

The Board reviewed and approved the Strategic report on pages 1 to 75 on 03.03.2025.

By order of the Board

Adam Winslow
Chief Executive Officer
04.03.2025

Chair's Introduction

Dear Shareholders,

On behalf of the Board, I am pleased to present the Corporate Governance report for the year ended 31 December 2024. This report sets out how we have applied the principles of the UK Corporate Governance Code (the "**Code**") 2018 throughout the year. It provides information on the activity of the Board and progress we have made in strengthening our corporate governance practices.

Board changes

In March 2024 we were delighted to welcome our new CEO, Adam Winslow. As we disclosed in last year's Annual Report, Adam was appointed following a highly competitive selection process on account of his outstanding track record and significant leadership experience, alongside his commitment to delivering for customers. During the year, Adam has spent time visiting many areas of the business, listening to our colleagues and investors and sharing information on our new strategy. More information on this engagement can be found on pages 89 and 90.

In April 2024 we announced that following a comprehensive and extensive search, the Board had identified Jane Poole to take on the role of Chief Financial Officer and Jane joined the Board in October 2024. Jane is a highly experienced CFO with extensive general insurance knowledge following a long and successful career building high performance teams in the financial services industry. More information on the process leading to Jane's appointment can be found on page 109.

In April 2024 we were delighted to be joined by Carol Hagh as an Independent Non-Executive Director. Carol brings with her experience in actuarial services and technology consultancy; brand, marketing and customer strategy development; as well as board and executive search. Carol's experience in executive search has made her an extremely valuable addition to our Remuneration and Nomination and Governance Committees.

Jon Greenwood, our former Acting CEO, and Neil Manser, our former CFO, stepped down as Executive Directors in March and October 2024 respectively. I thank them for their hard work and commitment to the Company.

As a result of these changes to its composition, the Board consisted of 42% women and 58% men as at 31 December 2024 and at the date of this annual report.

Having served for nine years, Richard Ward would have been due to step down from the Board and from his roles as Senior Independent Director and Remuneration Committee Chair at the AGM in May 2025. However, in the light of Aviva's potential acquisition of the Company, Richard has kindly consented to continue to serve for a period, to be reviewed in mid-2025. The Board is confident in Richard's continuing independence of character and judgement.

Stakeholders

During the year the Board has spent time engaging with and considering the interests of many of our investors and key stakeholders on many important topics, including the proposed acquisition of the Group by Aviva plc. Many of our Board members attended meetings of our Employee Representative Body to understand the views of our workforce and our new directors undertook induction activities which saw them meeting many of our colleagues around the business. More information in respect of this activity can be found on pages 89 and 91. Our customers are key stakeholders and an important focus for the Board. We expanded the remit of the Customer & Sustainability Committee chaired by Tracy Corrigan to reflect this.

Risk, Audit and Internal Control

2024 was KPMG's first year as auditor having been appointed by shareholders at our 2024 AGM. During the year the Audit Committee has overseen a programme of work to ensure a smooth transition from Deloitte to KPMG. More information on this can be found on pages 101 to 105.

During the year, our Board Risk Committee has continued to oversee a Group-wide controls improvement programme which has helped the Group to improve the resilience of its control environment and with the aim of bringing our oversight, monitoring and assurance processes into line with industry best practice. In addition, the Audit Committee has overseen a Control and Oversight Remediation Programme within Finance, the aim of which is to enhance the financial reporting control environment across the Group. More information on this work can be found on pages 101 to 105.

Remuneration

This Annual Report details the progress we have made in executing our new strategy and the Group's improved financial result. A majority of the targets established by the Remuneration Committee under the 2024 Annual Incentive Plan ("**AIP**") have been achieved, including targets for operating profit and cost savings, resulting in the payment of bonuses to our people.

The Long-Term Incentive Plan awards made to our senior managers in 2021, which were due to vest in 2024, did not meet the RoTE and TSR threshold performance levels and, therefore, lapsed with no payout. The Remuneration Committee considered this outcome appropriate in the light of the Group's performance over the three-year performance period.

The Remuneration Committee continued to monitor the remuneration of the wider workforce to ensure that outcomes were fair and appropriate in comparison to executive pay decisions. More information on executive remuneration and the work of the Remuneration Committee can be found on page 115.

Shareholder Meetings

Notice of a Court meeting and a General Meeting of shareholders in connection with the proposed acquisition of the Company by Aviva plc was given on 10 February 2025. These meetings will be held on 10 March 2025. The relevant notices of meetings can be found on our corporate website.

Our 2025 AGM is scheduled to be held on 14 May 2025 at 10.30 a.m. Full details, including the resolutions to be proposed, can be found in the Notice of AGM, which will also be made available on our corporate website.

The outcome of the resolutions to be voted and the meetings, including poll results detailing votes for, against and withheld, will be published on the London Stock Exchange's Regulatory Information Service and the Company's websites once the respective meetings have concluded.

Yours sincerely,

Danuta Gray
Chair of the Board

Board of Directors

Danuta Gray
Chair of the Board

Committees
- Nomination and Governance Committee (Chair)
- Remuneration Committee

Appointed
- Independent Non-Executive Director in February 2017
- Chair of the Board since August 2020

Key Skills and Experience
- Extensive experience leading and transforming large, consumer focused businesses.
- Deep understanding of governance and remuneration requirements affecting listed companies gained from previous Chair roles.
- Expertise in sales, marketing, and technology.

Danuta was Chair of Telefónica in Ireland until 2012. She was Chief Executive between 2001 and 2010, during which time Telefónica's customer base increased to 1.7 million from just under 1 million. Between 1984 and 2001, Danuta held a variety of senior positions within the BT Group. Elsewhere, Danuta has acted as Senior Independent Director of the Aldermore Group; Non-Executive Chair of St. Modwen Properties; Non-Executive member of the Ministry of Defence Board, NED and Chair of the Remuneration Committee at both Page Group plc and Old Mutual plc; and was Non-Executive Chair of the Board of Perth Topco Limited and North Tech.

External Appointments
- Non-Executive Director, Chair of the Remuneration Committee and member of the Nomination Committee of Burberry Group plc.
- Chair and Non-Executive Director of Croda International plc.
- Trustee Director of The Resolution Foundation

Adam Winslow
Chief Executive Officer

Committees
- None

Appointed
- March 2024

Key Skills and Experience
- Extensive experience in the insurance industry and financial services, gained from over 20 years in the sector.
- Proven track record of leading high-performance businesses.
- Expertise in driving operational excellence with a focus on delivering for customers.

Adam became Chief Executive Officer of Direct Line Group in March 2024. He joined Direct Line Group from Aviva, where he was CEO, UK & Ireland General Insurance and previously held the post of CEO for Aviva's international businesses. Before working at Aviva, Adam held various senior roles at AIG.

External Appointments
- Member of the Association of British Insurers Board.
- Member of the FCA Practitioner Panel.

Jane Poole
Chief Financial Officer

Committees
- Investment Committee

Appointed
- October 2024

Key Skills and Experience
- Chartered Accountant with deep knowledge and extensive experience of General Insurance in the UK marketplace.
- Expertise in leading large finance teams operating in a regulated financial services environment.
- Successful track record of delivering cultural change and technological transformation.

Jane became Chief Financial Officer of Direct Line Group in October 2024. Prior to joining the Group, Jane was CFO for Aviva's UK and Ireland General Insurance business, where she played a key role in driving business performance and improving profitability. Before her time with Aviva, Jane held senior finance roles at RSA Insurance Group, including serving as CFO of its UK & International businesses.

External Appointments
- None.

Key for Committee membership

AC	Audit Committee	**IC**	Investment Committee	**RC**	Remuneration Committee	⬡	Committee chair
BRC	Board Risk Committee	**NGC**	Nomination and Governance Committee	**CSC**	Customer and Sustainability Committee		

Tracy Corrigan
Independent Non-Executive Director

Committees
- Customer and Sustainability Committee (Chair)
- Nomination and Governance Committee
- Remuneration Committee

Appointed
- November 2021

Key Skills and Experience
- Track record of driving digital growth.
- Experience in digital transformation with a focus on data, culture and customer.
- Expertise in ESG issues and communications with multiple stakeholders.

Tracy's professional background spans financial journalism, digital media and corporate strategy in the media industry. Most recently Tracy was Dow Jones' Chief Strategy Officer where she was responsible for global strategy, customer insight and commercial policy, and had oversight of the digital transformation of the business. Earlier in her career, Tracy was Editor-in-Chief of The Wall Street Journal Europe and Digital Editor of The Wall Street Journal. She also held various positions, including Editor of FT.com and Editor of the Lex Column, at the Financial Times.

External Appointments
- Non-Executive Director and member of the Remuneration Committee of Barclays Bank UK plc.
- Non-Executive Director, Chair of the Sustainability Committee and member of the Audit and Nomination Committees of Domino's Pizza Group plc.
- Chair of The Scott Trust Endowment Limited and Non-Executive Director and member of the Nominations Committee of The Scott Trust.

Mark Gregory
Independent Non-Executive Director

Committees
- Board Risk Committee (Chair)
- Audit Committee
- Investment Committee
- Nomination and Governance Committee
- Remuneration Committee

Appointed
- March 2018

Key Skills and Experience
- Extensive experience in both General and Life insurance.
- Deep understanding of capital markets.
- Strategically orientated with a detailed understanding of the retail sector.

Mark was CEO of Merian Global Investors from January 2019 to August 2020. He previously held the role of Group CFO and Executive Director at Legal & General until 2017. Mark acted in a variety of senior roles in his 19-year career at Legal & General, including CEO of the Savings business, Managing Director of the With-Profits business, and Resources and International Director. Earlier in his career, Mark held senior financial and business development roles at ASDA and Kingfisher. Mark is an Associate of the Institute of Chartered Accountants in England & Wales.

External Appointments
- Non-Executive Director, Chair of the Risk Committee and member of the Audit Committee of Phoenix Group Holdings plc.

Carol Hagh
Independent Non-Executive Director

Committees
- Nomination and Governance Committee
- Remuneration Committee

Appointed
- April 2024

Key Skills and Experience
- Extensive experience of digitalisation, brand strategy and the drivers of customer satisfaction.
- Deep understanding of insurance brand and customer strategy and of refining products and propositions.
- Expertise in leadership and company culture.

Carol's career has spanned actuarial services and technology consultancy; brand, marketing and customer strategic development; board and executive search, in which she led Spencer Stuart's UK insurance practice; and senior executive coaching. In senior leadership roles in General Insurance, she was responsible for digital transformation, direct channel development, and proposition design. She has led customer-centric culture transformation and data driven approaches to improving customer satisfaction.

External Appointments
- Non-Executive Director, Chair of the Nomination and Governance Committee and member of the Remuneration Committee of Chesnara PLC.

Key for Committee membership

AC	Audit Committee	**IC**	Investment Committee	**RC**	Remuneration Committee	⬡	Committee chair
BRC	Board Risk Committee	**NGC**	Nomination and Governance Committee	**CSC**	Customer and Sustainability Committee		

CSC
NGC

Adrian Joseph OBE
Independent Non-Executive Director

Committees
- Customer and Sustainability Committee
- Nomination and Governance Committee

Appointed
- January 2021

Key Skills and Experience
- Leading expertise in digital, data science and analytics.
- Track record of using data and AI to drive business transformation.
- Recognised Diversity and Inclusion leader and a passionate advocate on this topic.

Adrian is the former Managing Director, Group Data and Artificial Intelligence at BT Group and a former member of HM Government's AI Council. He has significant industry and consultancy experience and has held senior roles at EY and Google. Between 2016 and 2020, Adrian was a Non-Executive Director at the Home Office where he sat on the Data Board advising on data science, digital transformation, and diversity and inclusion. A former Chair of the Race Equality Board, Adrian was appointed to the main Board of Business in the Community in 2014 and continues to act as an adviser to them. In 2018, he was announced as the most influential Black, Asian and minority ethnic technology leader in the UK by the Financial Times and Inclusive Boards. Adrian has been awarded an OBE for services to equality and diversity in business.

External Appointments
- Non-Executive Director of Allwyn Entertainment Limited.
- Non-Executive Director of Great Ormond Street Hospital for Children NHS Trust.
- Member of the Technology Advisory Board of NatWest Group plc.

CSC
NGC
RC

Mark Lewis
Independent Non-Executive Director

Committees
- Customer and Sustainability Committee
- Nomination and Governance Committee
- Remuneration Committee

Appointed
- March 2023

Key Skills and Experience
- Strong track record of delivering digital transformation and growth.
- Highly experienced in customer-focused and regulated business environments with a focus on strategy and innovation.
- Expertise in price comparison websites.

Mark's career has spanned financial services, retail, e-commerce, management consultancy and advertising. Most recently, he was Chief Executive of the MoneySupermarket Group, overseeing a period of revenue and profit growth for the UK listed price comparison business. Mark's previous roles include the Retail and Online Director for John Lewis and the Managing Director of eBay UK.

External Appointments
- Non-Executive Director and member of the Audit, Remuneration, Risk and Responsible Banking Committees of Santander UK plc.
- Non-Executive Director of Hammer PW Topco Limited.

IC
AC
BRC
NGC

Fiona McBain
Independent Non-Executive Director

Committees
- Investment Committee (Chair)
- Audit Committee
- Board Risk Committee
- Nomination and Governance Committee

Appointed
- September 2018

Key Skills and Experience
- Deep understanding of the development of corporate and digital strategy.
- International experience with broad perspective of business and capital markets.
- Expertise in digital transformation, customer analytics and stakeholder communications.

Fiona's experience in retail financial services, both in the industry and as an auditor, was gained in the UK and the USA. Fiona qualified as an accountant early in her career at Arthur Young (now EY). Until January 2019, she was Vice-Chair of Save the Children UK and a Trustee Director of the Humanitarian Leadership Academy. Previously, Fiona served as CEO of Scottish Friendly Group for 11 years, before which she was Scottish Friendly Group's Finance Director. Between February 2009 and June 2023, she served as Chair and Non-Executive Director of the Scottish Mortgage Investment Trust plc. Fiona is a Fellow of the Institute of Chartered Accountants in England & Wales.

External Appointments
- Senior Independent Director, Non-Executive Director, and Chair of the Audit Committee of Monzo Bank Limited.

Key for Committee membership

AC	Audit Committee	**IC**	Investment Committee	**RC**	Remuneration Committee	⬡	Committee chair
BRC	Board Risk Committee	**NGC**	Nomination and Governance Committee	**CSC**	Customer and Sustainability Committee		

David Neave
Independent Non-Executive Director

Committees
- Audit Committee
- Board Risk Committee
- Nomination and Governance Committee

Appointed
- October 2023

Key Skills and Experience
- Deep understanding of General and Life insurance markets.
- Extensive experience in senior management and Non-Executive roles.
- Proven record of delivering General Insurance business modernisation.

David is a Chartered Insurer and former Chief Executive of General Insurance for Co-operative Insurance. Following his executive career, spanning over thirty years in senior management roles in General Insurance, David has held chairmanships, Non-Executive Directorships and advisory roles in a number of insurance, InsurTech, consultancy and legal businesses, including Slater and Gordon UK Limited, The Solicitors Indemnity Fund, Liverpool Victoria Friendly Society, LV General Insurance Limited and Accenture UK Limited.

External Appointments
- Chair of the Advisory Board of the Common Automotive Platform Standard.

Gregor Stewart
Independent Non-Executive Director

Committees
- Audit Committee (Chair)
- Board Risk Committee
- Nomination and Governance Committee

Appointed
- March 2018

Key Skills and Experience
- Strong audit background having worked as a partner in Ernst & Young's Financial Services practice.
- Extensive experience in the insurance and investment management industry.
- Deep knowledge and understanding of financial services regulation and practice.

Gregor worked at Ernst & Young for 23 years, 10 of which were as partner in the financial services practice. Between 2009 and 2012, he was Finance Director for the insurance division of Lloyd's Banking Group plc which included Scottish Widows. Gregor previously served as Chair and Non-Executive Director of Alliance Trust plc and FNZ (UK) Limited; Chair of Quilter Financial Planning; and was Honorary Treasurer of International Alert for six years. Gregor is a Member of the Institute of Chartered Accountants of Scotland.

External Appointments
- Non-Executive Chair of FNZ Group.
- Chair of the Royal Scottish National Orchestra.

Dr. Richard Ward
Senior Independent Director

Committees
- Remuneration Committee (Chair)
- Board Risk Committee
- Nomination and Governance Committee

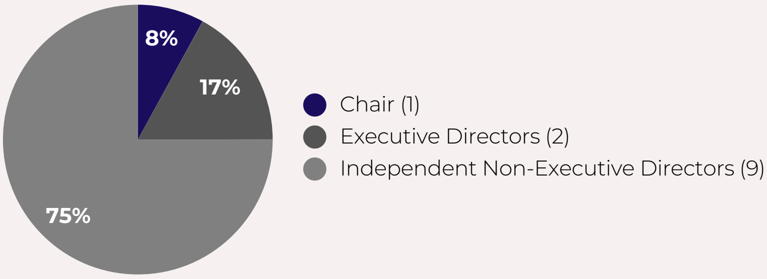
Appointed
- January 2016

Key Skills and Experience
- Highly experienced financial services professional with expertise in dealing with complex stakeholder groups.
- Extensive knowledge of the insurance industry with deep insight into prudential regulation.
- Background of delivering business transformation and change in challenging circumstances.

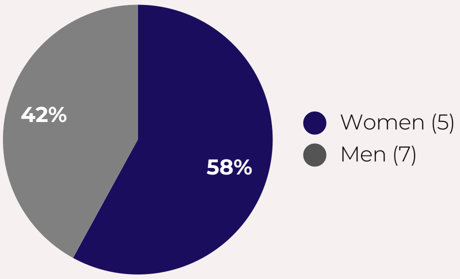
Richard was previously Executive Chair of Ardonagh Specialty, Chief Executive of Lloyd's of London, and CEO of the International Petroleum Exchange. He also held the roles of Non-Executive Chair at Brit Syndicates Limited and Executive Chair of Cunningham Lindsey. Richard also held Non-Executive Director roles at the Partnership Assurance Group plc and the London Clearing House. Earlier in his career he held a range of senior positions at British Petroleum and was a research scientist for the Science and Engineering Council. Richard has also been a member of the PwC Advisory Board, the PRA Practitioner Panel and the Geneva Association.

External Appointments
- Non-Executive Chair of CFC Group Limited.
- Non-Executive Chair of Mrald Limited.

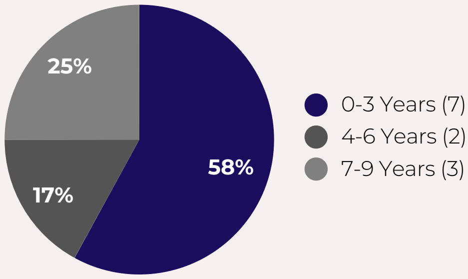
Board independence[1]



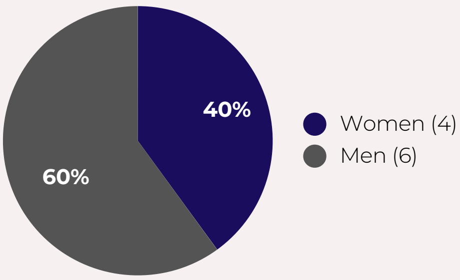
Board gender[1]



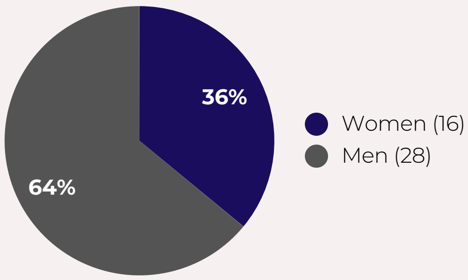
Chair and NED tenure



Gender diversity of our Executive Committee[1]



Gender diversity of Senior Management and Direct Reports[2]



Notes:

1. As at 31 December 2024.
2. Senior Management in this context is defined as the Executive Committee, Company Secretary and direct reports (where direct reports are members of the Group's Enterprise Leadership Network) as at 31 December 2024.

Corporate Governance

This report explains the Board's role and activities, and how corporate governance operates throughout the Group.

Corporate Governance statement

This Corporate Governance Statement explains key features of Direct Line Insurance Group plc's (the "**Company**") governance structure and how it measures itself against the standards set out in the UK Corporate Governance Code 2018 (the "**Code**") which applied to the financial year ended 31 December 2024.

For more information about the Code, visit the Financial Reporting Council's ("**FRC**") website at www.frc.org.uk. This Corporate Governance statement fulfils the requirements of the FCA's Disclosure Guidance and Transparency Rule 7.2 ("**DTR 7.2**"). For full details refer to the Directors' report on pages 142 to 146

The Company complied with the principles and provisions of the Code throughout the financial year and up to the date of this Annual Report and Accounts.

Board leadership and company purpose

The role of the Board

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.

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.

Further details regarding the role, responsibilities and activities of the Board and its Committees can be found below and in the Directors' Remuneration report which begins on page 115. Whilst some of the key areas of the Board's responsibility are summarised in the following paragraphs, these are not intended to be an exhaustive list.

Leadership

The Board provides leadership within a framework of prudent and effective controls. The Board has clear divisions of responsibility and seeks the long-term sustainable success of the Group. Information on how opportunities and risks to the future success of the business have been considered and addressed, and about the sustainability of the Company's business model, is set out in the Strategic report which begins on page 1.

Operations

The Board oversees the implementation of a robust control framework to allow effective management of risk. The Board supervises the Group's operations, with a view to ensuring they are effectively managed, that effective controls are in place, and that risks are assessed and managed appropriately.

Financial performance

The Board sets the financial plans, annual budgets and key performance indicators and monitors the Group's results against them.

Strategy

The Board oversees the development of the Group's strategy, the sustainability of the business model and considers how the Group's governance supports the delivery of strategy. The Board approved a refreshed strategy in 2024. More information on the Group's refreshed strategy can be found on page 3. The Board monitors management's performance and progress against the Group's strategic aims and objectives.

Further details of how the Company applied the Code's principles and complied with its provisions can be found in the remainder of this Governance report.

The role of the Board in the Company's culture

Our Mission:

To be brilliant for customers every day.

Our Vision:

To create a world where insurance is personal, inclusive and a force for good.

Our Purpose:

To help people carry on with their lives, giving them peace now and in the future.

Our culture informs the way we work, the way we interact with stakeholders and how we provide value for our customers and underpins our mission, vision and purpose.

The Board recognises that evolving and enhancing the Group's culture is critical to its future success in a rapidly changing world. In 2024, the Board had continued oversight of work on the Group's culture and sought to bring together various activities in the Group aimed at instilling a customer focused, high performance and risk-positive culture. The Company partnered with PwC to develop a business-driven culture framework, supported by a culture narrative and a plan to embed the culture framework in order to support the Group's refreshed strategy.

The 'Tone from the Top'

The Group had a Culture Steering Committee, which met on a quarterly basis to co-ordinate and lead activity on culture. The Steering Committee was made up of key individuals from across the business who influence culture, including the Chief People Officer and representatives from Business Change, Human Resources, the Conduct Centre of Excellence, Trading, Customer Sales and Service, Corporate Communications, Risk and Compliance.

Communications as an enabler of change

The Group has reviewed and enhanced the way it engages on culture internally with a view to ensuring the tone from the top is cascaded clearly and effectively by using consistent, open and transparent communication. Conscious effort is made to ensure that internal communications use key language related to our cultural ambition with regard to the high-performance culture.

Monitoring culture

In 2024 the Group continued to make use of a dashboard to assist the Board in monitoring the Group's culture. The dashboard includes key metrics across Customer (for example; NPS and complaints); People (for example; performance management; grievances; diversity; hiring trends; and engagement); and Risk (for example; colleague compliance training completion levels; completion of internal audit actions; and speaking up and whistleblowing reports), and is regularly reviewed by the Board.

– People

In 2024 the Group introduced a new performance management framework with the aim of promoting a high performance culture, focused on objective setting, embedding the performance framework, managing underperformance, upskilling people managers and colleagues, and tackling bias in performance management. A revised set of standardised objectives was rolled out across the business, supported by a comprehensive audit in Q1 2024, to assess both quality and completion of objectives.

– Customer and Consumer Duty

The Group continued to embed Consumer Duty Requirements throughout the organisation. In addition, we launched the Enterprise Leadership Network ("**ELN**") Customer Framework to support business areas in the identification of best practice and areas for improvement.

– Governance and Risk

Throughout 2024 the Group worked through the revised Risk and Compliance Self-Assessment ('**RCSA**') process as part of the Controls Remediation Programme ('**CRP**'), with RCSAs being carried out in each business area to identify areas in which our controls could be improved. Members of the Executive Committee and the ELN were also given specific objectives around controls for 2024. More information on the RCSA can be found on pages 106 and 107.

Board meetings and activity in 2024

Scheduled Board meetings focused on four main themes, as detailed below:

Themes	Description
Strategy and execution Strategic alignment 1 2 3 4 5	– Approving and overseeing the Group's key strategic targets and monitoring the Group's performance against those targets; – reviewing customer experience and trends and monitoring the Group's performance against external brand metrics; – reviewing and approving key projects aimed at developing the business or rationalising costs; – considering growth opportunities; and – reviewing the individual strategy of key business lines.
Financial performance and investor relations Strategic alignment 1 2 3 4 5	– Setting financial plans, annual budgets and key performance indicators, and monitoring the Group's results against them; – considering the Group's reserving position, approving Solvency II narrative reports and approving financial results for publication; – approving reinsurance programmes and renewals; – reviewing broker reports on the Group, alongside feedback from investor meetings; and – considering the appropriateness or otherwise of possible surplus capital distributions.
Risk management, regulatory and other related governance Strategic alignment 1 2 4 5	– Reviewing and agreeing the Group's policies; – setting risk appetite; – approving the Own Risk and Solvency Assessment ("**ORSA**"); – seeking to ensure that the Group complies with its regulatory obligations; – reviewing the Group's solvency position and forecast, including overisight of work in connection with the miscalculation of the Company's solvency capital ratio; – overseeing the Control and Oversight Remediation Programme; – reviewing the Group's ESG initiatives; – reviewing and approving the Group's Task Force on Climate-related Financial Disclosures ("**TCFD**"); and – reviewing and approving the Group's Consumer Duty implementation programme.
Board and Board Committee governance Strategic alignment 1 2 4	– Receiving reports from the Board's Committees; – updating the Schedule of Matters Reserved for the Board; – updating Terms of Reference for the Board's Committees; – receiving corporate governance updates; – overseeing Board and executive succession planning; – conducting the annual review of the Board and Board Committees' performance; and – conducting an annual review of the Group's governance framework.

In addition to its scheduled Board meetings, the Board held a number of ad hoc meetings to deal with urgent or arising matters.

In June 2024, the Board held a strategy day to monitor progress against the Group's refreshed strategy and to discuss the Group's future opportunities.

Link to core strengths and capabilities driving our strategy	
1	Rejoin front runners in Motor
2	Target leading positions in Home, Commercial Direct and Rescue
3	Achieve top quartile insurance technical excellence
4	Build a performance culture
5	Reduce cost base

Board and Committee meeting attendance

The Board and its Committees held a number of scheduled meetings in 2024, which senior executives, external advisers and independent advisers were invited to attend and to present on business developments and governance matters. The Company Secretary attended all Board meetings and he, or his nominated deputy, attended all Board Committee meetings.

The table overleaf sets out attendance at the scheduled meetings in 2024. Attendance is expressed as the number of scheduled meetings attended out of the number of such meetings possible or applicable for the Director to attend. In circumstances where a Director is unable to attend a meeting, the Director receives papers in advance and has the opportunity to raise issues and give comments to the Chair in advance of the meeting.

Additional Board and Committee meetings were convened during the year to discuss current issues (including the offers received for the Company), ad hoc business development, governance and regulatory matters.

	Board	Audit Committee	Board Risk Committee	Customer and Sustainability Committee	Investment Committee	Nomination and Governance Committee	Remuneration Committee
Chair							
Danuta Gray	10 of 10	–	–	–	–	3 of 3	3 of 3
Senior Independent Director							
Richard Ward[1]	9 of 10	–	5 of 5	–	–	3 of 3	3 of 3
Non-Executive Directors							
Tracy Corrigan	10 of 10	–	–	4 of 4	–	3 of 3	3 of 3
Mark Gregory	10 of 10	5 of 5	5 of 5	–	4 of 4	3 of 3	3 of 3
Carol Hagh[2]	7 of 7	–	–	–	–	–	1 of 1
Adrian Joseph OBE[1]	10 of 10	–	–	3 of 4	–	3 of 3	–
Mark Lewis[1]	9 of 10	–	–	3 of 4	–	2 of 3	3 of 3
Fiona McBain[1]	8 of 10	5 of 5	5 of 5	–	4 of 4	3 of 3	–
David Neave	10 of 10	5 of 5	5 of 5	–	–	3 of 3	–
Gregor Stewart	10 of 10	5 of 5	5 of 5	–	–	3 of 3	–
Executive Directors							
Adam Winslow[4]	8 of 8	–	–	–	–	–	–
Jane Poole[5]	2 of 2	–	–	–	1 of 1	–	–
Former Executive Directors							
Neil Manser[6]	8 of 8	–	–	–	3 of 3	–	–
Jon Greenwood[7]	2 of 2						

Notes:

1. Directors were unable to attend some meetings due to conflicting commitments.
2. Carol Hagh was appointed to the Board and the Nomination and Governance Committee on 1 April 2024 and was appointed to the Remuneration Committee on 1 November 2024.
3. Adam Winslow joined the Group as CEO on 1 March 2024 and was appointed to the Board on 21 March 2024.
4. Jane Poole joined the Group as CFO and was appointed to the Board and the Investment Committee on 10 October 2024.
5. Neil Manser resigned as CFO on 10 October 2024.
6. Jon Greenwood resigned as an Executive Director on 21 March 2024.

Section 172(1) Statement

The Board of Direct Line Insurance Group plc ("**Direct Line**") confirms that during the year under review, it has acted in the way it considers, in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, whilst having regard to the matters set out in Section 172(1)(a)-(f) of the Companies Act 2006 ("**Section 172(1)**").

Purpose and Vision

The matters set out in Section 172(1) underpin Direct Line's purpose and vision and form the foundation for the Board's considerations and decision making. Our purpose – to help people carry on with their lives, giving them peace of mind now and in the future – is centred on customers and their long-term interests. Our vision – to create a world where insurance is personal, inclusive and a force for good – reflects our desire to do business in a way that benefits all stakeholders, the environment and wider society.

Stakeholders

Information on Direct Line's key stakeholders is set out in the Sustainability section of the Strategic report on the following pages: Customers, pages 46 to 47; People, page 48; Society, pages 49 to 50; and the Planet, pages 51 to 54.

Engagement

The Board recognises that our stakeholders have diverse and sometimes competing interests that need to be finely balanced, and that these interests need to be heard and understood in order for them to be effectively reflected in decision making. Information about how the Board has engaged with stakeholders during the year and outcomes of that engagement can be found on pages 89 to 90 in the table titled "How the Board engages with stakeholders".

Board decisions and oversight

Examples of how stakeholder engagement and Section 172(1) matters have influenced Board discussion and decision making during the year can be found in the table titled "Consideration of Section 172(1) factors by the Board" on page 88. The table covers a number of key topics including: the takeover approaches from Ageas SA/NV ("**Ageas**") and Aviva; the return of capital to shareholders; the launch of a new strategy; and continuing compliance with the Consumer Duty rules. The metrics and processes which the Board looks at to ensure that business practices and behaviours reflect the Company's culture, purpose and values, including the impact of decisions on key stakeholders, are set out on page 88. Information about Board oversight of environmental matters can be found on pages 58 to 71 in the TCFD Report.

The table below sets out where key disclosures in respect of each of the Section 172(1) matters can be found.

Section 172(1) factor	Relevant disclosures
the likely consequences of any decision in the long-term	Mission, vision, purpose and strategic objectives (page 82) Consideration of Section 172(1) factors by the Board (pages 87 to 88)
the interests of the Company's employees	Key performance indicators – Colleague engagement scores (page 15) Outcome of employee engagement (pages 91 to 92) Diversity and Inclusion (pages 95 to 96) How the Board engages with stakeholders (pages 89 to 90) Employee Representative Body (page 91)
the need to foster the Company's business relationships with suppliers, customers and others	Key performance indicators – NPS and customer complaints metrics (pages 7 and 47) Customer support (pages 46 to 47) Supply Chain (page 54) How the Board engages with stakeholders (pages 89 to 90)
the impact of the Company's operations on the community and the environment	Community Fund 2024 (page 49) Science-Based Targets (page 52) External ratings, memberships and benchmarks (page 57) TCFD disclosures (pages 58 to 71) How the Board engages with stakeholders (pages 89 to 90) Customer and Sustainability Committee report (pages 111 to 112)
the desirability of the Company maintaining a reputation for high standards of business conduct	Our values (page 3) The role of the Board in the Company's culture (page 83) Internal controls (pages 98 and 99)
the need to act fairly between members of the Company	Capital management (page 24) How the Board engages with stakeholders (pages 89 to 90) Shareholder voting rights (page 143) Annual General Meeting (page 236)

Consideration of Section 172(1) factors by the Board

The table below sets out how factors under Section 172(1) of the Companies Act 2006 and engagement with stakeholders have fed into Board discussion and decision making on key topics. More information about Board engagement with stakeholders can be found in the table on pages 89 to 90.

Section 172(1)

The Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a The likely consequences of any decision in the long term;
- b the interests of the company's employees;
- c the need to foster the company's business relationships with suppliers, customers and others;
- d the impact of the company's operations on the community and the environment;
- e the desirability of the company maintaining a reputation for high standards of business conduct; and
- f the need to act fairly between members of the company.

Topic	Section 172(1) considerations	Outcomes
Takeover Approach from Aviva plc	(f) Considered shareholders views on the value of the offer. (a) Considered the long-term implications of combining the Group's business with Aviva's. (c) Considered the impact on customers and Aviva's culture in respect of customer service. (b) Considered the effect on the Group's workforce and Aviva's people culture.	On 23 December 2024, the Board announced it had agreed to recommend a cash and share offer for the Group. More information on the offer can be found on page 9. The Board made the unanimous decision to recommend Aviva's offer as it delivered significant value and represented a substantial premium for Direct Line shareholders that allowed them to realise the value of their investment in the near term. Subject to regulator and shareholder approval, our customers and employees will join an established, successful business that is well-placed to deliver for its stakeholders.
Takeover approach from Ageas SA/NV	(f) Considered shareholders views on the value of the offer.	Early in 2024, Ageas made an indicative proposal to purchase the Company. Following extensive consultation with the Group's investors, the Board unanimously rejected the proposal, believing it to be uncertain, unattractive and significantly undervaluing the future prospects of the business.
Return of Capital to Shareholders	(f) Considered shareholder expectations in respect of return of capital. (a) (c) Considered the Group's capital position as well as regulatory and policy holder requirements and the long-term investment needs of the business. (a) Considered the macro-economic environment.	Based on the progress made on the turnaround of the business, the strong solvency capital ratio, and underlying capital generation over 12 months, the Board approved a dividend of 2.0 pence per share in respect of the first half of 2024. 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. More information on the Policy can be found on page 24. Based on the strength of the Group's capital position, taking into consideration regulatory and policyholder requirements and the long-term investment needs of the business, the Board recommended a final dividend for 2024 of 5.0 pence per share.
New Strategy Launch	(c) Considered the needs of customers and what they want from their insurer both now and in the future. (f) (a) Considered shareholder expectations in respect of return on investment. (b) Considered feedback from employees about what we do well and where we have the potential to do better. (d) Considered impact on communities and the environment and the Company's purpose of creating a world where insurance is a force for good.	The strategy is supported by a new Target Operating Model ("**TOM**") which aims to reduce our cost base to support the target of at least £100 million gross run-rate cost savings by 2025[1]. The Board approved the TOM programme and have overseen and monitored its implementation throughout the year. By making improvements in procurement, technology rationalisation and simplifying our operating model we expect to deliver £50 million against our cost savings target in 2025, with further work ongoing in respect of the rest of the targeted savings by the end of 2025. The delivery of the strategy is also underpinned by the introduction of strengthened performance management and a high-performance culture which the Board has supported. See pages 15, 16 and 83 for more information. More information on progress on the ongoing implementation of the strategy can be found on pages 4 to 5.
Consumer Duty Continuing Compliance	(c) Considered the extent to which work to implement Consumer Duty was translating into good outcomes for customers. (e) Considered the level of compliance achieved under the Consumer Duty implementation programme and the importance of maintaining a reputation for high standards of business conduct. (a) (c) (e) Considered the need to ensure compliance with Consumer Duty becomes embedded in in the business's operation in the long-term.	Following the implementation of the Consumer Duty in July 2023, during 2024 the Board reviewed how successfully the Duty had been implemented and embedded in the business and considered ways compliance could be enhanced. This resulted in the Board approving the Group's Customer Outcomes Improvement Plan ("**COIP**") which represents a programme of work that aims to deliver enhanced compliance with customer outcomes by the time the 2025 Consumer Duty Annual Board report is delivered. For more information, please see page 111.

Note:

1. The Group's total operating expenses, acquisition expenses and claims handling expenses, adjusted to exclude restructuring and one-off costs, commission expenses and costs associated with the Brokered commercial business, Motability and By Miles.

How the Board engages with stakeholders

The Board has identified the Company's key stakeholders and considers their opinions and needs to ensure that they are effectively reflected in decision making, while recognising that their diverse and sometimes competing interests need to be finely balanced. This approach aims to ensure that the decisions the Company makes are made having had regard to the matters set out in Section 172(1). The table below sets out how the Board has engaged with various stakeholders or received information about engagement with stakeholders throughout the year.

Our Customers

The Board closely monitors customer conduct and satisfaction. It considers a Customer Outcomes report at each of its scheduled meetings, which includes data in respect of a number of customer experience metrics including Net Promoter Scores and customer complaints data relating to sales, service and claims. It also reviews data in respect of digital service interactions.

During the year, the Board received detailed updates on the impact of various key strategic matters on customers, including the implementation of the new Consumer Duty Regulation.

Tracy Corrigan, Non-Executive Director, is the Consumer Duty Champion and acts as the voice of the customer in the boardroom.

In addition, the CEO has spent time with people across the business to see first hand how we support our customers. This included visits to repair centres in Barnsley, Edinburgh and Perth, and shadowing a Green Flag patrol technician in Glasgow to get an understanding of how the skill and commitment of our patrol technicians supports customers who are in vulnerable and often stressful situations.

Members of the Board also attended a Household Customer Outcomes Forum to participate in a deep-dive on complaints. Several Non-Executive Board Directors took part in a customer journey 'walkaround' to understand how customers' digital journeys were being improved.

Our People

Executive Directors host interactive sessions with colleagues throughout the year to receive feedback and answer questions.

These sessions are held in various formats, for example, town halls and live Q&A sessions, in order to encourage maximum participation from colleagues, allowing them to have a more informal discussion with senior managers.

During the year, Non-Executive Directors visited the Group's operations around the country. Between them the Non-Executive Directors visited sites in Birmingham, Bristol, Bromley, Glasgow, Doncaster, Leeds, Liverpool, Manchester and Stechford. All of the visits included informal Q&A sessions with colleagues. The CEO visited fifteen of our sites around the country, (including 5 Accident Repair Centres ("**ARCs**").

In addition, Adrian Joseph, Non-Executive Director, hosted a conversation with the CEO and the co-lead of the REACH strand to discuss the achievements and challenges experienced by ethnic minority colleagues in their careers and the importance of allyship and leadership in building an inclusive culture as part of our celebration of Black History Month. This was aligned to a two-day Bright Futures student business simulation event.

Employee Representative Body ("ERB")

The ERB meets on a quarterly basis and comprises colleagues from across the business areas and locations. Meetings are generally attended by Board members, including the CEO and one or two Non-Executive Directors per meeting, to discuss issues and proposals which may have an impact on our people. Attendance and information on the work of the ERB during the year can be found on page 91.

Motability

In September 2023, the Group welcomed 585 Motability colleagues to the business. People in this area are represented by the union Unite. The business leads meet fortnightly with representatives of Unite to discuss matters affecting colleagues.

The Group is intent on building and maintaining a positive relationship with Unite based on transparency and trust throughout the duration of the Motability partnership.

DiaLoGue

The Board receives regular updates on people matters from the Chief People Officer and reviews the results and key outcomes of the Group's colleague engagement survey, 'DiaLoGue', through which all colleagues are surveyed three times a year.

Findings provide both a snapshot and identify trends not only of all-colleague opinion but also findings for specific teams, allowing solutions to be tailored to specific needs. Response to these surveys has consistently been high (over 80%).

Diversity Network Alliance ("DNA")

There are seven employee networks, each of which are key drivers of diversity and inclusion across the business. They focus on the following areas: Belief, Life (families and carers), LGBTQ+, Neurodiversity & Disability, REACH (Race, Ethnicity and Cultural Heritage), Social Mobility and Thrive (gender).

Our Planet and Our Society

The Customer and Sustainability Committee is a key vehicle through which the Board receives updates on engagement with key community and environmental stakeholders. More information on the work of the Customer and Sustainability Committee can be found on pages 111 to 112. During the year, the CEO visited our Technology Centre in Stechford where the Group tests how the cars of the future, including Electric Vehicles ("**EVs**"), can be fixed in a greener way.

Our Shareholders

The Investor Relations team runs a comprehensive programme of engagement covering a broad range of the Company's shareholders and debt investors, which includes meetings with the Chair and Executive Directors, presentations and conference calls to discuss performance and strategy. During the year, the CEO met with investors from Europe and the United States of America.

The Remuneration Committee Chair engages with shareholders on remuneration-related matters (see page 116 of the Directors' Remuneration report for more information).

The AGM provides both institutional and retail shareholders with the opportunity to ask the Board questions either live or by submitting questions in advance.

Our Suppliers

The Board reviewed and approved the Group's annual Modern Slavery Statement. The Group's Ethical Code for Suppliers, which was last reviewed by the Board in 2023, states that the Company encourages and welcomes feedback from suppliers on the Group as a customer and on how policies and procedures can be improved. This feedback can be given as part of regular review meetings with management.

The Group is a long-standing signatory of the Prompt Payment Code. Key performance indicators in respect of prompt payment are reported internally, and there are mechanisms in place for any significant issues regarding prompt payment to be escalated to the Board.

During the year, the CEO visited key suppliers in South Africa and India.

Colleague Engagement

The Group has an established Employee Representative Body, meetings of which are attended by elected representatives from the different areas of the business and by the CEO, the Chief People Officer and members of the senior leadership team, to discuss issues and proposals which have, or may have, an impact on colleagues. Non-Executive Directors also attended meetings on a rotational basis (during the year, seven different Non-Executive Directors attended ERB meetings). Output from the meetings attended by Directors is reported to the full Board so they can consider relevant colleague views in their decision making.

The Board considers that this arrangement fulfils the recommendation under Provision 5 of the Code to provide a mechanism for engaging with the workforce, being an enhanced version of the "formal workforce advisory panel" method referred to in Provision 5. The Board considers this arrangement to be highly effective as it provides a formal framework through which a wide variety of views can be represented and provides colleagues the opportunity to express these views directly to both Executive and Non-Executive Directors. It also means Director attendance can be tailored so that colleagues can engage with the most appropriate Board member on a particular topic. For example, during the year, the Chair of the Remuneration Committee attended the meeting at which workforce pay was discussed, and the Chair of the Board attended the meeting at which effect of the Consumer Duty regulations were discussed.

Information about Board representation at ERB meetings can be found in the table below.

Meeting	March	June	September	December
Board Representation	Adam Winslow	Adam Winslow	Adam Winslow	Adam Winslow
	(CEO)	(CEO)	(CEO)	(CEO)
	Danuta Gray	Tracy Corrigan	Mark Lewis	Adrian Joseph
	(Chair of the Board)	(Non-Executive Director)	(Non-Executive Director)	(Non-Executive Director)
	David Neave	Carol Hagh		Dr. Richard Ward
	(Non-Executive Director)	(Non-Executive Director)		(Senior Independant Director)

Examples of engagement with the ERB having resulted in business action include:

	Issue Discussed	Outcomes
Establishing a new Target Operating Model	We discussed the development and establishment of the new Target Operating Model with the ERB, focusing on communications and employee consultations.	ERB representatives have been engaged on the principles, design and implementation of the proposed Target Operating Model ("**TOM**"), and specifically on providing feedback on how this could be effectively communicated to our colleagues. This feedback was integral to the communications strategy and informed email, intranet and video content made available to all colleagues with the aim of providing clear and understandable information to our people via multiple channels. The ERB's recommendations led to the production of a video which was hosted on our intranet and presented by the Chief People Officer and Chief Operating Officer. The video outlined what was meant by the TOM, how it would be implemented and what it would mean for the business and our people in the longer term. The ERB was also subsequently engaged, or consulted as appropriate, on redundancy proposals in various functions within the business that had applicable people impact under the TOM proposals. Representatives were upskilled to ensure that people affected by consultations could be appropriately supported. Feedback from the ERB was used by our HR team as part of the consultation and communication process.
Takeover Approach from Aviva plc	We discussed the takeover approach from Aviva with the ERB, considering process and potential outcomes.	Following the offer from Aviva for the Company announced in December 2024, the CEO and members of the Board engaged the ERB in line with the Takeover Code, and additionally provided them with an overview of the timeline of a potential takeover, answering any questions they had at the time. The feedback and questions from ERB representatives, as the voice of the employee, was used as part of the communication strategy for the wider workforce. This included consideration of key employee outcomes that would follow if and when the acquisition was completed. The ERB will play an important role in the takeover process and will be regularly engaged with to enable them to provide support to our people in the coming weeks and months.
Hybrid Working	We discussed the Group's approach to Hybrid working with the ERB.	During the year, the Group set out plans to return to a two day per week cadence in each of our offices. The ERB was engaged and gave feedback in a number of areas including on the approach to anchor days, the review of possible exceptions individuals may need, the layout of redesigned office spaces, and ensuring that there was sufficient office space to support the cadence. This included feedback from the Diversity Network Alliance ("**DNA**") strands, most specifically the Neurodiversity and Disability Strand. The ERB feedback helped shape dedicated upskilling for people managers in respect of managing and communicating change and to ensure that there was a consistent and fair approach to colleagues' adherence to the Hybrid working policy and/or review of an exception being required.

DiaLoGue

DiaLoGue is our employee engagement tool that we use to survey our colleagues three times a year. Examples of outcomes resulting from DiaLoGue feedback include:

	Issue Raised	Outcome
The Future	Colleagues reported that they were excited about the Group's future but felt unclear or anxious about change.	We committed to keeping our colleagues regularly updated on decisions that affected them – from changes to the TOM to the takeover approach from Aviva plc. During the year we held a series of townhalls during which people had the opportunity to put their questions to management.
Transparency and Direction from Senior Leadership	While confidence in senior leadership had grown, Colleagues sought even more transparency and direction from senior leaders.	To improve transparency and direction and to build on confidence in leadership, we shared progress on strategy through regular townhalls; held monthly senior manager calls with the ExCo team; regularly engaged with the ERB to understand what was on people's minds; and held monthly 'spotlight' sessions, hosted by ExCo, to improve understanding of different business areas.
Building a high-performance culture	Colleagues fed back that they wanted greater clarity and consistency on priorities and objectives to support the delivery of a high-performance culture.	We took action to bring clarity, consistency and focus to how we set and track objectives by setting group objectives to ensure that all colleagues had clear priorities that align with the Group strategy. In addition, we made personal growth a mandatory objective as this is critical to building a high-performance culture. A series of practical tools were put in place to contribute to individual and Group success through the 'Evolve' all-colleague masterclass. People managers have also been set specific objectives around making time to support and develop people in their teams.

Division of responsibilities

Governance framework and structure

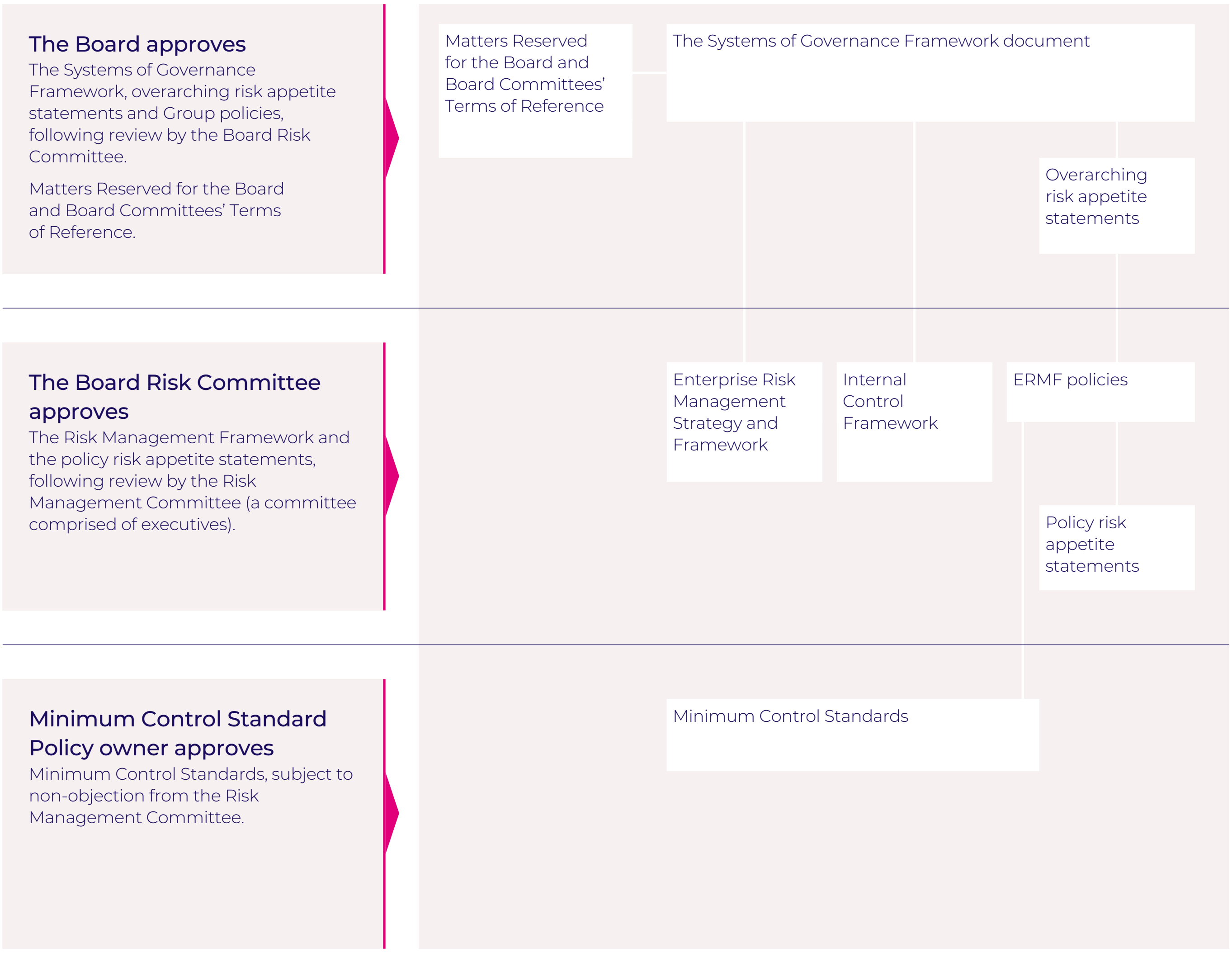
The Board oversees the system of governance in operation throughout the Group. This includes an effective Enterprise Risk Management Framework and system of internal control. The Board has established a risk management model that separates the Group's risk management responsibilities into three lines of defence. An explanation of these responsibilities can be found on page 38.

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, which are described on page 38;
- Enterprise Risk Management Strategy & Framework and Internal Control Framework, which are described on page 38;
- 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.

The diagram below summarises the split of responsibilities for the different parts of the Group's governance framework.



Structure of the Board, Board Committees and executive management

The following chart sets out the structure of the Board and its Committees and highlights the responsibilities of the Chair, the Senior Independent Director, the Non-Executive Directors, the Executive Directors, the Company Secretary and the Executive Committee. The role descriptions for the Chair and CEO are set out in writing; the profiles clearly define their respective roles and responsibilities, and ensure that no one person has unlimited powers of decision making.

The Board and Board Committees have unrestricted access to management and external advisers to help discharge their responsibilities. Each Committee plays a vital role in helping the Board to operate efficiently and consider matters appropriately.

The Board and Board Committees are satisfied that, in 2024, sufficient, reliable and timely information was received in order for them to perform their responsibilities effectively.

The reports by each Board Committee are given in this Annual Report and Accounts. 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

Roles and responsibilities of the Board

Board of Directors

Each Director brings different skills, experience and knowledge to the Company, and the NEDs contribute additional independent thought and judgement. Depending on the business needs, the NEDs and the Chair commit at least two days a month and two days a week respectively to discharging their duties effectively in accordance with their letters of appointment.

As at 31 December 2024, the Board comprised the Chair, nine independent NEDs, and two executive Directors (the CFO and the CEO). Biographies of the full Board can be found on pages 77 to 80.

Board Committees

Full details of membership, responsibilities and activity of each Committee throughout the year can be found on pages 101 to 118.

- Audit Committee.
- Board Risk Committee.
- Nomination and Governance Committee.
- Customer and Sustainability Committee.
- Investment Committee.
- Remuneration Committee.

The Executive Committee

The Executive Committee is the principal management committee that helps the CEO manage the Group's operations and supports the CEO in:

- Setting performance targets.
- Implementing Group strategy.
- Monitoring key objectives and commercial plans to help achieve the Group's targets.
- Evaluating new business initiatives and opportunities.

Chair

- Guides, develops and leads the Board.
- Plans and manages the Board's business.
- Oversees the Group's governance framework.

Senior Independent Director

- Acts as a sounding board for the Chair and an intermediary for the other Directors when necessary.
- Is available to shareholders if they have concerns that cannot be resolved through other channels.
- Leads the Chair's performance evaluation.

Non-Executive Directors

- Challenge management in an objective and constructive manner.
- Use their wider business experience to help develop the Group's strategy.

Executive Directors

- The CEO and CFO are members of the Board, with delegated responsibility for the day-to-day operation of the Group and delivering its strategy.
- The CEO delegates certain elements of their authority to the Executive Committee members to help ensure that senior executives are accountable and responsible for managing their business areas and functions.

Company Secretary

- Ensures the Directors receive accurate, timely and clear information.
- Assists the Chair in overseeing the Group's corporate governance arrangements.

Board composition

As at the date of this report, the Board comprised the Chair, who had previously served as an independent Non-Executive Director and was independent when appointed as Chair; two Executive Directors; and nine independent Non-Executive Directors, including the Senior Independent Director.

Adam Winslow joined the Group as CEO on 1 March 2024 and was appointed to the Board on 21 March 2024. Jane Poole joined the Group as CFO on 10 October 2024 and was appointed to the Board on the same day. Carol Hagh, an Independent Non-Executive Director, also joined the Board during the year on 1 April 2024.

Biographical details of the Directors of the Company as at the date of this report are set out on pages 77 to 80. Details of Directors who have served throughout the year can be found in the Directors' report on page 142.

Board succession

The Nomination and Governance Committee continues to review succession plans both for the Board and at executive level each year. Further information on our approach to succession planning and Board appointments can be found in the Nomination and Governance Committee's report on pages 109 and 110.

Board induction and training

All new Directors appointed to the Board undertake an induction programme aimed at ensuring they develop an understanding and awareness of our businesses, people and processes, and of their roles and responsibilities as Directors of the Company. The programmes are tailored to suit each Director and include provision of relevant current and historical information about the Company and the Group; visits to operations around the Group; induction briefings from Group functions; one-to-one meetings with Board members, Senior Management and the Company's advisers; and engagement with the Group's ERB.

The Board is committed to the training and development of Directors to improve their knowledge of the business and the regulatory environment in which it operates. The Company Secretary is responsible for helping the Chair identify and organise training for the Directors which is tailored to individual needs.

As part of Adam Winslow's CEO induction activity, he completed a busy schedule of site visits to fifteen of the Group's sites around the UK (including 5 ARCs). He also visited key suppliers in South Africa and India, and met with investors in Europe and the United States of America.

Carol Hagh was appointed to the Board in April 2024. Her induction programme has included site visits across the UK, introductory meetings with members of the Executive Committee and sessions with leadership across several business areas (including Legal, Compliance, Risk and Finance). In addition, she has attended Audit, Risk, Investment and Customer and Sustainability Committee meetings and has met with external advisers in respect of the Remuneration Committee.

The Company Secretary maintained the training agenda for the Board and its Committees during the year. During the year, the Board received technical briefings on Major Model Changes.

Non-Executive Director ("NED") independence

On behalf of the Board, the Nomination and Governance Committee assesses the NEDs' independence, skills, knowledge and experience annually. The Nomination and Governance Committee concluded that every current NED was independent, continued to contribute effectively, and demonstrated they were committed to the role. Each current Director will submit themselves for election or re-election at the 2025 AGM. You can find out more about the activities of the Nomination and Governance Committee's work during the year on pages 109 and 110.

External directorships

The Board keeps Directors' external commitments under ongoing review to ensure they continue to have sufficient time to dedicate to the Group. During the year, the Board reviewed, and approved in advance, Adrian Joseph's appointment as an Independent Non-Executive Director of Allwyn Entertainment Limited and Great Ormond Street Hospital. The Board also reviewed and approved Gregor Stewart's appointment as Chair of the Board of the Royal National Scottish Orchestra. The Board was satisfied that, in taking on these roles, both Adrian and Gregor would continue to have sufficient time to dedicate to their roles on the Board.

Information and support

The Board accesses assistance and advice from the Company Secretary. The Board, and each member of the Board, may seek external independent professional advice at the Company's expense, if required, to discharge its duties.

Board's approach to inclusion and diversity

Last year, the Company reported that the Board had met two out of three diversity targets set out in the UK Listing Rules, having at least one senior Board position being held by a woman and with at least one Board member being from a minority ethnic background (this was also consistent with Parker Review recommendations).

This year, as at 31 December 2024 and the date of this report, and following the appointments of Carol Hagh (from 1 April 2024) and Jane Poole (from 10 October 2024), the Board is pleased to report that it now meets all three diversity targets set out in the UK Listing Rules, including the target that at least 40% of Board members should be women.

Diversity, including gender diversity, is a key consideration in succession planning, though as the skills and experience of the Board are refreshed over time, the gender balance will be dependent on the availability of the best candidates for Board vacancies, with all appointments based on merit and objective criteria.

In 2023 the Group set ambitious new targets to continue to improve diversity in senior leadership. Our targets are aligned with the definitions of senior leadership used by the FTSE Women Leaders Review, Women in Finance review and Parker Review. We are aiming to increase representation of women to 40%, ethnic minority talent to 16%, and Black talent to 4% at senior leadership levels (defined as Executive Committee and direct reports, excluding direct reports in support or administrative roles).

	Current representation (end Dec 2024)	Targeted representation (end 2027)
Women	36%	40%
Ethnic minority	9%	16%
Black	–%	4%

The tables below set out data about the sex and ethnicity of the Board and senior management as at 31 December 2024, in the format prescribed by the UK Listing Rules.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management1
Men	7	58%	2	7	58%
Women	5	42%	2	5	42%
Not specified/prefer not to say	–	–	–	–	–

Note:

1. Executive management is the Executive Committee and Company Secretary.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management1
White British or other White (including minority-white groups)	8	67%	2	5	42%
Mixed/Multiple Ethnic Groups	1	8%	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group	–	–	–	–	–
Not specified/prefer not to say	3	25%	2	7	58%

Note:

1. Executive management is the Executive Committee and Company Secretary.

The Group recognises the importance of understanding diverse representation and the monitoring of differential outcomes. It collects diversity representation information on the basis of self-reporting across the categories of sex, gender identity, ethnicity, religion, sexual orientation, disability and socio-economic background, collected using our HR Information Systems as part of the onboarding process.

Senior management succession planning

The Board recognises that in order to maintain and improve on diversity levels, it must ensure that senior management succession planning is focused on promoting diverse leadership, and that workforce diversity is sought at all levels in order to seek to secure a diverse pipeline of talent.

The 2024 Annual Incentive Plan includes targets for Executive Directors, the Executive Committee and senior management in respect of improving the gender and ethnic diversity of the workforce in the context of leadership succession planning (more information on this can be found on pages 16, 48, 117 and 123).

Board appointments and Diversity Policy

The Board has in place a Diversity Policy which sets out the key principles to be followed in respect of the Board appointment process. More information on this can be found in the Nomination and Governance Committee report on pages 109 and 110.

Workforce diversity and inclusion

The Board encourages and supports equity, diversity and inclusion in the workplace and is committed to building an inclusive culture. It continues to support Group-wide diversity and inclusion activities and initiatives, many of which are outlined on page 48. This includes the work of the Company's Diversity Network Alliance ("**DNA**") which champions diversity and inclusion in the Group through its 'DNA strands': Race, Ethnicity and Cultural Heritage ("**REACH**"); Belief; LGBTQ+; Life (working families and carers); Neurodiversity and Disability; Social Mobility; and Thrive (gender). More information about the work of the DNA during the year can be found on page 16 of the Strategic report.

Board skills, experience and knowledge

The Nomination and Governance Committee assesses and monitors the skills, experience and knowledge of Board members with the aim of equipping the Board to challenge and support the executive team effectively, taking into consideration the Group's evolving strategy.

Board and Committee effectiveness review: three-year Board evaluation cycle

The Board conducts an annual review of the effectiveness of the performance of the Board, its Committees, the Chair and individual Directors, with the input of an external facilitator at least every third year. In 2024, the Board decided to reset the three-year cycle and engaged Promontory Financial Group ("**Promontory**"), which has no other connection with the Company or any Director, to facilitate the review externally. The Board recognises that a continuous and constructive review of its performance is a critical factor in achieving the Group's objectives, realising potential and promoting the long-term sustainable success of the Company.

Promontory conducted one-to-one interviews with Board members and senior managers who were regular attendees of Board and Committee meetings, reviewed samples of meeting agendas and papers and observed a meeting of the Board and each Committee. Promontory's findings and recommendations were considered by the Board and its Committees in January 2025.

Evaluation process

Step 1	The thematic priorities for the review were established by Promontory in discussion with the Chair and the Company Secretary.
Step 2	Promontory interviewed members of the Board and senior managers about Board and Committee performance and the Group's current and target culture, and reviewed sample agendas and papers. Promontory observed a Board meeting and one meeting of each of the Committees.
Step 3	A report, covering Board and Committee performance, was prepared and presented by Promontory and discussed at the Board's January 2025 meeting.
Step 4	An action plan was defined, based on the recommendations in Promontory's report.

2024 evaluation outcome

The results of the review were presented to the Board and its Committees in January 2025 and the recommendations form the basis of an action plan for 2025 as summarised in the table on page 98, along with an update on the action plan that resulted from the 2023 review. Themes emerging from the 2024 review included investment in leadership capability and culture change, a continuing focus on Board dynamics and materials and investment in regulatory relationships. Separately, the Senior Independent Director discussed the Chair's performance with the Directors (except the Chair) and provided constructive feedback to the Chair. No Director was involved in the review of their own performance.

2023 focus areas and action taken during 2024

Strategic Direction

The Board supported and challenged the new senior leadership team under Adam Winslow in setting out a new strategy focusing on the Group's core businesses, underpinned by the development of a high-performance culture and the delivery of a significant reduction in the cost base. The new strategy was presented at a Capital Markets Day in July 2024 and included a proposal to launch the Direct Line brand on a price comparison website for the Motor business.

Investment in Leadership

Following Adam Winslow's appointment as CEO in March 2024, a new and highly experienced senior management team was assembled, including the new CFO, Jane Poole, who joined the Group in October 2024. The Group also invested in high-performance training for its wider senior leadership team and started a comprehensive review of its target operating model based on design principles intended to streamline the organisation and foster a culture of accountability and performance.

Refreshing Culture

The Group has continued to invest in, and report at Board level on, its culture, including in relation to customer focus, risk-positivity and the control environment.

2024 focus areas and proposed action for 2025

Board Dynamics

The Board will continue to focus on the effectiveness of its support for, and challenge of, management, including through the continuous improvement of the quality of Board materials.

Leadership Capability and Culture

The Group intends to continue to invest in leadership capability and the culture change required to deliver its strategic aspirations.

Regulatory Relationships

The Board will focus on continuing to invest in strengthening the Group's relationships with its regulators.

Audit, Risk & Internal Control

An explanation of how the Board complies with the Code in relation to audit, risk and internal control is set out below, except for the following matters, which are covered elsewhere in the Annual Report and Accounts:

- how the Board has assessed the Group's longer-term viability and the adoption of the going concern basis in the financial statements is on page 74 and page 145; and
- the Board's delegated responsibility to the Audit Committee to oversee the management of the relationship with the Company's External Auditor.

You can find details of the Audit Committee's role, activities and relationship with the External Auditor in the Audit Committee report which starts on page 101.

Responsibility for preparing the Annual Report and Accounts

The Board's objective is to give shareholders a fair, balanced and understandable assessment of the Group's position, performance, business model and strategy. The Board is also responsible for maintaining adequate accounting records, and seeks to ensure compliance with statutory and regulatory obligations.

You can find an explanation from the Directors about their responsibility for preparing the financial statements in the Statement of Directors' responsibilities on page 146. The Group's External Auditor explains its responsibilities on page 155.

As noted in the responsibility statement on page 146, the Directors confirm that they consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information that shareholders need to assess the Group's position, performance, business model and strategy. In arriving at this conclusion, the Board was supported by a number of processes, including the following:

- management drafted the Annual Report and Accounts to ensure consistency across sections, and a steering group comprising a team of cross-functional senior management provided overall governance and co-ordination;
- a verification process, to ensure the content was factually accurate;
- members of the Executive Committee reviewed drafts of the Annual Report and Accounts;
- the Company's Disclosure Committee reviewed an advanced draft of the Annual Report and Accounts; and
- the Audit Committee reviewed the substantially final draft of the Annual Report and Accounts, before consideration by the Board.

Assessing emerging and principal risks

The Board determines the nature and extent of the risks that it is willing to take to achieve its strategic objectives. The Directors robustly assessed the emerging and principal risks facing the Company, including risks that would threaten its business model, future performance, solvency or liquidity and reputation. You can find a description of these risks, and their management or mitigation, on pages 40 to 43.

This determination is based on the Board Risk Committee's review and challenge of the Group's Material Risk Assessment (the "**Assessment**"), and the Board's review and approval of the Group's risk appetite statements. The Assessment identifies risks quantified as having a residual risk impact of £30 million or greater. The quantifications are produced through stress and scenario analysis, and our capital model.

Risk management and internal control systems

The Board, with the assistance of the Board Risk Committee and the Audit Committee, and support from the Chief Controls Office 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 includes:

- 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 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 later in the Audit Committee report, 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.

The Board confirms that there is an ongoing process for assessing the Company's risk management and internal control systems and identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the period and up to the date of this report. The Board takes the view that, on the basis of the 2024 ARCA assessment carried out, 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.

Remuneration

The Board is mindful at all times that remuneration policies and practices must be designed to support strategy and promote the long-term sustainable success of the Group. It delegates responsibility to the Remuneration Committee to ensure that there are formal and transparent procedures for developing policy on Executive remuneration and determining Director and senior management remuneration.

In his report on pages 115 to 118, the Remuneration Committee Chair provides an overview of the Committee's work in setting an appropriate framework for remuneration of the Executive Directors, Executive Committee and other senior managers, as well as the wider workforce, to ensure fair pay for all our colleagues.

For details on how the Company has applied Provision 40 of the Code in determining Executive Director remuneration policy and practices, see the summary on pages 136 to 137.

Audit Committee report

Gregor Stewart
Chair

Committee membership

- **Gregor Stewart**
  Chair and Independent Non-Executive Director
- **Mark Gregory**
  Independent Non-Executive Director
- **Fiona McBain**
  Independent Non-Executive Director
- **David Neave**
  Independent Non-Executive Director

Key responsibilities

- Oversee the integrity of the Group's financial statements.
- Oversee and challenge the effectiveness of the Group's systems of financial internal controls and regulatory reporting.
- Oversee Group Audit's annual assessment of the Group's risk management, control and governance frameworks and processes.
- Oversee the actuarial reserving process.
- Oversee the work and effectiveness of Group Audit and the Group's external auditors.
- Oversee the Group's financial and non-financial disclosures, including climate-related financial disclosures.

Areas of focus in the reporting period

- Financial reporting: reviewed and challenged the key accounting estimates and judgements made by management to support the financial statements.
- Insurance reserves: reviewed the Group's insurance reserves to obtain assurance that they remained appropriate for discharging expected liabilities.
- External Audit: oversaw the transition from Deloitte LLP to KPMG LLP.
- Oversaw the continuation of the CFO Control and Oversight Remediation Programme.
- Reviewed and challenged Group Audit's annual assessment of the Group's risk management, control and governance framework and processes.

Committee skills and experience

In line with the UK Corporate Governance Code 2018 (the "**Code**"), all members of the Audit Committee are independent, and the Committee as a whole is deemed to have competence relevant to the insurance and financial services sectors in which the Group operates.

The Committee Chair is a member of the Institute of Chartered Accountants of Scotland. Fiona McBain and Mark Gregory are members of the Institute of Chartered Accountants in England and Wales. David Neave is a Chartered Insurer and brings to the Committee 40 years of experience in senior general insurance positions including claims and underwriting.

Each member has recent and relevant financial experience gained in a number of different financial services businesses, including insurance, enabling them to contribute diverse expertise to the Committee's proceedings.

Main activities during the year

At each of its scheduled meetings, the Committee received reports on financial reporting, insurance reserves, internal controls and Group Audit.

Financial reporting

The Committee followed a review process before recommending the Annual Report and Accounts and Half Year report to the Board, and focused on the choice and application of significant accounting policies, emphasising those requiring a major element of estimation or judgement. Further information on the significant matters considered is provided in the table on page 102.

The Committee considered the estimates and judgements used to prepare the Group's capital position under Solvency II, including focusing on the level of technical provisions held. Specific matters considered included judgements made in respect of events not in data, and the risk margin. The Committee reviewed the Group's Solvency and Financial Condition report on behalf of the Board before submission to the PRA.

Insurance contract liabilities – liability for incurred claims

The Committee reviewed and challenged the key assumptions and judgements, emerging trends, movements, and analysis of uncertainties underlying the reserving estimates made for the liability for incurred claims. These assumptions and judgements were informed by actuarial analysis, wider commercial and risk management insights, and principles of consistency from period to period. After its review, the Committee recommended the liability for incurred claims to the Board.

The Committee also commissioned an external independent actuarial review of material risk areas of insurance liabilities, carried out for the Committee by PricewaterhouseCoopers LLP ("**PwC**").

Significant judgements and issues

Matter considered	Description	Action
Insurance liabilities valuation	The Committee reviewed the level of insurance liabilities of the Group. Insurance liabilities include the liability for remaining coverage and the liability for incurred claims at the statement of financial position date. By its nature, the liability for incurred claims requires analysis of trends and risks, and the application of management judgement, knowledge and experience. The measurement of the liability for remaining coverage is less judgemental than the liability for incurred claims as the Group applies the Premium Allocation Approach which simplifies the measurement of the Liability for Remaining Coverage, using an allocation of premiums over the coverage period. Further information on insurance liabilities is provided on pages 30 to 31.	During 2024, the Committee reviewed and challenged the approach, methodology and key assumptions used by management in setting the liability for incurred claims and monitored developing trends that could have a material impact on them. On an ongoing basis, it received updates from the interim Actuarial Director on emerging experience and how this compared to expectations. Particular points of discussion in 2024 were the developing trends in personal lines Motor, covering large bodily injury claims experience and damage claims, and in Home subsidence. The Committee was provided with updates on the necessary provisions held from year end 2023 for potential Ogden rate changes, updates to Labour Costs inflation ENID (Auto Body Professionals rates) and updates to the General Damages ENID (judicial court guidelines). The Committee discussed the judgements that underpinned the year end liabilities, including those based on current and prior-year development and settlement patterns. The Committee reviewed analysis of the matters that significantly impacted the booked reserves, alongside supporting data and diagnostics, and the potential range of outcomes. The Committee discussed the approach to identifying and recognising those events which were not yet reflected in data and reviewed and challenged the provisions proposed by management. Whilst headline inflation reduced during the year, the Committee continued to closely monitor the impact of inflation on the liabilities. Both economic and sources of excess inflation were considered which resulted in a reduction in the macro-ENID provisions. The Committee obtained insight and reviewed results from an independent actuarial review of material elements of insurance liabilities. Where there was divergence between the independent actuarial review and that of management, the Committee challenged the reasons for the divergence. The Committee was satisfied that management had exercised appropriate control and judgement in estimating insurance liabilities.
Valuation of investments not held at fair value and investment property	The Committee considered reports on the estimates and judgements applied to the carrying value of the Group's investments that are not held at fair value, and the basis for the valuation. These assets principally comprise infrastructure loans, commercial real estate loans and private placement bonds held within the investment portfolio. The Group also holds a portfolio of investment properties. Information was provided to the Committee on a regular basis to support the value recognised in the accounts.	In 2024, the Committee considered material accounting estimates and judgements in respect of assets not held at fair value, and the investment property portfolio, and was satisfied with the carrying value of investments and the basis for their valuation. The Committee considered the impact of the continuing challenging macro-economic environment on the investment property portfolio and noted the year end independent valuation resulted in a small decline overall in the portfolio value. The Committee concluded that the carrying values in the accounts were reasonably stated.

Task Force on Climate-related Financial Disclosures report

The Committee reviewed the financial disclosures in the Task Force on Climate-related Financial Disclosures ("**TCFD**")report on behalf of the Board as part of its review of the Annual Report and Accounts. The TCFD report can be found on page 58.

Going concern, viability and fair, balanced and understandable

The Committee considered the going concern assumptions and viability statement in the 2024 Annual Report and Accounts, valuation of assets and impairment reviews, non-recurring period-specific transactions and clarity of disclosures. The Committee reviewed and concluded that the Annual Report and Accounts taken as a whole were fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position, performance, business model and strategy.

When considering the 2024 Annual Report and Accounts, the Committee considered the significant judgements and issues which could be material to the financial statements. These included the matters set out in the table on page 102. The Committee challenged the estimates and judgements being made and also discussed these matters with the External Auditor.

For more information on the viability statement see page 74.

Internal control

During the year, the Committee continued to monitor and review the adequacy and effectiveness of the controls that underpin the Group's Financial Reporting Control Framework ("**FRCF**"), which forms part of the Group's wider internal controls system. The Board delegates supervision of the framework to the Committee, while the CFO is responsible for the framework's operation on a day-to-day basis.

During 2024, the miscalculation identified within the Group's audited Solvency II own funds for the year ended 2023 was reported to the Audit Committee. 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.

As discussed in the Risk Management and Internal Control Systems section of Corporate Governance Report on page 99, 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 measures helped to ensure that the underlying root causes of the miscalculation were remediated for the half year 2024 Solvency reporting such that they did not represent an unresolved material control deficiency at the year-end balance sheet date. Further, the underlying root causes of the miscalculation are considered to have been caused by control deficiencies in 2023.

There were no further material control deficiencies reported to the Committee.

In 2024, the Audit Committee continued to oversee the CFO Control and Oversight Remediation Programme (the "**Programme**"), the aim of which is to enhance the financial reporting control environment across the Group. During the year, the Programme, which is led by the CFO Control Steering Group and chaired by the CFO, reported back to the Committee on its progress. Targeted remediation activities relating to improvement in the financial reporting processes were completed.

The Committee reviewed and challenged Group Audit's annual assessment of the Group's risk management, control and governance frameworks and processes. The Committee also reviewed Group Audit's opinion on the overall effectiveness of the Group's internal control framework. This assessment did not identify any matters that conflict with the 2024 Annual Risk & Control Assurance ("**ARCA**") report as discussed in the Corporate Governance section (Risk Management and Internal Control Systems).

The Committee also considered management's processes and controls for identifying and responding to the risk of fraud. The Committee noted that there were no fraud-related events or actions to suggest that fraud might have a material impact on the financial statements.

The Committee monitored management's responses to the control insights and observations raised by the External Auditor in its annual management letter during the year and was satisfied that management was taking appropriate and timely action to resolve the issues raised.

Group Audit

The Committee is responsible for overseeing the work of Group Audit and for ensuring industry best practice is adopted appropriately. The Group Head of Audit's primary reporting line is to the Chair of the Committee. The secondary reporting line, for day-to-day administration, is to the CEO.

During 2023 the Committee oversaw the independent External Quality Assessment ("**EQA**") of the Group Audit function. This rated Group Audit 'generally conformant' with professional standards, with some improvements recommended against relevant Internal Audit professional standards. The Committee oversaw the development of the action plan to address the findings from the EQA and during 2024 these were completed. PwC continued to provide independent quality assurance activity with results reported to the Committee.

During the year, Group Audit provided the Committee with independent and objective reports on the adequacy and effectiveness of the Group's governance, risk management and internal controls. Group Audit completed a number of reviews of major programmes during the year. The Committee approved Group Audit's plan on a quarterly basis, and confirmed the audit plan coverage on an annual basis. The Committee received quarterly reports detailing internal audit activity, key findings, management responses, and proposed action plans.

Following the completion of the actions from the independent EQA and assessment by the Committee during the year, it was concluded that the Group Audit function was effective.

The Committee approved the Group Audit Charter, which is reviewed annually.

Additional information

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

During the reporting period, the External Auditor and Head of Group Audit met privately with the Audit Committee, in the absence of management. The Chair of the Committee reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

External Audit

The Committee is responsible for overseeing the work of the External Auditor and agreeing the audit fee, as well as approving the scope of the External Auditor's annual plan.

During the year Deloitte LLP stepped down as the Company's auditor following completion of the audit of the financial year 2023 in line with mandatory rotation requirements. As previously reported, the Board approved the appointment of KPMG LLP ("**KPMG**") as the Company's auditor for the financial year ending 31 December 2024 following a competitive tender process, undertaken in 2022, and this appointment was approved by shareholders at the Company's 2024 AGM. James Anderson is the lead Audit Partner for KPMG.

During the year, the Committee oversaw the transition from Deloitte to KPMG. The lead Audit Partner from KPMG regularly reported to the Committee on process against the transition plan and key transition milestones. Transition activities included KPMG shadowing Deloitte on the 2023 audit and performing dry runs and initial risk assessment activities.

The Company has complied, during the financial year under review and up to the date of this report, with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Auditor independence

The Group has in place a minimum standard in relation to the independence of the External Auditor, which is compliant with the Financial Reporting Council's ("**FRC**") review of its Ethical Standard for Auditors. This establishes parameters for preventing or mitigating anything that compromises the External Auditor's independence or objectivity. The minimum standard includes:

- a formal process for the pre-approval of certain non-audit services by the External Auditor;
- a requirement that any non-audit services are reviewed annually;
- restrictions on employees of the auditor working for the Group and vice-versa; and
- a requirement that key audit partners are rotated at least every 5 years.

The Committee reviews the standard annually.

The Committee's Terms of Reference require that the Committee meet at least once annually with the External Auditor in the absence of management.

In addition, the Committee reviews confirmation from the External Auditor that in its professional opinion, it is independent within the meaning of regulatory and professional requirements.

Therefore, the Committee is satisfied that the Group has adequate procedures to ensure that the External Auditor is independent and objective and that these procedures operated effectively during the year.

The Committee considers that KPMG established independence as incoming auditor from 14 June 2023. The Committee reviewed and reconfirmed KPMG's independence again ahead of their official appointment at the Company's AGM in May 2024.

Non-Audit Fees

During the year, the Committee approved non-audit fees in respect of agreed upon procedures in respect of Solvency Capital Ratios. The Company's policy for non-audit services is compliant with the FRC's 'Revised Ethical Standard 2019'. In line with regulation, the Group is required to cap the level of non-audit fees paid to its external auditor at 70% of the average audit fees paid in the previous three consecutive financial years.

The following is a breakdown of fees paid to KPMG for the year ended 31 December 2024 (excluding VAT).

	Fees £m	Proportion %
Audit fees	3.6	88%
Audit-related assurance services[1]	0.5	12%
Non-audit services[1]	–	0%
Total fees for audit and other services[2]	4.1	100%

Notes:

1. Fees of £0.5 million for audit-related assurance services have been provided in 2024 (2023: £0.4 million) in respect of reporting accountant services. Fees of £40,000 for non-audit services have been incurred in 2024 (2023: £1.6 million) relating to agreed upon procedures.
2. Total audit fees, excluding VAT.

Audit-related assurance services were in respect of the Group's Solvency II reporting and the review of the Half Year report 2024. Further information in respect of audit fees paid to KPMG is disclosed in note 5 to the consolidated financial statements.

Effectiveness of the external audit process

In 2024, the Committee conducted its annual review of the External Auditor's effectiveness. The Committee assessed the External Auditor through:

i. a detailed questionnaire completed by key stakeholders;
ii. discussing matters with the CFO;
iii. formally reviewing the External Auditor's independence;
iv. assessing the key risks identified by the External Auditor, the quality controls put in place to deliver the audit and whether the agreed audit plan was fulfilled; and
v. private meetings with the External Auditor in the absence of management.

In addition, through regular interaction with the External Auditor, the Committee was satisfied that the External Auditor demonstrated professional scepticism and challenged management's assumptions.

The quality of the audit was assessed through review and discussion of the External Auditor's report to the Committee at each meeting, and from the challenges and insights brought to significant areas of judgement in the Group's financial statements.

After taking into account all of the information available and considering FRC Audit Quality: Practice aid for audit committees, the Committee concluded that Deloitte had performed its obligations effectively and appropriately as External Auditor to the Group in respect of their audit of the 2023 financial year.

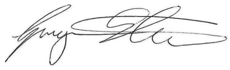
The Committee has closely monitored the performance of KPMG since its appointment, considers that there has been a smooth transition of the external audit and recommends KPMG for re-election by shareholders at the Company's 2025 AGM.

Committee effectiveness review

During the year, an evaluation of the effectiveness of the Committee was carried out as part of the wider review of the performance of the Board and the Board Committees which was externally facilitated by Promontory. The review found that the Committee operates effectively, has the right mix of skills and experience and the appropriate level of cross-over with the Board Risk Committee. Further information on the Board effectiveness review can be found on pages 97 to 98.

In addition, the Committee's terms of reference were reviewed against the activity of the Committee during the year. The Committee's Terms of Reference can be found on the corporate website: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 3 March 2025.



Gregor Stewart
Chair of the Audit Committee and Independent Non-Executive Director

Board Risk Committee report

Mark Gregory
Chair

Committee membership

- **Mark Gregory**
  Chair and Independent Non-Executive Director
- **Fiona McBain**
  Independent Non-Executive Director
- **David Neave**
  Independent Non-Executive Director
- **Gregor Stewart**
  Independent Non-Executive Director
- **Dr. Richard Ward**
  Senior Independent Director

Key responsibilities

- Provide oversight and advice to the Board in relation to current and emerging risk exposures of the Group and the strategic approach to managing risk, including determination of risk appetite.
- Promote a risk-aware culture within the Group.
- Review the design and implementation of the Risk Management Framework, risk appetite and tolerances.

Areas of focus in the reporting period

- Monitored and reviewed the Group's top risks across its financial, operational and organisational resilience pillars.
- Regularly assessed the Group's emerging risks, including monitoring of the geopolitical landscape and its impacts on the Group.
- Reviewed and provided challenge and input into the Group's Consumer Duty Annual Board Report.
- Continued oversight of the Controls and Risk and Control Self-Assessment ("**RCSA**") Project ("**CRP**"), a Company-wide controls improvement programme aiming to set a new activity and assurance standard.
- Received regular updates on the Pricing Practices Regulation and Motor Total Loss past business reviews.

Further detail on these areas can be found in the body of the Committee report.

Chief Risk Officer's report

At each scheduled meeting, the Committee received a report from the Chief Risk Officer ("**CRO**") which outlined the challenges and risks being faced across the Group's financial, operational and organisational resilience pillars. The CRO's report provided an overview and status of the principal risks against the Group's appetite, as well as: key activities undertaken by the Risk function to further embed risk management across the Group; outputs of regular risk monitoring activities; and details of any current and specific financial, non-financial or regulatory and compliance risk matters. Alongside the CRO's report, the Committee regularly assessed the Group's emerging risks – defined 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 over the long-term. It challenged management on the identification of all possible significant emerging risks during the year and on the Risk function's role in ensuring that such emerging risks were being monitored and managed appropriately. The most notable emerging risks identified included those relating to geopolitical tension, the transition to Electric Vehicles ("**EVs**"), generative Artificial Intelligence ("**AI**"), climate change and granular pricing. In addition, the Committee reviewed the plan of risk assurance activities to be undertaken for each quarter and the year ahead to support the Group's key strategic objectives and to ensure adherence to prevailing legal and regulatory requirements, as well as the Group's enterprise and risk management framework.

Focused business and risk reviews

Set out below are some of the areas of focus and key reviews that the Committee carried out during the reporting period, to examine the risk profile of the business, and to challenge the robustness of frameworks in place to manage key risk exposures as well as regulatory requirements and expectations:

- oversaw and challenged progress and delivery of the 2024 Risk and Compliance Assurance Plan;
- review of the annual Consumer Duty Board report as part of the Group's considerations of fair pricing and customer outcomes across all Direct Line Group products. The Group's pricing strategy and pricing governance and control framework were also reviewed;
- reviewed the Group's operational resilience self-assessment, including important business services and associated impact tolerances;
- reviewed the effectiveness of the Group's risk management and internal control systems and environment, including material financial, operational and compliance risks, the Group's residual risk position, associated mitigating actions and compensating controls. This included oversight and challenge of the Group's quarterly RSCA process;
- reviewed the Group's adherence to privacy and data protection legislation;
- reviewed the stability, security and capability of the Group's IT systems;
- reviewed and approved the Group's Risk Taxonomy, forming part of the Risk Management Framework.; and
- oversaw risks arising from corporate plan implementation.

Risk appetite

The Committee undertakes an annual review of the Group's risk appetite framework, which includes the overarching risk appetite and policy risk appetite statements. It monitors the Group's exposure against these statements, considers key risk indicators and assesses the key drivers that affect status against risk appetite. In line with regulatory requirements, the Committee scrutinises and approves the Group's overall affirmative and non-affirmative cyber insurance underwriting strategy, associated risk appetite statements and relevant management information.

Committee members also reviewed and challenged the Own Risk Self-Assessment ("**ORSA**") process and key content before submission to the Board for approval. Committee challenges on elements of the ORSA during the year included: whether the language in the ORSA relating to changes in the control environment was appropriately consistent with wider assessments discussed at the Audit and Remuneration Committees; and whether the offer from Aviva had as yet led to any adjustments in ORSA processes. In addition, the Committee monitored and challenged the stress and scenario testing plan and outputs. The Committee also reviewed the potential Contingent Management Actions to possibly be taken in times of stress to restore the Group's capital strength to within an acceptable risk appetite range.

Compliance and regulatory risk

During the year, the Committee considered the Group's compliance with a number of regulatory requirements, including those relating to conduct, financial crime and anti-bribery and corruption. The Committee also received regular reports (alongside the Customer and Sustainability Committee) that provided oversight of customer outcomes and how the Consumer Duty had been implemented and embedded into the business. This included review and challenge of the Group's Consumer Duty Annual Board Report ahead of its submission to the FCA in July 2024.

The Committee received regular updates in respect of the delivery of the Group's past business reviews on Pricing Practices Regulation and Motor Total Loss valuations, to the point of being materially complete. 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 Committee also received regular updates on Periodic Summary Meeting ("**PSM**") and Firm Evaluation ("**FE**") Letters that the Group had received in January 2024 from the PRA and in December 2023 from the FCA respectively.

The Committee also approved the Risk and Compliance assurance plan which set out assurance activities to be undertaken in the coming year, with a view to ensuring compliance with various regulations, and supporting the Board and colleagues to understand their regulatory responsibilities.

Internal control

During the year, the Committee continued to oversee the control improvement programme commissioned in 2023 to improve the Group's control environment. 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 RSCA 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**") function in the first line. The primary responsibilities of the CCO function include:

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

This work is supported by further activity across the Group, overseen by the Board and its relevant Committees, designed to carry out control remediation, improve risk culture, and develop the required capability across the first line of defence.

The Committee received updates from the CCO function on the control improvement programme at each of its scheduled meetings from the CCO, where it monitored and challenged progress. Although the programme was concluded at the end of 2024, the creation of the new CCO function will enable the underlying improvements in risk and control to further formalise and embed across the Group in 2025.

Climate change

The Committee regularly received updates on climate change. In particular, the Committee reviewed the climate-related risk management roadmap that was in place and considered the plan to take the Group to a position whereby it could demonstrate credible progress towards Net-Zero. There are two key areas for development: climate change scenario modelling and the management of financial risk from climate change and plans are in place to address these via the roadmap. As previously reported, the Group's Net Zero targets have been accepted by the Science Based Targets initiative.

Internal capital model

The Committee regularly reviewed and challenged reports on the Group's partial Internal Economic Capital Model for determining regulatory capital requirements during the year, including key assumptions, methodologies and areas of expert judgement used within the model, activities undertaken to validate model outputs, model changes and future management actions. During Q4 2024, the services of Willis Towers Watson Limited were retained to perform a review of the Internal Economic Capital Model used to model the Group's Solvency Capital Ratio: the Committee will receive and discuss their findings in early 2025.

Whistleblowing

As delegated by the Board, the Committee routinely reviewed the Group's whistleblowing arrangements. The Committee Chair oversees the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for protection from detrimental treatment for staff who raise concerns. The Committee challenged management and was satisfied that the whistleblowing process met the necessary standards and that it was adequately designed, operated effectively, and adhered to regulatory requirements.

The Committee received updates on actions agreed by management to enhance existing whistleblowing policies and processes. The actions are underway and will be materially complete by June 2025.

Financial crime and anti-bribery and corruption

The Group has an overarching fraud and financial crime policy, which includes the requirement that all employees of the Group comply with the anti-bribery and corruption, anti-money laundering, fraud and payment security and sanctions minimum control standards. The aim of the anti-bribery and corruption minimum control standard is to ensure compliance with applicable anti-bribery and corruption legislation and regulation and to ensure that employees act responsibly and ethically at all times when conducting business.

The Committee considered the Group's actions to prevent financial crime through its review of the annual financial crime report and noted the progress made against the agreed actions throughout 2024 following the quarterly Risk and Control Self-Assessments. The Committee also considered the annual anti-bribery and corruption report, which sets out the Group's procedures and controls in place to prevent bribery. The committee noted the Group's arrangements in place and actions being taken to ensure effective oversight of bribery risk.

The Economic Crime and Corporate Transparency Act 2023 ("**ECCTA**") introduces a corporate offence called "failure to prevent fraud." Under this law, which comes into force in September 2025, firms can be held criminally liable if an employee or person associated with the firm commits a fraud offence with the intention of benefiting the firm (either directly or indirectly) and the firm did not have reasonable procedures in place to prevent it. The Group is working to implement the necessary procedures and arrangements to comply with the new legislation.

The continued conflict between Russia and Ukraine has seen continued sanctions against the Russian regime throughout 2024. The Group continues to monitor the sanctions situation and screen against the most up-to-date key sanctions lists on a daily basis in order to mitigate this risk.

Risk governance

During the reporting period, the Committee received assurance from management on the process for review of the Group's policies and reviewed material changes to the Group's most significant policies. The Committee reviewed and challenged each of these policies and recommended them for approval by the Board as appropriate.

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively. In addition to one-to-one meetings with the Chair, the CRO also met with the Committee in the absence of the Executive Directors. The Chair reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted with assistance from Promontory, as part of the wider review of the performance of the Board and its Committees. The review found that the skills and experience of the Committee were appropriate, that its interaction with the Board and other Committees was constructive and that its level of challenge was effective, reflecting current priorities. The review found that the Committee has strong technical skills and has a highly effective crossover with the Audit Committee. The Committee received positive feedback, though it was noted that improvements could be made to Committee papers in order to further support constructive discussion and challenge, Further information on the Board effectiveness review can be found on pages 97 to 98.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope.

The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 3 March 2025.

Mark Gregory
Chair of the Board Risk Committee and Independent Non-Executive Director

Nomination and Governance Committee report

Danuta Gray
Chair

Committee membership

- **Danuta Gray**
  Chair and Independent Non-Executive Director
- **Tracy Corrigan**[1]
  Independent Non-Executive Director
- **Mark Gregory**[1]
  Independent Non-Executive Director
- **Carol Hagh**[2]
  Independent Non-Executive Director
- **Adrian Joseph**[1]
  Independent Non-Executive Director
- **Mark Lewis**[1]
  Independent Non-Executive Director
- **Fiona McBain**[1]
  Independent Non-Executive Director
- **David Neave**[1]
  Independent Non-Executive Director
- **Gregor Stewart**[1]
  Independent Non-Executive Director
- **Dr Richard Ward**
  Senior Independent Non-Executive Director

Key responsibilities

- Review the composition of the Board and its Committees.
- Lead the process for Board appointments and make recommendations to the Board.
- Oversee executive succession planning at a high level to seek to ensure the development of a diverse senior management talent pipeline.
- Set diversity objectives and strategies.
- Oversee and monitor the corporate governance framework of the Group.
- Monitor developments in governance and investor ESG expectations.

Areas of focus in the reporting period

- Led the search for the new Chief Financial Officer.
- Recommended appointments to the Board and to the Board's Committees.

Main activities during the year

Board and senior management succession planning

The Committee continuously keeps the composition of the Board under review, with the objective of preserving and refreshing the Board's collective experience, expertise and diversity to enable it to oversee the execution of the Group's long-term strategy effectively.

During the year, the Committee finalised the search for a new Group Chief Financial Officer ("**CFO**"). The international executive search firm, Odgers Berndtson (a signatory to the voluntary code of conduct for executive search firms which has no other connection to the Company or any individual director) was engaged to assist with the search. Shortlisted candidates underwent a psychometric assessment and a deep interview process, including interviews by the Chair of the Board, the Chairs of the Audit and Board Risk Committees and the Chief People Officer, resulting in the selection of Jane Poole as the preferred candidate. We announced on 10 April 2024 that Jane would join the Group as CFO, and the Board as an Executive Director, subject to regulatory approval. Jane joined the Group as CFO and was appointed to the Board, and as a member of the Investment Committee, on 10 October 2024.

The Committee led a search in 2023 that culminated in the appointment of Carol Hagh as a Non-Executive Director with effect from 1 April 2024. The Committee was assisted by Teneo, the global executive search and advisory firm (and a signatory to the voluntary code of conduct for executive search firms, which has no other connection to the Company or any individual director). Fuller details about that search were reported in the 2023 Annual Report. In 2024, the Committee commenced a further search for a new Independent Non-Executive Director with the assistance of Odgers Berndtson. Shortlisted candidates were interviewed by members of the Committee. The search has been put on hold following the Board's recommendation of the offer by Aviva to acquire the Group and is expected only to be reactivated should it become clear that the transaction will not successfully complete.

Composition of Board Committees

During the year, the Committee considered the effect of changes in the Board's composition on the skills and experience available to the other Committees of the Board and recommended that Tracy Corrigan be appointed as Chair of the Customer and Sustainability Committee with effect from 1 March 2024 and that Carol Hagh be appointed as a member of the Remuneration Committee with effect from 1 November 2024.

Notes:

1. Tracy Corrigan, Mark Gregory, Adrian Joseph, Mark Lewis, Fiona McBain, David Neave and Gregor Stewart were appointed to the Committee with effect from 1 January 2024.
2. Carol Hagh was appointed to the Committee with effect from 1 April 2024, the date of her appointment to the Board.

Electing and re-electing Directors

Before recommending the proposed election or re-election of Directors at the 2024 AGM, the Committee reviewed the independence of the Non-Executive Directors and concluded that all Non-Executive Directors remained independent in judgement and character and met the criteria for independence set out in the UK Corporate Governance Code. The Chair of the Board was independent on appointment.

The Committee also carefully considered Directors' external responsibilities and concluded that all Directors had sufficient time to dedicate to their respective roles. All current Directors will submit themselves for election or re-election at the Company's 2025 AGM.

Diversity and inclusion

The Committee believes that diversity of skills and experience equips the Board better to take a broad strategic perspective and the management team better to lead a diverse workforce and serve a diverse customer base.

The Board has in place a Diversity Policy, the objective of which is to seek to ensure that individual differences, which contribute to the success of the Company and represent the diversity of our customers and colleagues, are reflected at Board level. The policy underpins appointments that are made to both the Board and its Committees and is monitored and reviewed by the Nomination and Governance Committee. It is made available to any executive search firm engaged to assist with the selection and appointment process for Board positions. The Board Diversity Policy is available to view on the Company's website at www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements.

Further information on the Board's approach to diversity, and the progress made towards senior management gender targets, can be found in the Corporate Governance report on pages 95 to 96, which includes progress against key external targets.

The Committee also oversees the Group's talent development and succession planning, focusing on future skills needed by the business. More information on senior management diversity can found on pages 81 and 95.

Corporate governance

The Committee monitors arrangements made by the Company and its subsidiaries to comply with the UK Corporate Governance Code and other relevant governance standards. It also considers emerging governance matters, observance of ESG standards and developments, and reforms which may affect the Group's adherence to corporate governance best practice.

Committee effectiveness review

During the year, an evaluation of the effectiveness of the Committee was facilitated by Promontory as part of their wider review of the performance of the Board. The review found that the Committee had led the searches for the new CEO and CFO effectively and that it should review its composition and the frequency and formality of its meetings and consider renewing its focus on executive succession planning. Further information about the Board performance review can be found on page 94.

The Committee also reviewed its activity against its Terms of Reference and determined that its Terms of Reference remained comprehensive and of appropriate scope.

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

The Board reviewed and approved this report on 3 March 2025.

Danuta Gray
Chair of the Nomination and Governance Committee

Customer and Sustainability Committee report

Tracy Corrigan
Chair

Committee membership

- **Tracy Corrigan**
  Chair and Independent Non-Executive Director
- **Adrian Joseph OBE**
  Independent Non-Executive Director
- **Mark Lewis**
  Independent Non-Executive Director

Key responsibilities

- Provide oversight and advice to the Board on conducting its business in a responsible and sustainable manner.
- Monitor the progress of the Group under its five sustainability pillars.

Areas of focus in the reporting period

- Monitored the Group's activity under the five pillars of the Group's sustainability strategy.
- Oversaw the Group's improvements to reporting and monitoring of customer outcomes.
- Oversaw the Group's sustainability-related initiatives and tracked progress against the Group's Science-Based Targets.
- Reviewed the Group's refined approach to diversity and inclusion.
- Reviewed ethical matters, including the Group's Modern Slavery Statement.

Main activities during the year

Customer

Following a review of its remit, the Committee increased its oversight of customer outcomes, conduct and experience in 2024. An additional six Committee meetings were scheduled to enable the Committee to review customer-related metrics and track progress across a total of ten meetings during the reporting period. The Committee placed particular emphasis on identifying root causes of customer complaints and overseeing the Group's embedding of the Consumer Duty (the "**Duty**".)

Together with the Board Risk Committee, the Committee carefully reviewed the business's first annual Consumer Duty report.

In addition, the Committee oversaw the development of the Group's Customer Outcomes Improvement Plan to further enhance compliance with and implementation of the Duty. The Committee also reviewed the Risk Mitigation Plan ("**RMP**") that was developed in conjunction with PwC with the aim of improving the Group's compliance with monitoring and reporting requirements under the Duty. The Committee encouraged management to further develop the approach to tracking progress of the RMP using metrics and a supporting timeframe.

Planet

During the year, the Committee oversaw the Group's engagement with, and delivery of, its climate- and sustainability-related commitments. In order to further integrate sustainability into business decisions and strategic choices, the Committee reviewed plans to assign responsibility for key sustainability workstreams across senior management.

Progress updates from the Climate Executive Steering Group, in relation to the Group's five Science-Based Targets ("**SBTs**"), were reviewed, with an emphasis on the importance of delivering the Group's carbon emissions reduction plan.

People

Over the course of 2024, the Committee reviewed the business's initiatives to promote a culture that helps all colleagues thrive and celebrates difference.

During the year, the Committee oversaw the refinement of the scope of the People Pillar. Updates were received on diversity and inclusion ("**D&I**") initiatives, as well as themes that arose from the all-employee 'DiaLoGue' engagement surveys and other engagement with colleagues.

Society

The Committee oversaw the business's work to use its expertise to improve outcomes for society and the communities that the Group serves.

In the latter part of the year, the Committee reviewed Management's proposed new approach for the Community Fund (the "**Fund**"), which has donated £6.9m to charities and good causes since 2020. The Committee supported the intention to align the Fund with the business's wider strategic vision and to further enhance colleagues' emotional connection with the Group's charitable initiatives.

Modern Slavery Statement

In February 2024, the Committee reviewed the Group's policy on compliance with the Modern Slavery Act 2015 (the "**MSA**") and how third-party suppliers complied with the Act's requirements.

The Committee reviewed the Procurement function's activity in relation to the MSA and concluded that processes and policies in connection with the MSA were robust, effectively embedded in supply chain processes, and reflected the Procurement function's updated sustainability processes.

The Modern Slavery Statement is available to view on the corporate website:

https://www.directlinegroup.co.uk/en/sustainability/reports-policies-and-statements

Governance

The Board is focused on ensuring that ethical and sustainable business practice is embedded throughout the business.

During the year, the Chair of the Customer and Sustainability Committee reported on matters dealt with at each meeting to the subsequent scheduled Board meeting. The Board, recognising the growing strategic significance of sustainability matters, received additional, dedicated reports on the Group's approach to Customer, People and Culture.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted with assistance from Promontory, as part of the wider review of the performance of the Board and its Committees. The review noted that during the year, the Committee had further deepened its focus on the Consumer Duty and customer outcomes. Further information on the Board effectiveness review can be found on pages 97 to 98.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope.

The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 3 March 2025.

Tracy Corrigan
Chair of the Customer and Sustainability Committee and Independent Non-Executive Director

Investment Committee report

Fiona McBain
Chair

Committee membership[1]

- **Fiona McBain**
  Chair and Independent Non-Executive Director
- **Mark Gregory**
  Independent Non-Executive Director
- **Jane Poole**[2]
  Chief Financial Officer

Key responsibilities

- Provide oversight of the Group's investment strategy.
- Oversee the management and performance of the Group's investment portfolio.

Areas of focus in the reporting period

- Monitored closely the changes in valuations and resilience of the Group's investment assets.
- Oversaw phases of implementation of the refreshed target Strategic Asset Allocation exercise, including review of adjusted recommendations and strategies across asset classes.
- Ensured the investment portfolio held appropriately matched assets and liabilities and remained within agreed aggregate risk and exposure limits.
- Ensured the investment portfolio maintained sufficient liquidity to meet a stress insurance or financial market event in a 1 in 200-year insurance, market, or credit risk event.
- Received progress updates on the calibration of Science-Based Targets ("**SBTs**") for each asset class in scope within the investment portfolio.

Oversight of market developments

During the year, the Committee considered trends in economic growth, employment figures, credit spreads, inflation and interest rates, and wider geopolitical contexts and took these into account when providing oversight of, and challenge to, the Group's investment strategy.

At each scheduled meeting, the Committee received reports on key financial market developments from the Director of Investments and Capital Management.

Monitoring investment activity and performance

Throughout the year, the Committee carefully reviewed the performance of the Group's investments. It received presentations from representatives of its managed portfolios at each meeting. In 2024, attendees from Rothschild & Co., BlackRock Inc., Neuberger Berman and Goldman Sachs Asset Management L.P. shared their views of relevant market performance, market outlook and wider economic context. The Committee discussed the performance of the Group's various assets under management, and carefully considered the balance between flexibility, investment return and alignment with the Group's risk appetite for each mandate.

Management shared recommendations for the Group's in house portfolios, which were reviewed and challenged by the Committee to ensure the investment strategy remained appropriate and well-positioned. During the year, the Group's investment strategy was reviewed and compared to a peer group, and the Group's portfolio was found to be performing well.

Reviewing investment strategy and liquidity

Early in 2024, the Committee conducted its annual review of the business's asset liability management, which was undertaken to ensure that the Group's asset and liability matching, along with stressed liquidity requirements, remained appropriate. The Committee reviewed Management's recommendations for the Group's overnight liquidity requirements, ensuring an improved balance was struck between the business's performance and the Group's ability to access sufficient liquidity if it were to meet a 1 in 200-year stress risk event.

In the second half of the year, the Committee reviewed both interim and end solutions for improved hedging against interest rate risk. It made recommendations for key areas to be brought back for review and challenge in 2025.

Strategic Asset Allocation ("SAA")

During the year, the Committee oversaw the phasing of implementation of the refreshed SAA. A detailed action point plan and corresponding timeline was produced to the Committee, and progress carefully monitored by the Committee.

Throughout the year, the Committee reviewed amendments to the target SAA as and when these occurred.

Notes:

1. Neil Manser was a member of this Committee until he stepped down from the Board of Directors on 10 October 2024.
2. Jane Poole was appointed as a member of this Committee with effect from 10 October 2024.

Risk management

During 2024, a Risk and Control Self-Assessment was carried out in conjunction with PwC and covered three risk areas: asset and portfolio management; investment counterparty credit and default; and liquidity management. No control gaps were identified for the Investment and Treasury ("**I&T**") team in any of the three risk areas and the two documentation enhancements for liquidity management made by PwC were implemented.

The Risk function was engaged throughout the relevant decision-making processes and a representative from Risk attended each meeting of the Committee.

During the second half of the year, the Risk function carried out a review of the I&T team's existing key risk indicators and made some suggestions for adjustment.

Oversight of responsible investment

The Committee monitored the Group's externally managed mandates for compliance with the Group's responsible investment framework. The Committee was pleased to learn that the Group achieved its targeted 50% reduction in Weighted Average Carbon Intensity in its corporate bond portfolio ahead of schedule.

During the year, a gap analysis against PRA SS3/19[1] requirements was performed and the Group updated its climate change roadmap.

Governance

The Chair reported on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

Committee effectiveness review

Towards the end of the year, an external evaluation of the performance of the Committee was conducted with assistance from Promontory, as part of the wider review of the performance of the Board and its Committees. The review found that the Committee was highly organised and well-structured, benefiting from a very active Chair. In addition, the quality of materials available to the Committee was good. Further information on the Board effectiveness review can be found on pages 97 to 98.

In addition, the Committee's Terms of Reference were reviewed against the activity of the Committee during the year. The Terms of Reference were found to be suitable, comprehensive and of appropriate scope. Updates were made regarding the Committee's oversight of climate and sustainability.

The Committee's Terms of Reference can be found on the corporate website:

www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

The Board reviewed and approved this report on 3 March 2025.

Fiona McBain
Chair of the Investment Committee and Independent Non-Executive Director

Note:

1. The Prudential Regulation Authority's Supervisory Statement SS3/19: Enhancing banks' and insurers' approaches to managing the financial risks from climate change.

Directors' Remuneration report

Dr Richard Ward
Chair of the Remuneration Committee

Committee membership

- **Dr Richard Ward**
  Chair and Senior Independent Director
- **Tracy Corrigan**
  Independent Non-Executive Director
- **Danuta Gray**
  Chair of the Board
- **Mark Gregory**
  Independent Non-Executive Director
- **Carol Hagh**[1]
  Independent Non-Executive Director
- **Mark Lewis**
  Independent Non-Executive Director

Note:

1. Carol Hagh was appointed to the Committee effective 1 November 2024.

Key responsibilities

- Determine the policy for rewarding Executive Directors and senior leadership for results that are generated within the risk appetite set by the Board and oversee how the Group implements its Remuneration Policy.
- Oversee the level and structure of remuneration arrangements for senior executives, approve share incentive plans, and recommend them to the Board and shareholders.
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, ensuring all our colleagues are paid fairly.

Areas of focus in the reporting period

- Adam Winslow was appointed as CEO on 1 March 2024 and the Committee approved the grant of buyout awards to compensate him for awards forfeited from his previous employer, in accordance with the remuneration arrangements approved in 2023.
- Jane Poole was appointed as CFO on 10 October 2024 and the Committee carefully considered and approved the appropriate remuneration package for this role.
- The Committee also considered the remuneration arrangements for the departing CFO, Neil Manser, in accordance with the Directors' Remuneration Policy and incentive plan rules, contractual obligations and shareholder expectations.
- Remuneration packages for senior hires below the main Board were reviewed and approved by the Committee.
- The Committee approved the measures and targets for the 2024 AIP awards, which were subsequently reviewed in July 2024.
- The Committee approved the measures and targets for the 2024 LTIP awards to align with the new strategy.
- The Committee reviewed the potential remuneration implications associated with a change of control, including in the context of the Ageas non-binding offer and subsequent Aviva offer.
- Reviewed and approved risk adjustments in relation to the solvency capital ratio misstatement.
- The Committee (and Board) continued to be updated on wider workforce actions, including employee feedback, voluntary turnover and salary increase decisions.

Dear Shareholders,

On behalf of the Remuneration Committee ("**the Committee**"), I am pleased to introduce the Directors' Remuneration Report for the 2024 financial year.

In 2024, we welcomed a new senior leadership team, led by Adam Winslow, and the Group made significant progress on our strategic objectives following the priorities set out at the Capital Markets Day in July 2024. This performance has been delivered in the context of a number of additional unanticipated activities, including an approach from Ageas in early 2024 and an agreement on the terms of a recommended offer for Direct Line Group by Aviva, as announced in December.

The Committee has continued to make remuneration decisions on a "business as usual" basis wherever possible, carefully considering a range of factors in ensuring that 2024 remuneration outcomes are consistent with our broader employee and shareholder experience (as outlined in detail in the remainder of this report).

The Report is set out in the following sections:

Performance and incentive outcomes for 2024

As noted above, the Group has delivered on the strategic objectives set out by Adam Winslow at our Capital Markets Day in July. Strong growth in our core product areas has driven improved trading performance, further supported by bringing Direct Line Motor onto price comparison websites for the first time. During this transitional year, the Group has delivered ongoing operating profit of £205m (2023: (£189.5m)) and Net Insurance Margin from ongoing operations of 3.6% (2023: (8.3%)) whilst making excellent progress on managing costs. Our capital position remains strong – we announced a 2024 interim dividend of 2.0p per share (2023: Nil) and are proposing a final year dividend of 5.0p per share (2023: 4.0p).

The Group has also placed significant focus on the experience of our colleagues and our customers, with an improved employee engagement score despite the challenging business landscape, launching two new apps which have been downloaded almost 300,000 times and delivering an improved overall Net Promoter Score.

2024 AIP

As outlined in last year's report, the Committee decided to delay setting the 2024 LTIP targets until a strategic review had taken place following Adam Winslow's appointment as CEO. However, given the shorter nature of the AIP performance period, the Committee set the majority of the AIP targets at the start of the year (with the exception of the strategic objectives (20% weighting), which were finalised following Adam's appointment and split equally between Cost and Risk objectives). These targets were set prior to this business wide review, which culminated in the Capital Markets Day in July and included a full financial re-forecast.

In this context, following the strategic review, the Committee reviewed the original targets in light of the new strategic plan, with particular focus on the operating profit targets (55% weighting). The key consideration for the Committee was that it considered it essential to have an incentive that supported the critical work to be done in delivering the strategy over the balance of 2024, especially given that the AIP scorecard targets are applicable to many colleagues participating in the AIP across the Group. The Committee considered the updated internal financial forecasts as well as consensus performance expectations (although the Committee noted that the consensus forecasts at that time varied significantly, primarily due to the way some analysts had treated investment income from the sale of our Brokered commercial insurance business).

The Committee discussed potential options to improve the alignment between the AIP and the new strategy, in particular whether to amend the operating profit targets during the year or leave them unchanged but consider the exercise of discretion at the end of the year. Whilst the Committee recognised the challenges around the appropriateness of changing targets at the mid-year, ultimately we decided that it was the right thing to do to amend the targets – in order to provide greater clarity to participants, to ensure that the AIP remained incentivising and motivating to all colleagues and to drive the right outcomes for the business. The Committee was also mindful of the truly exceptional circumstances faced by the Group at the time, with a new CEO and senior leadership team, challenging insurance market landscape and business uncertainty following the Ageas approach earlier in 2024. Taking all of these factors into account, the Committee approved amended Ongoing Operating Profit targets. Full details of the original and amended Operating Profit targets are set out on page 122.

As noted in the introduction to this letter, the Group delivered rapidly on key strategic priorities, particularly during the second half of the year. In particular, we saw strong premium growth in both Motor and Non-Motor, with a return to profitability in Motor alongside a strong result in Non-Motor. As a result, ongoing operating profit (£205m) exceeded the revised maximum level for this element of the AIP (55% weighting).

At our Capital Markets Day, we set out an ambition to deliver at least £100m cost savings by the end of 2025 on an annualised run-rate basis. Over 2024 we made excellent progress towards this target by making improvements in procurement, rationalising technology and simplifying our operating model. As a result, 2024 cost performance exceeded the maximum level for this element (10% weighting).

The 2024 AIP also included targets related to Risk (10% weighting), Customer (15% weighting) and People (10% weighting). Performance under the Risk and Customer elements were assessed to be around the target level and slightly below the target level respectively, whilst performance in relation to the People element was determined to be at the maximum level. Further details are set out on page 123.

Based on the Committee's assessment against the performance targets, the overall 2024 AIP outcome was 86.4% of maximum.

The Committee debated the appropriateness of this outcome, recognising the broader context in which the performance was delivered. The Committee's view was that our 2024 performance was particularly impressive given the relatively short period that the new senior leadership team had been in place, as well as the significant time spent during the year in relation to the Ageas approach and subsequent Aviva offer, which could easily have impacted the Group's ability to deliver on our key priorities.

Following extensive discussion, the Committee determined that the 86.4% overall outcome appropriately reflects the performance of the Executive Directors, senior leadership team and wider employees in delivering in an extremely challenging environment and unprecedented year for the Group, and therefore did not exercise discretion to adjust this outcome. In line with the Policy, 40% of any AIP for the Executive Directors will be deferred for three years under the Deferred Annual Incentive Plan ("**DAIP**").

As noted above, the AIP outturn also impacts around 3,400 employees below Board level and the Committee was pleased to be able to recognise the performance of all of our colleagues in delivering our 2024 results, noting that the 2022 and 2023 AIP outturns were 0% and 15% respectively. Full details on the outcomes for the year are included on pages 122 to 123.

2021 and 2022 LTIP

The 2021 LTIP awards were granted in two tranches in March and August 2021 and were subject to RoTE (60% weighting) and relative TSR (40% weighting) performance. The performance period for the RoTE element of the awards ended on 31 December 2023 was disclosed in last year's report (0% vesting). The performance period of the TSR element of the 2021 LTIP awards ended on 26 March 2024 and 31 August 2024. Performance was below the threshold performance level (median) for both awards, and therefore these elements lapsed in full. This means that the overall outcome of the March and August 2021 LTIP awards was 0% vesting.

The 2022 LTIP awards were also granted in two tranches in March and August 2022, and were subject to RoTE (50% weighting), relative TSR (40% weighting) and Emissions (10% weighting) performance. The performance period for the RoTE and emissions elements of the 2022 LTIP awards ended on 31 December 2024, with performance as follows:

- RoTE (50% weighting): Average RoTE for the three-year performance period ending 31 December 2024 was minus 3.63%. This is below the threshold target level of 17.5%, and therefore this element will lapse in full.
- Emissions (10% weighting): All of the 3 emissions metric targets were met and therefore this element will vest at 100%.

The performance period of the TSR element of the 2022 LTIP awards (40% weighting) ends on 28 March 2025 and 29 August 2025 (or shortly before completion of the potential Aviva acquisition if earlier) respectively and is therefore not yet known. The outcome of these elements, and therefore the overall outcome of the 2022 LTIP awards (including the RoTE and emissions outcomes as above) will be disclosed in next year's report (subject to the status of the Aviva acquisition) once the performance period is complete.

Committee decisions on remuneration outcomes

As noted above, the overall AIP outcome was considered appropriate and therefore no discretion to adjust the outcome was exercised.

The 0% vesting outcomes for the 2021 LTIP awards were considered appropriate in the light of the Group's performance over the three-year performance period, and therefore no discretion to adjust the outcome was exercised in relation to these awards.

Although the RoTE element (50% weighting) of the 2022 LTIP awards will lapse, the full vesting in relation to the emissions metric (10% weighting) reflects the strong progress on our environmental targets and commitment to sustainability.

The extent to which the TSR elements (40% weighting) vest will be considered by the Committee in March and August 2025 (or shortly before completion of the potential Aviva acquisition if earlier), as the TSR performance period continues until the vesting date.

Taking the points above into account, the Committee believes the Policy has delivered an appropriate quantum of reward for the corporate performance achieved. The Committee was therefore satisfied that the Group's Remuneration Policy has operated as intended.

Wider workforce pay considerations and engagement for 2024

The Committee regularly and carefully considers wider employee pay as context for the decisions it makes.

As part of the wider Committee oversight on all-employee pay matters, the Committee is pleased to confirm that the Group will apply an increase to the Group's minimum salary of 5% from 1 April 2025, to align with the Living Wage Foundation's Real Living Wage. This will result in the Group-wide minimum salary increasing to £24,570 on a full-time basis (for a 37.5hr working week).

For employees who earn above the minimum salary, all eligible employees will receive a salary increase of between 3.5%-4.0% effective 1 April 2025.

As Chair of the Committee, I have attended at least one meeting of the Group's Employee Representative Body ("**ERB**") each year since 2018. The Group's ERB is a valued forum for having a two-way dialogue on many important matters. I attended the ERB meeting in December 2024, where I discussed executive remuneration with colleagues and took questions. The Q&A session covering topics such as the alignment of pay and performance and the possible impacts of the potential Aviva acquisition. Feedback was shared on how people are experiencing the level of ongoing change in the business as well as the response to the enhanced communication strategy.

The outcome of our DiaLoGue People Survey is an important factor for the Committee to reflect on and it has been kept abreast of matters by the Chief People Officer and Chief Executive Officer throughout the year.

Our existing workforce engagement is strengthened through "town halls" and other forums. To supplement this, the Committee receives papers setting out details of all-employee pay and workforce policies across the Group at each meeting. For 2024 this included information on the Group's gender and ethnicity pay gaps, the approach to 2025 salary increases for the wider workforce, as well as reward design changes to support in driving a high-performance culture. This standing agenda item provides valuable insight and context for framing executive pay and policies.

Directors' Remuneration Policy (the "Policy")

The Company is required to submit the Directors' Remuneration Policy to a shareholder vote by 31 December 2026 (and ordinarily at the 2026 AGM) in accordance with the Companies Act 2006.

In the context of the potential Aviva acquisition, the Committee will keep under review the appropriate approach given the current uncertainty in the precise timing of completion.

A summary of the current Policy is set out on pages 138 to 141.

Executive Director changes

As explained in last year's report, Adam Winslow was appointed to the Board as Chief Executive Officer on 21 March 2024. Acting CEO Jon Greenwood stepped down from the Board on the same date and returned to a non-Board role.

As announced on 10 April 2024, Jane Poole was appointed to the Board as Chief Financial Officer on 10 October 2024. In setting Jane's remuneration, the Committee considered her wealth of experience in general insurance, market data in respect of FTSE51-150 companies and other FTSE350 insurers, the previous CFO's remuneration package, our Directors' Remuneration Policy and the pay and conditions of the wider workforce. Taking these factors into account, Jane's salary was set at £550,000, broadly in line with the previous CFO.

In accordance with the Directors' Remuneration Policy, Jane receives pension contributions (or cash in lieu) in line with the wider workforce (9% of salary) and her variable remuneration opportunities (AIP and LTIP) are in line with the current Directors' Remuneration Policy. Jane also received buyout awards to compensate for awards forfeited from her previous employer in connection with her appointment at DLG. Further details are set out on page 134.

Neil Manser stepped down as CFO and from the Board on 10 October 2024 and commenced his 12-month notice period. He completed a handover period to the new CFO to assist with an orderly transition and was then placed on garden leave for the remainder of his notice period. His employment will cease on 9 October 2025.

Neil will retain his 2022 DAIP and LTIP awards, which will vest on the normal vesting dates and (in the case of the LTIP) subject to the relevant performance conditions and a two-year post-vesting holding period. In light of the Company's announcement on 23 August 2024 relating to the misstatement of the Company's Solvency Ratio for the 2023 financial year, and following a review process conducted with external support and advice, the Committee considered whether any actions in relation to variable pay were appropriate. The Committee determined that the malus provisions under the DAIP rules should be applied in relation to Neil's DAIP award granted in 2024 in respect of the deferred element of the 2023 AIP, and therefore this award has lapsed in full. In addition, Neil's LTIP awards granted in 2023 and 2024 will lapse on cessation of employment. He will not receive a payment under the AIP in respect of the financial year ended 31 December 2024 and will not be eligible to participate in the 2025 AIP or LTIP awards.

Further details of Neil's terms in relation to his departure are provided on page 133.

Potential Aviva acquisition

In the context of the Aviva offer announced on 23 December 2024, the Remuneration Committee has been discussing the impact that the transaction would have on our remuneration arrangements for Executive Directors, senior leadership and the wider workforce. This will continue to be an area of focus for the Committee during 2025 as we work towards completion. The agreed principles for the treatment of remuneration in connection with the transaction are set out in the co-operation agreement agreed by Direct Line and Aviva in December 2024, but do not impact the 2024 outcomes set out in this report.

Executive Director remuneration for 2025

The Committee carefully considered salary increases for the Executive Directors (and the Executive Committee) for 2025 and determined that Adam Winslow and Jane Poole should receive an increase of 3.5% (below the wider workforce level) from 1 April 2025.

Over the summer, (and prior to the Aviva approach), the Committee undertook a review of our remuneration arrangements, taking into consideration the new strategy outlined at the Capital Markets Day in July. The Committee concluded that it is critical that our new CEO and CFO and newly appointed wider management team have a meaningful incentive that aligns with delivering the key transformation objectives over the next 1-3 years, recognising that the performance required to achieve this transformation goes far beyond "business as usual" and the need to ensure the remuneration package is competitive in this context.

In view of the exceptional circumstances, the Committee therefore proposed to use the exceptional 300% of salary limit for LTIP awards in the Policy for Executive Directors (above the normal grant level of 200% of salary). We were part way through a consultation with our major shareholders and proxy agencies when the initial Aviva announcement was made. Up to that point, shareholders had been broadly supportive of the proposal to grant awards at this level, with differing views on the appropriate performance measures to be used. However, given the Aviva approach, it was appropriate to pause the consultation.

Although agreement has been reached on the terms of an offer by Aviva for Direct Line, the Committee strongly believes that the 2025 LTIP awards must operate effectively in all scenarios, noting that the acquisition is still subject to shareholder and regulatory approval. The Committee determined that the 2025 LTIP awards would be granted at 300% of salary for the Executive Directors, in line with the Committee's original intention.

Further details on the approach for the 2025 AIP and LTIP awards are set out on pages 136 to 137.

Committee performance

During the year, an evaluation of the effectiveness of the Committee was facilitated by Promontory, as part of their wider review of the Board's effectiveness. The review found the Committee to be well structured with a good awareness of the remuneration of the wider workforce. Further information about the Board effectiveness review can be found on pages 97 to 98.

The Committee's terms of reference can be found on the corporate website: www.directlinegroup.co.uk/en/who-we-are/leadership/board-committees

Your AGM vote

The Committee welcomes investor feedback on an ongoing basis and this report seeks to describe and explain our remuneration decisions clearly. I hope that having read the information in this report, you will vote in support of the Remuneration Report resolution at the upcoming AGM.

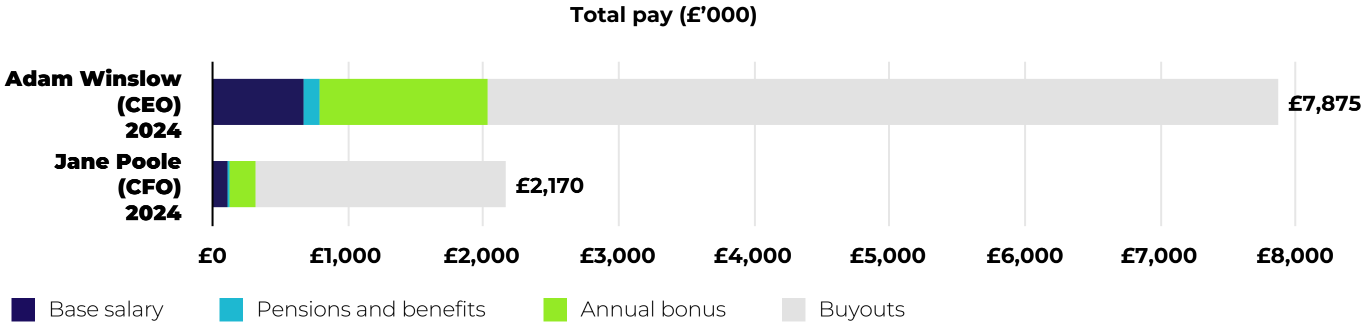
Should you have any questions about the Committee's Report please email our AGM email address shareholderenquiries@directlinegroup.co.uk and I or one of my colleagues at Direct Line Group will respond to you.

Yours sincerely,

Dr Richard Ward
Chair of the Remuneration Committee and Senior Independent Director

Remuneration at a glance

Remuneration outcomes for 2024



Find out more on page 121.

Notes:

1. Adam Winslow was appointed as CEO effective 21 March 2024. His remuneration has been pro-rated accordingly for this period.
2. Jane Poole was appointed CFO effective 10 October 2024. Her remuneration has been pro-rated accordingly for this period.

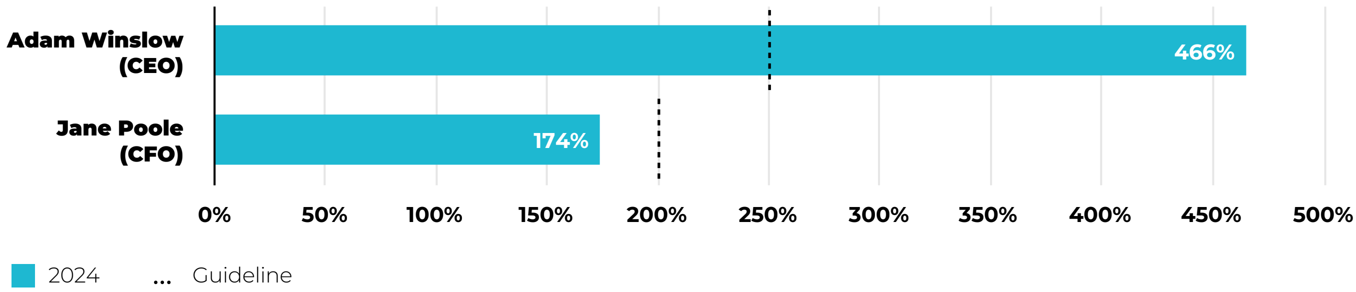
AIP achievement

This chart illustrates the actual amounts earned from the AIP reflecting performance in 2024. 60% of the amount is payable in March 2025 and 40% will be deferred into shares for three years.

Find out more on page 122 to 123.

Shareholding at 31 December 2024

This chart illustrates the number of shares held at the end of 2024 by the Executive Directors against the share ownership guidelines of 250% of salary for the CEO and 200% of salary for the CFO.



Find out more on page 129.

Annual Report on Remuneration

Introduction

We have prepared this Report in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "**Regulations**"). The Report also meets the relevant requirements of the Listing Rules of the FCA and describes how the Board has complied with the principles and provisions of the Corporate Governance Code 2018 relating to remuneration matters. Remuneration tables subject to audit in accordance with the relevant statutory requirements are contained in this report and stated to be audited. Unless otherwise stated, the information within the Report is unaudited.

Committee members and governance

The following list details members of the Committee during 2024. You can find information about each member's attendance at meetings on pages 84-85. You can find their biographies on pages 77 to 80.

Committee Chair
Dr Richard Ward
Non-Executive Directors
Danuta Gray
Tracy Corrigan
Mark Gregory
Carol Hagh (from 1 November 2024)
Mark Lewis

Advisers to the Committee

The Committee consults with the Chief Executive Officer, the Chief Financial Officer, the Chief People Officer, and senior representatives of the HR, Risk and Finance functions on matters relating to the appropriateness of all remuneration elements for Executive Directors and Executive Committee members. No Director or other attendee is present when their remuneration is discussed. The Committee works closely with the Chair of the Audit Committee, and the Board Risk Committee Chair is a member of the Remuneration Committee. Input was received regarding target-setting and payouts under incentive plans, and whether it is appropriate to apply malus and/or clawback. The Remuneration and Board Risk Committees can also hold joint meetings to consider matters of common interest.

The Committee appointed PricewaterhouseCoopers LLP ("**PwC**") as its independent adviser from 1 January 2019 following a competitive tender process.

During the year, PwC advised on market practice, corporate governance and regulations, incentive plan design and target-setting, recruitment, and other matters that the Committee was considering. PwC supported the Group in several ways, including the provision of internal audit, risk and controls, tax and actuarial services during 2024. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct and the Committee is therefore satisfied that the advice PwC provided was objective and independent from the Group and its Directors.

PwC's total fees for remuneration-related advice in 2024 were £198,650 excluding VAT. PwC charged its fees on a time and expenses basis.

Implementing Policy and pay outcomes relating to 2024 performance

Single figure table (Audited)

£'000		Salary[1]	Benefits[2]	Annual bonus[3,5,7]	Long-term Incentives	All-employee share plans	Pension	Buyout awards[8,9]	Other[12]	Fixed pay and benefits sub-total	Variable remuneration sub-total	Total
Adam Winslow[4]	2024	683	55	1,240	–	1	62	5,835	–	800	7,075	7,875
	2023	–	–	–	–	–	–	–	–	–	–	–
Jane Poole[6]	2024	124	1	187	–	0	11	1,848	–	135	2,035	2,170
	2023	–	–	–	–	–	–	–	–	–	–	–
Jon Greenwood[10]	2024	160	32	240	–	0	14	–	–	206	240	446
	2023	668	125	177	0	1	60	–	–	854	177	1,031
Neil Manser[11]	2024	419	2	0	–	1	38	–	(55)	460	(55)	405
	2023	527	2	138	0	1	47	–	–	577	138	715

Notes:

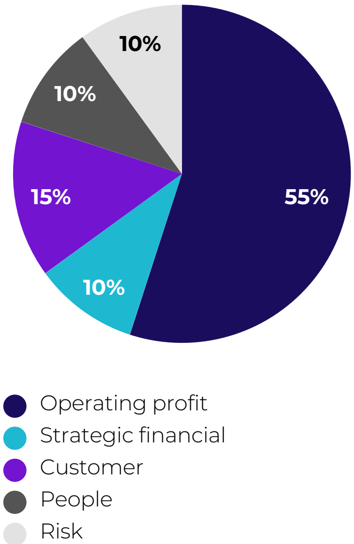
1. Salary – the Company operates a flexible benefits policy, and salary is reported before any personal elections are made.
2. Benefits – include a private medical insurance, life assurance, income protection, health screening and discounted insurance. The CEO uses a car service for travelling on journeys between home and office; the Group also paid for any associated tax liability on this benefit. Jon Greenwood's benefits also included a car allowance. Whilst Acting CEO, Jon Greenwood received reimbursement of reasonable travel and accommodation expenses between his home in the North of England and the Group's London office to reflect the interim nature of this role; the Group also paid for any associated tax liability on this benefit. The total cost to provide this travel and accommodation benefit in 2024 to 21 March 2024, being the date he stepped down from the Board, was £23,467. The Acting CEO also received an allowance of £25,000 per annum (payable monthly, £5,511 received in respect of 2024) to reflect the significant disturbance to Jon and his family as a result of spending the majority of his time in London.
3. Annual bonus – includes amounts earned for performance during the year but deferred for three years under the DAIP. For more information, see pages 122 to 123. These deferred awards are normally subject to continuous employment. Awards remain subject to malus and clawback.
4. Adam Winslow joined DLG on 1 March 2024 and was appointed to the Board on 21 March 2024. In accordance with the reporting regulations, his fixed pay and benefits shown above relate to his services as the CEO from 1 March 2024.
5. As agreed as part of his recruitment terms, Adam Winslow was eligible for a full-year bonus for 2024, as no buyout award in respect of the 2024 bonus forfeited from his previous employer was made.
6. Jane Poole joined the Board on 10 October 2024. Her fixed pay and benefits shown above reflect this period.
7. The annual bonus figure for Jane Poole is pro-rated from the date she joined DLG and was appointed to the Board.
8. Buyout awards – this relates to the value of the buyout awards made to Adam Winslow as compensation for awards forfeited from his previous employer upon joining DLG. This includes compensation for his 2023 bonus which was delivered, 50% in cash and 50% deferred into shares, in 2024. Also included are the share awards granted as compensation for the share awards Adam forfeited. These buyout awards are detailed on page 128.
9. Buyout awards – this relates to the value of the buyout awards made to Jane Poole as compensation for awards forfeited from her previous employer upon joining DLG. This includes an estimated payment in lieu of the 2024 bonus forfeited, pro-rated to the date she joined DLG, assumed for these purposes to be at the maximum level (£510,328). The actual payment will be confirmed in next year's report (subject to the status of the Aviva acquisition). Also included are the share and cash awards granted as compensation for the share awards Jane forfeited. These buyout awards are detailed on page 128.
10. Jon Greenwood stepped down from the Board effective 21 March 2024 and returned to a below-Board role. His remuneration has been pro-rated accordingly for this period.
11. Neil Manser stepped down from the Board on 10 October 2024. His remuneration has been pro-rated accordingly for this period. Details of Neil's exit arrangements can be found on page 133.
12. Other – this relates to the value of the malus adjustment applied to Neil Manser's 2024 DAIP award in respect of the deferred element of the 2023 AIP which has lapsed in full as detailed on page 133.

Each Executive Director has confirmed they have not received any other form of remuneration from the Group in relation to their services as a Director, other than that already disclosed in the single figure table.

Annual Incentive Plan outcomes for 2024 (Audited)

The chart illustrates the final assessment, performance measures and weightings under the AIP.

Performance measures and weighting



Executive Director	Achievement under the 2024 AIP	2024 AIP payment
Adam Winslow	86.4%	£1,239,840
Jane Poole	86.4%	£186,809
Jon Greenwood	86.4%	£239,607
Neil Manser	–	–

Notes:

1. The AIP for Jon Greenwood is pro-rated to reflect the period to 21 March 2024, being the date he stepped down from the Board.
2. 40% of any AIP award is deferred into shares under the DAIP, vesting three years after grant.

Operating profit (55% weighting)

The primary financial performance measure for 2024 was operating profit for ongoing operations. The Committee established threshold and maximum performance levels at the start of the year considering internal budgets and analysts' consensus forecasts. The original targets were £179.1m for threshold and £268.7m for maximum. As outlined in the Chair's statement, the Committee reviewed the original targets, conscious of the updated Strategic Plan that was now in place following Adam Winslow's appointment. The Committee determined that the original targets were no longer appropriate or incentivising, noting that the targets are applicable to all AIP participants. The Committee therefore approved an amended set of performance targets, as outlined in the table below. Further details on this decision are set out in the Chair's Statement.

The approach taken to assessing financial performance against this measure was based on a straight-line outcome between 10% for threshold performance and 100% for achievement of maximum performance.

The table below sets out the threshold and maximum performance targets for the year, and the actual performance achieved.

Measure	Threshold 10%	Maximum 100%	2024 Actual	2024 Achievement
Operating Profit	£160m	£200m	£205m	100%

Cost savings

(10% weighting)

Achieve at least £100m gross cost savings by the end of 2025 on an annualised run-rate basis.

- The Group's cost saving programme aimed at simplifying the organisation and achieving the cost savings ambition set out at the Capital Markets Day has made strong progress over 2024. Noting the 2025 nature of the £100m ambition, the Committee set a cost target for 2024 as follows:

Threshold (0%)	Target (55%)	Maximum (100%)	2024 Actual	2024 Achievement
<£949m	£949m	£929m	£891m	100%

- This has been delivered by:
  - **Refining procurement:** By making improvements in our procurement processes.
  - **Digitalisation:** We have invested in digital distribution channels to improve customer accessibility, streamline our operations and enhance the overall customer experience. This includes the launch of two apps which have been downloaded almost 300,000 times to date.
  - **Rationalising technology:** Reduction in costs by removing legacy technology systems and leveraging our existing platforms.
  - **Simplifying our operating model:** Our drive to create a leaner, less complex, and more efficient operating model is well advanced, with consultations now complete as part of a reduction of 550 roles.

2024 outcome: 100% (10% out of 10%)

Customer

(15% weighting)

To better align focus of our leadership teams on delivery of customer experience

Net promoter score (10% weighting)

- The Committee set a target to achieve a Group NPS score of 52 by the end of 2024 and a stretch target of 53 – end of year Group NPS was just above the target level a 52.1.
- Underlying NPS score targets by brand are considered commercially sensitive, but strong performance was delivered in Rescue and in Churchill, with weaker performance in Direct Line.

Complaints (5% weighting)

- The Committee set a target performance level of 4.5 complaints per 1000 in force policies (based on 2024 as a whole). Actual performance was in excess of this level (5.4 per 1000), although the Committee noted a positive trajectory in reducing complaints during H2 2024.
- The Committee recognised that the outcome against the complaints metric was impacted by lower levels of capacity across the motor repair industry and high inflation which drove price related complaints. The impact of both led to higher resulting call volumes, leading to longer wait times.
- Nevertheless, the Committee concluded that the overall performance did not warrant any payout in respect of this element of the AIP.

2024 outcome: 43% (6.4% out of 15%)

People

(10% weighting)

A range of indicators around employee engagement, reflecting the importance of this agenda to the success of the Group

Performance was assessed based on two key areas:

- **Employee engagement:** Employee engagement score of 72 (target: 72, 2023: 70). Overall engagement among colleagues rose by 2 points since February 2024. The response rate has remained fairly consistent in 2024, with a slight increase from 81% to 82% between February and September. The Committee considered this an exceptional result given the uncertainty for colleagues following the Ageas non-binding offer in March 2024 and the proposed changes to the business operating model. It should also be noted that the DiaLoGue surveys occurred prior to the Aviva announcement, however the feedback about the engagement programme and communication that has taken place with colleagues post-announcement continues to be extremely positive.
- **Confidence in Senior Leadership:** Score of 71 (target: 69, 2023: 61). Given DLG's ongoing period of transformation and turnaround, highly effective leadership remains critical. In 2024, we focused on uplifting leadership capability, specifically focusing on the Enterprise Leaders Network ("**ELN**") and ExCo populations. Our September 2024 DiaLoGue survey reported a significant 10-point increase in confidence in our senior leadership since February 2024, reflecting the significant efforts taken by the new Executive Committee team to foster a culture of open, honest engagement and communication.

2024 Outcome: 100% (10% out of 10%)

Risk

(10% weighting)

Continuously strengthen risk and controls

- In 2024, we sought to further embed a sustainable risk culture and promote continuous strengthening of the risk & controls.
- Performance was assessed based on 5 indicator metrics:
  - % of planned RCSAs completed – Outcome: Fully achieved
  - % of planned 'Controls Assurance' activities completed – Outcome: Partially achieved
  - Timely recording of Risk Events on the Group's risk management system – Outcome: Broadly achieved
  - Timely raising of MAPs and subsequent closure – Outcome: Partially achieved
  - Timely closure of Line 2 risk recommendation – Outcome: Fully achieved

2024 outcome: 50% (5% out of 10%)

Note:

1. Group total operating expenses, acquisition expenses, and claims handling expenses, adjusted to exclude restructuring and one-off costs, commission expenses and costs associated with the Brokered commercial business, Motability and By Miles.

LTIP outcomes for 2024 (Audited)

2021 LTIP awards (vesting in 2024)

Awards under the LTIP granted in March and August 2021 vested during 2024. They were subject to relative TSR performance over the three-year period from the date of grant, and average RoTE performance over 2021, 2022 and 2023.

Consistent with the Regulations, the expected RoTE vesting outcomes for the year ended 31 December 2023 (together with the TSR elements from the 2020 awards) were disclosed last year and included in the 2023 LTIP column of the single figure table because the performance period for these elements ended in 2023. The performance outcomes of these elements are included in the table below. Jon Greenwood and Neil Manser were participants in the 2021 LTIP awards (although Jon Greenwood's awards were granted prior to his appointment as Acting CEO).

The TSR elements of the 2021 awards (and the RoTE and emissions elements of the 2022 LTIP awards – see below) are included in the 2024 single remuneration figure because the performance period for those elements ended in 2024. Details of the targets and performance achieved are set out in the table below. As above, Jon Greenwood and Neil Manser were participants in the 2021 LTIP awards, but the performance period ended after Jon Greenwood stepped down from the Board (and therefore the outcome is not included in the 2024 LTIP column of single figure table for him in accordance with the Regulations, albeit the outcome was zero).

The performance achieved against the targets was as follows:

Award	Performance measure	Weighting	Threshold (20% of maximum)	Maximum (100% of maximum)	Actual performance	Achievement	Outcome
March 2021	RoTE (2023 single figure)	60%	17.5%	20.5%	0.9%	0.0%	0.0%
	Relative TSR (2024 single figure)	40%	Median	Upper quintile	Below median	0.0%	0.0%
August 2021	RoTE (2023 single figure)	60%	17.5%	20.5%	0.9%	0.0%	0.0%
	Relative TSR (2024 single figure)	40%	Median	Upper quintile	Below median	0.0%	0.0%

2022 LTIP awards (vesting in 2025)

Awards under the LTIP granted in March and August 2022 are subject to relative TSR performance over the three-year vesting period, and average RoTE performance over 2022, 2023 and 2024 and progress on our emission targets to 31 December 2024. The performance in respect of the RoTE and emissions elements are set out in the table below. Performance under the relative TSR measure will be assessed at the end of the vesting periods in March 2025 and August 2025 respectively (or shortly before completion of the potential Aviva acquisition if earlier) and will be disclosed in the 2025 Directors' Remuneration Report. Vesting is subject to the Committee's satisfaction that the financial and risk underpins have been met at the end of the vesting period.

Consistent with the Regulations, the expected RoTE and emissions vesting outcomes for the 2022 LTIP awards (together with the TSR elements from the 2021 awards above) are included in the 2024 single remuneration figures. You can find details of this on page 121.

Jon Greenwood and Neil Manser were participants in the 2022 LTIP awards (although Jon Greenwood's awards were granted prior to his appointment as Acting CEO). As the performance period ended after Jon Greenwood and Neil Manser stepped down from the Board, in accordance with the Regulations, the outcome is not included in the 2024 LTIP column of single figure table.

Award	Performance measure	Weighting	Threshold (20% of maximum)	Maximum (100% of maximum)	Actual performance	Achievement	Outcome
March 2022	RoTE (average) (2024 single figure)	50%	17.5%	20.5%	(3.6%)	0.0%	0.0%
	Emissions	10.0%	1 out of 3	3 out of 3	3 out of 3	100.0%	10.0%
	Relative TSR (2025 single figure)	40%	Median	Upper quintile	Performance period not yet complete		
August 2022	RoTE (average) (2024 single figure)	50%	17.5%	20.5%	(3.6%)	0.0%	0.0%
	Emissions	10.0%	1 out of 3	3 out of 3	3 out of 3	100.0%	10.0%
	Relative TSR (2025 single figure)	40%	Median	Upper quintile	Performance period not yet complete		

LTIP awards granted during 2024 (Audited)

The table below shows awards granted under the LTIP to Executive Directors in 2024 in the form of nil-cost options. Prior to granting the awards, the Committee considered the potential for windfall gains and determined that it would not be appropriate to make an adjustment at the time of grant, and will instead review whether there has been a "windfall gain" at the time of vesting (to the extent that the performance conditions have been met).

		Awards granted in 2024 under the LTIP[1]		
Director	Position	Award as % of salary	Number of shares granted	Face value of awards (£)
Adam Winslow	Chief Executive Officer	200%	858,638	£1,640,000
Jane Poole	Chief Financial Officer	200%	668,693	£1,100,000
Neil Manser	Chief Financial Officer	200%	572,108	£1,092,728

Notes:

1. The number of shares awarded was based on the average share price in the three-day period prior to grant. This was £1.91 for the award granted to Adam Winslow and Neil Manser on 5 April 2024, and £1.65 for the award granted to Jane Poole on 11 November 2024.
2. Neil Manser's LTIP award will lapse on cessation of his employment. Further details are set out on page 133.

The performance conditions that apply to the LTIP awards granted in 2024 are set out below:

	Performance conditions for awards granted in 2024 under the LTIP		
Performance Measure	Proportion of award	Performance for threshold vesting (20%)	Performance for maximum vesting (100%)
RoTE (2026)	25%	15.0%	22.0%
Operating earnings per share (2026)	25%	24.0p	30.0p
Expense ratio (2026)	20%	27.0%	23.9%
TSR vs. FTSE 51-150 (excluding Investment Trusts)	20%	Median	Upper quintile
Emissions	10%	1 out of 3 targets are met	All 3 targets are met

Note:

1. Emissions targets are:
   a. Operational Scope 1 and 2: Reduce Scope 1 emissions by 38% by 2026 versus the 2019 baseline.
   b. Corporate bonds (Scope 1 and 2): Reduce Scope 1 + 2 portfolio temperature score by invested value within corporate bonds portfolio from 2.44°C in 2019 to 2.16°C in 2026.
   c. Corporate bonds (Scope 1, 2 and 3): Reduce Scope 1 + 2 + 3 portfolio temperature score by invested value within corporate bonds portfolio from 2.80°C in 2019 to 2.40°C in 2026.

A straight-line interpolation occurs from threshold to maximum performance.

The performance period for the awards granted on 5 April 2024 will end on 31 December 2026 for all performance measures.

DAIP awards granted during 2024 (Audited)

The table below shows the deferred share awards granted under the DAIP to Executive Directors on 5 April 2024 in respect of 40% of the 2023 AIP. Awards will vest after three years, normally subject to continued service, and were granted in the form of nil-cost options.

		Awards granted in 2024 under the AIP[1]	
Director	Position	Number of shares granted	Face value of deferred bonus (£)
Jon Greenwood[2]	Acting Chief Executive Officer	38,560	73,651
Neil Manser[3]	Chief Financial Officer	289,482	55,292

Notes:

1. The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £1.91. In accordance with the DAIP rules, dividends in respect of the deferred shares are reinvested in additional shares, which vest when the deferred shares vest.
2. The face value of the DAIP represents the deferred element (40%) of Jon Greenwood's full year 2023 AIP. The 2023 AIP value in the single figure table on page 121 represents the pro-rated AIP for the period from 27 January 2023 from which he was Acting CEO.
3. As outlined in the Chair's Statement and on page 133, the Committee determined that the malus provisions under the DAIP rules should be applied in relation to Neil's DAIP award granted in 2024 in respect of the deferred element of the 2023 AIP, and therefore this award has lapsed in full.

Direct Line Group 2012 Share Incentive Plan ("SIP") (Audited)

During 2024, all employees, including Executive Directors, were eligible to invest from £10 to £150 a month from their pre-tax pay into the scheme, and receive one matching share for every two shares they purchased in the form of a conditional share award. The matching shares vest after 3 years subject to continued employment and continuing to hold the purchased shares. This table details the number of shares held by the current and former Executive Directors under the SIP.

	Matching shares granted during the year	Matching shares cancelled during the year	Value of matching shares granted (£)[1]	Total number of matching shares at 31 December 2024[2,3]
Adam Winslow	312	–	600	312
Jane Poole	29	–	73	29
Jon Greenwood	90	–	150	1,268
Neil Manser	360	–	674	1,362

Notes:

1. The total market value of matching shares granted at the time of each award. Purchase of the matching shares takes place within 30 days of the contributions being deducted from salary.
2. Matching shares which are subject to forfeiture.
3. Jon Greenwood stepped down from the Board on 21 March 2024 and Neil Manser stepped down from the Board on 10 October 2024. The interests shown here are as at those dates respectively.

Directors' share interests (Audited)

Executive Directors commit not to hedge their exposure to outstanding awards under these plans or in respect of shares they are reporting to the Company within their ownership for the purposes of any share ownership guidelines. They also agree not to pledge as collateral their participation under any of the plans or any shares which they are required to hold in the Company for any purposes, including for share ownership guidelines. The table below sets out details of the Executive Directors' share interests exercised whilst serving as a Director in the year to 31 December 2024.

	At 31 December 2024				Share plan interests exercised whilst serving as a Director during the year to 31 December 2024	
	Share plan awards subject to performance conditions[1,2,3]	Share plan awards subject to continued service[1]	Share plan awards vested but unexercised[1]	Shares held outright[4]	Number of options exercised[1]	Share price on date of exercise (£)[5]
Adam Winslow	858,638	1,830,090	–	516,799	965,619	2.03
Jane Poole	668,693	708,537	–	59	–	–
Jon Greenwood[6]	1,318,972	76,883	–	169,232	–	–
Neil Manser[7]	433,683	100,480	–	366,794	50,476	1.98

Notes:

1. These awards take the form of nil-cost options over the Company's shares. Such awards accrue dividend entitlement from the grant date to the date on which an award vests, or the end of the applicable holding period. Dividends added post vesting are shown to 31 December 2024 but are not realised until exercise.
2. LTIP awards granted to Executive Directors include an additional two-year holding period before awards may be released.
3. Unvested awards subject to performance conditions represent LTIP awards.
4. Shares held outright include beneficial share interests acquired under the SIP. At 3 March 2025, the number of shares beneficially held by Adam Winslow has increased to 516,910, and the number of shares held by Jane Poole has increased to 169. There are no other changes in the Directors' interests as set out above between 1 January 2025 and 3 March 2025.
5. Neil Manser exercised options on 28 March 2024. Adam Winslow exercised options on 21 May 2024.
6. The above share plan interests for Jon Greenwood are as at 21 March 2024 being the date he stepped down from the Board.
7. The above share plan interests for Neil Manser are as at 10 October 2024 being the date he stepped down from the Board, and exclude awards which have lapsed in connection with his departure.

The table below shows the Non-Executive Directors' beneficial interests in the Company's shares[1].

Director	**Shares held at 31/12/2024**	Shares held at 31/12/2023
Danuta Gray	**26,500**	26,500
Tracy Corrigan	**–**	–
Mark Gregory	**–**	–
Carol Hagh	**10,000**	–
Adrian Joseph	**–**	–
Mark Lewis	**–**	–
Fiona McBain	**–**	–
David Neave	**–**	–
Gregor Stewart	**2,925**	2,925
Richard Ward	**–**	–

Notes:

1. This information includes holdings of any connected persons, as defined in section 253 of the Companies Act 2006.
2. There were no changes to the above between 1 January 2025 and 3 March 2025.

Buyout awards (Audited)

Adam Winslow

The table below details the awards made to Adam Winslow, granted on 5 April 2024, as compensation for awards forfeited from his previous employer (Aviva), as set out in last year's report. The awards were made in the form of restricted stock options. The awards granted to replace forfeited deferred bonus awards are not subject to performance conditions, in line with the terms of the original awards. For the remaining awards, which were subject to performance assessment, the 2021 LTIP was based on the performance disclosed in the 2023 Aviva Directors' Remuneration Report, and the 2022 and 2023 LTIPs were based on an estimated performance outturn. The final values shown here have been updated from the estimated values given last year. All awards will accrue dividend equivalents, in line with the original award terms.

Award	Three-day average share price for grant of awards £	Face value award £	No. of share options granted	Vesting date
Deferred bonus 2021	1.913	162,515	84,953	8/4/2024
Deferred bonus 2022	1.913	160,169	83,726	8/4/2024
LTIP 2021	1.913	1,524,548	796,940	8/4/2024
Deferred bonus 2021	1.913	162,515	84,953	21/3/2025
Deferred bonus 2022	1.913	160,169	83,726	21/3/2025
LTIP 2022	1.913	1,204,839	629,816	21/3/2025
Deferred bonus 2023	1.913	162,500	84,945	28/3/2025
Deferred bonus 2022	1.913	160,169	83,727	20/3/2026
LTIP 2023	1.913	1,325,177	692,721	20/3/2026
Deferred bonus 2023	1.913	162,500	84,945	27/3/2026
Deferred bonus 2023	1.913	162,500	84,945	25/3/2027

In addition to the above, as disclosed in last year’s Directors’ Remuneration Report, Adam was compensated for the 2023 bonus he forfeited from his previous employer. The value was determined by the Committee with reference to the Aviva Group CEO 2023 annual bonus outcome (prior to any personal performance adjustment) following publication of Aviva’s 2023 annual report. The Committee also considered the performance of the business unit Adam led, and considered that this would have led to an upwards adjustment to his bonus. On this basis, the Committee approved an outturn at the maximum level. The resultant value of this award (£975,000) was delivered 50% in cash and 50% deferred into shares (i.e. an award of 254,835 DLG shares in three equal tranches, made on 5 April 2024, which are detailed in the table above).

Jane Poole

The table below details the awards made to Jane Poole, granted on 11 November 2024, as compensation for awards forfeited from her previous employer (Aviva). The awards were made in the form of restricted stock options, and are not subject to performance conditions, in line with the terms of the original awards. The awards will accrue dividend equivalents, also in line with the original award terms.

Award	Three-day average share price for grant of awards £	Face value award £	No. of share options granted	Vesting date
Deferred bonus 2022	1.645	50,081	30,444	21/3/2025
Deferred bonus 2023	1.645	73,867	44,903	21/3/2025
LTIP 2022	1.645	246,996	150,149	21/3/2025
Deferred bonus 2024	1.645	67,991	41,332	28/3/2025
LTIP 2022	1.645	41,199	25,044	11/8/2025
LTIP 2024	1.645	125,791	76,468	22/9/2025
Deferred bonus 2023	1.645	73,872	44,906	20/3/2026
LTIP 2023	1.645	223,931	136,128	20/3/2026
Deferred bonus 2024	1.645	67,991	41,332	27/3/2026
LTIP 2024	1.645	125,791	76,468	22/9/2026
Deferred bonus 2024	1.645	67,996	41,334	25/3/2027

In addition to the above, Jane received cash payments of £46,183 and £125,791 in November 2024 as compensation for forfeited share awards which would have vested before her start date.

As outlined further on page 134, Jane will also be compensated for the 2024 bonus she forfeited from her previous employer on a pro-rata basis, delivered two thirds in cash and one third in shares (vesting in equal tranches on the anniversary of grant over a three-year period consistent with the original award). The maximum value of this award is £510,328. The final value of this award will be determined after the publication of the 2024 Aviva Directors' Remuneration Report and will be set out in next year’s report (subject to the status of the Aviva acquisition). However, for the purpose of the estimate in the 2024 single figure table on page 121, we have included the maximum value (£510,328).

Non-Executive Directors (Audited)

Non-Executive Directors receive a basic fee plus additional fees for specific Board responsibilities and time commitments. The Chair of the Board receives a single fee. Non-Executive Directors may also claim for reasonable travel and subsistence expenses, in accordance with the Group's travel and expenses policy, and, where these are classified as taxable by HMRC, they are shown under 'Taxable benefits' below. The Non-Executive Directors receive no other benefits.

	Fees		Taxable benefits[2,3,4]		Total	
Director	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Danuta Gray	**350**	350	**19**	10	**369**	360
Tracy Corrigan	**103**	90	**–**	–	**103**	90
Mark Gregory	**135**	130	**–**	–	**135**	130
Carol Hagh[5]	**62**	–	**–**	–	**62**	–
Adrian Joseph	**85**	80	**1**	–	**86**	80
Mark Lewis[6]	**95**	68	**2**	4	**97**	72
Fiona McBain	**115**	110	**8**	14	**123**	124
David Neave[6]	**100**	29	**6**	3	**106**	32
Gregor Stewart	**120**	115	**15**	22	**135**	137
Richard Ward	**150**	150	**1**	–	**151**	150

Notes:

1. Non-Executive Directors are not eligible to participate in any of the Group's bonus or share incentive schemes or to join any Group pension scheme.
2. The values shown under 'Taxable benefits' above comprise the value of taxable travel and subsistence expenses reimbursed by the Company (including any gross-up for tax and national insurance contributions due).
3. The value of taxable benefits for Danuta Gray for 2024 reflects expenses incurred due to her increased presence in the London office during 2024.
4. The value of benefits for Tracy Corrigan, Mark Gregory and Carol Hagh in 2024, and for Tracy Corrigan, Mark Gregory, Adrian Joseph and Richard Ward in 2023, were all less than £500. The values have been rounded to 0 for consistency in the table above.
5. Carol Hagh joined the Board on 1 April 2024. Her fees and expenses for 2024 reflect this period.
6. Mark Lewis and David Neave joined the Board on 30 March 2023 and 19 October 2023 respectively. Their fees and expenses for 2023 reflect these periods.

Shareholdings (Audited)

This table sets out the Executive Directors' share ownership guidelines and actual share ownership levels:

Director	Position	Share ownership guideline[1] (% of salary)	Value of shares held at 31 December 2024[2,3,4] (% of salary)
Adam Winslow	Chief Executive Officer	250%	466%
Jane Poole	Chief Financial Officer	200%	174%

Notes:

1. Executive Directors are normally expected to retain all the 'after tax' Ordinary Shares they obtain from any of the Company's share incentive plans until they achieve a shareholding level that is equal to 250% of base salary for the CEO and 200% of base salary for the CFO respectively.
2. For these purposes, holdings of Ordinary Shares will be treated as including unvested DAIP awards, all vested but unexercised awards, or awards unvested but after the performance period and in the holding period. Holdings of Ordinary Shares are valued on a basis that is net of applicable personal taxes payable on acquiring such Ordinary Shares.
3. Shares held also include Partnership Shares, Matching Shares and Dividend Shares under the SIP, and share interests of connected persons.
4. Shareholding as a percentage of salary has been calculated based on the 31 December 2024 share price of £2.55.

As at the date he stepped down from the Board (21 March 2024), Jon Greenwood had not met the share ownership guideline applicable to the CEO (250% of salary), but the Committee noted that the interim nature of the role means that this would not be expected.

As at the date he stepped down from the Board (10 October 2024), Neil Manser had met his share ownership guideline (200% of salary). As set out on page 133, he is subject to a post-employment share ownership requirement.

Service agreements and letters of appointment

The Executive Directors are employed under service contracts with no fixed term, and are subject to annual re-election at the AGM. The Non-Executive Directors do not have service contracts and instead are appointed under letters of appointment.

CEO pay ratio

The table below compares the single total figure of remuneration for the CEO since 2019 with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its employee population.

Director	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024[1]	Option A	270:1	187:1	132:1
2023[2]	Option A	36:1	27:1	19:1
2022	Option A	35:1	27:1	18:1
2021	Option A	122:1	95:1	65:1
2020	Option A	132:1	108:1	73:1
2019[3]	Option A	123:1	101:1	67:1

Notes:

1. As required by the regulations, the CEO single figure used to determine the 2024 pay ratios is based on the sum of the total single figures of remuneration for Jon Greenwood and Adam Winslow.
2. As required by the regulations, the CEO single figure used to determine the 2023 pay ratios is based on the sum of the total single figures of remuneration for Penny James and Jon Greenwood.
3. As required by the regulations, the CEO single figure used to determine the 2019 pay ratios is based on the sum of the total single figures of remuneration for Paul Geddes and Penny James, but with remuneration in respect of Penny's service as CFO excluded.

The UK employees included are those full-time employees employed on 31 December 2024 for the full financial year, and remuneration figures are determined with reference to the financial year ending on 31 December 2024.

Option A, as set out under the reporting regulations, was used to calculate remuneration for 2024 as we continue to believe that that is the most robust methodology for calculating these figures. The value of each employee's total pay and benefits was calculated using the single figure methodology consistent with the CEO. No elements of pay have been omitted.

The table below sets out the salary and total pay and benefits of the employee at the lower quartile, median and upper quartile for the 2024 financial year:

Director	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£28,553	£41,475	£53,819
Total pay and benefits	£30,828	£44,513	£62,979

Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. In reviewing the ratios, the Committee also noted that the CEO's remuneration package is weighted more heavily towards variable pay (including the AIP and LTIP) than the wider workforce due to the nature of the role, and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

The 2024 ratios have increased significantly versus 2023 levels, driven primarily by a higher AIP outcome for 2024 compared to recent years and the value of buyout awards granted to Adam Winslow to replace awards forfeited from his previous employer, which are included within the 2024 single figure (but vest over several years). Pay and benefits across the organisation reflect a combination of salary increases and bonus outturns across the incentive schemes we operate.

The Group's employees are fundamental to the Group's strategy and to ensuring a high level of service to our customers. We are proud that a high number of consultants in our customer service centres are employed by the Group (rather than being outsourced) and note that the impact of these lower paid roles is reflected in the ratios above. Further details on the remuneration of Executive Directors and the wider workforce are set out on page 117. The Committee notes that the pay ratios for 2024 reflect the nature of the CEO's package being more heavily weighted towards variable pay compared to more junior colleagues, consistent with our reward policies. Furthermore, the Committee is satisfied that these policies drive the right behaviours and reinforces the Group's values which in turn drives the correct culture, and for the reasons outlined above, believes that the ratios are consistent with the Group's reward policies.

Percentage change in Executive Directors' and Non-Executive Directors' pay for 2020 to 2024

The table below shows the year-on-year percentage change in salary, taxable benefits, and bonus (where applicable) of the Executive Directors and Non-Executive Directors, compared to the average pay for all other employees.

	Salary/Fees[1]					Benefits[2]					Bonus (including deferred amount)[3]				
Director	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020
Executive Directors															
Adam Winslow	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Jane Poole	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Jon Greenwood	**0%**	0%	0%	–	–	**30 %**	0%	–	–	–	**473 %**	–	–	–	–
Neil Manser	**3 %**	2%	0%	–	–	**22 %**	7 %	4 %	–	–	**(100)%**	–	(100)%	–	–
Non-Executive Directors[4,5,6]															
Danuta Gray	**0%**	0%	0%	67%	90%	**91 %**	56%	–	0%	(100%)	**–**	–	–	–	–
Tracy Corrigan	**14 %**	2%	18%	–	–	**(4)%**	0%	–	–	–	**–**	–	–	–	–
Mark Gregory	**4 %**	1%	3%	15%	7%	**173 %**	0%	0%	0%	(100%)	**–**	–	–	–	–
Carol Hagh	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Adrian Joseph	**6 %**	0%	0%	–	–	**462 %**	0%	–	–	–	**–**	–	–	–	–
Mark Lewis	**6 %**	–	–	–	–	**(54)%**	–	–	–	–	**–**	–	–	–	–
Fiona McBain	**5 %**	1%	7%	7%	15%	**(40)%**	26%	–	(100%)	(80%)	**–**	–	–	–	–
David Neave	**33 %**	–	–	–	–	**97 %**	–	–	–	–	**–**	–	–	–	–
Gregor Stewart	**4 %**	0%	0%	0%	0%	**(31)%**	92%	–	(100%)	(87%)	**–**	–	–	–	–
Richard Ward	**0%**	0%	5%	19%	0%	**32 %**	(4%)	105%	193%	(6%)	**–**	–	–	–	–
All employees (average)															
Average employee	**6 %**	9%	6%	3%	4%	**53 %**	0%	57%	(19%)	(1%)	**51 %**	34%	(41%)	9%	4%

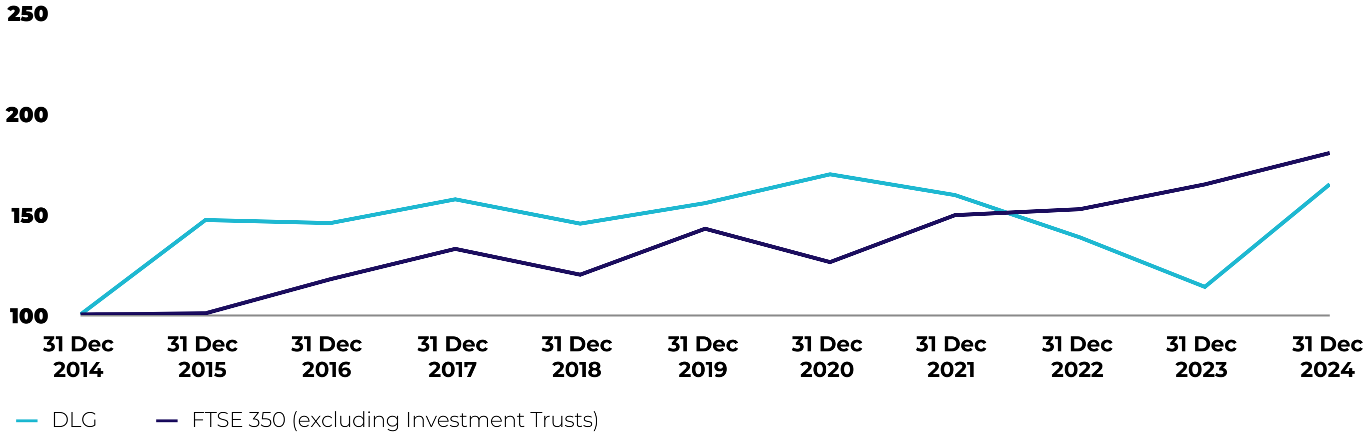
Notes:

1. Based on the change in average pay for employees employed in the year ended 31 December 2024 and the year ended 31 December 2023. Adam Winslow and Jane Poole both joined the Board during 2024 and therefore there is no comparison to prior year. Non-Executive Director fee levels were unchanged between 2023 and 2024.
2. For all employees, there were no changes in benefits provision between 2023 and 2024. For Non-Executive Directors, benefits comprise taxable travel and subsistence expenses reimbursed by the Company (including any gross-up for tax and national insurance contributions due).
3. This includes average amounts earned under the AIP, and other variable incentive schemes, including monthly incentive schemes operated in certain parts of the Group. Non-Executive Directors are not eligible to participate in any of the Group's bonus or incentive schemes.
4. Carol Hagh joined the Board during 2024.
5. The value of taxable benefits for Danuta Gray for 2024 reflects expenses incurred due to her increased presence in the London office during 2024.
6. The value of benefits for Mark Gregory and Adrian Joseph in 2023 was less than £500. The percentage increase therefore appears significant, but the actual value of increase is minimal, at less than £500 for Mark, and less than £1,000 for Adrian.

Chief Executive Officer's pay between 2015 and 2024 and historical performance of TSR

The table below shows historical levels of the CEO's pay between 2015 and 2024. It also shows vesting of annual and long-term incentive pay awards as a percentage of the maximum available opportunity. The graph reflects the TSR for the Company and the FTSE 350 index (excluding Investment Trusts) on a cumulative basis over the period from 31 December 2014 to 31 December 2024, as the Company is a constituent of this index.

Total Shareholder Return (%)



	2015	2016[1]	2017	2018	2019[2]	2019[2]	2020	2021	2022	2023[3]	2023[3]	2024[4]	2024[4]
Director	Paul Geddes					Penny James					Jonathan Greenwood		Adam Winslow
CEO single figure of remuneration (£'000s)	4,795	4,071	4,039	3,250	774	2,773	3,286	3,137	940	63	1,031	446	7,875
Annual bonus payment (% of maximum)	83%	43%	88%	68%	76%	76%	82%	84%	0%	n/a	15%	86%	86%
LTIP vesting (% of maximum)[1]	96%	86%	99%	71%	0%	100%	80%	75%	0%	n/a	0%	10%	n/a

Notes:

1. The 2016 single figure and annual bonus payment reflect an adjustment to the original award, made in 2019, of 20% of maximum opportunity related to the Ogden discount rate change.
2. The 2019 single figure reflects part of the year for the outgoing CEO, Paul Geddes, and the entire year for the newly appointed CEO, Penny James.
3. The 2023 single figure reflects part of the year for the outgoing CEO, Penny James, and part of the year for the Acting CEO, Jon Greenwood.
4. The 2024 single figure reflects part of the year for the outgoing Acting CEO, Jon Greenwood, and part of the year for the CEO Adam Winslow.

Payments for Loss of Office (Audited)

Neil Manser

Neil Manser stepped down from the Board on 10 October 2024 and commenced his 12-month notice period. His contractual salary, pension and benefits will continue to be paid in the normal way until the end of his employment on 9 October 2025.

The table below sets out the total value of the amounts paid (or which are due to be paid) to Neil in relation to his departure, as outlined above:

		Salary (£'000)	Benefits (£'000)	Pension (£'000)	Total (£'000)
Total pay and benefits	£	546	3	49	598

Neil also had legal fees paid on his behalf (£24,500) and was eligible to receive outplacement support (up to £50,000) in connection with the termination of his employment.

The Committee carefully considered the appropriate leaving arrangements for Neil, including in relation to the timing of commencing the notice period. The Committee acknowledged typical market practice and investor expectations that notice periods should commence immediately once a decision has been made and announced. However, the Committee felt strongly that this would not be appropriate in these circumstances because Jane Poole could only join DLG on 10 October 2024 due to existing contractual obligations and the regulatory approvals process. In the event of any unforeseen circumstances where Jane did not join the Board as planned, noting the significant business challenges and Ageas takeover bid, it would have been critical to ensure continued business stability in the CFO role. In this context, if Neil's notice period ended before a new CFO joined DLG, the Remuneration Committee concluded (in collaboration with the Nomination Committee) that there would be no sufficiently experienced internal interim CFO candidates available. The Committee therefore determined that it would not be in the best interests of shareholders to commence Neil's notice period until the new CFO had joined the Board.

The Committee also considered the treatment of variable remuneration awards for Neil, as set out below.

2022 awards

The 2022 DAIP award (in respect of the 2021 AIP) will continue to vest on the third anniversary of grant and remain subject to the scheme rules, including malus and clawback provisions. The award will be exercisable for 12 months after vesting.

No DAIP award was granted in 2023, as no payment was made under the AIP in respect of 2022.

The 2022 LTIP awards will continue to vest on the normal vesting dates, subject to the relevant performance measures. The final outcome will be set out in next year's report (subject to the status of the Aviva acquisition). The awards are subject to a two-year post-vesting holding period and will be exercisable (to the extent performance targets are met and the awards vest) for 12 months after the end of the holding period. As Neil will be in employment on the normal vesting dates (March and August 2025 respectively), no time pro-rating will be applied. These awards will remain subject to all scheme rules, including malus and clawback provisions.

2023 and 2024 awards

In light of the Company's announcement on 23 August 2024 relating to the misstatement of the Company's Solvency Ratio for the 2023 financial year, and following a review process conducted with external support and advice, the Committee considered whether any actions in relation to variable pay were appropriate. The Committee determined that the malus provisions under the DAIP rules should be applied in relation to Neil's DAIP award granted in 2024 in respect of the deferred element of the 2023 AIP, and therefore this award has lapsed in full. This amount is shown as a negative value in the "single figure table" on page 121.

In addition, awards granted under the LTIP in 2023 and 2024 will lapse on cessation of Neil's employment and he will not receive a payment under the AIP in respect of the financial year ended 31 December 2024.

2025 awards

Neil will not be eligible to participate in the 2025 AIP and will not be granted any further LTIP awards.

All-employee share schemes

Neil's shares held under the DLG SIP will be treated in accordance with the rules of the SIP. Any shares subject to forfeiture provisions under the rules will be forfeited.

Share Ownership Guidelines

Neil will comply with the post-employment shareholding guidelines outlined under the Directors' Remuneration Policy, maintaining a shareholding of the lower of 200% of salary or his actual shareholding on cessation of employment for a period of two years post employment. Neil's current shareholding includes shares owned outright, unvested DAIP awards (excluding the 2024 DAIP as outlined above) and all-employee share scheme awards. Neil will be permitted to sell sufficient shares to cover any tax liability on exercise of any awards as applicable.

Payments to Past Directors (Audited)

Jon Greenwood

Jon Greenwood stepped down as Acting Chief Executive Officer and an Executive Director effective 21 March 2024, at which point Jon returned to a non-Board role. The AIP award in relation to Jon's tenure as an Executive Director has been included in the single figure of remuneration table on page 121.

New Executive Director

Jane Poole

Jane Poole was appointed as Chief Financial Officer effective from 10 October 2024 and was appointed to the Board on the same date.

In setting Jane's remuneration, the Committee considered her experience in general insurance, market data in respect of FTSE 51-150 companies and other FTSE 350 insurers, the previous CFO's remuneration package, our Directors' Remuneration Policy and the pay and conditions of the wider workforce. Taking these factors into account, Jane's salary was set at £550,000, broadly in line with the previous CFO.

Pension and variable remuneration opportunities have been set in line with the Directors' Remuneration Policy.

On joining, Jane received an LTIP award of 200% of salary on the same terms as the April 2024 grant (except that the three-year vesting period will commence from the date of grant on 11 November 2024). This award was made at the same level as her standard annual LTIP award as no buyout award was made to compensate her for the loss of her 2024 award from her previous employer.

The Committee also approved share awards to compensate Jane for awards forfeited from her previous employer in connection with her appointment, as disclosed on page 128. These awards were made in the form of nil-cost options, and are not subject to performance conditions, in line with the terms of the original awards. The awards will vest on the original timescales and accrue dividend equivalents (also in line with the original award terms).

Jane received two payments in cash, £46,183 and £125,791 in November 2024, to compensate for two tranches of shares forfeited where the vesting date preceded her joining DLG.

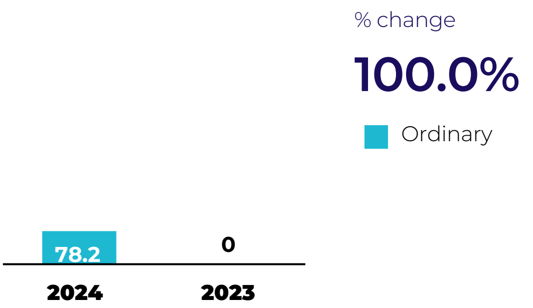
Jane will also receive an amount in lieu of the bonus forfeited from her previous employer for the period 1 January to 9 October 2024. In order to mirror the original award as far as possible, the final value will be determined based on the published Aviva Group CEO 2024 annual bonus outcome, prior to any personal adjustment. The Remuneration Committee will then consider the performance of the business unit for which Jane was the CFO, based on published information, and may adjust the outcome upwards or downwards accordingly. The award will be delivered two thirds in cash and one third in shares, vesting in equal tranches on the anniversary of grant over a three-year period, in line with the original award terms. The single figure disclosures on page 121 include an estimated amount of £510,328, which is based on the maximum level. This will only be paid once the Committee has made a final determination of the amount due and any change to the estimated amount will be confirmed in next year's report (subject to the status of the Aviva acquisition).

Full details of the (share) awards bought out are set out in the relevant section on page 128.

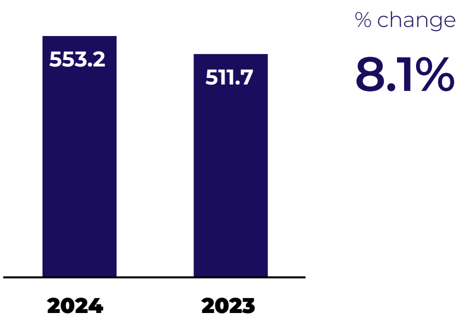
Distribution statement

This chart shows the overall pay expenditure across all Group employees compared with the total dividend value paid to shareholders in 2023 and 2024.

Dividend (£m)



Overall expenditure on pay (£m)



Note:

1. The dividends paid information has been taken from note 11 to the Consolidated financial statements. The overall expenditure on pay has been taken from note 6 and therefore, consistent with market practice, it has not been calculated in a manner consistent with the single figure in this report.

AGM voting outcomes

The table below shows the percentage of shareholders' votes which were for or against, and the percentage of votes withheld, relating to the resolutions to approve the 2023 Directors' Remuneration Report (which was put to shareholders at the 2024 AGM) and the Policy (which was put to shareholders at the 2023 AGM).

	For		Against		Number of votes withheld (abstentions)
	Number	Percentage	Number	Percentage	
Approval of Directors' Remuneration Policy (2023 AGM)	1,030,959,263	98.1%	19,918,567	1.9%	1,356,094
Approval of Directors' Remuneration Report (2024 AGM)	998,020,044	98.6%	14,387,945	1.4%	5,070,730

Implementing the Policy in 2025

Base salary

Key features

- Reviewed annually with any increases taking effect on 1 April
- The Committee considers a range of factors when determining salaries, including pay increases throughout the Group, individual performance, and market data

Implementation in 2025

- The CEO's salary will increase by 3.5% to £848,700 from 1 April 2025
- The CFO's salary will increase by 3.5% to £569,250 from 1 April 2025
- These increases are in line with the average increase for the wider workforce

Pensions

Key features

- Pension contributions are paid only in respect of base salary
- The Executive Directors' pension is set in line with the pension level received by the employee population

Implementation in 2025

- Pension contributions remain at 9% (in line with the workforce)

Annual Incentive Plan

Key features

- Maximum opportunity of 175% of salary for the CEO and the CFO
- At least 50% of the AIP is based on financial measures. The Committee considers various non-financial performance measures such as strategic measures for the remainder
- The outcome is assessed at the end of the performance period with reference to targets agreed at the start of the year
- Any payment is subject to an additional gateway assessment, including assessing risk factors
- Malus and clawback provisions apply

Implementation in 2025

- No change to the maximum opportunity
- There will be a straight-line vesting between AIP threshold and maximum performance
- Operating Profit (55% weighting)
- Customer (15% weighting)
- People (10% weighting)
- Cost (10% weighting)
- Risk (10% weighting)
- The performance targets are considered commercially sensitive and will therefore be disclosed in next year's report (subject to the status of the Aviva acquisition).

Deferred Annual Incentive Plan

Key features

- 40% of the AIP is deferred into shares
- Typically vesting after three years, normally subject to continued employment
- Malus and clawback provisions apply

Implementation in 2025

- No further performance conditions apply

Implementing the Policy in 2025 *continued*

Long-Term Incentive Plan

Key features

- Awards typically granted as nil-cost options
- Awards granted once per year
- The LTIP allows for awards with a maximum value of 200% of base salary per financial year
- Performance is measured over three years
- Awards vest subject to financial underpin and payment gateway
- Malus and clawback provisions apply
- Awards are subject to an additional two-year holding period following the end of the three-year performance period

Implementation in 2025

- As outlined in the Chair's Statement, the Committee intends to use the exceptional circumstances provision set out in the approved 2023 Remuneration Policy to grant Adam Winslow and Jane Poole LTIP awards at 300% of salary opportunity
- Single grant intended in March 2025
- No change from the performance conditions or weightings used for the 2024 LTIP, being RoTE (25%), EPS (25%), Expense Ratio (20%), TSR (20%) and Emissions (10%)
- A RoTE target range of 15% to 23.5% (2027) is required for the awards to vest under this element
- The target for EPS is based on Threshold 25.5p and Maximum 31.9p (2027)
- Vesting under the Expense Ratio will be based on Threshold 27.8% and Maximum 25% (2027)
- The relative TSR comparator group will be vs. FTSE 51-150 (excluding Investment Trusts)
- The emissions targets for the 2025 LTIP awards will be set based on the SBTi certified targets with the targets being:
  - Operational emissions (Scope 1 and 2): Reduce Scope 1 and 2 emissions by 62% by 2027 versus the 2019 baseline
  - Corporate Bonds (Scope 1 and 2): Reduce Scope 1 + 2 portfolio temperature score by invested value within corporate bonds portfolio from 2.44°C in 2019 to 2.01°C in 2027
  - Corporate Bonds (Scope 1, 2 and 3): Reduce Scope 1, 2 + 3 portfolio temperature score by invested value within corporate bonds portfolio from 2.80°C in 2019 to 2.31°C in 2027

Non-Executive Directors' fees

The fees for the Chair and Non-Executive Directors for 2025 are set out below (unchanged from 2024).

Position	Fees for 2025 £'000
Board Chair fee	350
Basic Non-Executive Director fee	75
Additional fees	
Senior Independent Director fee	30
Chair of Audit, Board Risk and Remuneration Committees	30
Chair of Sustainability and Investment Committees	15
Member of Board Committee (Audit, Board Risk or Remuneration)	10
Member of Board Committee (Sustainability, Investment or Nomination)	5

Directors' Remuneration Policy

The following is a copy of the main table from the Policy approved by shareholders at the 2023 AGM on 9 May 2023. The full Policy is available in the Directors' Remuneration report of the 2022 Annual Report and Accounts, which is available on the Direct Line Group website, under the 'Results and Reports' heading in the Investors page. You can find further details regarding the operation of the Policy for 2025 on pages 136 and 139.

Policy table

Base salary

- This is the core element of pay that reflects the individual's role and position within the Group
- Staying competitive in the market allows us to attract, retain and motivate high-calibre executives with the skills to achieve our key aims while managing costs

Operation

- Base salaries are typically reviewed annually and set in April of each year, although the Committee may undertake an out-of-cycle review if it determines this to be appropriate
- When reviewing base salaries, the Committee typically takes the following into account:
  - general base salary movements across the Group;
  - level of skill, experience and scope of responsibilities, individual and business performance, economic climate, and market conditions; and
  - the appropriate benchmarking peer group(s) that reflects the Group's size and industry focus, the corresponding market pay range(s) and the relevant positioning within the market pay range(s).
- The Committee does not follow market data in isolation, and instead uses it as a reference point when considering, in its judgement, the appropriate salary level, while regarding other relevant factors, including corporate and individual performance, and any changes to an individual's role and responsibilities
- The principles for setting base salary are like those applied to other employees in the Group. However, the specific benchmarking groups used to review external market relativities may differ across employee groups
- Base salary is typically paid monthly

Maximum opportunity

- When determining salary increases, the Committee will consider the factors outlined in this table under 'Operation'

Performance measures

- Not applicable

Pension

- To remain competitive within the marketplace
- To encourage retirement planning and retain flexibility for individuals

Operation

- Pension contributions are paid only in respect of base salary
- Executive Directors are eligible to participate in the defined contribution pension arrangement or alternatively they may choose to receive a cash allowance in lieu of pension
- The Executive Directors' pension will be set in line with the pension level for the wider workforce

Maximum opportunity

- The maximum pension percentage contributions are set at the wider workforce level (currently 9% of salary)

Performance measures

- Not applicable

Policy table *continued*

Benefits

- A comprehensive and flexible benefits package is offered, emphasising individuals being able to choose the combination of cash and benefits that suits them

Operation

- Executive Directors receive a benefits package generally set by reference to market practice in companies of a similar size and complexity. Benefits currently provided include a Company car, use of a car or car allowance, private medical insurance, life insurance, health screening, and income protection
- The Executive Directors are eligible to receive such additional benefits as the Committee considers appropriate having regard to market norms
- In line with our approach to all employees, certain Group products are offered to Executive Directors at a discount
- Executive Directors are eligible to participate in any of the employee share plans operated by the Company, in line with HMRC guidelines (where relevant) and on the same basis as other eligible employees. Currently, this includes our HMRC-approved SIP, which has been used to provide an award of free shares to all employees (including Executive Directors) and permits employees to purchase shares with a corresponding matching award
- Where an Executive Director is required to relocate to perform their role, they may be offered appropriate relocation benefits. The level of such benefits would be determined based on the circumstances of the individual and typical market practice and be consistent with the relocation arrangements available to the workforce generally. In normal circumstances, relocation benefits will only be paid for a period of up to 12 months

Maximum opportunity

- The costs of benefits provided may fluctuate from year to year, even if the level of provision has remained unchanged
- Additionally, the limit for any employee share plans in which the Executive Directors participate will be in line with the caps permitted by HMRC from time to time
- The Executive Directors may be entitled to retain fees received for any directorships held outside the Group
- Similarly, while not benefits in the normal usage of that term, certain other items such as hospitality or retirement gifts may also be provided

Performance measures

- Not applicable

Element and purpose in supporting the Group's strategic objective

AIP

- To motivate executives and incentivise delivery of performance over a one-year operating cycle and enable a stronger focus and alignment with the short to medium-term elements of our strategic aims
- Deferral delivers further alignment with shareholders and aids retention of key executive talent

Operation

- The AIP is measured based on performance over the financial year against performance targets which the Committee considers to be appropriate
- At least 40% of the AIP is deferred into shares (typically in the form of nil-cost options or conditional share awards) under the DAIP
- This typically vests three years after grant (with deferred awards also capable of being settled in cash at the discretion of the Committee, for example, when it gives rise to legal difficulties to settle in shares). The remainder of the award is paid in cash following the year-end
- The Committee will keep the percentage deferred and terms of deferral under review. This will ensure levels are in line with regulatory requirements and best practice and may be changed in future years but will not, in the Committee's view, be changed to be less onerous overall
- Dividends will accrue during the deferral period
- Malus and clawback provisions apply to the cash and deferred elements of the AIP

Maximum opportunity

- The maximum bonus opportunity under the AIP is 175% of base salary per year
- The current maximum bonus opportunity applying for each individual Executive Director is shown in the statement of implementation of Policy
- Threshold and maximum bonus levels for Executive Directors are set by considering annual bonus practice throughout the organisation and referring to practice at other insurance and general market comparators
- Outcomes for performance between threshold and maximum will be determined on a straight-line basis
- No more than 10% of the bonus is paid for threshold performance
- However, the Committee retains flexibility to amend the pay-out level at different levels of performance for future bonus cycles. This is based on its assessment of the level of stretch inherent in the set targets, and the Committee will disclose any such determinations appropriately

Performance measures

- Performance measures for the AIP may be financial and non-financial (Group, divisional, business line or individual)
- Each year, at least 50% of the AIP is based on financial measures. The remainder of the AIP may be based on a combination of, for example, strategic, operational, ESG, shared or individual performance measures
- The Committee sets targets at the beginning of each financial year
- Before any payment can be made, the Committee will perform an additional gateway assessment (including in respect of any risk concerns). This will determine whether the amount of any bonus is appropriate in view of facts or circumstances which the Committee considers relevant. This assessment may result in moderating (positively or negatively) each AIP performance measure, subject to the individual maximum bonus levels
- The AIP remains a discretionary arrangement. In line with the Code requirements, the Committee maintains discretion to override formulaic outcomes where those outcomes are not reflective of the overall Group performance. DAIP awards vest subject to continued employment only

Element and purpose in supporting the Group's strategic objective *continued*

LTIP

- Aligning executives' interests with those of shareholders to motivate and incentivise delivering sustained business performance over the long term
- To aid retaining key executive talent long term and deliver market competitive remuneration

Operation

- Awards will typically be made in the form of nil-cost options or conditional share awards, which vest to the extent performance conditions are satisfied over a period of at least three years. Under the Plan rules, awards may also be settled in cash at the discretion of the Committee. This may be appropriate, for example, if legal difficulties arise with settling in shares
- Vested options will remain exercisable for up to the tenth anniversary of grant
- Malus and clawback provisions apply to the LTIP.
- Executive Directors will be subject to an additional two-year holding period following the vesting period, during which time awards may not normally be exercised or released
- During the vesting period and additional holding period (during which time awards cannot be exercised) the awards will continue to accrue dividends. Following the holding period, awards will cease to accrue dividends if not exercised

Maximum opportunity

- The maximum LTIP award in normal circumstances is 200% of salary
- Awards of up to 300% of base salary are permitted in exceptional circumstances, for example relating to recruiting or retaining an employee, as determined by the Committee

Performance measures

- The Committee will determine the performance conditions for each award made under the LTIP, measuring performance over a period of at least three years with no provision to retest
- Performance is measured against targets set at the beginning of the performance period, which may be set by referring to the time of grant or financial year
- Awards vest based on performance against financial and/or such other measures (including share return), as set by the Committee, to be aligned with the Group's long-term strategic objectives. The Committee may alter the precise measures used for future awards
- Not less than 50% of the award shall be subject to one or more financial measures
- Awards will be subject to a payment gateway, such that the Committee must be satisfied that there are no material risk failings, reputational concerns or regulatory issues
- 20% of the award vests for threshold performance, with 100% vesting for maximum performance
- The Committee reserves the right in respect of future awards to lengthen (but not reduce) any performance period and/or amend the terms of any holding period; however, there is no intention to reduce the length of the holding period
- In line with the Code requirements, the Committee maintains discretion to override formulaic outcomes where those outcomes are not reflective of the overall Group performance

Share ownership guidelines

- To align the interests of Executive Directors with those of shareholders

Operation

- Executive Directors are expected to retain all the ordinary shares vesting under any of the Company's share incentive plans, after any disposals for paying applicable taxes, until they have achieved the required shareholding level; unless earlier sale, in exceptional circumstances, is permitted by the Chair of the Board
- Shares considered will include those held by the director and their connected persons, vested awards subject to holding requirements and unvested awards not subject to performance conditions (on a net of tax basis). Executive Directors are also expected to retain their in-employment shareholding requirement (or actual shareholding, if lower) post their employment for a period of two years
- In exceptional circumstances, earlier sale is permitted subject to the Chair's discretion

Maximum opportunity

- 250% of salary for the CEO and 200% for the CFO
- The Committee reserves the discretion to amend these levels in future years

Performance measures

- Not applicable

Directors' report

The Board of Directors present their report for the financial year ended 31 December 2024 as required by the Companies Act 2006.

The Board would like to draw your attention to the forward-looking statements disclaimer which can be found on page 254.

Directors' report disclosures

The Board takes the view that some of the matters required to be disclosed in the Directors' report are of strategic importance and these are, therefore, included in the Company's Strategic report which is on pages 1 to 74 as permitted by the Companies Act 2006. These matters, and all matters referenced in the table below, are incorporated into this Directors' report:

Subject	Pages
Use of financial instruments	28 to 30
Important events since the financial year end	8 to 14
Likely future developments in the business	12
Employee engagement	15, 89, 91 and 92
Engagement with suppliers, customers and other business relationships	44, 89 and 90
Research and development	3 to 5
Greenhouse gas emissions, energy consumption and energy-efficient action	61, 64 to 65, 70 to 72 and 73
Branches outside the UK	233

Disclosure of information required by Disclosure Guidance and Transparency Rule 7.2

The FCA's Disclosure Guidance and Transparency Rule 7.2 requires a Corporate Governance statement in the Directors' report to include certain information. You can find information that fulfils the Corporate Governance statement's requirements in this Directors' report, the Corporate Governance report, the Committee reports and the Directors' Remuneration report, all of which are incorporated into the Directors' report by reference.

Disclosure of information under UK Listing Rule 6.6.1

In accordance with UK Listing Rule 6.6.1, the table below sets out the location of the information required to be disclosed under LR 6.6.1, where applicable:

Subject	Pages
Interest capitalised by the Group	Not applicable
Unaudited financial information	Note 1.4
Details of long-term incentive schemes	140 to 141
Directors' waivers of emoluments	Not applicable
Directors' waivers of future emoluments	Not applicable
Non pro-rata allotments for cash (issuer)	Not applicable
Non pro-rata allotments for cash (major subsidiaries)	Not applicable
Listed company is a subsidiary of another company	Not applicable
Contracts of significance involving a Director	Not applicable
Contracts of significance involving a controlling shareholder	Not applicable
Details of shareholder dividend waivers	143
Controlling shareholder statement	Not applicable

Dividends

As explained in the Chair's statement on page 8, the Board is recommending a final dividend of 5.0 pence per share for 2024. More information on dividends and capital management can be found in the Group financial performance section on page 21.

Directors

The names of all current Directors and their biographies are set out on pages 77 to 80.

All Directors will retire and those wishing to continue to serve will be submitted for election or re-election at the 2025 AGM. This is in accordance with the UK Corporate Governance Code and the Articles of Association of the Company, which govern appointing and replacing Directors.

Changes in the composition of the Board during the year under review and up to the date of this report were as follows:

- Adam Winslow was appointed to the Board with effect from 21 March 2024.
- Jon Greenwood stepped down from the Board with effect from 21 March 2024.
- Carol Hagh was appointed to the Board with effect from 1 April 2024.
- Jane Poole was appointed to the Board with effect from 10 October 2024.
- Neil Manser stepped down from the Board with effect from 10 October 2024.

The Company's Articles of Association set out the Directors' powers. You can view these on the Company's website at www.directlinegroup.co.uk. The Directors' powers are also subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back of shares, authority from the Company's shareholders. You can find details of the Directors' remuneration, service contracts, employment contracts and interests in the shares of the Company in the Directors' Remuneration report on pages 115 to 141.

The Articles of Association of the Company permit it to indemnify the Company's officers, and officers of any associated company, against liabilities arising from conducting Company business, to the extent permitted by law. As such, the Company has executed deeds of indemnity for each Director's benefit regarding liabilities that may attach to them in their capacity as Directors of the Company or associated companies.

These indemnities are qualifying third-party indemnities as defined by Section 234 of the Companies Act 2006. No amount was paid under any of these indemnities during the year. The Company maintains directors' and officers' liability insurance. This provides appropriate cover for legal actions brought against its Directors. The Company has also provided the Directors of DLG Pension Trustee Limited with qualifying pension scheme indemnities. This is in accordance with Section 235 of the Companies Act 2006. During 2024, DLG Pension Trustee Limited acted as trustee for two of the Company's occupational pension schemes.

Secretary

Roger Clifton is the Company Secretary of Direct Line Insurance Group plc and can be contacted at the Company's Registered Office, details of which are on page 255.

Share capital

The Company has an Equity Shares (Commercial Companies) listing on the London Stock Exchange. As at 31 December 2024, the Company's share capital comprised 1,311,388,157 fully paid Ordinary Shares of 10 $^{10}/_{11}$ pence each.

At the Company's 2024 AGM, the Directors were authorised to:

- allot shares in the Company or grant rights to subscribe for or convert any security into shares, up to an aggregate nominal amount of £47,686,842, and to allot further shares up to a total aggregate nominal amount of £95,373,684 for the purpose of a rights issue or other pre-emptive offer;
- allot shares having a nominal amount not exceeding in aggregate £14,306,052 for cash, without offering the shares first to existing shareholders in proportion to their holdings, and with the possibility of a follow-on offer as described in the Statement of Principles published by the Pre-emption Group in November 2022 (the 'Statement of Principles');
- allot additional shares having a nominal amount not exceeding in aggregate £14,306,052 for the purposes of financing a transaction which the Board of the Company determines to be an acquisition or other capital investment, without offering the shares first to existing shareholders in proportion to their holdings, and with the possibility of a follow-on offer as described in the Statement of Principles;
- make market purchases of up to 131,138,815 shares in the Company, representing 10% of the Company's issued share capital at the time; and
- allot shares (with the disapplication of pre-emption rights) up to an aggregate nominal amount of £23,250,000 in relation to the issue of Restricted Tier 1 Instruments.

To date, the Directors have not used these authorities granted in 2024. At the 2025 AGM, shareholders will be asked to renew these authorities. The Company has not held any shares in treasury during the period under review. You can find out more about the Company's share capital and shares under option as at 31 December 2024 in notes 6 and 27 of the consolidated financial statements.

Under the Company's Share Incentive Plan, Trustees hold shares on behalf of employee participants. The Trustees will only vote on those shares, and receive dividends that a participant beneficially owns, in accordance with the participant's wishes. An Employee Benefit Trust also operates which has discretion to vote on any shares it holds as it sees fit, except any shares participants own beneficially, in which case the Trustee will only vote on such shares as per a participant's instructions.

The Trustee of the Employee Benefit Trust has waived its right to dividends on all shares within the Trust. You can find out more about the number of shares held by the employee share plan trusts in note 27 from page 226. The Company is not aware of any other dividend waivers or voting restrictions in place.

Shareholder voting rights and restrictions on transfer of shares

All the Company's issued Ordinary Shares rank equally in all respects. The Company's Articles of Association set out the rights and obligations attaching to the Company's Ordinary Shares.

Employees of the Company and Directors must comply with the UK Market Abuse Regulation and the Company's share dealing rules. These rules restrict particular employees' and Directors' ability to deal in the Company's shares at certain times, and require the employee or Director to obtain permission to deal before doing so. Some of the Company's employee share plans also include restrictions on transferring shares while the shares are held within the plans.

Each general meeting notice will specify a time, not more than 48 hours before the time fixed for the meeting (which may exclude non-working days), for determining a shareholder's entitlement to attend and vote at the meeting. To be valid, all proxy appointments must be filed at least 48 hours (which may exclude non-working days) before the time of the general meeting.

Where the Company has issued a notice under Section 793 of the Companies Act 2006, and the person interested in the relevant shares has been in default of the notice for at least 14 days, they shall not be entitled to attend or vote at any general meeting until the default has been corrected or the shares sold.

There is no arrangement or understanding with any shareholder, customer or supplier, or any other external party, which provides the right to appoint a Director or a member of the Executive Committee, or any other special rights regarding control of the Company.

Articles of Association

Unless expressly specified to the contrary in the Articles of Association, the Articles may only be amended by a special resolution of the Company's shareholders at a general meeting.

Significant agreements affected by a change of control

A number of agreements may take effect, alter or terminate upon a change of control of the Company. None of these agreements is considered significant in terms of its impact on the Group's business as a whole. All the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards would typically vest and become exercisable. This is subject to satisfying any performance conditions, and normally with an additional time-based pro-rata reduction where performance conditions apply, and with approval from the Remuneration Committee.

Substantial shareholdings

The table below shows the holdings of the major shareholders in the Company's ordinary issued share capital, as at 31 December 2024 and as at 15 March 2025, as notified in accordance with the provisions of Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed. Information provided by the Company pursuant to the FCA's Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the Company's website.

Subject	31 December 2024	28 February 2025	Nature of Holding
abrdn plc	4.57%	4.57%	Indirect
Ameriprise Financial Inc.	4.99%	4.99%	Indirect
APG Asset Management N.V.	2.99%	2.99%	Direct
Ariel Investments, LLC	4.90%	4.90%	Direct/ Indirect
Artemis Investment Management LLP	4.82%	4.82%	Indirect
BlackRock, Inc.	3.76%	3.76%	Direct/ Indirect
FIL Limited	4.81%	4.81%	Indirect
FMR LLC	7.11%	7.11%	Indirect
Majedie Asset Management Limited	4.99%	4.99%	Indirect
Norges Bank	4.17%	2.33%	Direct
RWC Asset Management LLP	4.86%	4.86%	Direct
Schroders plc	4.96%	4.96%	Indirect
Société Générale	0.00%	5.86%	Direct
T.Rowe Price Associates, Inc.	4.68%	4.68%	Indirect

Political donations

The Group made no political donations during the year (2023: £nil).

Disabled and neuro-divergent colleagues

The Group is committed to supporting those who are neuro-divergent or have a disability and recognises the benefits that diversity of thought or body brings to an organisation.

For recruitment purposes, we adjust and enhance our application and selection process, and guide and provide additional training for interviewers where necessary. We reasonably adjust colleagues' working environments and equipment, and roles and role requirements (including for colleagues who become disabled during their time working in the Group). We also seek to ensure that everyone can access the same opportunities.

The Neuro-Diversity & Disability strand of our Diversity Network Alliance ("**DNA**") works to celebrate and support those who are neuro-divergent or disabled with the aim of ensuring that all our colleagues feel understood, fully appreciated, and empowered to be their best selves. More information about the work of the DNA strand can be found on page 48 of the Strategic report.

Going concern

As a standalone business, the Directors believe that the Group and Company have sufficient financial resources to meet their financial needs, including managing a mature portfolio of insurance risk. The Directors believe the Group and Company are well positioned to manage its business risks successfully in the current economic climate. The Chief Financial Officer Review describes the Group's capital management strategy, including the capital actions taken to ensure the continued strength of the balance sheet. The Group's financial position is also covered in that section, including a commentary on cash and investment holdings, claims reserves and management of insurance liabilities, and the Group's financial leverage. This covers insurance, market, credit, liquidity and operational risk; and the Group's approach to monitoring, managing and mitigating exposures to these risks.

Having made due enquiries, the Directors believe they can reasonably expect that the Group and Company has adequate resources to continue in operational existence on a standalone basis for at least 12 months from 3 March 2025 (the date of approval of the consolidated financial statements). Accordingly, the Directors have adopted the going concern basis in preparing the consolidated financial statements.

Material uncertainty in relation to going concern`

On 23 December 2024, the Boards of the Company and Aviva plc ("Aviva") reached an agreement pursuant to which Aviva agreed to purchase the entire share capital of the Company, subject to regulatory and shareholder approval. Although the Directors cannot be certain about the actions of Aviva should a deal complete, they consider that the ability of the Group to continue as a going concern should not be adversely affected by the transaction should it proceed. In making this assessment, they have considered many factors, including the strategic fit of Aviva for the Group as well as Aviva's record of executing transactions, including integrating a number of acquisitions, and of delivering profitable growth. 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. Therefore, given the potential change in control, the Directors consider these conditions to constitute a material uncertainty (as defined under IAS 1) which may cast significant doubt over the Company's and therefore, the Group's ability to continue as a going concern. The Directors would not expect this to impact the continued operation of the Group's core insurance activities.

Notwithstanding this uncertainty, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

Disclosing information to the Auditor

Each Director at the date of approving these Annual Report and Accounts confirms that: as far as they are aware, there is no relevant audit information of which KPMG, the Company's External Auditor, is unaware; and they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that KPMG is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

A resolution to re-appoint KPMG will be proposed at the forthcoming 2025 AGM. You can find more information about the External Auditor in the Audit Committee report on page 101.

Conflicts of interest

Each Director has a duty to avoid conflicts of interest and must declare any conflict of interest that could interfere with their ability to act in the Group's best interests. In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise matters where there is, or may be, a conflict between the Group's interests and the direct or indirect interests of a Director, or between a Director's duties to the Group and another person. As a matter of course, the Board authorises certain potential conflicts of interest in this way, including Directors' external directorships and their interests in securities of other financial service institutions. The Company Secretary maintains a register of potential conflicts which the Board reviews at each scheduled Board meeting.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year in accordance with UK-adopted international accounting standards.

The Directors have elected to prepare the Parent Company financial statements in accordance with FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the Company's state of affairs and profit or loss for that period.

In preparing these financial statements, IAS 1 requires that Directors: properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and to assess the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that: are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, the Company's financial position at any time; and enable them to ensure the financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Company's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information included on the Company's website at: www.directlinegroup.co.uk.

Legislation in the UK governing preparing and disseminating financial statements may differ from legislation in other jurisdictions.

Each of the Directors in office as at the date of this report, whose names and functions are listed on pages 77 to 80 confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole;
- the Strategic report (on pages 1 to 74) and Directors' report (on pages 142 to 146) include a fair review of: (i) the business's development and performance; and (ii) the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and the financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This report was approved by the Board on 3 March 2025 and signed on its behalf by:

Roger C. Clifton
Company Secretary

Registered address: Churchill Court, Westmoreland Road, Bromley, BR1 1DP

Registered number: 02280426

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Independent Auditor's Report to the shareholders of Direct Line Insurance Group plc

1. Our opinion is unmodified

We have audited the financial statements of Direct Line Insurance Group plc (the "**Company**") for the year ended 31 December 2024 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Parent Company Statement of Financial Position, Parent Company Statement of Comprehensive Income, Parent Company Statement of Changes in Equity and the related notes, including the accounting policies on pages 156 to 167, except the information being disclosed as unaudited in Note 1.4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders for the financial year ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements, including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Material uncertainty related to going concern

	The risk:	Our response:
Going concern We draw attention to note (A) to the financial statements which indicates that because of the potential change in control, the directors have concluded it is beyond their control to conclude as to whether Aviva 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 parent company's ability to continue as a going concern. Our opinion is not modified in this respect. Refer to page 103 (Audit Committee Report), page 145 (Director's report) and page 156 (Going concern basis of preparation)	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. There is limited audit judgement required in evaluating the directors' conclusion that the circumstances related to the Aviva deal described in note (A) to the financial statements represent a material uncertainty over the company, and, therefore the group to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	**Our procedures included:** **Assessing transparency** We considered whether the going concern disclosure on page 156 to the financial statement gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies. **Enquiry of directors** We inquired with the directors as to their discussions to date with Aviva plc in relation to their intention following the purchase transaction. **Considering the existence of any barriers to restructuring** 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 assessment of management's going concern assessment also included the procedures set out in section 6 of our report. **Our results** We found the going concern disclosure in note (A) with a material uncertainty to be acceptable.

3. Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk:	Our response:
Valuation of the Liability for Incurred Claims (£4,109.7m) **Refer to page 101 (Audit Committee Report), page 160 (accounting policy) and page 204 (financial disclosures)**	The liability for incurred claims represents the largest liability for the Group and the estimation of the incurred but not reported claims ("**IBNR**") is the most subjective component of the liability for incurred claims. There is significant complexity and subjectivity in the valuation of the fulfilment cash flows related to IBNR claims due to the level of estimation uncertainty inherent in the assumptions. It involves significant judgement and the use of actuarial and statistical projections, as some claims can take some time to emerge or develop. A number of assumptions are required to be made with high estimation uncertainty such as: frequency, severity, inflationary assumptions and discount rates. There may also be additional amounts held in the form of Events Not In Data reserves (**"ENIDs"**) which are judgemental and can be significant in value. Certain perils have greater inherent uncertainty. The losses arising from bodily injury and subsidence claims are significant and can be both large in value and difficult to predict. Some bodily injury claims may also be expected to settle partly as lump sum amounts and partly as periodic payment orders ("**PPOs**"). Claims may also be impacted by changes in the market or regulations: for example: through the impact of whiplash reform, higher inflationary environment, Judicial College Guidelines reviews and changes to Ogden rates. The determination and application of the methodology and performance of the calculations are also complex. The effect of these matters is that we determined that valuation of the liability for incurred claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.	We performed the tests below over the valuation rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. We have used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included: **Control design and implementation** We obtained an understanding of the design and implementation of the relevant controls over the appropriateness of the methodology and assumptions for setting actuarial assumptions and the calculation of the liability for incurred claims. **Independent re-projections** Using our own models we performed independent re-projections across 93% of all perils for certain classes of business. The determination of which classes to re-project was based on qualitative and quantitative risk assessment procedures. **Assessment of assumptions and methodology** We assessed and challenged whether methodologies applied are appropriate with reference to Direct Line's business and industry practice including consideration of the effect of uncertain economic conditions. We also evaluated the appropriateness of models and assumptions used to develop the best estimate of liabilities by comparing with industry practice and understanding any key differences. **Sector Experience and Benchmarking** We applied our industry experience and market benchmarks to support our consideration and challenge of the Group's reserving methodology, key judgements and assumptions. We assessed the impact of regulatory changes on the valuation of best estimate liabilities by using appropriate benchmarks and/or performing sensitivity testing on key assumptions. **Assessing ENIDs** We assessed the documentation over the selection and completeness of ENIDs and evaluated the rationale for their inclusion. **Discounting** We evaluated the actuarial assumptions applied in the discounting of cash flows. This included assumptions related to payment patterns and the determination of the discount rates used. We also tested the accuracy of the discounting of reserves by independently reperforming the discounting recalculations. **Reconciliations over actuarial data** We performed completeness and accuracy testing over actuarial data used in projections, by reconciling the key data elements from the data used in projections to policy and claims administration systems and data recorded in the ledger. For a sample of transactions, we traced these through to appropriate documentation. **Assessing Transparency** We considered the adequacy of the Group's disclosures over the degree of estimation uncertainty and the sensitivity of recognised amounts to changes in assumptions and assessed whether the disclosures comply with relevant accounting standards. **Our results** We found the valuation of the liability for incurred claims to be acceptable.

Independent Auditor's Report to the shareholders of Direct Line Insurance Group plc continued

	The risk:	Our response:
Parent company – Recoverability of the Parent Company's investment in subsidiaries (£3,460.9m) **Refer to page 101 (Audit Committee Report), page 232 (accounting policy) and page 233 (financial disclosures)**	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries represents 94.2% (2023: 95.6%) of the parent Company's total assets. Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Tests of detail** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Comparing valuations** For investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected fair value less costs of disposal. **Our results** Based on our procedures performed, we found the Parent Company's conclusion that there is no impairment of its investment in subsidiaries to be acceptable.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £24.0m, determined with reference to a benchmark of Net Assets, of which it represents 0.97%.

Materiality for the Parent Company financial statements as a whole was set at £19.2m, determined with reference to a benchmark of Company Net Assets, of which it represents 0.61%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £15.6m for the Group and £12.4m for the Parent Company. We applied this percentage in our determination of performance materiality based on the Group's history of uncorrected misstatements, control deficiencies and a significant turnover of senior management in the period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.1m for the Group and £0.8m for Parent Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

We applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("**RMMs**"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified three components, having considered our evaluation of the Group's legal structure, the existence of common information systems the presence of key audit matters business activities and our ability to perform audit procedures centrally.

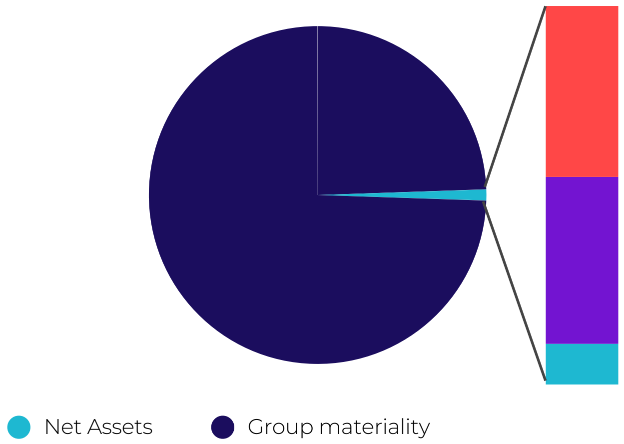
All components were identified as quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

We note that audit procedures for all components are also performed by the Group audit team.

We set the component materialities, ranging from £14.4m to £21.6m, having regard to the mix of size and risk profile of the Group across the components.

Group Net Assets

£2,404m



Group materiality

£24.0m

£24m

Whole financials statements materiality

£15.6m

Whole financials statements performance materiality

£21.6m

Range of materiality at 3 components (£14.4m to £21.6m)

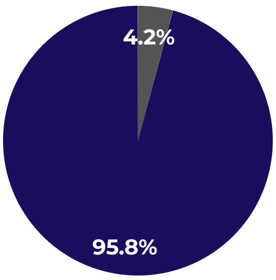
£1.1m

Misstatements reported to the audit committee

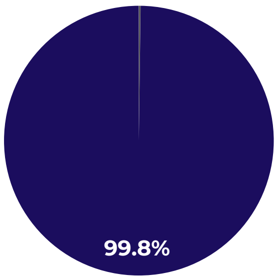
Our audit procedures covered the following percentage of Group Net Assets:

We performed audit procedures in relation to components that accounted for the following percentages of Group total revenue and Group total assets:

Group total assets



Group insurance revenue



Group auditor oversight

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meeting to discuss Group audit risks relevant to the components, including the key audit matters in respect of the valuation of the liability for incurred claims, and recoverability of the parent company's investment in subsidiaries.

We considered the work performed at the components for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.

Impact of controls on our group audit

We identified a number of IT systems to be relevant to our audit, including those supporting the policy and claims administration, actuarial data processing, expense payment and financial reporting processes. Our IT auditors assisted us in assessing the design and, for certain IT systems, operating effectiveness of relevant general IT controls.

For some IT systems related to policy and claims administration and journals, following our testing of controls, including compensating controls or additional follow up testing where relevant, we were able to rely on general IT controls, and automated controls and related manual controls and took this into account in determining our audit work.

For the remaining identified relevant IT systems, we were not able to rely on general IT controls due to deficiencies identified. As a result, we increased the extent of our substantive testing, and tested additional manual compensating controls addressing the completeness and reliability of data from the affected IT systems. As a result, our audit was predominantly substantive.

Independent Auditor's Report to the shareholders of Direct Line Insurance Group plc continued

5. The impact of climate change on our audit

In planning our audit, we performed a risk assessment, including enquiries of management, to consider the potential impact that commitments made by the Group in respect of the transition to net zero carbon emissions, as well as the physical risks of climate change could impact on the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment. Through the procedures we performed, we did not identify any material impact of climate change on the Group's material accounting estimates and there was no significant impact of this assessment on our key audit matters.

The Group primarily underwrites short-term personal line insurance. Climate change may result in an increase in the frequency and severity of natural catastrophes and other weather-related events leading to an increase in volume and higher insurance pay-outs, adversely impacting the insurance liabilities, in particular for property insurance products. However, the risk is factored into insurance premium rates for new policies and periodic repayments and is also mitigated by the short-term nature of policies and the reinsurance arrangements in place.

Climate risk may also impact the valuation of investments, in particular investment properties, held by the Group. Considering the nature of the Group's investment portfolio and valuation techniques used, we concluded that while climate change may pose a risk to the determination of asset values, the risk is not significant.

We have also read the disclosures of climate related information in the Annual Report and Accounts as set out on pages 58 to 73 and considered their consistency with the financial statements and our audit knowledge.

6. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements (the "**going concern period**"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern. 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 Company's 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 Company's 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 markets, such as the impact of climate change on the Group's 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.

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.

An explanation of how we evaluated management's assessment of going concern is further set out in section 2 of our report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have nothing material to add or draw attention to in relation to the directors' statement in the Accounting Policies on page 156 to the financial statements on the use of the going concern basis of accounting and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period, and we found the going concern disclosure in the Accounting Policies on page 156 to be acceptable; and
- the related statement under the Listing Rules set out in the Viability statement and Accounting Policies on page 156 is materially consistent with the financial statements and our audit knowledge.

7. Fraud and breaches of laws and regulations – ability to detect

Identifying 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 liability for incurred claims. On this audit we do not believe there is a fraud risk related to revenue recognition due to the routine nature of revenue transactions.

We also identified a fraud risk related to the valuation of insurance contract liabilities in response to possible pressures to meet profit targets. Further detail in respect of our response to these areas is set out in the key audit matter disclosures in section 3 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test at the Group level and for all components 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.
- 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 financial statements 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 Group's regulatory and legal correspondence regarding compliance with laws and regulations.

As the Group is 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 Group.

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 financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and regulatory capital, solvency and liquidity regulations, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license 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.

For the matter discussed in note 33 we assessed disclosures against our understanding from legal correspondence and inquiries with management and management's experts.

We discussed with the audit committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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 financial statements, 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 financial statements, 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.

8. We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Independent Auditor's Report to the shareholders of Direct Line Insurance Group plc continued

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the Viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement page 74 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement, set out on page 74 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

9. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 146, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

3 March 2025

Accounting policies

Direct Line Insurance Group plc (the "**Group**") is a public limited company registered in England and Wales (company number 02280426). The address of the registered office is Churchill Court, Westmoreland Road, Bromley, BR1 1DP, England.

The principal activity of the Group is the provision of general insurance.

(A) Basis of preparation

As required by the Companies Act 2006, the Group's consolidated financial statements are prepared in accordance with UK adopted International Accounting Standards ("**IASs**") and International Financial Reporting Standards ("**IFRSs**") as endorsed by the International Accounting Standards Board ("**IASB**"). The Group has elected to prepare its parent company financial statements in accordance with FRS 101 'Reduced Disclosure Framework'.

The consolidated financial statements are prepared on the historical cost basis except for (i) insurance and reinsurance contract assets and liabilities which are measured at their fulfilment value in accordance with IFRS 17 'Insurance Contracts'; (ii) debt and equity investments held at either fair value through profit or loss ("**FVTPL**") or fair value through other comprehensive income ("**FVOCI**"); (iii) defined benefit scheme liabilities measured on an actuarial basis and scheme assets measured at their fair value; and (iv) financial assets; investment property and derivative financial instruments, which are measured at fair value (fair value is defined in note 22).

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

The policies set out below have been applied consistently throughout the years ended 31 December 2024 and 31 December 2023 to items considered material to the financial statements. The accounting policies are consistent with those set out in the Group's 2023 annual financial statements, with the exception of new accounting standards which became effective for periods beginning on or after 1 January 2024. The nature and effect of these changes are disclosed in note (A).

The Company's financial statements and the Group's consolidated financial statements are presented in sterling, which is the functional currency of the Company.

Going concern

As a standalone business, the Directors believe that the Group and Company have sufficient financial resources to meet their financial needs, including managing a mature portfolio of insurance risk. The Directors believe the Group and Company are well positioned to manage its business risks successfully in the current economic climate. The Chief Financial Officer Review describes the Group's capital management strategy, including the capital actions taken to ensure the continued strength of the balance sheet. The Group's financial position is also covered in that section, including a commentary on cash and investment holdings, claims reserves and management of insurance liabilities, and the Group's financial leverage. This covers insurance, market, credit, liquidity and operational risk; and the Group's approach to monitoring, managing and mitigating exposures to these risks.

Having made due enquiries, the Directors believe they can reasonably expect that the Group and Company has adequate resources to continue in operational existence on a standalone basis for at least 12 months from 3 March 2025 (the date of approval of the consolidated financial statements). Accordingly, the Directors have adopted the going concern basis in preparing the consolidated financial statements.

Material uncertainty in relation to going concern

On 23 December 2024, the Boards of the Company and Aviva plc ("**Aviva**") reached an agreement pursuant to which Aviva agreed to purchase the entire share capital of the Company, subject to regulatory and shareholder approval. Although the Directors cannot be certain about the actions of Aviva should a deal complete, they consider that the ability of the Group to continue as a going concern should not be adversely affected by the transaction should it proceed. In making this assessment, they have considered many factors, including the strategic fit of Aviva for the Group as well as Aviva's record of executing transactions, including integrating a number of acquisitions, and of delivering profitable growth. 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. Therefore, given the potential change in control, the Directors consider these conditions to constitute a material uncertainty (as defined under IAS 1) which may cast significant doubt over the Company's and therefore, the Group's ability to continue as a going concern. The Directors would not expect this to impact the continued operation of the Group's core insurance activities.

Notwithstanding this uncertainty, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements.

New standards, interpretations and amendments to published standards that have been issued and endorsed by the UK and adopted by the Group or the Company

The Group has adopted the following new amendments to IFRSs and IASs that became mandatorily effective for the Group for the first time from 1 January 2024. None of these amendments have a material impact upon the Group.

In January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1 'Presentation of Financial Statements')' which clarifies the requirements for classifying liabilities as current or non-current. More specifically these amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement of a liability;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

In January 2020, the IASB issued 'Non-current liabilities with covenants (Amendments to IAS 1)' which clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)', which adds subsequent measurement requirements for sale and leaseback transactions.

On 25 May 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures')' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group or the Company

New IFRS standards and amendments that are issued but are not effective until after 31 December 2024 have not yet been adopted by the UK and have not been early adopted by the Group are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The following amendments have been adopted by the UK and are effective from 1 January 2025.

The IASB issued amendments Lack of Exchangeability (Amendments to IAS 21 The Effect of Changes in Foreign Exchange Rates) that provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. This amendment is not expected to have a significant impact on the Group's consolidated financial statements or the Company's financial statements.

The following amendments are effective from 1 January 2026 but are yet to be adopted by the UK for which The Group intends to undertake an assessment of the impact in 2025.

'Amendments to IFRS 9 'Financial Instruments' and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments' which provide further clarification and requirements for:

- the recognition and derecognition criteria for financial assets and liabilities;
- the classification requirements for financial assets, particularly those containing contingent, non-recourse features or contractually linked instruments; and
- disclosures related to the amendments to the classification requirements, and also for investments in equity instruments designated at fair value through other comprehensive income.

Annual improvements to IFRS Accounting Standards – Volume 11.

The following new standards are effective from 1 January 2027 but are yet to be adopted by the UK for which the Group intends to undertake an assessment of the impact in 2025.

IFRS 18 'Presentation and Disclosures in Financial Statements' which aims to ensure that financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The standard introduces new requirements for the presentation of the statement of profit or loss, including mandatory sub-totals, aggregation, disaggregation, and disclosures related to management-defined performance measures.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS accounting standards.

(B) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities that are controlled by the Group at 31 December 2024 and 31 December 2023. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing whether the Group controls another entity, the existence and effect of the potential voting rights that are currently exercisable or convertible are considered.

A subsidiary acquired is included in the consolidated financial statements from the date it is controlled by the Group until the date the Group ceases to control it. On acquisition of a subsidiary, its identifiable assets, liabilities and contingent liabilities are included in the consolidated financial statements at fair value.

The Group accounts for the disposal of subsidiary undertakings or a disposal group when it ceases to exert control.

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

All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

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

Material accounting policies

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the consolidated income statement, consolidated statement of financial position, other primary statements and notes to the consolidated financial statements.

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

Material accounting policies	Policy reference
Insurance and reinsurance contracts (IFRS 17)	(F), (J)
Fair value of investment properties (IAS 40)	(O)
Financial instruments (IFRS 9)	(P)
Impairment provisions – financial assets (IFRS 9)	(P)

Accounting policies continued

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

Critical accounting judgements

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

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

The critical accounting judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023, except for a new accounting judgement in relation to combination of direct and reinsurance contracts with Motability.

Additionally, the following areas are no longer considered significant:

- PAA eligibility (see note (J) Level of aggregation for further details)
- Onerous contracts (see note (J) Loss components and loss offsetting)

Key sources of estimation uncertainty

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

Key sources of estimation uncertainty	Policy reference	Carrying value	Sensitivity
Measurement of insurance and reinsurance contracts The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. Key estimates involved in determining both the insurance liabilities and the corresponding recoverable amount from reinsurance contracts include the amount and timing of future claims payments in relation to claims already incurred, the allowance for illiquidity premium in the determination of discount rates, and the calibration of risk adjustment.	(J)	Note 19	Note 1.3.1
Fair value of financial instruments and investment property Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial instruments and investment property.	(O), (P)	Note 22	Note 1.3.2

There have been no significant changes in the basis upon which judgement and estimates have been determined, compared to that applied as at 31 December 2023.

(D) Foreign currency translation

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

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

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into the relevant functional currency at the foreign exchange rates ruling at the dates the values are determined. Translation differences arising on non-monetary items measured at fair value are recognised in the statement of profit or loss except for differences arising on equity investments held at FVOCI, which are recognised in other comprehensive income.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into sterling at the foreign exchange rates ruling at the statement of financial position date. Income and expenses of foreign operations are translated into sterling at average exchange rates unless these do not approximate the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the translation of a foreign operation are recognised in the consolidated statement of other comprehensive income. The amount accumulated in equity is reclassified from equity to the consolidated statement of profit or loss on disposal or partial disposal of a foreign operation.

(E) Fair value measurement

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

(F) Insurance service result

Insurance revenue

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

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

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and other claims expenses;
- other incurred directly attributable expenses, such as marketing and acquisition costs;
- changes that relate to past service (i.e. changes in fulfilment cash flows relating to liability for incurred claims ("**LIC**")); and
- other directly attributable claims income including vehicle replacement referral fees, salvage income and legal services fees which have been assessed as part of the IFRS 17 contract boundary.

Other expenses not included above are included in other operating expenses in the consolidated statement of profit or loss. Directly attributable overheads are allocated using a systematic and rational basis.

Income and expenses from reinsurance contracts held

Income and expenses from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

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

(G) Insurance finance result

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

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

(H) Investment return

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

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

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

(I) Other income

The Group's other operating income comprises vehicle recovery and repair services provided to other third-party customers. Income in respect of vehicle recovery and repairs is recognised upon completion of the repair obligations in accordance with IFRS 15 'Revenue from contracts with customers'. The price is determined using market rates for the services and materials used after discounts have been deducted where applicable.

Revenue from any goods provided is accounted for at the point of sale.

Accounting policies continued

(J) Insurance and reinsurance contracts

IFRS 17 measurement models

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

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

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

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

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

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

The basis for the measurement model is determined as follows:

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

The Group's reinsurance contracts (both quota share and Motor excess of loss) include contracts with a coverage period greater than one year and therefore do not automatically qualify for PAA. The measurement of the asset for remaining coverage between the PAA and the general model is determined and where the difference in measurement is immaterial, PAA is applied.

Insurance contracts – initial measurement

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

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

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

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

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

Reinsurance contracts – initial measurement

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

Insurance contracts – subsequent measurement

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

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

Where an entity is required to apply IAS 34 (as for the Group) there is an option as to whether to choose a "year-to-date" basis or a "period-to-period" basis for financial reporting. The Group has opted to apply the option to use "period-to-period" accounting for interim reporting.

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

Reinsurance contracts – subsequent measurement

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

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

Combination of insurance contracts

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

Separating components from insurance and reinsurance contracts

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

Level of aggregation

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

The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. The general principles for defining the portfolio of insurance contracts for level of aggregation are equally applicable to reinsurance contracts held. Portfolios and groups may be changed prospectively if there are changes to facts and circumstances.

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

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

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

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

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

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

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

Recognition, modification and derecognition

Recognition

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

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

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- the beginning of the coverage period of the group of XoL reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage (the Group's quota share reinsurance) until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held at or before that date.

Modification and derecognition

The Group derecognises insurance contracts when:

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

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

Estimates of future cash flows

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

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflects the Group's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices. However, these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations.

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

Accounting policies continued

(J) Insurance and reinsurance contracts continued

Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

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

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and therefore may change over time.

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

Risk adjustment

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion.

The Group estimates the probability distribution of the expected present value of future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. Once the risk adjustment is determined at Group level on a gross and net of reinsurance basis, it is allocated to groups of contracts based on the size of their reserves. More recent accident periods tend to be less developed with generally larger reserves than older contract periods, so that a higher proportion of the overall risk adjustment is allocated to these more uncertain groups of contracts.

The target confidence level is at the 75th percentile for the liability for incurred claims.

Financial assumptions

Discount rates

The Group adjusts the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims, including those that are expected to be paid within one year of being incurred.

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

The Group determines the risk-free discount rate using Solvency II risk-free rates sourced from the Bank of England.

The illiquidity premium is determined by using a fundamental spread approach by deducting the risk-free rate and credit risk premium from corresponding corporate bond reference portfolios having regard to the assumptions on the Prudential Regulation Authority ("**PRA**") Solvency II website. The term and credit rating of the underlying bonds is aligned with the duration of the liabilities and quality of assets held to match the liabilities. For non-PPOs, the reference portfolio is A rated bonds with terms of 1 to 3 years and for PPOs, the reference portfolio is BBB rated bonds with a remaining term of 15 or more years.

Judgement is applied when determining the illiquidity premium with respect to allowances for past and future trends, considering changes in the economic environment. Generally, the illiquidity premium is expected to be stable over time however, assessment of the illiquidity premium assumption is reviewed periodically and adjusted where required.

The Group has chosen to take the effect of the time value of money and changes in the time value of money and financial risk to the statement of profit or loss.

There is no allowance made for the time value of money where insurance premiums are due within one year of the coverage period.

Inflation assumptions

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

Presentation of financial assumption changes

The Group recognises the impact of financial assumption changes in the statement of profit or loss.

Loss components and loss offsetting

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

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

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

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

Insurance acquisition cash flows

The Group has taken the option to expense insurance acquisition cash flows as they are incurred.

Presentation

The Group presents in the consolidated statement of financial position:

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

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

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

Presentation of reinsurance contract with 'funds withheld' arrangement

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

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

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

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

(K) Goodwill and other intangible assets

Goodwill

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, and which is initially recognised at cost and subsequently at cost less any accumulated impairment losses. Goodwill arising on the acquisition of subsidiaries is included in the statement of financial position category "goodwill and other intangible assets". The gain or loss on the disposal of a subsidiary includes the carrying value of any related goodwill.

Other intangible assets

Other intangible assets consists primarily of internally generated software acquired by the Group and are stated at cost less accumulated amortisation and impairment losses.

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

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

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

(L) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the statement of profit or loss on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. The estimated useful lives are as follows:

Freehold and leasehold buildings	50 years or the period of the lease if shorter
Other equipment, including computer equipment, vehicles and property adaptation costs	2 to 15 years

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

(M) Leases

Where the Group is a lessee

At inception, the Group assesses whether a contract contains a lease arrangement, which involves assessing whether it obtains substantially all the economic benefits from the use of a specific asset, and it has the right to direct the use of that asset. The Group recognises a right-of-use ("**ROU**") asset and a lease liability at the commencement of the lease (when the underlying asset is available for use), except for short-term leases of 12 months or less and low-value leases which are expensed on a straight-line basis in the statement of profit or loss. The ROU asset is initially measured based on the present value of the lease payments, plus initial direct costs less any incentives received. Lease payments include fixed payments and variable payments. Variable payments relate to contractual rent increases linked to inflation indices. When leases contain an extension or purchase option which is reasonably expected to be exercised this is included in the measurement of the lease.

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. The lease liability is subsequently measured at amortised cost using the effective interest rate method and remeasured, with a corresponding adjustment to the ROU asset, when there is a change in future lease payments, terms or reassessment of options.

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

Accounting policies continued

(M) Leases continued

Where the Group is a lessor

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

Right of use assets

Where the Group is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding ROU asset equal to cost are initially recognised. The ROU asset is depreciated over the lease term, or its economic useful life if shorter, and is subject to impairment testing if there is an indicator of impairment.

(N) Impairment of non-financial assets

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

Goodwill is tested for impairment annually or more frequently, if events or changes in circumstances indicate that it might be impaired. If an asset does not generate cash flows that are independent of those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit ("**CGU**") to which the asset belongs.

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

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

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

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

(O) Investment property

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

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

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

(P) Financial instruments

Recognition and initial measurement

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

On initial recognition, financial assets are measured at fair value net of transaction costs. Subsequently they are measured at amortised cost, FVOCI or FVTPL, depending on the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Group assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities are initially recognised at fair value net of transaction costs incurred. Other than derivatives which are recognised and measured at fair value, all other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Classification and subsequent measurement

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income is accounted for using the effective interest method. Such assets held by the Group include some of the Group's debt security portfolio, loans and receivables, trade and other receivables, and cash and cash equivalents.

Financial liabilities are measured at amortised cost, except for derivative financial liabilities, which are held at fair value.

Financial assets measured at fair value through other comprehensive income

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are recognised in the statement of financial position at their fair value, inclusive of transaction costs.

The Group elects at initial recognition to account for equity instruments at FVOCI. For these investments, dividends are recognised in the statement of profit or loss but fair value gains and losses are not subsequently reclassified to the statement of profit or loss following derecognition of the investment. The Group has one equity investment which is measured at fair value through other comprehensive income, being an investment in unlisted insurtech-focused equity funds.

If the Group assesses the need to recognise a loss allowance on a financial asset carried at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income; however, the recognition of a loss allowance does not impact the carrying value of the asset on the statement of financial position. Cumulative gains and losses on equity instruments at fair value through other comprehensive income are not recycled to the statement of profit or loss.

Financial instruments measured at fair value through profit or loss

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

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

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

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

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

Derecognition

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

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

Derivative financial instruments

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

The Group enters into a small number of immaterial cash flow hedges and applies the hedge accounting requirements of IFRS 9. Hedge accounting relationships are formally documented at inception. The documentation includes the Group's risk management objective and strategy for undertaking the hedge, identifying the hedged item and the hedging instrument, the nature of the risk that is being hedged, and the way in which the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including identifying potential sources of hedge ineffectiveness).

In a cash flow hedge, the effective portion of the gain or loss on the economic hedging instrument is recognised in other comprehensive income. Any ineffective portion is recognised in the statement of profit or loss.

Impairment of financial assets

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

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

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

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

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

Stage 2 – significant increase in credit risk since inception;

Stage 3 – asset is impaired.

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

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

Note 1.3.3 explains how the Group assesses whether the credit risk of a financial asset has increased since initial recognition and the approach to estimating ECLs.

(Q) Cash and cash equivalents and borrowings

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. The average maturity of short-term highly liquid investments is 10 days.

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

Accounting policies continued

(R) Assets and liabilities held for sale

Non-current assets, including investment property, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and if the sale is considered highly probable. Investment property is measured at fair value less costs to sell. Other non-current assets are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised in the statement of profit or loss for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position and are not depreciated or amortised.

(S) Subordinated liabilities

Subordinated liabilities comprise subordinated guaranteed dated notes which are initially measured at fair value net of transaction costs incurred. Subsequently, subordinated liabilities are measured at amortised cost using the effective interest rate method.

(T) Provisions

The Group recognises a provision for a present legal or constructive obligation from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount can be reliably estimated.

When the Group has an onerous contract outside of the scope of IFRS 17, it recognises the present obligation under the contract as a provision. A contract is onerous when the unavoidable costs of meeting the contractual obligations exceed the expected future economic benefit.

Restructuring provisions are made, including redundancy costs, when the Group has a constructive obligation to restructure. An obligation exists when the Group has a detailed formal plan and has communicated the plan to those affected.

(U) Employee benefits

Short-term employee benefits

Liabilities recognised in respect of staff bonuses and rewards are measured at the undiscounted amount of benefits expected to be paid in exchange for the related service.

Pensions and other post-retirement benefits

The Group provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

Contributions to the Group's defined contribution pension scheme are recognised in the statement of profit or loss when payable.

The Group's defined benefit pension scheme, as described in note 24, was closed in 2003. Scheme liabilities are measured 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.

Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the statement of financial position as an asset (surplus) or liability (deficit). The past service costs, together with the net interest on the net pension liability or asset, are charged or credited to operating expenses. Actuarial gains and losses are recognised in full in the period in which they occur outside the statement of profit or loss and presented in other comprehensive income under "Items that will not be reclassified subsequently to the statement of profit or loss".

Insurance assets resulting from a bulk annuity insurance policy ‘buy-in’ transaction result in the insurance asset exactly matching the pension liability. A ‘buy-in’ is not a settlement and the liability is not derecognised as the Group retains ultimate responsibility for funding the plan.

Share-based payments

The Group operates a number of share-based compensation plans under which it awards Ordinary Shares and share options to its employees. Such awards are generally subject to vesting conditions that can alter the amount of shares to which an employee is entitled.

Vesting conditions include service conditions (requiring the employee to complete a specified period of service) and performance conditions (requiring the Group to meet specified performance targets).

The fair value of options granted is estimated using valuation techniques which incorporate exercise price, term, risk-free interest rates, the current share price and its expected volatility.

The cost of employee services received in exchange for an award of shares or share options granted is measured by reference to the fair value of the shares or share options on the date the award is granted and takes into account non-vesting conditions and market performance conditions (conditions related to the market price of the Company's Ordinary Shares).

The cost is expensed on a straight-line basis over the vesting period (the period during which all the specified vesting conditions must be satisfied) with a corresponding increase in equity in an equity-settled award. The cost is adjusted for vesting conditions (other than market performance conditions) so as to reflect the number of shares or share options that actually vest.

The cancellation of an award through failure to meet non-vesting conditions triggers an immediate expense for any unrecognised element of the cost of an award.

(V) Income taxes

Current tax

The tax charge or credit represents the proportion of the tax payable and receivable arising in the current year only.

The current tax charge is based on the taxable profits for the year as determined in accordance with the relevant tax legislation, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Provision for taxation is calculated using tax rates that have been enacted, or substantively enacted, by the statement of financial position date and is allocated over profits before taxation or amounts charged or credited to components of other comprehensive income or equity, as appropriate.

Deferred tax

Deferred taxation is accounted for in full using the statement of financial position liability method on all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is probable that they will not be recovered.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply when the assets are realised or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

(W) Share capital

Ordinary share capital

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

Employee share trust shares

Where the Company or its subsidiaries purchase the Company's share capital or obtain rights to purchase its share capital, the consideration paid (including any attributable transaction costs net of income taxes) is shown as a deduction from total shareholders' equity.

Dividends

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

(X) Capital instruments

The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms, or as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

The Tier 1 notes are classified as equity as they have a perpetual maturity and the Group has full discretion over interest payments, including ability to defer or cancel interest payments indefinitely.

(Y) Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares.

Diluted earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares, adjusted for the dilutive potential Ordinary Shares.

(Z) Subsidiaries exemption from audit by parent guarantee

The following subsidiaries incorporated in the United Kingdom, are exempt from the requirements relating to the audit of individual accounts, under s479A-479C of the Companies Act 2006. The parental guarantee is provided by Direct Line Insurance Group plc.

- Direct Line Group Limited (Registered number: 02811437)
- Finsure Premium Finance Limited (Registered number: 01670887)
- Green Flag Holdings Limited (Registered number: 03577191)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Insurance revenue	3	**4,567.0**	3,601.7
Insurance service expenses	3	**(4,185.0)**	(3,806.3)
Net expense from reinsurance contracts held[1]	3	**(259.6)**	(46.8)
Insurance service result	3	**122.4**	(251.4)
Total interest income calculated using effective interest rate method	4	**226.6**	171.8
Other interest and similar income	4	**17.4**	16.1
Investment fees	4	**(8.8)**	(9.3)
Investment income	4	**235.2**	178.6
Total net fair value gains on financial assets held at fair value through profit or loss	4	**30.3**	127.0
Net fair value gains/(losses) on investment property	4	**6.6**	(1.9)
Net credit impairment gains/(losses) on financial investments	4	**0.2**	(0.7)
Investment return	4	**272.3**	303.0
Net finance expenses from insurance contracts issued	4	**(21.0)**	(193.8)
Net finance (expenses)/income from reinsurance contracts held	4	**(20.2)**	28.0
Investment return and net insurance finance result	4	**231.1**	137.2
Other operating income		**20.3**	21.8
Other operating expenses	5	**(135.3)**	(59.6)
Other finance costs	8	**(15.4)**	(14.5)
(Loss)/gain on disposal of business	9	**(4.7)**	443.9
Profit before tax		**218.4**	277.4
Tax charge[2]	10	**(55.8)**	(54.5)
Profit for the year attributable to the owners of the Company		**162.6**	222.9
Earnings per share:			
Basic (pence)	12	**11.2**	15.9
Diluted (pence)	12	**11.1**	15.7

Notes:

1. To improve presentation, the Group has opted to combine the net income and expense from reinsurance contracts held into a single item. Prior period amounts have been re-presented for comparability.
2. Tax on (loss)/gain on disposal of business is included in this figure.

The accompanying notes on pages 173 to 229 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes:	2024 £m	2023 £m
Profit for the year attributable to the owners of the Company		**162.6**	222.9
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gain on defined benefit pension scheme	24	**0.6**	0.1
Fair value gain on equity investments measured at fair value through other comprehensive income	4	**1.2**	3.3
Realised gain/(loss) on equity investments measured at fair value through other comprehensive income	4	**0.4**	(0.6)
Tax relating to items that will not be reclassified	20	**(0.2)**	–
		2.0	2.8
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		**0.2**	(0.2)
		0.2	(0.2)
Other comprehensive income for the year net of tax		**2.2**	2.6
Total comprehensive income for the year attributable to the owners of the Company		**164.8**	225.5

The accompanying notes on pages 173 to 229 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes:	2024 £m	2023 £m
Assets			
Goodwill and other intangible assets	15	**776.3**	818.6
Property, plant and equipment	16	**92.7**	91.6
Right-of-use assets	17	**101.0**	96.1
Investment property	18	**287.6**	277.1
Insurance contract assets	19	**5.7**	5.4
Reinsurance contract assets	19	**1,802.1**	1,346.0
Deferred tax assets	20	**53.0**	56.5
Current tax assets		**19.9**	82.8
Other receivables		**21.8**	35.2
Prepayments, accrued income and other assets	21	**103.6**	101.5
Derivative financial instruments	23	**19.1**	27.4
Retirement benefit asset	24	**0.8**	1.3
Financial investments	23	**4,343.3**	3,691.6
Cash and cash equivalents	25	**1,156.0**	1,772.2
Assets held for sale	26	**12.2**	13.9
Total assets		**8,795.1**	8,417.2
Equity			
Shareholders' equity	14	**2,137.9**	2,058.2
Tier 1 notes	29	**346.5**	346.5
Total equity		**2,484.4**	2,404.7
Liabilities			
Subordinated liabilities	30	**259.1**	258.8
Insurance contract liabilities	19	**5,086.9**	5,238.8
Reinsurance contract liabilities	19	**549.5**	116.6
Borrowings	25	**66.8**	82.4
Derivative financial instruments	23	**38.7**	15.4
Provisions	31	**15.6**	30.8
Trade and other payables	32	**178.9**	163.6
Lease liabilities	17	**113.7**	106.1
Current tax liabilities	20	**1.5**	–
Total liabilities		**6,310.7**	6,012.5
Total equity and liabilities		**8,795.1**	8,417.2

The accompanying notes on pages 173 to 229 form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 3 March 2025 and were signed on its behalf by:

Jane Poole
Chief Financial Officer

Registration No. 02280426

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital (note 27) £m	Employee trust shares £m	Capital reserves (note 28) £m	Equity investments revaluation reserve £m	Foreign exchange translation reserve £m	Retained earnings £m	Shareholders' equity £m	Tier 1 notes (note 29) £m	Total equity £m
Balance at 1 January 2023	143.1	(39.0)	1,456.9	0.9	–	283.4	1,845.3	346.5	2,191.8
Profit for the year	–	–	–	–	–	222.9	222.9	–	222.9
Other comprehensive income/(loss)	–	–	–	2.7	(0.2)	0.1	2.6	–	2.6
Total comprehensive income/(loss) for the year	–	–	–	2.7	(0.2)	223.0	225.5	–	225.5
Dividends and appropriations paid (note 11)	–	–	–	–	–	(16.6)	(16.6)	–	(16.6)
Shares acquired by employee trusts	–	(10.2)	–	–	–	–	(10.2)	–	(10.2)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	13.9	13.9	–	13.9
Shares distributed by employee trusts	–	19.3	–	–	–	(19.3)	–	–	–
Tax on share-based payments	–	–	–	–	–	0.3	0.3	–	0.3
Total transactions with equity holders	–	9.1	–	–	–	(21.7)	(12.6)	–	(12.6)
Balance at 31 December 2023	143.1	(29.9)	1,456.9	3.6	(0.2)	484.7	2,058.2	346.5	2,404.7
Profit for the year	**–**	**–**	**–**	**–**	**–**	**162.6**	**162.6**	**–**	**162.6**
Other comprehensive income	**–**	**–**	**–**	**1.4**	**0.2**	**0.6**	**2.2**	**–**	**2.2**
Total comprehensive income for the year	**–**	**–**	**–**	**1.4**	**0.2**	**163.2**	**164.8**	**–**	**164.8**
Dividends and appropriations paid (note 11)	**–**	**–**	**–**	**–**	**–**	**(94.8)**	**(94.8)**	**–**	**(94.8)**
Shares acquired by employee trusts	**–**	**(7.2)**	**–**	**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**14.6**	**14.6**	**–**	**14.6**
Shares distributed by employee trusts	**–**	**17.6**	**–**	**–**	**–**	**(17.6)**	**–**	**–**	**–**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**2.3**	**2.3**	**–**	**2.3**
Total transactions with equity holders	**–**	**10.4**	**–**	**–**	**–**	**(95.5)**	**(85.1)**	**–**	**(85.1)**
Balance at 31 December 2024	**143.1**	**(19.5)**	**1,456.9**	**5.0**	**–**	**552.4**	**2,137.9**	**346.5**	**2,484.4**

The accompanying notes on pages 173 to 229 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

	Notes:	2024 £m	2023 £m
Cash (used in)/generated from operating activities before investment of insurance assets	34	**(31.0)**	132.0
Cash (used in)/generated from investment of insurance assets	34	**(347.1)**	304.4
Cash (used in)/generated from operating activities		**(378.1)**	436.4
Taxes received/(paid)		**13.9**	(30.9)
Cash flow hedges		**(0.3)**	(0.6)
Net cash (used in)/generated from operating activities		**(364.5)**	404.9
Cash flows (used in)/generated from investing activities			
Payments for acquisition of intangible assets	15	**(93.2)**	(124.1)
Purchases of property, plant and equipment	16	**(13.3)**	(18.9)
Proceeds on disposals of assets held for sale		**–**	21.9
Proceeds from disposal of business	9	**–**	520.0
Net cash inflow/(outflow) from acquisition of businesses		**–**	(0.6)
Net cash (used in)/generated from investing activities		**(106.5)**	398.3
Cash flows used in financing activities			
Dividends and appropriations paid	11	**(94.8)**	(16.6)
Other finance costs (including lease interest)		**(15.1)**	(14.2)
Principal element of lease payments		**(12.5)**	(10.8)
Purchase of employee trust shares		**(7.2)**	(10.2)
Net cash used in financing activities		**(129.6)**	(51.8)
Net (decrease)/increase financing activities		**(600.6)**	751.4
Cash and cash equivalents at the beginning of the year	25	**1,689.8**	938.4
Cash and cash equivalents at the end of the year	25	**1,089.2**	1,689.8

The attached notes on pages 173 to 229 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Risk management

1.1 The risk management framework

The Risk Management Framework sets out, at a high level, the Group's approach to setting risk strategy, and managing risks to the strategic objectives and day-to-day operations of the business. Further information can be found in the Risk management section of the Strategic report on page 38.

1.2 Risk and capital management modelling

The Board has ultimate responsibility for ensuring that the Group has sufficient funds to meet its liabilities as they fall due. The Group carries out detailed modelling of its assets, liabilities and the key risks to which these are exposed. This modelling includes the Group's own assessment of its solvency capital requirement ("**SCR**"), using its partial internal model approved by the PRA in 2016. The SCR quantifies the insurance, market, credit and operational risks that its regulated entities are undertaking.

The Board maintains an active and integral role in the SCR process and reviews, challenges and approves its results.

1.3 Principal risks from insurance activities and use of financial instruments

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

Geopolitical Risks

The global and UK economic environment remains uncertain, influenced by heightened geopolitical tensions, particularly the ongoing conflicts in the Middle East and Ukraine. In the UK, these geopolitical risks may impact government economic policies, with potential effects on the Group through claims inflation, rising living costs, and interest rate fluctuations affecting the Group's investment portfolio. These factors may also influence the Group's ability to meet the evolving needs and preferences of its target markets. The trend in claims inflation remains uncertain and continues to be closely monitored.
A geopolitical event may also increase the risk of a cyber-attack on critical infrastructure, disruption in supply chains or trigger a need to onshore outsourced activities. Impacts on supply chains and operations could cause significant disruption to business processes leading to an increased potential for customer and conduct risk, and a distraction from other strategic business priorities.

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

Claims inflation

The insurance sectors in which the Group operates are affected by inflation. In particular, reserves and claims from policies underwritten are exposed to the risk of claims inflation which can increase the costs of car parts, used car prices, services, care worker labour rates and construction materials. In recent years, there have been significant increases in the Group's claims for motor, home and commercial property due to high levels of claims inflation. Although this has subsided, the uncertainty from future inflation volatility and its outlook continues to be closely monitored. Details of the Group's sensitivity to claims inflation are included in note 1.3.1.

Environmental

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 the risks 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. In addition, the Group Risk Taxonomy includes an environmental, social, and governance risk that provides coverage of the operational and strategic aspects of climate change that are not addressed within other core risk types.

The Group has continued to enhance its climate risk management and governance during 2024 as it works through the actions included in the Group Climate Action Roadmap. The roadmap sets out a range of actions, implemented by 2025 to further integrate climate risk management across the business and to build additional capabilities in areas such as climate risk modelling and scenario analysis.

1.3.1 Insurance risk

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

The Group is mainly exposed to the following insurance risks:

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

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

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

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.1 Insurance risk continued

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

- regular reviews of the claims and premiums, in line with IFRS 17 requirements 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 reserve reviews with actuarial assessment of the uncertainties through a variety of techniques including bootstrapping[1] 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;
- quarterly reconciliation of the data used in the actuarial reviews against general ledger data and reconciliation of the claims data history against the equivalent data from prior reviews; and
- regular assessment of the uncertainty in the reserves to help set the risk adjustment within the liability for incurred claims.

The Group's reserves are subject to the risk of retrospective changes in judicial conditions such as changes in the Ogden discount rate. Detailed information on the Ogden discount rate is provided in note 19.4.

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

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

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

Note:

1. See glossary on pages 238 to 241 for definitions.

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

	Increase/(decrease) in profit before tax and equity gross of reinsurance[1,2]		Increase/(decrease) in profit before tax and equity net of reinsurance[1,2]	
	2024	2023	**2024**	2023
At 31 December	**£m**	£m	**£m**	£m
Discount curve - PPOs[3]				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	**87.0**	95.0	**38.5**	39.0
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	**(115.1)**	(127.8)	**(51.4)**	(52.1)
Discount curve - other claims[4]				
Impact of an increase in the ILP of the discount rate used in the calculation of present values of 100 basis points	**65.1**	55.9	**41.3**	37.2
Impact of a decrease in the ILP of the discount rate used in the calculation of present values of 100 basis points	**(68.3)**	(58.6)	**(43.2)**	(38.9)
Ogden discount rate[5]				
Impact of the Group reserving at a discount rate of 1.5% compared to 0.5% (2023: 0.75% compared to minus 0.25%)	**143.6**	105.1	**57.7**	48.1
Impact of the Group reserving at a discount rate of minus 0.5% compared to 0.5% (2023: minus 1.25% compared to minus 0.25%)	**(204.9)**	(220.6)	**(73.8)**	(97.0)
Claims inflation				
Impact of a decrease in claims inflation by 200 basis points for two consecutive years	**129.7**	112.8	**73.9**	71.7
Impact of an increase in claims inflation by 200 basis points for two consecutive years	**(131.7)**	(114.6)	**(75.0)**	(72.8)
Risk adjustment (restated)[6]				
Impact of a risk adjustment at the 70th percentile compared to the booked risk adjustment at the 75th percentile	**52.3**	52.3	**26.9**	28.9
Impact of a risk adjustment at the 80th percentile compared to the booked risk adjustment at the 75th percentile	**(61.4)**	(60.5)	**(30.2)**	(33.9)

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

Notes:

1. These sensitivities exclude the impact of taxation.
2. These sensitivities reflect one-off impacts at the statement of financial position date and should not be interpreted as predictions.
3. The sensitivities relating to an increase or decrease in the discount rate used for PPOs illustrate a movement in the time value of money. The PPO sensitivity has been calculated on the direct impact of the change in the discount rate with all other factors remaining unchanged. The sensitivity is calculated on the basis of a change in the discount rate used for the actuarial best estimate reserves as at 31 December. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.
4. The sensitivities relating to an increase or decrease in the yield curve used to discount all reserves excluding PPOs illustrate a movement in the time value of money from the assumed level at the statement of financial position dates. The sensitivity has been calculated on the direct impact of the change in the discount curve with all other factors remaining unchanged.
5. Ogden discount rate sensitivity has been calculated on the direct impact of a permanent change in the discount rate in England and Wales with all other factors remaining unchanged.
6. The risk adjustment sensitivities are with respect to the discounted risk adjustment at the statement of financial position dates, with the year-end 2023 sensitivities having been restated from an undiscounted basis as reported in the Group's 2023 Annual Report and Accounts.

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.1 Insurance risk continued

Underwriting risk
This is the risk that future claims experience on business written is materially different from the results expected, resulting in current-year losses. The Group predominantly underwrites personal lines insurance including motor, residential property, roadside assistance, creditor, travel and pet business. The launch of Direct Line on Price Comparison Websites ("**PCWs**") will increase the Group's existing exposure to personal lines motor business written through price comparison websites (previously obtained through the Churchill and Privilege brands).The Group also underwrites commercial risks primarily for low-to-medium risk trades within the small and medium-sized enterprises market. Contracts are typically issued on an annual basis which means that the 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. 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 Solvency II definition of underwriting risk includes catastrophe risk and the risk of loss, or of adverse change in the value of the insurance liabilities resulting from significant uncertainty of pricing, underwriting and provisioning assumptions related to extreme or exceptional circumstances.

The key underwriting risks relating to climate change today are UK floods and major UK windstorms. The Group recognises that climate change may impact its business over the longer term. In particular, there is a risk that climate change affects the frequency and severity of extreme weather events (physical risk), which may change the Group's view of underwriting risk, reinsurance and pricing. The Group will continue to develop its risk management systems and monitoring tools over 2025 in line with the Group's Climate Risk Roadmap. Low-frequency, high-severity weather losses are significantly mitigated by the catastrophe reinsurance programme, the ceding of Home high flood risks to Flood Re, and the commercial direct underwriting strategy which actively reduces high flood risk exposure. The Group expects these specific risks to materialise in the medium to longer term (see page 60 for definition). 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 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.
When underwriting policies, the Group is subject to concentration risk in a variety of forms, including:

- geographic concentration risk – the Group's business is wholly written in the UK general insurance market. The Group purchases a catastrophe reinsurance programme to protect against a modelled 1-in-200 year windstorm/storm surge and flood losses. The programme has been renewed on 1 January 2025 and will cover a 12 month period; 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 are independent of the others and that giving due consideration to the relationship between these risks is an important aspect of the effective management of insurance risk.

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

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

Other risks include:

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

The Group uses a range of external reinsurance to:

- protect its insurance results against the impact of major individual or catastrophic events such as windstorms, storm surge or floods;
- protect its insurance results against unexpected volumes of, or adverse trends in, individual large claims, in order to reduce volatility and to improve stability of earnings;
- facilitate effective capital management and protection of the Group's capital position; and
- transfer risk that is not within its current risk appetite or where there is limited expertise or regulatory constraints on underwriting that business.

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

1.3.2 Market risk

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

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

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

The Group has clearly defined market risk policies which include a range of parameters that are subject to approval by the Investment Committee. These policies also set out the principles to which the Group should adhere when considering investment strategy, including risk appetites and capital efficiency.

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

In 2024, the Group continued with the implementation of the proposals from a Strategic Asset Allocation exercise undertaken during Q2 2023 and approved by the Investment Committee. This included moving excess cash exposures to increasing the proportions invested in US credit holdings and investing in a new asset class, index linked gilts to partially match the PPOs. The long-term PPO ALM strategy is under review and the Group may undertake additional investments to further hedge PPOs.

The investment management objectives are to:

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

The Investment Committee has agreed long-term targets for the investment portfolio in relation to supporting the Group's objectives on climate change. These are: ensuring the Group's entire investment portfolio is net zero emissions by 2050 in line with the aims of the Race to Zero campaign; and an interim target of a 50% reduction in weighted average greenhouse gas emissions intensity by 2030 within the Group's corporate bonds portfolio, the largest part of its investment portfolio, compared to a 2020 baseline. See page 53 for more information on investment portfolio targets, exclusions and preferences and pages 51 to 53 for the Group's approved Science-Based Targets.

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

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

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

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

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.2 Market risk continued

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

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

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

At 31 December 2023	Corporate £m	Local government £m	Sovereign £m	Supranational £m	Debt securities total £m
Australia	119.8	–	–	–	119.8
Austria	3.1	–	–	–	3.1
Belgium	39.3	–	–	–	39.3
Canada	48.2	–	–	–	48.2
China	0.6	–	–	–	0.6
Denmark	18.2	–	–	–	18.2
Finland	8.9	–	–	–	8.9
France	229.3	–	–	–	229.3
Germany	140.8	–	–	–	140.8
Hong Kong	0.8	–	–	–	0.8
Italy	17.4	–	–	–	17.4
Japan	20.8	–	–	–	20.8
Luxembourg	4.8	–	–	–	4.8
Mexico	7.1	–	–	–	7.1
Netherlands	105.4	–	–	–	105.4
Norway	0.5	0.9	–	–	1.4
Portugal	6.5	–	–	–	6.5
South Africa	6.4	–	–	–	6.4
Spain	66.0	–	–	–	66.0
Sweden	23.4	–	–	–	23.4
Switzerland	55.0	–	–	–	55.0
United Kingdom	745.4	–	657.1	–	1,402.5
USA	933.7	–	23.7	–	957.4
Supranational	–	–	–	25.6	25.6
Total	2,601.4	0.9	680.8	25.6	3,308.7

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

At 31 December	**2024** £m	**2024** %	2023 £m	2023 %
Basic materials	**67.1**	**2%**	43.0	1%
Communications	**156.6**	**4%**	135.7	4%
Consumer, cyclical	**329.3**	**8%**	244.2	7%
Consumer, non-cyclical	**352.3**	**9%**	216.2	7%
Diversified	**16.8**	**0%**	16.9	1%
Energy	**77.9**	**3%**	81.6	3%
Financial	**1,678.8**	**42%**	1,424.5	43%
Industrial	**220.2**	**6%**	145.8	4%
Sovereign, supranational and local government	**776.9**	**19%**	707.3	21%
Technology	**97.4**	**2%**	65.6	2%
Transport	**13.1**	**0%**	12.8	0%
Utilities	**207.2**	**5%**	215.1	7%
Total	**3,993.6**	**100%**	3,308.7	100%

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.2 Market risk continued

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

At 31 December	2024 £m	2024 %	2023 £m	2023 %
Social, of which:				
Education	**86.7**	**46%**	93.0	44%
Health	**56.4**	**30%**	60.5	28%
Other	**41.5**	**22%**	43.9	20%
Transport	**4.1**	**2%**	16.8	8%
Total	**188.7**	**100%**	214.2	100%

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

Spread risk

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

Net interest rate risk

This is the risk of loss from changes in the term structure of interest rates or interest rate volatility which impact assets and liabilities. The 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. At 31 December 2024, £227.1m (2023: £419.4 million) fixed rate investment grade US dollar and Euro corporate debt securities were hedged using interest rate swaps.

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

Property risk

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

Currency risk

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

Use of derivatives

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

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

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	**Total**
At 31 December 2024	**£m**	£m	£m	£m	**£m**
Derivative assets					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	**907.4**	14.9	–	–	**14.9**
Interest rate swaps	**106.7**	–	0.9	3.3	**4.2**
Designated as hedging instruments					
Foreign exchange contracts (forwards)	**24.0**	–	–	–	**–**
Total	**1,038.1**	**14.9**	**0.9**	**3.3**	**19.1**

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

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2023	£m	£m	£m	£m	£m
Derivative assets					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	1,568.7	27.1	–	–	27.1
Interest rate swaps	49.2	0.1	0.2	–	0.3
Total	1,617.9	27.2	0.2	–	27.4

	Notional amounts	Maturity and fair value			
		Less than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2023	£m	£m	£m	£m	£m
Derivative liabilities					
At fair value through profit or loss					
Foreign exchange contracts (forwards)	908.4	8.2	–	–	8.2
Interest rate swaps	252.8	–	1.7	5.2	6.9
Designated as hedging instruments					
Foreign exchange contracts (forwards)	14.2	0.3	–	–	0.3
Total	1,175.4	8.5	1.7	5.2	15.4

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.2 Market risk continued

Sensitivity analysis

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

	Increase/(decrease) in profit before tax[1] at 31 December	
	2024	2023
	£m	£m
Spread		
Impact of a 100 basis points increase in spreads on financial investments[2]	**(80.5)**	(72.1)
Interest rate		
Impact of a 100 basis points increase in interest rates on financial investments and derivatives[2,3]	**(108.7)**	(62.2)
Investment property		
Impact of a 15% decrease in property markets	**(43.1)**	(41.6)

Notes:

1. These sensitivities exclude the impact of taxation and have not considered the impact of the general market changes on the value of the Group's insurance liabilities. They reflect one-off impacts at 31 December and should not be interpreted as predictions.
2. The impact on profit or loss does not reflect any fair value movement in infrastructure debt, commercial real estate loans and private placement debt securities that would not be recorded in the financial statements under IFRS 9 as they are classified as loans and receivables and private placement respectively, which are carried at amortised cost. It is estimated that a fair value reduction in these asset categories resulting from a 100 basis points increase in credit spreads would have been £10.2 million (2023: £11.7 million) and a 100 basis points increase in interest rates would have been £2.1 million (2023: £2.8 million).
3. The sensitivities set out above reflect one-off impacts at 31 December, with the exception of the statement of profit or loss interest rate sensitivity on financial investments and derivatives, which projects a movement in a full year's interest charge as a result of the increase in the interest rate applied to these assets or liabilities on those positions held at 31 December.

The Group has a number of open interest rate and foreign exchange derivative positions. Collateral management arrangements are in place for significant counterparty exposures. At 31 December 2024, the Group has pledged £8.3 million in cash (2023: £16.6 million) to cover initial margins and out-of-the-money derivative positions. At 31 December 2024, counterparties have pledged £7.6 million in cash (2023: £12.8 million in cash) to the Group to cover in-the-money derivative positions.

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

1.3.3 Credit risk

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

Counterparty default risk

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

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

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

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

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

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

The Group's maximum exposure to credit risk is represented by the carrying value of financial investments, cash and cash equivalent, the carrying value of loans and advances and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements which are settled on a net basis. In addition, the Group operates a 100% quota share reinsurance treaty on its Brokered commercial business which was sold to RSA Insurance Limited on a funds withheld basis, which substantially reduces credit risk, as the Group retains the cash received from policyholders. The Group does not use credit derivatives or similar instruments to mitigate exposure.

All financial investments held at amortised cost have been assessed for impairment using the ECL model under IFRS 9. The assessment has been made on mark to model credit ratings which would adopt similar processes to those applied by external rating agencies on corporate debt securities.

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

At 31 December 2024	Neither past due nor impaired £m	Past due 1 – 90 days £m	Past due more than 90 days £m	Carrying value in the statement of financial position £m
Reinsurance contract assets[1]	1,785.9	8.4	7.8	1,802.1
Other receivables	16.6	2.3	2.9	21.8
Derivative financial instruments	19.1	–	–	19.1
Debt securities	3,993.6	–	–	3,993.6
Infrastructure debt	188.7	–	–	188.7
Commercial real estate loans	135.5	–	–	135.5
Cash and cash equivalents[2]	1,156.0	–	–	1,156.0
Other loans	5.4	–	–	5.4
Total	**7,300.8**	**10.7**	**10.7**	**7,322.2**

At 31 December 2023	Neither past due nor impaired £m	Past due 1 – 90 days £m	Past due more than 90 days £m	Carrying value in the statement of financial position £m
Reinsurance contract assets[1]	1,340.4	5.5	0.1	1,346.0
Other receivables	32.9	2.0	0.3	35.2
Derivative financial instruments	27.4	–	–	27.4
Debt securities	3,308.7	–	–	3,308.7
Infrastructure debt	214.2	–	–	214.2
Commercial real estate loans	145.9	–	–	145.9
Cash and cash equivalents[2]	1,772.2	–	–	1,772.2
Other loans	3.1	–	–	3.1
Total	6,844.8	7.5	0.4	6,852.7

Notes:

1. Before the recognition of the £298.1 million (2023: £241.8 million) funds withheld amount associated with the quota share arrangement with RSA Insurance Limited.
2. This represents money market funds with no notice period for withdrawal and cash at bank and in hand.

The Group's maximum exposure to credit risk from insurance contract assets is £5.7 million (2023: £5.4 million). The Group's maximum exposure to credit risk from reinsurance contract assets is the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements which are settled on a net basis, being £1,487.8 million (2023: £1,098.6 million).

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.3 Credit risk continued

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

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

At 31 December 2023	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	BB+ and below £m	Not rated £m	Total £m
Corporate	56.8	152.7	1,201.6	899.6	289.2	1.5	2,601.4
Supranational	25.6	–	–	–	–	–	25.6
Local government	0.9	–	–	–	–	–	0.9
Sovereign	4.7	676.1	–	–	–	–	680.8
Total	88.0	828.8	1,201.6	899.6	289.2	1.5	3,308.7

The tables below analyse the credit quality of financial and insurance assets that are neither past due nor impaired (excluding debt securities analysed above). The tables include reinsurance exposure, after provision. The Group's approach to reinsurance counterparty default risk is detailed on page 182.

At 31 December 2024	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	BB+ and below £m	Not rated £m	**Total £m**
Reinsurance contract assets	–	343.7	1,439.7	2.4	–	0.1	**1,785.9**
Other receivables	0.2	–	1.1	–	–	15.3	**16.6**
Derivative financial instruments	–	17.6	1.5	–	–	–	**19.1**
Infrastructure debt	–	–	31.0	157.7	–	–	**188.7**
Commercial estate loans	19.8	38.0	40.4	31.6	5.7	–	**135.5**
Cash and cash equivalents[1]	1,019.3	44.7	86.3	0.9	–	4.8	**1,156.0**
Other loans	–	–	–	–	–	5.4	**5.4**
Total	**1,039.3**	**444.0**	**1,600.0**	**192.6**	**5.7**	**25.6**	**3,307.2**

At 31 December 2023	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	BB+ and below £m	Not rated £m	Total £m
Reinsurance contract assets	–	290.5	1,047.5	2.4	–	–	1,340.4
Other receivables	0.4	1.7	4.8	0.3	–	25.7	32.9
Derivative financial instruments	–	26.4	0.4	0.6	–	–	27.4
Infrastructure debt	–	–	34.5	179.7	–	–	214.2
Commercial estate loans	12.1	47.9	51.6	28.6	5.7	–	145.9
Cash and cash equivalents[1]	1,624.2	14.0	133.0	0.9	–	0.1	1,772.2
Other loans	–	–	–	–	–	3.1	3.1
Total	1,636.7	380.5	1,271.8	212.5	5.7	28.9	3,536.1

Note:

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

Debt instruments measured at amortised cost.
The table below shows the credit quality and the maximum exposure to credit risk per the Group's internal credit rating model. The amounts presented are gross of ECL allowances:

	2024			2023		
	12 month expected credit loss £m	Lifetime expected credit loss £m	**Total £m**	12 month expected credit loss £m	Lifetime expected credit loss £m	Total £m
AA+ to AA-	11.5	–	**11.5**	11.5	–	11.5
A+ to A-	16.0	–	**16.0**	16.0	–	16.0
BBB+ to BBB-	28.6	–	**28.6**	33.8	–	33.8
BB+ and below	–	–	**–**	–	10.1	10.1
Total	**56.1**	**–**	**56.1**	61.3	10.1	71.4

Loans and receivables measured at amortised cost
The table below shows the credit quality and the maximum exposure to credit risk per the Group's internal credit rating model. The amounts presented are gross of ECL allowances:

	2024			2023		
	12 month expected credit loss £m	Lifetime expected credit loss £m	**Total £m**	12 month expected credit loss £m	Lifetime expected credit loss £m	Total £m
AAA	19.8	–	**19.8**	12.1	–	12.1
AA+ to AA-	38.0	–	**38.0**	47.9	–	47.9
A+ to A-	71.5	–	**71.5**	86.2	–	86.2
BBB+ to BBB-	190.4	–	**190.4**	209.4	–	209.4
BB+ and below	–	13.3	**13.3**	–	28.9	28.9
Not rated	–	5.9	**5.9**	–	3.4	3.4
Total	**319.7**	**19.2**	**338.9**	355.6	32.3	387.9

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

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

	2024			2023		
	12 month expected credit loss	Lifetime expected credit loss	**Total**	12 month expected credit loss	Lifetime expected credit loss	Total
Carrying amount	£m	£m	**£m**	£m	£m	£m
Amortised cost as at 1 January	61.3	10.1	**71.4**	88.1	10.1	98.2
Assets derecognised or matured	(15.2)	–	**(15.2)**	(26.8)	–	(26.8)
Accrued interest capitalised	(0.1)	–	**(0.1)**	–	–	–
Transfer to 12 month ECL	10.1	(10.1)	**–**	–	–	–
Amortised cost as at 31 December	**56.1**	**–**	**56.1**	61.3	10.1	71.4

	2024			2023		
	12 month expected credit loss	Lifetime expected credit loss	**Total**	12 month expected credit loss	Lifetime expected credit loss	Total
Loss allowance	£m	£m	**£m**	£m	£m	£m
Loss allowance as at 1 January	(0.3)	(0.5)	**(0.8)**	(0.4)	(0.6)	(1.0)
Transfer to lifetime ECL	(0.5)	0.5	**–**	–	–	–
Effect of changes in assessed ECL	0.4	–	**0.4**	0.1	0.1	0.2
Loss allowance as at 31 December	**(0.4)**	**–**	**(0.4)**	(0.3)	(0.5)	(0.8)

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.3 Credit risk continued

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

	2024			2023		
	12 month expected credit loss	Lifetime expected credit loss	**Total**	12 month expected credit loss	Lifetime expected credit loss	Total
Carrying amount	£m	£m	**£m**	£m	£m	£m
Amortised cost as at 1 January	355.6	32.3	**387.9**	423.3	37.8	461.1
New assets originated or purchased	24.2	2.5	**26.7**	–	1.5	1.5
Assets derecognised or matured	(59.3)	(15.7)	**(75.0)**	(75.5)	–	(75.5)
Accrued interest capitalised	(0.8)	0.1	**(0.7)**	0.8	–	0.8
Transfer to 12 month ECL	–	–	**–**	7.0	(7.0)	–
Amortised cost as at 31 December	**319.7**	**19.2**	**338.9**	355.6	32.3	387.9

	2024			2023		
	12 month expected credit loss	Lifetime expected credit loss	**Total**	12 month expected credit loss	Lifetime expected credit loss	Total
Loss allowance	£m	£m	**£m**	£m	£m	£m
Loss allowance as at 1 January	(1.1)	(23.6)	**(24.7)**	(1.5)	(22.3)	(23.8)
New assets originated or purchased	–	(0.2)	**(0.2)**	–	–	–
Assets derecognised or matured	0.1	15.6	**15.7**	–	–	–
Transfer to lifetime ECL	–	–	**–**	(0.1)	0.1	–
Effect of changes in assessed ECL	(0.1)	–	**(0.1)**	0.5	(1.4)	(0.9)
Loss allowance as at 31 December	**(1.1)**	**(8.2)**	**(9.3)**	(1.1)	(23.6)	(24.7)

1.3.4 Operational risk

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

Change risk

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

Technology and infrastructure risk

Technology and infrastructure risk is defined as the risk of loss resulting from inadequate or failed information technology processes through strategy, design, build or run components internally or externally provisioned.

Supplier management and outsourcing risk

Procurement and outsourcing is the risk an outsourcing arrangement that is deemed critical or material failing to deliver the service provision in question to the expected levels. This includes both domestic and offshore outsourcing activities.

Cyber risk

Cyber risk arises from inadequate internal and external cyber security, where failures impact the confidentiality integrity and availability of data.

Partnership contractual obligations

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

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

Risk concentrations and management

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.

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 operational processes and systems, including prevention and detection measures. These include processes which seek to ensure the Group can absorb and/or adapt to internal or external events that could impact customer operations and the wider business, as well as to learn from these situations to improve the Group's overall risk and control systems moving forward.

1.3.5 Liquidity risk

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

The measurement and management of the 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 is required to put in place a liquidity plan which must consider expected and stressed scenarios for cash inflows and outflows that is reviewed at least annually by the Investment Committee. Compliance is monitored in respect of both the minimum standard and the regulatory requirements of the PRA.

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

At 31 December 2024	Within 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	Over 10 years £m	**Total £m**
Debt securities	937.0	1,565.4	803.6	422.9	264.7	**3,993.6**
Infrastructure debt	17.8	33.1	34.5	76.0	27.3	**188.7**
Commercial real estate loans	23.7	64.2	47.6	–	–	**135.5**
Cash and cash equivalents[1]	1,156.0	–	–	–	–	**1,156.0**
Other loans	–	5.4	–	–	–	**5.4**
Total	**2,134.5**	**1,668.1**	**885.7**	**498.9**	**292.0**	**5,479.2**

At 31 December 2023	Within 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	Over 10 years £m	Total £m
Debt securities	566.1	1,542.0	598.2	503.6	98.8	3,308.7
Infrastructure debt	20.4	32.8	41.2	81.8	38.0	214.2
Commercial real estate loans	46.5	55.5	43.9	–	–	145.9
Cash and cash equivalents[1]	1,772.2	–	–	–	–	1,772.2
Other loans	–	0.4	2.7	–	–	3.1
Total	2,405.2	1,630.7	686.0	585.4	136.8	5,444.1

Note:

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

The following table analyses the undiscounted cash flows of insurance and financial liabilities, based on the future cash flows expected to be paid out in the periods presented, and financial and other liabilities by maturity dates.

At 31 December 2024	Less than 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	Over 10 years £m	**Total £m**	Carrying value £m
Insurance contract liabilities[1]	1,446.4	1,112.7	790.7	601.5	1,686.2	**5,637.5**	3,900.0
Subordinated liabilities	10.4	20.8	20.8	286.0	–	**338.0**	259.1
Borrowings[2]	66.8	–	–	–	–	**66.8**	66.8
Trade and other payables	176.8	16.0	0.7	–	–	**193.5**	178.9
Total	**1,700.4**	**1,149.5**	**812.2**	**887.5**	**1,686.2**	**6,235.8**	**4,404.8**

At 31 December 2023	Less than 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	Over 10 years £m	Total £m	Carrying value £m
Insurance contract liabilities[1,3]	1,444.3	1,052.3	643.0	517.0	1,706.6	5,363.2	3,874.0
Subordinated liabilities	10.4	20.8	20.8	296.4	–	348.4	258.8
Borrowings[2]	82.4	–	–	–	–	82.4	82.4
Trade and other payables	157.4	6.1	0.1	–	–	163.6	163.6
Total	1,694.5	1,079.2	663.9	813.4	1,706.6	5,957.6	4,378.8

Notes:

1. Insurance contract liabilities represent the estimate of present value cash flows as disclosed in note 19.1 and are presented gross of reinsurance.
2. See note 25 for details of borrowings.
3. The 2023 Insurance contract liabilities numbers have been restated to correct a misallocation of amounts related to maturity dates.

Notes to the financial statements continued

1. Risk management continued

1.3 Principal risks from insurance activities and use of financial instruments continued

1.3.5 Liquidity risk continued

The following table analyses the undiscounted cash flows of derivative financial instruments, by contractual maturity.

At 31 December 2024	Within 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	**Total £m**	Carrying value £m
Derivative assets	19.1	–	–	–	**19.1**	19.1
Derivative liabilities	(38.7)	–	–	–	**(38.7)**	(38.7)
Total	**(19.6)**	**–**	**–**	**–**	**(19.6)**	**(19.6)**

At 31 December 2023	Within 1 year £m	1 – 3 years £m	3 – 5 years £m	5 – 10 years £m	Total £m	Carrying value £m
Derivative assets	27.6	(0.1)	(0.1)	–	27.4	27.4
Derivative liabilities	(14.4)	(1.0)	–	–	(15.4)	(15.4)
Total	13.2	(1.1)	(0.1)	–	12.0	12.0

1.4 Capital management

Group Capital

At 31 December 2024, the Group's capital position was comprised of shareholders' equity of £2,137.9 million (31 December 2023: £2,058.2 million) and Tier 1 notes of £346.5 million (31 December 2023: £346.5 million). In addition, the Group's consolidated statement of financial position also included £259.1 million of subordinated loan capital (31 December 2023: £258.8 million) which is classified as Tier 2 for Solvency II purposes.

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

Solvency balance sheet management

The Group manages capital in accordance with the Group's capital management minimum standard, the aims of which are to manage capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, credit rating agency and policyholder requirements. 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 capital 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 capital ratio above this level.

At 31 December 2024, the Group's (unaudited) solvency capital ratio, post dividends, was 195% (31 December 2023: 188%[1]). Further details on the Group's capital position is included in the Group financial performance section of the Strategic Report

Capital adequacy

The Group's regulatory capital position is assessed against the Solvency II framework. From 1 July 2016, the Group gained approval to assess its SCR using a partial internal model, including a full internal model for the U K Insurance Limited underwriting entity. The model is calibrated to a 99.5% confidence interval and considers business written to date and one year of future written business over a one-year time horizon, in line with Solvency II requirement, as modified by the PRA's 2024 reforms.

During the year, the Group and its regulated entities complied with all external capital requirements.

Using the Group's partial internal model, there is a capital surplus of approximately £1.11 billion above an estimated SCR of £1.16 billion as at 31 December 2024 (31 December 2023: £1.00 billion and £1.13 billion respectively). The Group's capital requirements and solvency position are produced and presented to the Board on a regular basis. The Solvency II capital regime requires insurers to calculate regulatory capital adequacy at both individual regulated subsidiaries and an aggregate Group level. This information is estimated and is therefore subject to change. This paragraph is unaudited.

Note:

1. During the Group's half year results preparation, a miscalculation has been identified within the Group's audited 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 was 197%). The Group has taken action to strengthen the control environment in relation to the specific area where the miscalculation occurred.

2. Segmental information

The chief operating decision maker, being the Chief Executive Officer, regularly reviews the operating results at the segmental level as described below and disclosed in the tables in this note to assess performance and make decisions about allocation of resources. During 2024, the Group redefined its operating segments following changes in management responsibilities and its decision to exit or stop investing in Non-core businesses. The redefined segments are detailed below. Data relating to previous periods has been re-presented to reflect these changes.

Ongoing operations

Motor

This segment consists of personal Motor insurance together with the associated legal protection cover. 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.

Non-Motor

Non-Motor includes three primary businesses: Home insurance, Rescue products and Commercial insurance for small and micro-sized enterprises.

- Home insurance: 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 products: 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.
- Commercial Insurance: 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.

Non Ongoing Operations

The Group has aggregated the results of the Brokered commercial business and the non-core and run-off businesses and excluded them from its ongoing results. All relevant comparatives have been restated and the segmental analysis has been amended to reflect the changes. Results relating to ongoing operations are clearly labelled. The profit/(loss) before restructuring and one-off costs relating to the Brokered commercial business and non-core and run-off businesses in 2024 was £33.9 million profit and £5.3 million profit (2023: £50.0 million profit and £25.0 million loss respectively).

Brokered commercial business

On 6 September 2023 the Group announced the sale of its Brokered commercial insurance business to Royal & Sun Alliance Insurance Limited ("**RSAI**"). Under the terms of the agreement, the Group has retained the back book of the business written and earned prior to 1 October 2023 (the "**Risk Transfer Date**"). Business written or earned on or subsequent to the Risk Transfer Date is subject to a quota share reinsurance arrangement between the two companies with RSAI as the reinsurer. The parties are working towards a Part VII transfer relating to the policies dealt with under the quota-share reinsurance arrangement, as envisaged in the agreements entered into on 6 September 2023.

Non-core and Run-off

Non-core and Run-off includes the following Other Personal Lines insurance: Travel and Pet, which are sold directly to customers through Direct Line and Churchill brands; Select, which targets mid- to high-net worth customers and is sold through Direct Line and partnership brands; and Creditor, which is closed to new business with renewal policies written under the UKI brands. The Group has now exited all Run-off Rescue and Travel partnerships.

Inter-segmental transactions

Where inter-segment transactions occur, transfer prices between operating segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation. Inter-segment revenue between segments was not material.

For each operating segment, there are no individual policyholders or customers that represent 10% or more of the Group's total revenue.

Restructuring and one-off costs

Restructuring costs are costs incurred in respect of those business activities which have a material effect on the nature and focus of the Group's operations. One-off costs are costs that are non-recurring in nature. These costs have not been allocated between business segments as they relate to the business as a whole.

Notes to the financial statements continued

2. Segmental information continued

Group results and assets and liabilities by segment

The table below analyses the Group's revenue and results by reportable segment for the year ended 31 December 2024, and the Group's assets and liabilities by reportable segment[3] at 31 December 2024.

	Motor	Non-Motor	Total Group - ongoing operations[1]	Brokered commercial business[1]	Non-core and Run-off[1]	Restructuring and one-off costs[1,2]	Total Group
	£m	£m	£m	£m	£m		£m
Statement of profit or loss							
Insurance revenue	2,739.0	1,020.9	3,759.9	620.4	186.7	–	4,567.0
Insurance service expenses	(2,669.9)	(868.3)	(3,538.2)	(470.2)	(172.6)	(4.0)	(4,185.0)
Net expense from reinsurance contracts held	(49.8)	(67.3)	(117.1)	(135.2)	(7.3)	–	(259.6)
Insurance service result	19.3	85.3	104.6	15.0	6.8	(4.0)	122.4
Investment return	191.2	38.1	229.3	40.6	2.4	–	272.3
Net finance income/(expense) from insurance contracts issued	12.1	(15.4)	(3.3)	(15.0)	(2.7)	–	(21.0)
Net finance income/(expense) from reinsurance contracts held	(14.2)	2.0	(12.2)	(8.3)	0.3	–	(20.2)
Investment return and net insurance finance result	189.1	24.7	213.8	17.3	–	–	231.1
Other operating income	0.6	17.2	17.8	1.3	1.2	–	20.3
Other operating expenses	(2.0)	(16.8)	(18.8)	0.3	(2.7)	(114.1)	(135.3)
Profit/(loss) before other finance costs	207.0	110.4	317.4	33.9	5.3	(118.1)	238.5
Loss on disposal of business							(4.7)
Other finance costs							(15.4)
Profit before tax							218.4
Assets							
Goodwill	134.0	74.5	208.5	–	–		208.5
Assets held for sale	7.7	2.0	9.7	2.0	0.4		12.1
Other segment assets	4,468.2	1,280.9	5,749.1	891.1	126.5		6,766.7
Reinsurance contract assets	1,136.1	55.4	1,191.5	608.9	1.7		1,802.1
Insurance contract assets	–	–	–	–	5.7		5.7
Total segment assets	5,746.0	1,412.8	7,158.8	1,502.0	134.3		8,795.1
Liabilities							
Reinsurance contract liabilities	(58.6)	(5.9)	(64.5)	(484.0)	(1.0)		(549.5)
Insurance contract liabilities	(3,338.8)	(927.6)	(4,266.4)	(718.5)	(102.0)		(5,086.9)
Other segment liabilities	(442.7)	(122.9)	(565.6)	(95.2)	(13.5)		(674.3)
Total segment liabilities	(3,840.1)	(1,056.4)	(4,896.5)	(1,297.7)	(116.5)		(6,310.7)
Segment net assets	1,905.9	356.4	2,262.3	204.3	17.8		2,484.4

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
2. The Group incurred £118.1 million of restructuring and one-off costs in 2024, which were a result of several items including cost out and control initiatives, non-cash impairments, as well as work carried out in relation to the takeover approach from Ageas NV and the offer from Aviva plc.
3. This segmental analysis is prepared using a combination of asset and liability balances directly attributable to each operating segment and an apportionment of assets and liabilities managed at a Group-wide level. This does not represent the Group's view of the capital requirements for its operating segments.

The table below analyses the Group's revenue and results by reportable segment for the year ended 31 December 2023, and the Group's assets and liabilities by reportable segment[4] at 31 December 2023 (restated[1]).

	Motor	Non-Motor	**Total Group - ongoing operations[2]**	Brokered commercial business[1]	Non-core and Run-off[2]	Restructuring and one-off costs[3]	**Total Group**
	£m	£m	**£m**	£m	£m	£m	**£m**
Statement of profit or loss							
Insurance revenue	1,805.4	919.2	**2,724.6**	600.8	276.3	–	**3,601.7**
Insurance service expenses	(2,145.2)	(768.6)	**(2,913.8)**	(564.3)	(303.4)	(24.8)	**(3,806.3)**
Net expense from reinsurance contracts held	8.2	(31.0)	**(22.8)**	(22.6)	(1.4)	–	**(46.8)**
Insurance service result	**(331.6)**	**119.6**	**(212.0)**	**13.9**	**(28.5)**	**(24.8)**	**(251.4)**
Investment return	179.3	56.8	**236.1**	59.0	7.9	–	**303.0**
Net finance income/(expense) from insurance contracts issued	(146.2)	(22.3)	**(168.5)**	(21.9)	(3.4)	–	**(193.8)**
Net finance income/(expense) from reinsurance contracts held	25.5	1.9	**27.4**	0.4	0.2	–	**28.0**
Investment return and net insurance finance result	**58.6**	**36.4**	**95.0**	**37.5**	**4.7**	**–**	**137.2**
Other operating income	4.2	16.4	**20.6**	0.4	0.8	–	**21.8**
Other operating expenses	(5.6)	(15.5)	**(21.1)**	(1.8)	(2.0)	(34.7)	**(59.6)**
Profit/(Loss) before other finance costs	**(274.4)**	**156.9**	**(117.5)**	**50.0**	**(25.0)**	**(59.5)**	**(152.0)**
Gain on disposal of business							**443.9**
Other finance costs							**(14.5)**
Profit before tax							**277.4**
Assets							
Goodwill	134.0	74.5	**208.5**	–	–		**208.5**
Assets held for sale	8.7	2.5	**11.2**	2.3	0.4		**13.9**
Other segment assets	4,356.6	1,212.8	**5,569.4**	1,059.6	214.4		**6,843.4**
Reinsurance contract assets	1,076.4	61.0	**1,137.4**	203.6	5.0		**1,346.0**
Insurance contract assets	–	–	**–**	–	5.4		**5.4**
Total segment assets	**5,575.7**	**1,350.8**	**6,926.5**	**1,265.5**	**225.2**		**8,417.2**
Liabilities							
Reinsurance contract liabilities	(16.9)	(8.4)	**(25.3)**	(89.6)	(1.7)		**(116.6)**
Insurance contract liabilities	(3,305.9)	(892.7)	**(4,198.6)**	(866.0)	(174.2)		**(5,238.8)**
Other segment liabilities	(415.1)	(112.1)	**(527.2)**	(108.7)	(21.2)		**(657.1)**
Total segment liabilities	**(3,737.9)**	**(1,013.2)**	**(4,751.1)**	**(1,064.3)**	**(197.1)**		**(6,012.5)**
Segment net assets	**1,837.8**	**337.6**	**2,175.4**	**201.2**	**28.1**		**2,404.7**

Notes:

1. 2023 balances are re-presented to reflect changes in operating segments (see explanation on page 189)
2. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
3. The Group incurred £59.5 million of restructuring and one-off costs in 2023, which were predominantly driven by work carried out in relation to the Group's two past business reviews, cost efficiency initiatives and impairments.
4. This segmental analysis is prepared using a combination of asset and liability balances directly attributable to each operating segment and an apportionment of assets and liabilities managed at a Group-wide level. This does not represent the Group's view of the capital requirements for its operating segments.

Notes to the financial statements continued

3. Insurance service result

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

	2024 £m	2023 £m
Insurance revenue	**4,567.0**	3,601.7
Insurance service expenses		
Incurred claims and other claims expenses	**(3,360.4)**	(2,817.5)
Past service – incurred claims	**82.5**	(80.9)
Other directly attributable expenses[1]	**(907.1)**	(907.9)
Total insurance service expenses	**(4,185.0)**	(3,806.3)
Allocation of reinsurance premiums paid	**(1,439.6)**	(470.2)
Insurance claims recoverable from reinsurance contracts held		
Claims recoveries	**1,232.3**	495.7
Past service – claim recoveries	**(85.0)**	(63.1)
Other directly attributable expenses[2]	**30.8**	(3.4)
Effect of non-performance risk of reinsurers	**1.9**	(5.8)
Total amounts recoverable from reinsurance contracts held	**1,180.0**	423.4
Total insurance service result	**122.4**	(251.4)

Notes:

1. This includes insurance acquisition expenses of £233.0 million (2023: £292.3 million) which are fully expensed at initial recognition in accordance with the Group's accounting policy and do not form part of the liability for remaining coverage.
2. This includes expenses recoverable under the reinsurance arrangement in place for the Brokered commercial business.

4. Insurance finance result

This note analyses the Group's finance result, including its insurance and reinsurance finance income/(expenses) in profit or loss and other comprehensive income.

	2024 £m	2023 £m
Amounts recognised in profit or loss		
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
Other interest and similar income	**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 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 gains/(losses) on investment property	**6.6**	(1.9)
Net credit impairment gains/(losses) on financial investments	**0.2**	(0.7)
Investment return	**272.3**	303.0
Insurance finance expense from insurance contracts issued:		
Interest accreted to insurance contracts using current financial assumptions	**(21.0)**	(193.8)
Reinsurance finance (expense)/income from reinsurance contracts held:		
Interest accreted to reinsurance contracts using current financial assumptions	**(20.2)**	28.0
Insurance and reinsurance finance expenses	**(41.2)**	(165.8)
Total investment return, insurance and reinsurance finance expenses	**231.1**	137.2
Amounts recognised in other comprehensive income		
Net fair value gains on equity investments measured at fair value through other comprehensive income	**1.6**	2.7

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

	2024 £m	2023 £m
Gains/(losses) on foreign exchange hedging:		
Foreign exchange forward contracts[1]	**(11.5)**	43.0
Associated foreign exchange risk	**11.5**	(48.5)
Total gains/(losses) on foreign exchange hedging	**–**	(5.5)
Interest rate swaps:		
Gains/(losses) on interest rate swaps[1]	**6.5**	(0.9)
Total gains/(losses) on foreign exchange hedging and interest rate hedging instruments	**6.5**	**(6.4)**

Note:

1. Foreign exchange forward contracts and interest rate swaps are measured at fair value through the statement of profit or loss.

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

Notes to the financial statements continued

5. Other operating expenses

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

	2024 £m	2023 £m
Non-directly attributable IT and other operating expenses	**92.5**	33.4
Non-directly attributable staff expenses	**17.9**	15.7
Impairment of intangible and fixed assets	**24.9**	10.5
Total other operating expenses	**135.3**	59.6

Other operating expenses include 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.

6. Employee information

This note shows where the Group's staff are employed, their aggregate remuneration, analyses Directors' emoluments and the Group's share-based payments obligations.

The table below analyses the number of people employed by the Group's operations.

	At 31 December		Average for the year	
	2024	2023	2024	2023
Insurance operations	**5,941**	7,015	**6,480**	6,743
Repair centre operations	**1,709**	1,715	**1,731**	1,620
Support	**1,403**	1,401	**1,390**	1,321
Total	**9,053**	10,131	**9,601**	9,684

The aggregate remuneration of those employed by the Group's operations comprised:

	2024 £m	2023 £m
Wages and salaries	**452.4**	421.4
Social security costs	**55.6**	47.7
Pension costs	**30.6**	28.7
Share-based payments	**14.6**	13.9
Total	**553.2**	511.7

Of the total aggregate remuneration, £17.9 million (2023: £15.7 million) relates to other operating expenses with the remainder included in note 3, in the insurance service result, as part of other directly attributable expenses.

Aggregate Directors' emoluments

The table below analyses the total amount of Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations.

	2024 £m	2023 £m
Salaries, fees, bonuses and benefits in kind	**3.9**	3.7
Gains on exercise of share options	**2.1**	0.3
Total	**6.0**	4.0

Further information about the remuneration of individual current Directors is provided in the Directors' Remuneration Report.

At 31 December 2024, no Directors (2023: no Directors) had retirement benefits accruing under the defined contribution pension scheme in respect of qualifying service. During the year ended 31 December 2024, two Directors exercised share options (2023: one Director).

Shared-based payments

The Group operates equity-settled, share-based compensation plans in the form of a Long-Term Incentive Plan ("**LTIP**"), a Restricted Shares Plan, a Deferred Annual Incentive Plan ("**DAIP**") and Direct Line Group Share Incentive Plans, including both the Free Share awards and a Buy-As-You-Earn Plan, details of which are set out below. All awards are to be satisfied using market-purchased shares.

Long-Term Incentive Plan

Executive Directors and certain members of senior management are eligible to participate in the LTIP with awards granted in the form of nil-cost options. Under the plan, the shares vest at the end of a three-year period dependent upon continued employment by the Group and also the Group achieving predefined performance conditions associated with total shareholder return ("**TSR**"), return on tangible equity ("**RoTE**"), from 2022 emissions, from 2023 operating earnings per share ("**Operating EPS**") and from 2024 expenses ratio. The Executive Directors are subject to an additional two-year holding period following the three-year vesting period.

An award was made in the year ended 31 December 2024 of 8.1 million Ordinary Shares with an estimated fair value of £15.4 million at the 2024 grant date (2023: 8.0 million Ordinary Shares with an estimated fair value of £10.9 million).

The estimated fair value of the LTIP share awards with market-based performance conditions was calculated using a Monte Carlo simulation model. The table below details the inputs into the model:

	2024	2023
Weighted average assumptions during the year:		
Share price (pence)	180	139
Exercise price (pence)	0	0
Volatility of share price	40%	32%
Average comparator volatility	33%	35%
Expected life	2 years	3 years
Risk-free rate	3.78 %	3.54%

Expected volatility was determined by considering the actual volatility of the Group's share price since its initial public offering and that of a group of listed UK insurance companies.

Plan participants are entitled to receive additional shares in respect of dividends paid to shareholders over the vesting period. Therefore, no deduction has been made from the fair value of awards in respect of dividends.

Expected life was based on the contractual life of the awards and adjusted based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

Restricted Shares Plan

The purpose of the Restricted Shares Plan is to facilitate the wider participation in Group share-based awards of eligible employees. These awards can be granted in the form of a nil-cost option at any time during the year, generally have no performance criteria, and vest over periods ranging up to seven years from the date of the grant, subject to continued employment. During the year awards were made of 5.8 million Ordinary Shares (2023: 7.8 million Ordinary Shares) with an estimated fair value of £11.1 million (2023: £11.6 million) using the market value at the date of grant.

Deferred Annual Incentive Plan

To incentivise delivery of performance over a one-year operating cycle, Executive Directors and certain members of senior management are eligible for awards under the Annual Incentive Plan ("**AIP**"), of which at least 40% is granted in the form of a nil-cost option under the DAIP with the remainder being settled in cash following year end. During the year awards were made of 0.1 million Ordinary shares (2023: No Ordinary Shares) with an estimated fair value of £0.1 million using the market value at the date of grant.

The awards outstanding at 31 December 2024 have no performance criteria attached; there is a requirement that the employee remains in employment with the Group for three years from the date of grant.

Direct Line Group Share Incentive Plans

No free share awards have been granted to eligible employees since 2021.

The Buy-As-You-Earn Plan entitles employees to purchase shares from pre-tax pay for between £10 and £150 per month and receive one nil-cost matching share for every two shares purchased.

In the year ended 31 December 2024, matching share awards were granted of 0.8 million Ordinary Shares (2023: 1.0 million Ordinary Shares) with an estimated fair value of £1.4 million (2023: £1.7 million). The fair value of each matching share award is estimated using the market value at the date of grant.

Under the plan, the shares vest at the end of a three-year period dependent upon continued employment with the Group together with continued ownership of the associated purchased shares up to the point of vesting.

Notes to the financial statements continued

6. Employee information continued

Movement in total share awards

	Number of share awards	
	2024	2023
	millions	millions
At 1 January	**34.0**	28.7
Granted during the year	**14.0**	13.5
Additional awards in respect of the equivalent dividend	**0.8**	3.3
Forfeited during the year	**(6.8)**	(8.1)
Exercised during the year	**(7.1)**	(3.4)
At 31 December	**34.9**	34.0
Exercisable at 31 December	**4.1**	3.8

In respect of the outstanding options at 31 December 2024, the weighted average remaining contractual life is 1.52 years (2023: 1.50 years). No share awards expired during the year (2023: nil).

The weighted average share price for awards exercised during the year ended 31 December 2024 was £1.99 (2023: £1.63).

The Group recognised total expenses in the year ended 31 December 2024 of £14.6 million (2023: £13.9 million) relating to equity-settled share-based compensation plans.

The Share-based payment reserve within Retained earnings at 31 December 2024 was £7.4 million (2023: £5.6 million).

Further information on share-based payments, in respect of Executive Directors, is provided in the Directors' Remuneration Report.

7. Auditors remuneration

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

	2024	2023
	£m	£m
Fees payable for the audit of:		
The Company's annual accounts	**0.4**	0.5
The Company's subsidiaries	**3.2**	3.3
Total audit fees	**3.6**	3.8
Audit-related assurance services[1]	**0.5**	0.4
Other assurance services	**–**	0.2
Non-audit services[1]	**–**	1.6
Total[2]	**4.1**	6.0

Notes:

1. Fees of £0.5 million for audit-related assurance services have been provided in 2024 (2023: £0.4 million) in respect of reporting accountant services. Fees of £40,000 for non-audit services have been incurred in 2024 (2023: £1.6 million) relating to agreed upon procedures.
2. Total audit fees, excluding VAT.

8. Other finance costs

This note analyses the Group's interest and other finance costs on its subordinated debt and interest expense on its lease liabilities.

	2024	2023
	£m	£m
Interest expense on subordinated liabilities	**10.5**	10.5
Amortisation of arrangement costs, discount on issue and fair value hedging adjustment of subordinated liabilities	**0.3**	0.2
Interest expense on lease liabilities	**4.6**	3.8
Total	**15.4**	14.5

9. (Loss)/gain on disposal of business

On 6 September 2023, the Group announced that it had entered into an agreement with RSAI, a wholly-owned subsidiary of Intact Financial Corporation, to dispose of its Brokered commercial business. For further details of the transaction see the Annual Report & Accounts 2023. During the year an additional amount of £4.7 million has been provided for relating to additional transaction costs.

There is potential for further consideration of up to £30 million contingent upon certain earn-out provisions relating to the financial performance of the business. At 31 December 2024, based on a probability-weighted average of scenario analysis of the estimated future profitability of the contracts, no contingent consideration has been recognised.

The operations of the Brokered commercial business have not been classified as discontinued operations since they do not represent a separate major line of business or geographical operations.

The table below summarises the pre-tax (loss)/gain on disposal recognised.

	2024 £m	2023 £m
Cash consideration	–	520.0
Less: Net assets disposed of	–	(6.3)
Transaction cost	**(4.7)**	(50.3)
Assets written-off and impaired as part of disposal	–	(19.5)
(Loss)/gain on disposal – pre-tax impact	**(4.7)**	443.9

10. Tax charge

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

	2024 £m	2023 £m
Current taxation:		
Charge for the year	**54.9**	24.3
Over-provision in respect of prior period	**(4.4)**	(2.6)
	50.5	21.7
Deferred taxation (note 20)		
Charge for the year	**3.5**	29.5
Under-provision for the year-provision in respect of prior year	**1.8**	3.3
	5.3	32.8
Current taxation	**50.5**	21.7
Deferred taxation (note 20)	**5.3**	32.8
Tax charge for the year	**55.8**	54.5

The following table analyses the difference between the actual income tax charge and the expected income tax charge computed by applying the standard rate of corporation tax of 25.0% (2023: 23.5%[1]).

	2024 £m	2023 £m
Profit for the year	**218.4**	277.4
Expected tax charge	**54.6**	65.2
Effects of:		
Previously unrecognised capital losses now offset against capital gains	–	(12.4)
Disallowable expenses	**8.1**	3.7
Non-taxable items	**(0.3)**	(0.1)
Movement in deferred tax asset/liability not recognised	**0.2**	(0.1)
Effect of change in corporation taxation rate[1]	–	0.2
(Over)/under-provision in respect of prior year	**(2.6)**	0.7
Revaluation of property	–	1.2
Deductible Tier 1 notes coupon payment in equity	**(4.2)**	(3.9)
Tax charge for the year	**55.8**	54.5
Effective income tax rate	**25.5%**	19.6%

Notes:

1. In the Finance Act 2021, the UK Government enacted, on 10 June 2021, an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023. As a consequence closing deferred tax assets and liabilities were recognised at the tax rates expected to apply when the temporary differences reversed. The impact of these changes on the tax charge for the year is set out in the table above.
2. The Group is within the scope of the OECD Pillar Two Model rules and Pillar two legislation has been enacted in the UK with effect from 1 January 2024. However, in line with the position previously expressed, there is no expectation of any exposure to Pillar Two Top-up Taxes and accordingly no accrual has been recorded in these 2024 Financial Statements.
3. The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the financial statements continued

11. Dividends and appropriations

This note analyses the total dividends and Tier 1 coupon payments paid during the year, as set out in the table below. Details are also provided for the year's final dividend for the year, which is not accrued in the financial statements and are excluded from the table's totals.

	2024 £m	2023 £m
Amounts recognised as distributions to equity holders in the period:		
2024 interim dividend of 2.0 pence per share paid on 11 October 2024	**26.1**	–
2023 final dividend of 4.0 pence per share paid on 17 May 2024	**52.1**	–
	78.2	–
Coupon payments in respect of Tier 1 notes	**16.6**	16.6
	94.8	16.6
Proposed dividends:		
2023 final dividend of 4.0 pence per share		52.0
2024 final dividend of 5.0 pence per share	**65.1**	–

Note:

1. Coupon payments on the Tier 1 notes issued in December 2017 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

The proposed final dividend for 2024 has not been included as a liability in these financial statements.

The trustees of the employee share trusts waived their entitlement to dividends on shares held to meet obligations arising on the Long-Term Incentive Plan, Deferred Annual Incentive Plan and Restricted Share Plan awards, which reduced the total dividends paid for the year ended 31 December 2024 by £0.6 million. No dividends were paid or proposed during the year ended 31 December 2023.

12. Earnings per share

Earnings per share is calculated by dividing earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the year.

Basic earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares, adjusted for the dilutive potential Ordinary Shares. The Company has share options and contingently issuable shares as categories of dilutive potential Ordinary Shares. All awards are to be satisfied using market-purchased shares.

	2024 £m	2023 £m
Earnings attributable to the owners of the Company	**162.6**	222.9
Coupon payments in respect of Tier 1 notes	**(16.6)**	(16.6)
Profit for the calculation of earnings per share	**146.0**	206.3
Weighted average number of Ordinary Shares in issue for the purpose of basic earnings per share (millions)	**1,300.6**	1,299.0
Effect of dilutive potential of share options and contingently issuable shares (millions)	**19.5**	17.3
Weighted average number of Ordinary Shares for the purpose of diluted earnings per share (millions)	**1,320.1**	1,316.3
Basic earnings per share (pence)	**11.2**	15.9
Diluted earnings per share (pence)	**11.1**	15.7

13. Net asset value per share and net tangible asset value per share

Net asset value per share is calculated as total shareholders' equity (which excludes Tier 1 notes) divided by the number of Ordinary Shares at the end of the period excluding shares held by employee share trusts.

Tangible net asset value per share is calculated as total shareholders' equity less goodwill and other intangible assets divided by the number of Ordinary Shares at the end of the period, excluding shares held by employee share trusts.

The table below analyses net asset and tangible net asset value per share:

	2024 £m	2023 £m
Net assets	**2,137.9**	2,058.2
Goodwill and other intangible assets[1]	**(776.3)**	(818.6)
Tangible net assets	**1,361.6**	1,239.6
Number of Ordinary Shares (millions)	**1,311.4**	1,311.4
Shares held by employee trusts (millions)	**(10.4)**	(13.7)
Closing number of Ordinary Shares (millions)	**1,301.0**	1,297.7
Net asset value per share (pence)	**164.3**	158.6
Tangible net asset value per share (pence)	**104.7**	95.5

Note:

1. Goodwill has arisen on acquisition by the Group of subsidiary companies and on acquisition of new accident repair centres. Other intangible assets primarily comprise software development costs.

14. Return on equity

The return on equity is calculated by using earnings attributable to the owners of the Company divided by the average shareholders' equity for the year. The average shareholders' equity for the year is the mean average of the opening and closing shareholders' equity.

The table below details the calculation of return on equity:

	2024 £m	2023 £m
Earnings attributable to the owners of the Company	**162.6**	222.9
Coupon payments in respect of Tier 1 notes	**(16.6)**	(16.6)
Profit for the calculation of return on equity	**146.0**	206.3
Opening shareholders' equity	**2,058.2**	1,845.3
Closing shareholders' equity	**2,137.9**	2,058.2
Average shareholders' equity	**2,098.1**	1,951.8
Return on equity	**7.0%**	10.6%

Notes to the financial statements continued

15. Goodwill and other intangible assets

This note analyses the changes to the carrying amounts of goodwill and other intangible assets during the year and details the results of impairment testing on goodwill.

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2023	215.0	1,218.8	1,433.8
Acquisitions and additions	3.6	124.1	127.7
Disposals and write-off[1]	(10.1)	(14.1)	(24.2)
At 31 December 2023	208.5	1,328.8	1,537.3
Acquisitions and additions	**–**	**93.2**	**93.2**
Disposals and write-off	**–**	**–**	**–**
At 31 December 2024	**208.5**	**1,422.0**	**1,630.5**
Accumulated amortisation and impairment			
At 1 January 2023	–	611.6	611.6
Amortisation charge for the year	–	100.6	100.6
Disposals and write-off[1]	–	(8.1)	(8.1)
Impairment losses[2]	–	14.6	14.6
At 31 December 2023	–	718.7	718.7
Amortisation charge for the year	**–**	**112.5**	**112.5**
Disposals and write-off	**–**	**–**	**–**
Impairment losses[2]	**–**	**23.2**	**23.2**
At 31 December 2024	**–**	**854.2**	**854.2**

Carrying amount			
At 31 December 2024	**208.5**	**567.8**	**776.3**
At 31 December 2023	208.5	610.1	818.6

Notes:

1. Disposals and write-off of goodwill in 2023 arose from the sale of the Brokered commercial business. The sale of the Brokered commercial business is detailed further in note 9. Disposals and write-off of other intangible assets include fully amortised intangible assets no longer utilised by the Group in its operating activities.
2. Impairment losses in 2024 relate to capitalised software development costs for ongoing IT projects primarily relating to development of new systems, and intangible assets no longer utilised by the Group in its operating activities. Of this amount, £23.2 million (2023: £5.4 million) is included within Other operating expenses and £nil (2023: £9.2 million) is included within (Loss)/gain on disposal of business.

Goodwill

Goodwill arose on the acquisitions of U K Insurance Limited (£141.0 million), Churchill Insurance Company Limited (£70.0 million), By Miles Group Limited (£2.7 million) and accident repair networks (£4.9 million), offset with the disposal of the Brokered commercial business (£10.1 million).

Goodwill is allocated to a CGU or group of CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose and represents the lowest level at which goodwill is monitored for internal management purposes, being the reportable segments (note 2).

Other intangible assets

Included within other intangible assets are assets still under development of £26.4 million (2023: £100.8 million). The decrease of £74.4 million is primarily due to the building of a new Home platform and development of new capabilities for the Group's Motor platform which is now in use. Assets under development at 31 December 2024 relate mainly to finance and core technology projects which are expected to be ready for use in 2025. These assets are tested for impairment during the Group's annual impairment review at each reporting date.

Other intangible assets relate mainly to internally generated software. For year ended 31 December 2024, other intangible assets additions, which are internally generated, are £92.7 million (2023: £122.8 million).

Impairment assessments

The Group's testing for impairment of goodwill and intangible assets includes the comparison of the recoverable amount of each CGU or group of CGUs to which goodwill and other intangible assets have been allocated with its carrying value and is updated annually for goodwill, at each reporting date for other intangibles, and whenever there are indications of impairment.

A segment-level summary of the goodwill allocation is presented below:

	2024	2023[*]
	£m	£m
Motor	**134.0**	134.0
Non-Motor	**74.5**	74.5
Total	**208.5**	208.5

There is no goodwill impairment for the year ended 31 December 2024 (2023: £nil).

Goodwill is tested for impairment by comparing the carrying value of the CGU or group of CGUs to which the goodwill relates to the recoverable value of those CGUs. The recoverable amount is the value in use of the CGUs unless otherwise stated.

Value in use and sensitivity analysis

Value in use is calculated as the discounted value of expected future profits of each business, using the Group's strategic plan covering a three year period. The long-term growth rates have been based on gross domestic product rates adjusted for inflation. The risk discount rates incorporate observable market long-term government bond yields and average industry betas adjusted for an appropriate risk premium based on independent analysis.

Key assumptions used in the value in use calculation and sensitivity information on the key assumptions are presented below:

	Assumptions				Change to key assumptions needed to reduce headroom to nil			
	2024		2023[1]					
	Terminal growth rate	Pre-tax discount rate	Terminal growth rate	Pre-tax discount rate	Headroom under key assumptions	Reduction to future profits in the Groups strategic plan	Reduction in terminal growth rate	Increase in pre-tax discount rate
Segment	%	%	%	%	£m	%	% (abs)	% (abs)
Motor	**1.5**	**14.1**	1.5	11.4	833.2	30.2	7.2	5.0
Non-Motor	**1.5**	**14.0**	1.5	11.4	1,372.1	81.4	n/a[2]	47.2

Notes:

1. Re-presented to reflect segmental changes.
2. No change in this metric could reduce the headroom to nil.

Management considers that no reasonably possible changes to the key assumptions would reduce a CGU's headroom to £nil.

16. Property, plant and equipment

This note analyses the Group's property, plant and equipment.

	Land and buildings	Other equipment	Total
	£m	£m	£m
Cost			
At 1 January 2023	36.9	174.2	211.1
Acquisition of subsidiary	–	2.7	2.7
Additions	–	18.9	18.9
Disposals	–	(8.8)	(8.8)
At 31 December 2023	36.9	187.0	223.9
Additions	–	13.2	13.2
Disposals	–	(7.6)	(7.6)
At 31 December 2024	**36.9**	**192.6**	**229.5**
Accumulated depreciation and impairment			
At 1 January 2023	4.6	122.8	127.4
Depreciation charge for the year	0.5	10.5	11.0
Disposals	–	(6.1)	(6.1)
At 31 December 2023	5.1	127.2	132.3
Depreciation charge for the year	**0.5**	**11.3**	**11.8**
Disposals	**–**	**(7.3)**	**(7.3)**
At 31 December 2024	**5.6**	**131.2**	**136.8**
Carrying amount			
At 31 December 2024	**31.3**	**61.4**	**92.7**
At 31 December 2023	31.8	59.8	91.6

The Group is satisfied that the aggregate fair value of property, plant and equipment is not less than its carrying value.

Notes to the financial statements continued

17. Lease assets and liabilities

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

The following table analyses the right-of-use assets relating to property and motor vehicles:

	Property £m	Motor vehicles £m	Total £m
Cost			
At 1 January 2023	121.0	9.6	130.6
Additions	30.9	5.5	36.4
Disposals	(6.9)	(5.0)	(11.9)
At 31 December 2023	145.0	10.1	155.1
Additions	**11.4**	**8.8**	**20.2**
Disposals	**(4.7)**	**(1.0)**	**(5.7)**
At 31 December 2024	**151.7**	**17.9**	**169.6**
Accumulated depreciation and impairment			
At 1 January 2023	51.3	6.3	57.6
Depreciation charge for the year	9.1	2.8	11.9
Disposals	(5.8)	(4.7)	(10.5)
At 31 December 2023	54.6	4.4	59.0
Depreciation charge for the year	**9.8**	**5.5**	**15.3**
Disposals	**(4.7)**	**(1.0)**	**(5.7)**
At 31 December 2024	**59.7**	**8.9**	**68.6**
Carrying amount			
At 31 December 2024	**92.0**	**9.0**	**101.0**
At 31 December 2023	90.4	5.7	96.1

The weighted average contract duration at inception for Property is 20 years, and for Motor vehicles is three years.

Operating lease commitments where the Group is the lessor

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

	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[1,2]	**151.7**	128.4

Notes:

1. In the table above, the amounts disclosed for year ended 31 December 2024 exclude total future aggregate minimum lease payments receivable of £0.2 million (2023: £0.1 million) which relate to leases to third-party tenants on properties the Group has classified as assets held for sale.
2. At year ended 31 December 2024: £150.0 million of the total operating lease commitments where the Group is the lessor relates to the lease of investment properties detailed in note 18 (2023: £126.5 million).

The Group's investment properties portfolio consists of 18 (2023: 18) properties in total, all based in the UK with exposure predominantly to the South of England operating in the following sectors; retail, retail warehouse, supermarkets, industrial, hotels and alternative sectors.

The investment properties are leased to tenants under operating leases with rental income for the majority paid a quarter in advance with an average unexpired lease to expiry (including break clauses and tenants currently in rent free periods) of 9.9 years (2023: 9.8 years). 55% (2023: 49%) of rental income is RPI/index linked.

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

Other lease disclosures

The following table analyses the amounts that have been included in the consolidated statement of profit or loss for leases:

	31 Dec 2024 £m	31 Dec 2023 £m
Depreciation of ROU assets	15.3	11.9
Loss on disposal of leases	–	1.4
Interest on lease liabilities	4.6	3.8
Short-term leases[2]	2.3	2.2
Low-value leases[2]	1.5	1.4
Total[1]	**23.7**	20.7

Notes:

1. Total cash outflows in respect of leases were £20.9 million (2023: £18.2 million) which includes amounts expensed for short-term leases and leases of low-value assets.
2. At years ended 31 December 2024 and 31 December 2023, expenses relating to short-term leases and leases of low-value assets were not included in the measurement of lease liabilities as they were not considered significant.

Lease commitments where the Group is the lessee

Lease liabilities total £113.7 million (2023: £106.1 million). Future contractual aggregate minimum lease payments are as follows:

	2024 £m	2023 £m
Within one year	14.0	12.7
In the second to fifth year inclusive	48.6	45.3
After five years	81.1	78.7
Sub total	**143.7**	**136.7**
Less effect of discounting and unearned interest	(30.0)	(30.6)
Total	**113.7**	**106.1**

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

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

18. Investment property

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

	Retail £m	Retail warehouse £m	Supermarkets £m	Industrials £m	Hotels £m	Alternative sector £m	Total £m
At 1 January 2023	25.3	21.3	51.1	112.0	50.3	18.5	278.5
Capitalised expenditure	0.1	–	–	0.4	–	–	0.5
Fair value adjustments	(1.0)	(0.5)	(4.0)	3.3	0.2	0.1	(1.9)
At 31 December 2023[1]	**24.4**	**20.8**	**47.1**	**115.7**	**50.5**	**18.6**	**277.1**
Capitalised expenditure	**0.5**	**–**	**–**	**3.2**	**–**	**0.2**	**3.9**
Fair value adjustments	**(0.7)**	**8.5**	**(2.2)**	**2.5**	**(1.5)**	**–**	**6.6**
At 31 December 2024[1]	**24.2**	**29.3**	**44.9**	**121.4**	**49.0**	**18.8**	**287.6**

Note:

1. The cost included in the carrying value at 31 December 2024 is £220.9 million (2023: £217.0 million).

The investment properties are measured at fair value derived from valuation work carried out at the statement of financial position date by independent property valuers. The valuation conforms to international valuation standards. The fair value was determined using a methodology based on recent market transactions for similar properties, which have been adjusted for the specific characteristics of each property within the portfolio. This approach to valuation is consistent with the methodology used in the year ended 31 December 2023.

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

Notes to the financial statements continued

18. Investment property continued

The following tables provide a sensitivity analysis for +/- 5 basis points and +/- 50 basis points movement in tenants' rental income and impact on property valuation in sterling:

2024		-50bp	-5bp	Baseline as at 31 December 2024	+5bp	+50bp
Equivalent yield	%	5.62	6.11	6.17	6.22	6.72
Value	£m	264.7	285.1	287.6	290.1	314.9

2023		-50bp	-5bp	Baseline as at 31 December 2022	+5bp	+50bp
Equivalent yield	%	5.31	5.81	5.87	5.92	6.42
Value	£m	253.5	274.6	277.1	279.8	305.7

19. Insurance contract assets and liabilities - gross and reinsurance

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

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

19.1 Carrying amount by segment

The Group has presented its analyses of net assets and liabilities for insurance contracts issued and reinsurance contracts held for remaining coverage and incurred claims for the whole Group, Motor, Non-motor and Non-ongoing operations.

	Motor £m	Non-Motor £m	Total Group - ongoing operations[1] £m	Brokered commercial business[1] £m	Non-core and Run-off[1] £m	Total Group £m
2024						
Insurance contract assets	–	–	–	–	5.7	5.7
Insurance contract liabilities	(3,338.8)	(927.6)	(4,266.4)	(718.5)	(102.0)	(5,086.9)
Net insurance contract liabilities	(3,338.8)	(927.6)	(4,266.4)	(718.5)	(96.3)	(5,081.2)
Reinsurance contract assets	1,136.1	55.4	1,191.5	608.9	1.7	1,802.1
Reinsurance contract liabilities	(58.6)	(5.9)	(64.5)	(484.0)	(1.0)	(549.5)
Net reinsurance contract assets	1,077.5	49.5	1,127.0	124.9	0.7	1,252.6
2023						
Insurance contract assets	–	–	–	–	5.4	5.4
Insurance contract liabilities	(3,305.9)	(892.7)	(4,198.6)	(866.0)	(174.2)	(5,238.8)
Net insurance contract liabilities	(3,305.9)	(892.7)	(4,198.6)	(866.0)	(168.8)	(5,233.4)
Reinsurance contract assets	1,076.4	61.0	1,137.4	203.6	5.0	1,346.0
Reinsurance contract liabilities	(16.9)	(8.4)	(25.3)	(89.6)	(1.7)	(116.6)
Net reinsurance contract assets	1,059.5	52.6	1,112.1	114.0	3.3	1,229.4

Note:

1. See glossary on pages 238 to 241 for definitions

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

	2024 £m	2023 £m
Insurance contract liabilities	(2,496.0)	(2,828.0)
Reinsurance contract assets	1,108.3	821.6

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

	Motor £m	Non-Motor £m	**Total Group – ongoing operations[1] £m**	Brokered commercial business[1] £m	Non-core and Run-off[1] £m	**Total Group £m**
2024						
Insurance contracts assets/(liabilities)						
Remaining coverage	**(463.2)**	**(362.9)**	**(826.1)**	**(125.6)**	**(19.8)**	**(971.5)**
Excluding loss component	(463.2)	(362.9)	(826.1)	(125.6)	(19.8)	**(971.5)**
Loss component	–	–	–	–	–	**–**
Incurred claims	**(2,875.6)**	**(564.7)**	**(3,440.3)**	**(592.9)**	**(76.5)**	**(4,109.7)**
Estimate of present value cash flows	(2,727.3)	(537.0)	(3,264.3)	(562.6)	(73.1)	**(3,900.0)**
Risk adjustment	(148.3)	(27.7)	(176.0)	(30.3)	(3.4)	**(209.7)**
Total insurance contracts assets/(liabilities)	**(3,338.8)**	**(927.6)**	**(4,266.4)**	**(718.5)**	**(96.3)**	**(5,081.2)**
2023						
Insurance contracts assets/(liabilities)						
Remaining coverage	(514.7)	(326.1)	**(840.8)**	(289.2)	(22.5)	**(1,152.5)**
Excluding loss component	(514.7)	(326.1)	**(840.8)**	(289.2)	(22.5)	**(1,152.5)**
Loss component	–	–	**–**	–	–	**–**
Incurred claims	**(2,791.2)**	**(566.6)**	**(3,357.8)**	**(576.8)**	**(146.3)**	**(4,080.9)**
Estimate of present value cash flows	(2,647.6)	(538.3)	**(3,185.9)**	(547.1)	(141.0)	**(3,874.0)**
Risk adjustment	(143.6)	(28.3)	**(171.9)**	(29.7)	(5.3)	**(206.9)**
Total insurance contracts assets/(liabilities)	**(3,305.9)**	**(892.7)**	**(4,198.6)**	**(866.0)**	**(168.8)**	**(5,233.4)**

	Motor £m	Non-Motor £m	**Total Group – ongoing operations[1] £m**	Brokered commercial business[1] £m	Non-core and Run-off[1] £m	**Total Group £m**
2024						
Reinsurance contracts (liabilities)/assets						
Remaining coverage	**(58.5)**	**(6.0)**	**(64.5)**	**(484.0)**	**(1.0)**	**(549.5)**
Excluding loss component	(58.5)	(6.0)	(64.5)	(484.0)	(1.0)	**(549.5)**
Loss component	–	–	–	–	–	**–**
Incurred claims	**1,136.0**	**55.5**	**1,191.5**	**608.9**	**1.7**	**1,802.1**
Estimate of present value cash flows	1,065.5	48.7	1,114.2	589.4	1.0	**1,704.6**
Risk adjustment	70.5	6.8	77.3	19.5	0.7	**97.5**
Total reinsurance contracts assets/(liabilities)	**1,077.5**	**49.5**	**1,127.0**	**124.9**	**0.7**	**1,252.6**
2023						
Reinsurance contracts (liabilities)/assets						
Remaining coverage	(16.9)	(8.4)	**(25.3)**	(89.6)	(1.7)	**(116.6)**
Excluding loss component	(16.9)	(8.4)	**(25.3)**	(89.6)	(1.7)	**(116.6)**
Loss component	–	–	**–**	–	–	**–**
Incurred claims	**1,076.4**	**61.0**	**1,137.4**	**203.6**	**5.0**	**1,346.0**
Estimate of present value cash flows	1,012.7	55.1	**1,067.8**	192.4	4.2	**1,264.4**
Risk adjustment	63.7	5.9	**69.6**	11.2	0.8	**81.6**
Total reinsurance contracts assets/(liabilities)	**1,059.5**	**52.6**	**1,112.1**	**114.0**	**3.3**	**1,229.4**

Note:

1. See glossary on pages 238 to 241 for definitions.

Notes to the financial statements continued

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

19.2 Movement in carrying amounts of insurance and reinsurance contracts

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

Carrying amount	Notes:	2024 £m	2023 £m
At 1 January		**(5,233.4)**	**(4,608.5)**
Insurance revenue	3	**4,567.0**	3,601.7
Insurance service expenses	3	**(3,952.0)**	(3,514.0)
Insurance finance expense	4	**(21.0)**	(193.8)
Premiums received	19.2.2	**(4,386.0)**	(3,758.9)
Claims and expenses paid, including investment component	19.2.1	**3,944.2**	3,240.1
At 31 December		**(5,081.2)**	**(5,233.4)**

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

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

Judgement is required when determining the appropriate level of disaggregation for disclosure. Management have disaggregated information by reportable segment, as defined in IFRS 8 'Operating Segments'. This is so that useful information is not obscured either by the inclusion of a large amount of insignificant detail or by the aggregation of items that have different characteristics. For Motor, Non-Motor and non-ongoing operations, the Group presents a table that separately analyses the movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the statement of profit and loss.

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

	Insurance contracts issued - liability for incurred claims			Reinsurance contracts held - amounts recovered on incurred claims			Net
	Estimate of present value cash flows £m	Risk adjustment for non-financial risk £m	**Total £m**	Estimate of present value cash flows £m	Risk adjustment for non-financial risk £m	**Total £m**	**Total £m**
Insurance/reinsurance contract assets as at 1 January 2023	–	–	**–**	966.3	95.3	**1,061.6**	**1,061.6**
Insurance/reinsurance contract liabilities as at 1 January 2023	(3,394.3)	(218.9)	**(3,613.2)**	–	–	**–**	**(3,613.2)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(3,394.3)	(218.9)	**(3,613.2)**	966.3	95.3	**1,061.6**	**(2,551.6)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(3,360.6)	(72.5)	**(3,433.1)**	464.6	27.7	**492.3**	**(2,940.8)**
Past service – incurred claims	(165.4)	84.5	**(80.9)**	(21.7)	(41.4)	**(63.1)**	**(144.0)**
Effect of non-performance risk of reinsurers				(5.8)		**(5.8)**	**(5.8)**
Insurance service result	(3,526.0)	12.0	**(3,514.0)**	437.1	(13.7)	**423.4**	**(3,090.6)**
Insurance/reinsurance finance expenses/ income	(193.8)		**(193.8)**	28.0		**28.0**	**(165.8)**
Total amounts recognised in comprehensive income	(3,719.8)	12.0	**(3,707.8)**	465.1	(13.7)	**451.4**	**(3,256.4)**
Cash flows:							
Claims and other expenses paid/recovered	3,240.1		**3,240.1**	(167.0)		**(167.0)**	**3,073.1**
Total cash flows	3,240.1		**3,240.1**	(167.0)		**(167.0)**	**3,073.1**
Insurance/reinsurance contract assets as at 31 December 2023	–	–	**–**	1,264.4	81.6	**1,346.0**	**1,346.0**
Insurance/reinsurance contract liabilities as at 31 December 2023	(3,874.0)	(206.9)	**(4,080.9)**	–	–	**–**	**(4,080.9)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(3,874.0)**	**(206.9)**	**(4,080.9)**	**1,264.4**	**81.6**	**1,346.0**	**(2,734.9)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(3,957.7)	(76.8)	(4,034.5)	1,224.0	39.1	1,263.1	(2,771.4)
Past service – incurred claims	8.5	74.0	82.5	(61.8)	(23.2)	(85.0)	(2.5)
Effect of non-performance risk of reinsurers				1.9		1.9	1.9
Insurance service result	(3,949.2)	(2.8)	**(3,952.0)**	1,164.1	15.9	**1,180.0**	**(2,772.0)**
Insurance/reinsurance finance expenses/ income	(21.0)		**(21.0)**	(20.2)		**(20.2)**	**(41.2)**
Total amounts recognised in comprehensive income	(3,970.2)	(2.8)	**(3,973.0)**	1,143.9	15.9	**1,159.8**	**(2,813.2)**
Cash flows:							
Claims and other expenses paid/recovered	3,944.2		**3,944.2**	(703.7)		**(703.7)**	**3,240.5**
Total cash flows	3,944.2		**3,944.2**	(703.7)		**(703.7)**	**3,240.5**
Insurance/reinsurance contract assets as at 31 December 2024	–	–	**–**	1,704.6	97.5	**1,802.1**	**1,802.1**
Insurance/reinsurance contract liabilities as at 31 December 2024	(3,900.0)	(209.7)	**(4,109.7)**	–	–	**–**	**(4,109.7)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(3,900.0)**	**(209.7)**	**(4,109.7)**	**1,704.6**	**97.5**	**1,802.1**	**(2,307.6)**

Note:

1. The amounts recognised in Insurance service result for the year of £3,952.0 million (2023: £3,514.0 million) does not include insurance acquisition expenses of £233.0 million (2023: £292.3 million). Please see note 3.

Notes to the financial statements continued

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

19.2.2 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – total Group

	Insurance contracts issued - liability for remaining coverage			Reinsurance contracts held - asset for remaining coverage			Net
	Excluding loss component £m	Loss component £m	**Total £m**	Excluding loss recovery component £m	Loss recovery component £m	**Total £m**	**Total £m**
Insurance/reinsurance contract assets as at 1 January 2023	17.3	–	**17.3**	13.3	–	**13.3**	**30.6**
Insurance/reinsurance contract liabilities as at 1 January 2023	(1,012.6)	–	**(1,012.6)**	(13.9)	–	**(13.9)**	**(1,026.5)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(995.3)	–	**(995.3)**	(0.6)	–	**(0.6)**	**(995.9)**
Insurance revenue/reinsurance expenses	3,601.7		**3,601.7**	(470.2)		**(470.2)**	**3,131.5**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–			–	**–**	
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	3,601.7	–	**3,601.7**	(470.2)	–	**(470.2)**	**3,131.5**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	3,601.7	–	**3,601.7**	(470.2)	–	**(470.2)**	**3,131.5**
Cash flows:							
Premium received/paid	(3,758.9)		**(3,758.9)**	354.2		**354.2**	**(3,404.7)**
Total cash flows	(3,758.9)		**(3,758.9)**	354.2		**354.2**	**(3,404.7)**
Insurance/reinsurance contract assets as at 31 December 2023	5.4	–	**5.4**	–	–	**–**	**5.4**
Insurance/reinsurance contract liabilities as at 31 December 2023	(1,157.9)	–	**(1,157.9)**	(116.6)	–	**(116.6)**	**(1,274.5)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(1,152.5)**	**–**	(1,152.5)	**(116.6)**	**–**	(116.6)	(1,269.1)
Insurance revenue/reinsurance expenses	4,567.0		**4,567.0**	(1,439.6)		**(1,439.6)**	**3,127.4**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–			–	**–**	
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	4,567.0	–	**4,567.0**	(1,439.6)	–	**(1,439.6)**	**3,127.4**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	4,567.0	–	**4,567.0**	(1,439.6)	–	**(1,439.6)**	**3,127.4**
Cash flows:							
Premium received/paid	(4,386.0)		**(4,386.0)**	1,006.7		**1,006.7**	**(3,379.3)**
Total cash flows	(4,386.0)		**(4,386.0)**	1,006.7		**1,006.7**	**(3,379.3)**
Insurance/reinsurance contract assets as at 31 December 2024	5.7	–	**5.7**	–	–	**–**	**5.7**
Insurance/reinsurance contract liabilities as at 31 December 2024	(977.2)	–	**(977.2)**	(549.5)	–	**(549.5)**	**(1,526.7)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(971.5)**	**–**	(971.5)	**(549.5)**	**–**	(549.5)	(1,521.0)

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

	Insurance contracts issued - liability for incurred claims			Reinsurance contracts held - amounts recovered on incurred claims			Net
	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	**Total**
	£m	£m	**£m**	£m	£m	**£m**	**£m**
Insurance/reinsurance contract assets as at 1 January 2023	–	–	**–**	866.5	76.3	**942.8**	**942.8**
Insurance/reinsurance contract liabilities as at 1 January 2023	(2,259.6)	(148.9)	**(2,408.5)**	–	–	**–**	**(2,408.5)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(2,259.6)	(148.9)	**(2,408.5)**	866.5	76.3	**942.8**	**(1,465.7)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(1,946.5)	(42.2)	**(1,988.7)**	302.0	17.2	**319.2**	**(1,669.5)**
Past service – incurred claims	(139.4)	47.5	**(91.9)**	(35.1)	(29.8)	**(64.9)**	**(156.8)**
Effect of non-performance risk of reinsurers				(5.7)		**(5.7)**	**(5.7)**
Insurance service result[1]	(2,085.9)	5.3	**(2,080.6)**	261.2	(12.6)	**248.6**	**(1,832.0)**
Insurance/reinsurance finance expenses/ income	(146.2)		**(146.2)**	25.5		**25.5**	**(120.7)**
Total amounts recognised in comprehensive income	(2,232.1)	5.3	**(2,226.8)**	286.7	(12.6)	**274.1**	**(1,952.7)**
Cash flows:							
Claims and other expenses paid/recovered	1,844.1		**1,844.1**	(140.5)		**(140.5)**	**1,703.6**
Total cash flows	1,844.1		**1,844.1**	(140.5)		**(140.5)**	**1,703.6**
Insurance/reinsurance contract assets as at 31 December 2023	–	–	**–**	1,012.7	63.7	**1,076.4**	**1,076.4**
Insurance/reinsurance contract liabilities as at 31 December 2023	(2,647.6)	(143.6)	**(2,791.2)**	–	–	**–**	**(2,791.2)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(2,647.6)**	**(143.6)**	**(2,791.2)**	**1,012.7**	**63.7**	**1,076.4**	**(1,714.8)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(2,611.1)	(48.8)	(2,659.9)	815.7	22.8	838.5	(1,821.4)
Past service – incurred claims	29.3	44.1	73.4	(44.0)	(16.0)	(60.0)	13.4
Effect of non-performance risk of reinsurers				2.4		2.4	2.4
Insurance service result[1]	(2,581.8)	(4.7)	**(2,586.5)**	774.1	6.8	**780.9**	**(1,805.6)**
Insurance/reinsurance finance expenses/ income	12.1		**12.1**	(14.2)		**(14.2)**	**(2.1)**
Total amounts recognised in comprehensive income	(2,569.7)	(4.7)	**(2,574.4)**	759.9	6.8	**766.7**	**(1,807.7)**
Cash flows:							
Claims and other expenses paid/recovered	2,489.9		**2,489.9**	(707.1)		**(707.1)**	**1,782.8**
Total cash flows	2,489.9		**2,489.9**	(707.1)		**(707.1)**	**1,782.8**
Insurance/reinsurance contract assets as at 31 December 2024	–	–	**–**	1,065.5	70.6	**1,136.1**	**1,136.1**
Insurance/reinsurance contract liabilities as at 31 December 2024	(2,727.4)	(148.3)	**(2,875.7)**	–	(0.1)	**(0.1)**	**(2,875.8)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(2,727.4)**	**(148.3)**	**(2,875.7)**	**1,065.5**	**70.5**	**1,136.0**	**(1,739.7)**

Note:

1. The amounts recognised in Insurance service result do not include insurance acquisition expenses. Please see note 3.

Notes to the financial statements continued

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

19.2.4 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – Motor

	Insurance contracts issued - liability for remaining coverage			Reinsurance contracts held - asset for remaining coverage			Net
	Excluding loss component £m	Loss component £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Total £m	Total £m
Insurance/reinsurance contract assets as at 1 January 2023	–	–	–	13.3	–	13.3	13.3
Insurance/reinsurance contract liabilities as at 1 January 2023	(451.8)	–	(451.8)	–	–	–	(451.8)
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(451.8)	–	(451.8)	13.3	–	13.3	(438.5)
Insurance revenue/reinsurance expenses	1,805.4		1,805.4	(240.5)		(240.5)	1,564.9
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	–		–	–	–
Losses/ loss recovery and reversal of losses from onerous contracts		–	–		–	–	–
Insurance service result	1,805.4	–	1,805.4	(240.5)	–	(240.5)	1,564.9
Insurance/reinsurance finance expenses/ income		–	–		–	–	–
Total amounts recognised in comprehensive income	1,805.4	–	1,805.4	(240.5)	–	(240.5)	1,564.9
Cash flows:							
Premium received/paid	(1,868.3)		(1,868.3)	210.3		210.3	(1,658.0)
Total cash flows	(1,868.3)		(1,868.3)	210.3		210.3	(1,658.0)
Insurance/reinsurance contract assets as at 31 December 2023	–	–	–	–	–	–	–
Insurance/reinsurance contract liabilities as at 31 December 2023	(514.7)	–	(514.7)	(16.9)	–	(16.9)	(531.6)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(514.7)**	**–**	**(514.7)**	**(16.9)**	**–**	**(16.9)**	**(531.6)**
Insurance revenue/reinsurance expenses	2,739.0		2,739.0	(830.8)		(830.8)	1,908.2
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	–		–	–	–
Losses/ loss recovery and reversal of losses from onerous contracts		–	–		–	–	–
Insurance service result	2,739.0	–	2,739.0	(830.8)	–	(830.8)	1,908.2
Insurance/reinsurance finance expenses/ income		–	–		–	–	–
Total amounts recognised in comprehensive income	2,739.0	–	2,739.0	(830.8)	–	(830.8)	1,908.2
Cash flows:							
Premium received/paid	(2,687.4)		(2,687.4)	789.2		789.2	(1,898.2)
Total cash flows	(2,687.4)		(2,687.4)	789.2		789.2	(1,898.2)
Insurance/reinsurance contract assets as at 31 December 2024	–	–	–	–	–	–	–
Insurance/reinsurance contract liabilities as at 31 December 2024	(463.1)	–	(463.1)	(58.5)	–	(58.5)	(521.6)
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(463.1)**	**–**	**(463.1)**	**(58.5)**	**–**	**(58.5)**	**(521.6)**

19.2.5 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for incurred claims – Non-motor

	Insurance contracts issued - liability for incurred claims			Reinsurance contracts held - amounts recovered on incurred claims			Net
	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	**Total**
	£m	£m	**£m**	£m	£m	**£m**	**£m**
Insurance/reinsurance contract assets as at 1 January 2023	–	–	**–**	30.8	8.3	**39.1**	**39.1**
Insurance/reinsurance contract liabilities as at 1 January 2023	(524.6)	(34.5)	**(559.1)**	–	–	**–**	**(559.1)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(524.6)	(34.5)	**(559.1)**	30.8	8.3	**39.1**	**(520.0)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(677.3)	(13.3)	**(690.6)**	27.2	3.1	**30.3**	**(660.3)**
Past service – incurred claims	(21.2)	19.5	**(1.7)**	6.0	(5.6)	**0.4**	**(1.3)**
Effect of non-performance risk of reinsurers				–		**–**	**–**
Insurance service result	(698.5)	6.2	**(692.3)**	33.2	(2.5)	**30.7**	**(661.6)**
Insurance/reinsurance finance expenses/ income	(22.3)		**(22.3)**	1.9		**1.9**	**(20.4)**
Total amounts recognised in comprehensive income	(720.8)	6.2	**(714.6)**	35.1	(2.5)	**32.6**	**(682.0)**
Cash flows:							
Claims and other expenses paid/recovered	707.1		**707.1**	(10.7)		**(10.7)**	**696.4**
Total cash flows	707.1		**707.1**	(10.7)		**(10.7)**	**696.4**
Insurance/reinsurance contract assets as at 31 December 2023	–	–	**–**	55.2	5.8	**61.0**	**61.0**
Insurance/reinsurance contract liabilities as at 31 December 2023	(538.3)	(28.3)	**(566.6)**	–	–	**–**	**(566.6)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(538.3)**	**(28.3)**	**(566.6)**	**55.2**	**5.8**	**61.0**	**(505.6)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(748.7)	(13.2)	(761.9)	10.9	3.2	14.1	(747.8)
Past service – incurred claims	(28.2)	13.8	(14.4)	(7.1)	(2.2)	(9.3)	(23.7)
Effect of non-performance risk of reinsurers				–		–	–
Insurance service result	(776.9)	0.6	**(776.3)**	3.8	1.0	**4.8**	**(771.5)**
Insurance/reinsurance finance expenses/ income	(15.4)		**(15.4)**	2.0		**2.0**	**(13.4)**
Total amounts recognised in comprehensive income	(792.3)	0.6	**(791.7)**	5.8	1.0	**6.8**	**(784.9)**
Cash flows:							
Claims and other expenses paid/recovered	793.6		**793.6**	(12.4)		**(12.4)**	**781.2**
Total cash flows	793.6		**793.6**	(12.4)		**(12.4)**	**781.2**
Insurance/reinsurance contract assets as at 31 December 2024	–	–	**–**	48.6	6.8	**55.4**	**55.4**
Insurance/reinsurance contract liabilities as at 31 December 2024	(537.0)	(27.7)	**(564.7)**	–	–	**–**	**(564.7)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(537.0)**	**(27.7)**	**(564.7)**	**48.6**	**6.8**	**55.4**	**(509.3)**

Note:

1. The amounts recognised in Insurance service result do not include insurance acquisition expenses. Please see note 3.

Notes to the financial statements continued

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

19.2.6 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – Non-motor

	Insurance contracts issued - liability for remaining coverage			Reinsurance contracts held - asset for remaining coverage			Net
	Excluding loss component £m	Loss component £m	**Total £m**	Excluding loss recovery component £m	Loss recovery component £m	**Total £m**	**Total £m**
Insurance/reinsurance contract assets as at 1 January 2023	–	–	**–**	–	–	**–**	**–**
Insurance/reinsurance contract liabilities as at 1 January 2023	(292.9)	–	**(292.9)**	(7.8)	–	**(7.8)**	**(300.7)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(292.9)	–	**(292.9)**	(7.8)	–	**(7.8)**	**(300.7)**
Insurance revenue/reinsurance expenses	919.2		**919.2**	(61.5)		**(61.5)**	**857.7**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	**–**		–	**–**	**–**
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	919.2	–	**919.2**	(61.5)	–	**(61.5)**	**857.7**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	919.2	–	**919.2**	(61.5)	–	**(61.5)**	**857.7**
Cash flows:							
Premium received/paid	(952.4)		**(952.4)**	60.9		**60.9**	**(891.5)**
Total cash flows	(952.4)		**(952.4)**	60.9		**60.9**	**(891.5)**
Insurance/reinsurance contract assets as at 31 December 2023	–	–	**–**	–	–	**–**	**–**
Insurance/reinsurance contract liabilities as at 31 December 2023	(326.1)	–	**(326.1)**	(8.4)	–	**(8.4)**	**(334.5)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(326.1)**	**–**	(326.1)	**(8.4)**	**–**	(8.4)	(334.5)
Insurance revenue/reinsurance expenses	1,020.9		**1,020.9**	(72.0)		**(72.0)**	**948.9**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	**–**		–	**–**	**–**
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	1,020.9	–	**1,020.9**	(72.0)	–	**(72.0)**	**948.9**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	1,020.9	–	**1,020.9**	(72.0)	–	**(72.0)**	**948.9**
Cash flows:							
Premium received/paid	(1,057.7)		**(1,057.7)**	74.5		**74.5**	**(983.2)**
Total cash flows	(1,057.7)		**(1,057.7)**	74.5		**74.5**	**(983.2)**
Insurance/reinsurance contract assets as at 31 December 2024	–	–	**–**	–	–	**–**	**–**
Insurance/reinsurance contract liabilities as at 31 December 2024	(362.9)	–	**(362.9)**	(5.9)	–	**(5.9)**	**(368.8)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(362.9)**	**–**	**(362.9)**	**(5.9)**	**–**	**(5.9)**	**(368.8)**

19.2.7 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for incurred claims – Non-ongoing operations

	Insurance contracts issued - liability for incurred claims			Reinsurance contracts held - amounts recovered on incurred claims			Net
	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	Estimate of present value cash flows	Risk adjustment for non-financial risk	**Total**	**Total**
	£m	£m	**£m**	£m	£m	**£m**	**£m**
Insurance/reinsurance contract assets as at 1 January 2023	–	–	**–**	69.0	10.6	**79.6**	**79.6**
Insurance/reinsurance contract liabilities as at 1 January 2023	(610.2)	(35.5)	**(645.7)**	–	–	**–**	**(645.7)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(610.2)	(35.5)	**(645.7)**	69.0	10.6	**79.6**	**(566.1)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(736.7)	(17.1)	**(753.8)**	135.4	7.4	**142.8**	**(611.0)**
Past service – incurred claims	(4.8)	17.5	**12.7**	7.4	(5.9)	**1.5**	**14.2**
Effect of non-performance risk of reinsurers				–		**–**	**–**
Insurance service result	(741.5)	0.4	**(741.1)**	142.8	1.5	**144.3**	**(596.8)**
Insurance/reinsurance finance expenses/income	(25.3)		**(25.3)**	0.6		**0.6**	**(24.7)**
Total amounts recognised in comprehensive income	(766.8)	0.4	**(766.4)**	143.4	1.5	**144.9**	**(621.5)**
Cash flows:							
Claims and other expenses paid/recovered	688.9		**688.9**	(15.9)		**(15.9)**	**673.0**
Total cash flows	688.9		**688.9**	(15.9)		**(15.9)**	**673.0**
Insurance/reinsurance contract assets as at 31 December 2023	–	–	**–**	196.5	12.1	**208.6**	**208.6**
Insurance/reinsurance contract liabilities as at 31 December 2023	(688.1)	(35.1)	**(723.2)**	–	–	**–**	**(723.2)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(688.1)**	**(35.1)**	**(723.2)**	**196.5**	**12.1**	**208.6**	**(514.6)**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses	(598.0)	(14.7)	(612.7)	397.5	13.0	410.5	(202.2)
Past service – incurred claims	7.4	16.1	23.5	(10.7)	(5.0)	(15.7)	7.8
Effect of non-performance risk of reinsurers				(0.5)		(0.5)	(0.5)
Insurance service result	(590.6)	1.4	**(589.2)**	386.3	8.0	**394.3**	**(194.9)**
Insurance/reinsurance finance expenses/income	(17.7)		**(17.7)**	(8.0)		**(8.0)**	**(25.7)**
Total amounts recognised in comprehensive income	(608.3)	1.4	**(606.9)**	378.3	8.0	**386.3**	**(220.6)**
Cash flows:							
Claims and other expenses paid/recovered	660.7		**660.7**	15.7		**15.7**	**676.4**
Total cash flows	660.7		**660.7**	15.7		**15.7**	**676.4**
Insurance/reinsurance contract assets as at 31 December 2024	–	–	**–**	590.5	20.1	**610.6**	**610.6**
Insurance/reinsurance contract liabilities as at 31 December 2024	(635.7)	(33.7)	**(669.4)**	–	–	**–**	**(669.4)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(635.7)**	**(33.7)**	**(669.4)**	**590.5**	**20.1**	**610.6**	**(58.8)**

Note:

1. The amounts recognised in Insurance service result do not include insurance acquisition expenses. Please see note 3.

Notes to the financial statements continued

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

19.2.8 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – Non-ongoing operations

	Insurance contracts issued - liability for remaining coverage			Reinsurance contracts held - asset for remaining coverage			Net
	Excluding loss component £m	Loss component £m	**Total £m**	Excluding loss recovery component £m	Loss recovery component £m	**Total £m**	**Total £m**
Insurance/reinsurance contract assets as at 1 January 2023	17.3	–	**17.3**	–	–	**–**	**17.3**
Insurance/reinsurance contract liabilities as at 1 January 2023	(267.8)	–	**(267.8)**	(6.1)	–	**(6.1)**	**(273.9)**
Net insurance/reinsurance contract liabilities/assets as at 1 January 2023	(250.5)	–	**(250.5)**	(6.1)	–	**(6.1)**	**(256.6)**
Insurance revenue/reinsurance expenses	877.1		**877.1**	(168.2)		**(168.2)**	**708.9**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	**–**		–	**–**	**–**
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	877.1	–	**877.1**	(168.2)	–	**(168.2)**	**708.9**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	877.1	–	**877.1**	(168.2)	–	**(168.2)**	**708.9**
Cash flows:							
Premium received/paid	(938.2)		**(938.2)**	83.0		**83.0**	**(855.2)**
Total cash flows	(938.2)		**(938.2)**	83.0		**83.0**	**(855.2)**
Insurance/reinsurance contract assets as at 31 December 2023	5.4	–	**5.4**	–	–	**–**	**5.4**
Insurance/reinsurance contract liabilities as at 31 December 2023	(317.0)	–	**(317.0)**	(91.3)	–	**(91.3)**	**(408.3)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2023	**(311.6)**	**–**	**(311.6)**	**(91.3)**	**–**	**(91.3)**	**(402.9)**
Insurance revenue/reinsurance expenses	807.1		**807.1**	(536.8)		**(536.8)**	**270.3**
Insurance service expenses:							
Incurred claims/claims recovered and other attributable expenses		–	**–**		–	**–**	**–**
Losses/ loss recovery and reversal of losses from onerous contracts		–	**–**		–	**–**	**–**
Insurance service result	807.1	–	**807.1**	(536.8)	–	**(536.8)**	**270.3**
Insurance/reinsurance finance expenses/ income		–	**–**		–	**–**	**–**
Total amounts recognised in comprehensive income	807.1	–	**807.1**	(536.8)	–	**(536.8)**	**270.3**
Cash flows:							
Premium received/paid	(640.9)		**(640.9)**	143.1		**143.1**	**(497.8)**
Total cash flows	(640.9)		**(640.9)**	143.1		**143.1**	**(497.8)**
Insurance/reinsurance contract assets as at 31 December 2024	5.7	–	**5.7**	–	–	**–**	**5.7**
Insurance/reinsurance contract liabilities as at 31 December 2024	(151.1)	–	**(151.1)**	(485.0)	–	**(485.0)**	**(636.1)**
Net insurance/reinsurance contract liabilities/assets as at 31 December 2024	**(145.4)**	**–**	**(145.4)**	**(485.0)**	**–**	**(485.0)**	**(630.4)**

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

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

Each table shows how the Group's estimates of total claims for each underwriting year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. For accident years prior to 2015, the information is aggregated into one row.

Gross insurance liabilities

Accident year	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Total £m
Estimate of ultimate gross claims costs:											
At end of accident year	2,135.9	2,169.8	2,226.8	2,337.6	2,085.7	1,786.5	1,912.8	2,283.2	2,755.0	3,328.3	
One year later	(57.4)	(95.8)	(142.6)	(129.6)	(72.0)	(79.4)	(5.7)	132.9	166.1		
Two years later	(131.5)	(63.9)	(108.8)	(48.7)	(43.5)	(13.8)	(34.7)	47.0			
Three years later	(58.5)	(89.5)	(38.0)	(6.0)	3.7	35.9	(3.6)				
Four years later	(28.7)	(42.9)	(20.4)	25.5	14.1	(63.6)					
Five years later	(21.9)	(13.5)	1.5	23.8	13.1						
Six years later	1.0	(12.0)	21.6	(42.5)							
Seven years later	22.4	9.2	2.8								
Eight years later	(18.2)	7.0									
Nine years later	(21.1)										
Current estimate of cumulative claims	1,822.0	1,868.4	1,942.9	2,160.1	2,001.1	1,665.6	1,868.8	2,463.1	2,921.1	3,328.3	
Cumulative payments to date	(1,757.5)	(1,806.4)	(1,868.2)	(2,071.3)	(1,845.6)	(1,518.5)	(1,584.3)	(1,970.1)	(1,992.3)	(1,759.0)	
	64.5	**62.0**	**74.7**	**88.8**	**155.5**	**147.1**	**284.5**	**493.0**	**928.8**	**1,569.3**	**3,868.2**
2014 and prior											**1,606.4**
Claims handling provision											**125.1**
Adjustment for non-financial risk											**305.3**
Effect of discounting											**(1,832.5)**
Other LIC											**37.2**
Gross liability for incurred claims included in the statement of financial position											**4,109.7**

Net insurance contract liabilities

Accident year	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Total £m
Estimate of ultimate net claims costs:											
At end of accident year	1,920.1	1,934.4	2,012.0	2,141.0	1,922.8	1,623.6	1,758.1	2,184.2	2,241.9	2,002.9	
One year later	(79.5)	(31.4)	(95.9)	(82.2)	(37.2)	(54.0)	2.4	168.1	(30.0)		
Two years later	(63.4)	(47.2)	(61.4)	(20.7)	(40.7)	(39.2)	(13.0)	33.8			
Three years later	(29.4)	(43.4)	(17.7)	(24.0)	(4.5)	50.0	(9.9)				
Four years later	(21.8)	(15.2)	(27.5)	7.3	11.6	(15.3)					
Five years later	(22.8)	(10.1)	(9.4)	24.1	11.2						
Six years later	(1.8)	(11.6)	9.5	3.6							
Seven years later	1.3	(3.8)	2.8								
Eight years later	(3.6)	9.0									
Nine years later	2.3										
Current estimate of cumulative claims	1,701.4	1,780.7	1,812.4	2,049.1	1,863.2	1,565.1	1,737.6	2,386.1	2,211.9	2,002.9	
Cumulative payments to date	(1,687.6)	(1,753.8)	(1,780.1)	(1,995.3)	(1,786.9)	(1,464.0)	(1,542.3)	(1,966.3)	(1,575.1)	(1,117.7)	
	13.8	**26.9**	**32.3**	**53.8**	**76.3**	**101.1**	**195.3**	**419.8**	**636.8**	**885.2**	**2,441.4**
2014 and prior											**793.1**
Claims handling provision											**89.3**
Adjustment for non-financial risk											**148.9**
Effect of discounting											**(900.0)**
Due from reinsurers											**(265.1)**
Net liability for incurred claims included in the statement of financial position											**2,307.6**

Notes to the financial statements continued

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

19.4 Significant judgements, estimates and assumptions

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance, participating investment and reinsurance contracts.

Accounting policy (C) sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

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

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices. However, these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations. The Group applies the PAA to simplify the measurement of insurance contracts.

Claims

The Group makes provision for the full cost of outstanding claims from its general insurance business at the statement of financial position date, including claims estimated to have been incurred but not yet reported at that date and associated claims handling costs. Outstanding claims provisions net of related reinsurance recoveries at 31 December 2024 amounted to £2,307.6 million (2023: £2,734.9 million).

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

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

Bodily injury claims

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

The Ogden discount rate for England and Wales has increased from minus 0.25% on 11 January 2025. For Scotland and Northern Ireland, the bodily injury discount rate increased on 24 September 2024 to 0.5% from minus 0.75% and minus 1.5%, respectively.

The impact of potential future changes in the discount rate is shown in note 1.3.1. Since 2021, we have reduced the level of Motor reinsurance purchased, resulting in higher net reserves for accident years 2021 to 2024.

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

At 31 December 2024, the real discount rate for PPOs is 1.5% (2023: 0.7%), the combination of cash flow weighted inflation and discounting of 3.7% (2023: 3.9%), which allows for higher short-term ASHE 6115 inflation before reverting to a long term trend of 3.5%, and a yield curve based discount rate of 5.2% (2023: 4.6%).

The table in note 19.4 to the financial statements provides an analysis of outstanding PPO claims provisions on a discounted and an undiscounted basis at 31 December 2024 and 31 December 2023 and further details on sources of estimation uncertainty. Details of sensitivity analysis to the discount rate applied to PPO claims are shown in note 1.3.1.

The table below analyses the outstanding PPO claims provisions on a discounted and an undiscounted basis at 31 December 2024 and 31 December 2023. These represent the total cost of PPOs rather than any costs in excess of purely Ogden-based settlements.

At 31 December	Discounted 2024 £m	Undiscounted 2024 £m	Discounted 2023 £m	Undiscounted 2023 £m
Gross claims				
Approved PPO claims provisions	**506.6**	**1,592.5**	542.6	1,603.4
Anticipated PPOs	**151.1**	**458.9**	112.5	300.7
Total	**657.7**	**2,051.4**	655.1	1,904.1
Reinsurance				
Approved PPO claims provisions	**(297.0)**	**(939.8)**	(300.1)	(905.2)
Anticipated PPOs	**(98.6)**	**(308.1)**	(79.7)	(228.8)
Total	**(395.6)**	**(1,247.9)**	(379.8)	(1,134.0)
Net of reinsurance				
Approved PPO claims provisions	**209.6**	**652.7**	242.5	698.2
Anticipated PPOs	**52.5**	**150.8**	32.8	71.9
Total	**262.1**	**803.5**	275.3	770.1

The provisions for PPOs have been categorised as either claims which have already been determined by the courts as PPOs (approved PPO claims provisions) or those expected to settle as PPOs in the future (anticipated PPOs). The Group has estimated the likelihood of large bodily injury claims settling as PPOs. The anticipated PPOs in the table above are based on historically observed propensities adjusted for the assumed Ogden discount rate.

In the majority of cases, the inflation agreed in the settlement is the Annual Survey of Hours and Earnings SOC 6115 inflation published by the Office for National Statistics, for which the long-term cashflow-weighted average rate is assumed to be 3.7% (2023: 3.9%). The Group has estimated a cashflow-weighted average rate of interest used for the calculation of present values as 5.2% (2023: 4.6%), which results in a real discount rate of 1.5% (2023: 0.7%). The Group will continue to review the inflation and discount rates used to calculate these insurance reserves.

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

Climate change
Changes in the climate can impact both frequency and severity of losses, particularly for windstorm and flood events. The impact on reserves is only seen when major loss events occur.

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

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

The illiquidity premium is determined by using a fundamental spread approach by deducting the risk-free rate and credit risk premium from corresponding corporate bond reference portfolios. For non-PPOs, the reference portfolio is A-rated bonds with terms of 1 to 3 years and for PPOs, the reference portfolio is BBB-rated bonds with a remaining term of 15 or more years.

Judgement is applied when determining the illiquidity premium with respect to allowances for past and future trends, considering changes in the economic environment. Generally, the illiquidity premium is expected to be stable over time however, assessment of the illiquidity premium assumption is reviewed periodically and adjusted where required.

Yield curves used to discount PPO and Non-PPO cash flows
As at 31 December 2024

Spot rate	1 year	3 year	15 year
PPOs	**5.7**	**5.4**	**5.4**
Non-PPOs	**5**	**4.7**	**4.7**

As at 31 December 2023

Spot rate	1 year	3 year	15 year
PPOs	6.1	5.1	4.8
Non-PPOs	4.9	3.9	3.6

Notes to the financial statements continued

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

19.4 Significant judgements, estimates and assumptions continued

Risk adjustment

The Group estimates the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level is the 75th percentile for the liability for incurred claims (2023: 75th percentile). The risk adjustment is derived using the reserve risk distribution calculated in the internal economic capital model and consequently, is subject to model and parameter uncertainty.

Group diversification benefit is not considered at the individual insurance undertaking entity level but is considered in determining the confidence level at a consolidated level for disclosure purposes. A sensitivity which demonstrates the impact of the confidence level being at the 70th and 80th percentile on profit before tax is included in the note 1.3.1.

20. Tax assets and liabilities

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

The aggregate current and deferred tax relating to items that are credited to equity is £2.3 million (2023: £0.3 million).

The table below analyses the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Provisions and other temporary differences	Retirement benefit obligations	Depreciation in excess of capital allowances	Share-based payments	Transitional adjustments on adoption of IFRS 9	Transitional adjustments on adoption of IFRS 17	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2023	4.6	(0.4)	(9.0)	1.8	65.4	26.6	89.0
(Charge)/credit to the statement of profit or loss	(2.9)	0.1	2.0	0.9	(6.3)	(26.6)	(32.8)
Credit direct to equity	–	–	–	0.3	–	–	0.3
At 31 December 2023	1.7	(0.3)	(7.0)	3.0	59.1	–	56.5
Credit/(charge) to the statement of profit or loss	**2.1**	**0.3**	**(2.8)**	**1.7**	**(6.6)**	**–**	**(5.3)**
Credit/(charge) to other comprehensive income	**–**	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Credit direct to equity	**–**	**–**	**–**	**2.0**	**–**	**–**	**2.0**
At 31 December 2024	**3.8**	**(0.2)**	**(9.8)**	**6.7**	**52.5**	**–**	**53.0**

As at 31 December 2024, the Group has an unrecognised deferred tax asset of £0.2 million (2023: £0.1 million) in relation to capital losses, of which £nil (2023: £nil) relates to realised losses and £0.2 million (2023: £0.1 million) related to unrealised losses.

Deferred tax assets have been recognised in respect of IFRS 9 transitional tax adjustments and other temporary differences because it is probable that these assets will be recovered, with the exception of unrecognised capital losses where recovery is uncertain as it is dependent on realising future capital gains. The deferred tax asset in respect of IFRS 9 transitional tax adjustments is being relieved for tax over 10 years from the adoption of IFRS 9 on 1 January 2023 and will therefore be recovered over the next 8 years. Other deferred tax assets will be recovered over a period of 1 to 11 years.

Recovery of deferred tax assets 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.

21. Prepayments, accrued income and other assets

	2024	2023
	£m	£m restated[1]
Prepayments[1]	**61.0**	58.5
Accrued income from contracts with customers and other assets[1]	**42.6**	43.0
Total	**103.6**	101.5

Note:

1. The 2023 balance has been restated to correct the classification of accrued income, which was previously misclassified as prepayments. This reclassification has no impact on the total balance.

22. Fair value

Basis for determining fair value hierarchy

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

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

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

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

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

Financial instruments classified as level 2 include:

- debt securities for which pricing is obtained via pricing services, but where prices have not been determined in an active market;
- financial instruments with fair values based on broker quotes or instruments that are valued using the Group's own models whereby the majority of assumptions are market-observable;
- derivatives valued using broker quotes or appropriate valuation models. Model inputs include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of underlying instruments; and
- quoted equity investments that the Group holds for which prices are available, but where the market transactions upon which those prices are based are not considered to be regularly occurring.

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

- investment properties are measured at fair value derived from valuation work carried out at the statement of financial position date by independent property valuers. The valuation conforms to international valuation standards. The fair value was determined using a methodology based on recent market transactions for similar properties, which have been adjusted for the specific characteristics of each property within the portfolio.
- debt securities which do not trade on active markets are valued using discounted cash flow models designed to appropriately reflect the credit and illiquidity of these instruments. The key unobservable input elements from the discount rate used across private debt securities is the credit spread which is based on the credit quality of the assets and the illiquidity premium;
- infrastructure debt, commercial real estate debt and other loans are loans which do not trade on active markets. Valuations are derived from external asset managers' credit assessment and pricing models. These aim to take into account movements in broader credit spreads and are aligned to varying degrees with external credit rating equivalents; and
- equity fund partnerships are valued as the proportion of the Group's holding in the net asset value of the partnership based on external valuation reports prepared by a third-party fund manager using International Private Equity and Venture Capital Valuation Guidelines. Fair values of investments held by the partnerships that are not quoted in an active market are determined primarily using discounted cash flow models. Unobservable inputs include projected cashflows, and the liquidity and credit and risk premium are incorporated within the discount rate.

Carrying value and fair value of financial instruments

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

At 31 December 2024	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m	Fair value £m
Assets held at fair value through profit or loss:					
Investment property	**287.6**	–	–	287.6	**287.6**
Derivative assets	**19.1**	–	19.1	–	**19.1**
Debt securities	**3,937.9**	746.0	3,190.4	1.5	**3,937.9**
Listed equity investments	**–**	–	–	–	**–**
Unlisted equity investments	**0.7**	–	–	0.7	**0.7**
Assets held at fair value through other comprehensive income:					
Equity investments	**19.4**	–	–	19.4	**19.4**
Assets held at amortised cost:					
Debt securities	**55.7**	–	16.3	34.5	**50.8**
Infrastructure debt	**188.7**	–	–	190.5	**190.5**
Commercial real estate loans	**135.5**	–	–	134.8	**134.8**
Other loans	**5.4**	–	–	5.4	**5.4**
Total	**4,650.0**	**746.0**	**3,225.8**	**674.4**	**4,646.2**
Liabilities held at fair value through profit or loss:					
Derivative liabilities	**38.7**	–	38.7	–	**38.7**
Other financial liabilities:					
Subordinated liabilities	**259.1**	–	229.0	–	**229.0**
Total	**297.8**	**–**	**267.7**	**–**	**267.7**

Notes to the financial statements continued

22. Fair value continued

At 31 December 2023	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m	Fair value £m
Assets held at fair value through profit or loss:					
Investment property	**277.1**	–	–	277.1	**277.1**
Derivative assets	**27.4**	–	27.4	–	**27.4**
Debt securities	**3,238.1**	680.8	2,555.8	1.5	**3,238.1**
Listed equity investments	**0.1**	–	0.1	–	**0.1**
Unlisted equity investments	**0.7**	–	–	0.7	**0.7**
Assets held at fair value through other comprehensive income:					
Equity investments	**18.9**	–	–	18.9	**18.9**
Assets held at amortised cost:					
Debt securities	**70.6**	–	16.2	49.4	**65.6**
Infrastructure debt	**214.2**	–	–	213.9	**213.9**
Commercial real estate loans	**145.9**	–	–	145.4	**145.4**
Other loans	**3.1**	–	–	3.1	**3.1**
Total	**3,996.1**	**680.8**	**2,599.5**	**710.0**	**3,990.3**
Liabilities held at fair value through profit or loss:					
Derivative liabilities	**15.4**	–	15.4	–	**15.4**
Other financial liabilities:					
Subordinated liabilities	**258.8**	–	212.8	–	**212.8**
Total	**274.2**	**–**	**228.2**	**–**	**228.2**

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

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

The movements in assets held at fair value and classified as level 3 in the fair value hierarchy relate to investment property and unquoted equity investments. Investment property is analysed in note 18 along with further details on the Group's valuation approach. A summary of realised and unrealised gains or losses in relation to investment property at fair value are presented in note 4.

There were no changes in the categorisation of assets between levels 1, 2 and 3 for assets and liabilities held by the Group since 31 December 2023.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, as at 31 December 2024 and 2023 are shown below:

	Fair value £m		Valuation technique	Unobservable input	Range (weighted average)	
	2024	2023			2024	2023
Investment property[1]	**287.6**	277.1	Income capitalisation	Equivalent yield	**5.00% – 13.50% (average 6.17%)**	4.50% – 7.96% (average 5.77%)
				Estimated rental value per square foot	**£7.50 – £35.00 (average £19.85)**	£7.00 – £35.00 (average £16.38)
Debt securities	**34.5**	49.4	Discounted cash flow	Credit spread	**80.87 – 190.02 (average 126.83)**	65.44 – 272.02 (average 143.24)
Infrastructure debt	**190.5**	213.9	Credit assessment and pricing models	Credit spread	**SONIA + 0.88% - 2.98% (average SONIA + 1.33%)**	SONIA + 0.88% - 2.98% (average SONIA + 1.36%)
Commercial real estate loans	**134.8**	145.4	Credit assessment and pricing models	Credit spread	**SONIA + 230bps – 325bps (average SONIA +270bps)**	SONIA + 230bps – 525bps (average SONIA +284bps)

Note:

1. The methodology of valuation reflects commercial property held within U K Insurance Limited.

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

	Investment property £m	Unquoted equity investments held at FVOCI £m	Unquoted equity investments held at FVTPL £m
At 1 January 2024	**277.1**	**18.9**	**0.7**
Additions	**3.9**	**2.5**	**–**
Increase in fair value in the period	**6.6**	**1.6**	**–**
Disposals	**–**	**(3.6)**	**–**
At 31 December 2024	**287.6**	**19.4**	**0.7**

23. Financial instruments

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

	2024 £m	2023 £m
Debt securities measured at fair value through profit or loss		
Corporate	**3,161.0**	2,530.8
Supranational	**17.9**	25.6
Local government	**13.0**	0.9
Sovereign	**746.0**	680.8
Total	**3,937.9**	3,238.1
Debt securities measured at amortised cost		
Corporate	**55.7**	70.6
Total	**55.7**	70.6
Total debt securities	**3,993.6**	3,308.7
Of which:		
Fixed interest rate[1]	**3,992.8**	3,307.5
Floating interest rate	**0.8**	1.2
Loans and receivables measured at amortised cost		
Infrastructure debt	**188.7**	214.2
Commercial real estate loans	**135.5**	145.9
Other loans	**5.4**	3.1
Total loans and receivables	**329.6**	363.2
Equity investments measured at fair value through other comprehensive income		
Interest in unconsolidated structured entities	**19.4**	18.9
Total	**19.4**	18.9
Equity investments measured at fair value through profit or loss		
Unquoted equity investments	**0.7**	0.7
Quoted equity investments	**–**	0.1
Total equity investments	**20.1**	19.7
Total	**4,343.3**	3,691.6

Note:

1. The Group swaps a fixed interest rate for a floating rate of interest on its US dollar and Euro corporate debt securities by entering into interest rate derivatives. The hedged amount at 31 December 2024 was £227.1 million (2023: £419.4 million).

Within the analysis of debt securities above are bank debt securities at 31 December 2024 of £1,135.0 million (2023: £973.7 million) that can be further analysed as: secured £4.2 million (2023: £11.1 million); unsecured £935.4 million (2023: £770.6 million); and subordinated £195.4 million (2023: £192.0 million).

Financial instruments measured at amortised cost

The Group has a portfolio of financial investments measured at amortised cost, primarily comprising infrastructure debt and commercial real estate loans (total 31 December 2024: £329.6 million; 31 December 2023: £363.2 million). During the year the effect of changes in assessing the ECL relating to financial investments amounted to £0.1 million (2023: £0.9 million).

The Group has a small portfolio of debt securities measured at amortised cost (31 December 2024: £55.7 million; 31 December 2023: £70.6 million). During the year the effect of changes in assessing the ECL on these securities amounted to £0.4 million (2023: £0.2million).

Notes to the financial statements continued

23. Financial instruments continued

Unconsolidated structured entities

The Group invests in structured entities, being insurtech-focused equity fund partnerships, whose primary activity is to invest in unquoted insurtech entities. These structured entities are not consolidated where the Group has determined it does not have control.

On initial recognition the Group made an irrevocable election to classify these equity investments as FVOCI given the instruments are strategic in nature, and are not held for trading.

The insurtech-focused equity investments are valued based on external valuation reports received from a third-party fund manager using International Private Equity and Venture Capital ("**IPEV**") Valuation Guidelines. Fair values for investments that are not quoted in an active market are determined primarily using discounted cash flow models. Unobservable inputs, such as projected cashflows, and the liquidity and credit and risk premium incorporated within the discount rate are regularly reviewed.

The maximum loss that the Group is exposed to at the period end date, before consideration of mitigating actions, is the carrying value. Once the Group has disposed of its partnership interest, it ceases to be exposed to any risk from that partnership. The Group has committed to further funding of £10.2 million which may increase the maximum loss exposure in future.

The Group's holdings in the partnerships are less than 20% and as such the net asset value of the structured entities is significantly higher than the carrying value of the Groups asset.

Amounts arising from ECL: financial investments measured at amortised cost

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

	Gross carrying amount 2024 £m	ECL allowance 2024 £m	Carrying amount 2024 £m	Carrying amount 31 Dec 2023 £m	Carrying amount 1 Jan 2023 £m
Stage 1	375.7	(1.5)	374.3	415.5	509.6
Stage 2	5.9	(0.5)	5.4	12.6	17.9
Stage 3	13.3	(7.7)	5.6	5.7	7.0
Total	**394.9**	**(9.7)**	**385.3**	**433.8**	**534.5**

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

	ECL 2024 £m	3-notch immediate downgrade 2024 £m	ECL 2023 £m	3-notch immediate downgrade 2023 £m
Infrastructure debt	(1.0)	(3.8)	(16.6)	(19.2)
Commercial real estate loans	(7.8)	(11.3)	(7.7)	(10.5)
Debt securities held at amortised cost	(0.3)	(1.7)	(0.8)	(2.7)
Other loans	(0.6)	(0.5)	(0.4)	(0.4)
Total	**(9.7)**	**(17.3)**	**(25.5)**	**(32.8)**

Derivative financial instruments

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

	2024 £m	2023 £m
Derivative assets		
At fair value through profit or loss:		
Foreign exchange contracts (forwards)	**14.9**	27.1
Interest rate swaps	**4.2**	0.3
Designated as hedging instruments:		
Foreign exchange contracts (forwards)[1]	**–**	–
Total	**19.1**	27.4
Derivative liabilities		
At fair value through profit or loss:		
Foreign exchange contracts (forwards)	**36.4**	8.2
Interest rate swaps	**2.3**	6.9
Designated as hedging instruments:		
Foreign exchange contracts (forwards)[1]	**–**	0.3
Total	**38.7**	15.4

Note:

1. Foreign exchange contracts (forwards) are designated as cash flow hedges in relation to supplier payments.

24. Retirement benefit obligations

Defined contribution scheme

The pension charge in respect of the defined contribution scheme for the year ended 31 December 2024 was £30.6 million (2023: £28.7 million).

Defined benefit scheme

The Group's defined benefit pension scheme was closed in 2003, although the Group remains the sponsoring employer for obligations to current and deferred pensioners based on qualifying years' service and final salaries. The defined benefit scheme is legally separated from the Group with a trustee who is required by law to act in the interests of the scheme and of all the relevant stakeholders. The trustee of the pension scheme is responsible for the investment policy with regard to the assets of the scheme.

The weighted average duration of the defined benefit obligations at 31 December 2024 is 15 years (2023: 16 years) using accounting assumptions.

The table below sets out the principal assumptions used in determining the defined benefit scheme obligations:

	2024 **%**	2023 %
Rate of increase in pension payment	**2.5**	2.5
Rate of increase in deferred pensions	**2.6**	2.5
Discount rate	**5.2**	4.5
Inflation rate	**3.1**	3.1

No assumption has been made for salary growth as there are no obligations in the scheme that are linked to future increases in salaries.

Post-retirement mortality assumptions

	2024	2023
Life expectancy at age 60 now:		
Males	**86.8**	87.0
Females	**88.9**	89.0
Life expectancy at age 60 in 20 years' time:		
Males	**88.3**	88.9
Females	**90.3**	90.8

The table below analyses the fair value of the scheme assets by type of asset.

	2024 **£m**	2023 £m
Insurance policies[1]	**46.7**	51.8
Index-linked bonds	**0.5**	0.5
Government bonds	**0.3**	0.3
Defined contribution section funds[2]	**1.0**	1.4
Other	**0.5**	1.7
Total	**49.0**	55.7

Notes:

1. Insurance policies are valued at the present value of the related obligations.
2. The defined contribution section funds relate to members in that section who have a defined benefit underpin that exceeds the value of the defined contribution funds. The investments are largely in a diversified growth fund. The corresponding liability is included in the defined benefit scheme obligation (see the movement in net pension surplus table below).

The majority of debt instruments held directly or through the liquidity fund have quoted prices in active markets.

Notes to the financial statements continued

24. Retirement benefit obligations continued

Movement in net pension surplus

	Fair value of defined benefit scheme assets £m	Present value of defined benefit scheme obligations £m	Net pension surplus £m
At 1 January 2023	53.4	(51.8)	1.6
Statement of Profit or Loss:			
Net interest income/(cost)[1]	2.5	(2.4)	0.1
Administration costs	(0.5)	–	(0.5)
Statement of Comprehensive Income:			
Remeasurement gains			
Return on plan assets excluding amounts included in the net interest on the defined benefit asset	2.7	–	2.7
Actuarial losses on defined benefit scheme			
Experience losses	–	(1.3)	(1.3)
Gains from change in demographic assumptions	–	0.4	0.4
Losses from change in financial assumptions	–	(1.7)	(1.7)
Benefits paid	(2.4)	2.4	–
At 31 December 2023	55.7	(54.4)	1.3
Statement of Profit or Loss:			
Net interest income/(cost)[1]	**2.4**	**(2.4)**	**–**
Administration costs	**(1.1)**	**–**	**(1.1)**
Statement of Comprehensive Income:			
Remeasurement gains			
Return on plan assets excluding amounts included in the net interest on the defined benefit asset	**(5.2)**	**–**	**(5.2)**
Actuarial gains on defined benefit scheme			
Experience gains	**–**	**0.1**	**0.1**
Gains from change in demographic assumptions	**–**	**0.3**	**0.3**
Gains from change in financial assumptions	**–**	**5.4**	**5.4**
Benefits paid	**(2.8)**	**2.8**	**–**
At 31 December 2024	**49.0**	**(48.2)**	**0.8**

Note:

1. The net interest income/(cost) in the statement of profit or loss has been included under other operating expenses.

The table below details the history of the scheme for the current and prior years:

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Present value of defined benefit scheme obligations	**(48.2)**	(54.4)	(51.8)	(96.1)	(98.7)
Fair value of defined benefit scheme assets	**49.0**	55.7	53.4	108.2	107.7
Net pension surplus	**0.8**	1.3	1.6	12.1	9.0
Experience gains/(losses) on scheme liabilities	**0.1**	(1.3)	0.3	(5.8)	2.4
Return on plan assets excluding amounts included in the net interest on the defined benefit asset	**(5.2)**	2.7	(53.3)	2.2	9.0

Sensitivity analysis

The sensitivity analysis has been calculated by valuing the pension scheme liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The pension cost has been determined allowing for the estimated impact on the scheme's assets. Following the purchase of the insurance policy to cover the benefits of the defined benefit section members, the scheme's asset and liabilities move by the same amount in respect of these members, hence has no impact on pension cost. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should be viewed as illustrative, rather than providing a view on the likely size of any change.

	Impact on present value of defined benefit scheme obligations	
	2024 £m	2023 £m
Discount rate		
1.0% increase in discount rate (2023: 1.0% increase in discount rate)	**(6.0)**	(7.4)
1.0% decrease in discount rate (2023: 1.0% decrease in discount rate)	**7.0**	8.7
Inflation rate		
1.0% increase in inflation rate (2023: 1.0% increase in inflation rate)	**2.4**	2.7
1.0% decrease in inflation rate (2023: 1.0% decrease in inflation rate)	**(2.3)**	(2.7)
Life expectancy		
1-year increase in life expectancy	**1.1**	2.4
1-year decrease in life expectancy	**(1.1)**	(2.4)

DL Insurance Services Limited, as the Principal Employer of the Direct Line Group Hybrid Scheme and the only Employer in relation to the Scheme, gave written notice to the Trustee of the Scheme that the Scheme is to commence winding-up with effect on and from 30 December 2024. This action has removed the requirement to obtain technical provisions funding valuations in relation to the Scheme.

Once the winding-up of the Scheme has been completed, it is expected that the Group will have no further defined benefit obligations.

At the date of signing these financial statements, no contributions are expected to be payable in 2025 (2024: £nil).

25. Cash and cash equivalents and borrowings

This note provides detail of the Group's cash position as disclosed in the consolidated cash flow statement.

	2024 £m	2023 £m
Cash at bank and in hand	**101.3**	148.0
Short term deposits with credit institutions[1]	**1,054.7**	1,624.2
Cash and cash equivalents	**1,156.0**	1,772.2
Bank overdrafts[2]	**(66.8)**	(82.4)
Cash and cash equivalents and borrowings	**1,089.2**	1,689.8

Notes:

1. This represents money market funds.
2. Bank overdrafts represent short-term timing differences between transactions posted in the records of the Group and transactions flowing through the accounts at the bank.

The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2024 was 5.26% (2023: 4.57%) and average maturity was 10 days (2023: 10 days).

Of the total amount of short-term deposits with credit institutions of £1,054.7 million (2023: £1,624.2 million), £298.1 million (2023: £241.8 million) is invested within money market funds under the 100% quota share reinsurance treaty for the Brokered commercial business, which is operated on a funds withheld basis and is retained as security against the reinsurer's obligations.

Notes to the financial statements continued

26. Assets held for sale

This note analyses the Group's assets held for sale.

	2024	2023
	£m	£m
Property, plant and equipment	**12.2**	13.9
Total assets held for sale	**12.2**	13.9

The Group has been able to reduce the number of office sites it needs by changing the way it uses its premises so that they support collaboration, training and teamwork rather than being an everyday place of work for most people.

Assets held for sale at 31 December 2024 and 31 December 2023 relate to an office site in Leeds (including retail space within the property) that is no longer required.

A net impairment loss of £1.8 million (2023: £5.1 million) is included within operating expenses (as part of restructuring and one-off costs) for the write down of the carrying value of properties to their held for sale values.

27. Share capital

This note gives details of Direct Line Insurance Group plc's ordinary share capital.

Issued and fully paid: equity shares	**2024**			2023		
	Number of shares	**Share capital**	**Capital redemption reserve**	Number of shares	Share capital	Capital redemption reserve
Ordinary Shares of 10 10/11 pence each[1]	**millions**	**£m**	**£m**	millions	£m	£m
At 1 January and 31 December	**1,311.4**	**143.1**	**6.9**	1,311.4	143.1	6.9

Notes:

1. The shares have full voting, dividend and capital distribution rights (including on wind-up) attached to them; these do not confer any rights of redemption.

Additional information including the number of shares authorised for issue is available in the Directors' Report which starts on page 142.

Employee trust shares

The Group satisfies share-based payments under the Group's share plans primarily through shares purchased in the market and held by employee share trusts.

At 31 December 2024, 10,431,842 Ordinary Shares (2023: 13,688,971 Ordinary Shares) were owned by the employee share trusts at a cost of £19.5 million (2023: £29.9 million). These Ordinary Shares are carried at cost and at 31 December 2024 had a market value of £26.6 million (2023: £24.9 million).

28. Other reserves

This note analyses the Group's other reserves.

Capital reserves

	2024	2023
	£m	£m
Capital contribution reserve	**100.0**	100.0
Capital redemption reserve	**1,356.9**	1,356.9
Total	**1,456.9**	1,456.9

Capital contribution reserves arose on the cancellation of a debt payable to a shareholder.

Capital redemption reserves of £1,350.0 million arose on the reduction of nominal value of each share in issue with a corresponding transfer to capital redemption reserve with the remainder arising when shares repurchased through buybacks were cancelled. No further additions were made in 2024 (2023: nil).

29. Tier 1 notes

The carrying amount of Tier 1 notes at 31 December was:

	2024 £m	2023 £m
Tier 1 notes	**346.5**	346.5

On 7 December 2017, the Group issued £350 million of fixed rate perpetual 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, a fixed 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 Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

The Group has the option to cancel the coupon payment. Cancellation becomes mandatory if the Solvency condition[1] 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.

Note:

1. All payments shall be conditional upon the Group being solvent at the time of payment and immediately after payment. The issuer will be solvent if (i) it is able to pay its debts owed to senior creditors as they fall due and (ii) its assets exceed its liabilities.

30. Subordinated liabilities

The carrying amount of subordinated liabilities at 31 December was:

	2024 £m	2023 £m
Subordinated Tier 2 notes	**259.1**	258.8

On 5 June 2020, the Group issued 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 notes are unsecured and subordinated obligations of the Group and rank pari passu and 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.

The Group has the option, in certain circumstances, to defer interest payments on the notes but to date has not exercised this right.

31. Provisions

Movement in provisions during the year

	Restructuring £m	Other[1] £m	Total £m
At 1 January 2024	**29.5**	**1.3**	**30.8**
Additional provision	**11.2**	**2.3**	**13.5**
Utilisation of provision	**(23.3)**	**–**	**(23.3)**
Released to the Statement of Profit or Loss	**(5.2)**	**(0.2)**	**(5.4)**
At 31 December 2024	**12.2**	**3.4**	**15.6**

Note:

1. Other includes a number of individually immaterial provisions.

None of the above amounts are due to be settled outside of 12 months (2023: £nil).

Restructuring costs include several programmes across the Group, such as office site closures, staff restructuring and an impairment charge. There are no material uncertainties regarding the timings, amounts or assumptions used.

32. Trade and other payables

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

	2024 £m	2023 £m
Accruals	**161.6**	141.6
Trade creditors	**0.8**	2.2
Other taxes	**7.4**	12.3
Other creditors	**1.2**	1.1
Deferred income	**7.9**	6.4
Total	**178.9**	163.6

Notes to the financial statements continued

33. Commitments and contingent liabilities

The Group did not have any material commitments and contingent liabilities at 31 December 2024 (2023: none).

The PRA has given notice of its intention to investigate the miscalculation identified within the Group's audited Solvency II own funds for the year ended 2023, as announced on 23 August 2024. The process is at an early stage and the outcome is uncertain. No provision has been recognised in the financial statements on grounds of likelihood and it is not practicable, at this time, to reliably estimate any financial penalty or other regulatory action. The Group is cooperating fully with the PRA.

Commitments to unconsolidated structured entities are detailed in note 23.

34. Notes to the consolidated cash flow statement

This note gives further detail behind the figures in the statement of cash flows

	Notes	2024 £m	2023 £m
Profit for the year		**162.5**	222.9
Adjustments for:			
Net Investment return excluding investment fees	4	**(281.1)**	(312.3)
Finance costs	8	**15.3**	14.5
Net defined benefit pension scheme expense	24	**0.4**	0.4
Equity-settled share-based payment charge		**14.6**	13.9
Tax Charge	10	**55.8**	54.5
Depreciation and amortisation charge		**139.5**	123.5
Impairment of intangible assets	15	**23.1**	5.4
Impairment on assets held for sale	26	**1.8**	5.1
Loss on disposal of property, plant and equipment and ROU assets		**0.6**	4.1
Transaction costs paid on disposal of business		**–**	(25.1)
Loss/(profit) on disposal of business	9	**4.7**	(443.9)
Operating cash flows before movements in working capital		**137.2**	(337.0)
Movements in working capital:			
Net increase in reinsurance contract assets[1]		**(456.2)**	(271.2)
Net (increase)/decrease in insurance contract assets[1]		**(0.3)**	11.9
Net increase in reinsurance contract liabilities		**432.9**	102.7
Net (decrease)/increase in insurance contract liabilities		**(151.9)**	613.0
Net increase/(decrease) in other receivables		**13.5**	(0.6)
Net (increase)/decrease in accrued income and other assets		**(2.2)**	3.2
Net (decrease)/increase in trade and other payables		**(4.0)**	10.0
Cash (used in)/generated from operations before investment of insurance assets		**(31.0)**	132.0
Interest received		**208.2**	176.7
Rental income received from investment property	4	**17.4**	16.1
Purchase of investment property	18	**(3.8)**	(0.5)
Proceeds on disposal/maturity of financial investments measured through profit or loss		**1,131.0**	1,062.4
Proceeds from maturity of debt securities measured at amortised cost		**15.2**	26.5
Advances made for commercial real estate loans		**(24.2)**	(5.4)
Repayments of infrastructure debt and commercial real estate loans		**60.5**	81.8
Proceeds from equity investments		**3.2**	–
Purchase of equity investments		**(2.5)**	(3.0)
Purchase of financial investments measured at fair value through profit or loss		**(1,749.6)**	(1,049.0)
Advances for other loans		**(2.5)**	(1.1)
Cash (used in)/generated from investment of insurance assets		**(347.1)**	304.4

Note:

1. 2023 cashflows have been re-presented to show Impairment provision movements on non-performance reinsurance contracts within Net increase in reinsurance contract assets.

The table below details changes in liabilities arising from the Group's financing activities:

	Leases		Subordinated liabilities	
	2024 **£m**	2023 £m	**2024** **£m**	2023 £m
At 1 January	**106.1**	81.6	**258.8**	258.6
Interest paid on subordinated liabilities	**–**	–	**(10.4)**	(10.4)
Lease repayments	**(17.1)**	(14.6)	**–**	–
Financing cash flows	**(17.1)**	(14.6)	**(10.4)**	(10.4)
Additions from acquisition of business	**–**	0.8	**–**	–
Additions/disposals of leases	**20.1**	34.5	**–**	–
Interest on lease liabilities	**4.6**	3.8	**–**	–
Amortisation of arrangement costs and discount on issue of subordinated liabilities	**–**	–	**0.3**	0.2
Accrued interest expense on subordinated liabilities	**–**	–	**10.4**	10.4
Other changes	**24.7**	39.1	**10.7**	10.6
At 31 December	**113.7**	106.1	**259.1**	258.8

35. Related undertakings

The principal subsidiary undertakings of the Group, over which it exercises 100% voting power, are shown below. Their capital consists of Ordinary Shares which are unlisted. All subsidiaries (a full list of which is included in note 2 of the Parent Company's financial statements) are included in the Group's consolidated financial statements.

Name of subsidiary	Company registration number	Place of incorporation and operation	Principal activity
DL Insurance Services Limited	3001989	United Kingdom	Management services
U K Insurance Limited	1179980	United Kingdom	General insurance

The Group did not acquire any subsidiaries in the year ended 31 December 2024, (31 December 2023: four subsidiary entities acquired: By Miles Group Limited, By Miles Limited, By Miles Payment Services Limited and By Miles Technology Services Limited). By Miles Payment Services Limited was dissolved on 1 October 2024, (31 December 2023: no subsidiaries disposed).

Transactions between the Group's subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

Subject to the preceding sentence, there were no sales or purchases of products and services to or from related parties in the year ended 31 December 2024 (2023: £nil).

Compensation of key management

	2024 **£m**	2023 £m
Termination benefits	**1.5**	1.0
Short-term employee benefits	**8.5**	6.6
Post-employment benefits	**0.2**	0.2
Share-based payments	**6.4**	2.5
Total	**16.6**	10.3

For the purposes of IAS 24 'Related party disclosures', key management personnel comprise the Directors and Non-Executive Directors and the members of the Executive Committee.

36 Post balance sheet events

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

Parent Company Accounting Policies

(A) Basis of preparation

Direct Line Insurance Group plc, 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 the Company's registered office is Churchill Court, Westmoreland Road, Bromley, BR1 1DP.

The Company's financial statements are prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value.

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company's Statement of Profit or Loss and related notes have not been presented in these separate financial statements.

The Company's financial statements are prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

The Company has taken advantage of the following FRS 101 disclosure exemptions:

– FRS 101.8 (d): the requirements of IFRS 7 'Financial Instruments: Disclosures' to make disclosures about financial instruments;
– FRS 101.8 (e): the disclosure requirements of IFRS 13 'Fair Value Measurement';
– FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 111, and 134 to 136 of IAS 1 ‘Presentation of Financial Statements’ to produce a cash flow statement and to make an explicit and unreserved statement of compliance with IFRSs, additional comparative information and capital management information;
– FRS 101.8 (h): the requirements of IAS 7 'Statements of Cash Flows' to produce a cash flow statement and related notes;
– FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to include a list of new IFRSs that have been issued but that have yet to be applied; and
– FRS 101.8 (k): the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member.

Adoption of new and revised standards

Full details of the new and revised standards adopted by the Company are set out in note (A) to the consolidated financial statements.

(B) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment.

(C) Subsidiaries exemption from audit by parent guarantee

The following subsidiaries incorporated in the United Kingdom, are exempt from the requirements relating to the audit of individual accounts, under s479A-479C of the Companies Act 2006. The parental guarantee is provided by Direct Line Insurance Group plc.

– Direct Line Group Limited (Registered number: 02811437)
– Finsure Premium Finance Limited (Registered number: 01670887)
– Green Flag Holdings Limited (Registered number: 03577191)

Parent Company Statement of Financial Position

For the year ended 31 December 2024

	Notes	2024 £m	2023 Re-presented £m
Non-current assets			
Investment in subsidiary undertakings	2	**3,460.9**	3,445.2
Other receivables	3	**18.0**	16.9
Total non-current assets		**3,478.9**	3,462.1
Current assets			
Other receivables	3	**6.8**	6.5
Current tax assets	4	**11.4**	14.1
Derivative financial instruments	5	**–**	0.3
Cash and cash equivalents	6	**177.3**	118.8
Total current assets		**195.5**	139.7
Total assets		**3,674.4**	3,601.8
Equity			
Shareholders' equity		**2,810.5**	2,693.6
Tier 1 notes	8	**346.5**	346.5
Total equity		**3,157.0**	3,040.1
Non-current liabilities			
Subordinated liabilities	9	**259.1**	258.8
Total non-current liabilities		**259.1**	258.8
Current liabilities			
Borrowings	6	**257.5**	301.7
Derivative financial instruments	5	**–**	0.3
Deferred tax liabilities	4	**0.8**	0.9
Total current liabilities		**258.3**	302.9
Total liabilities		**517.4**	561.7
Total equity and liabilities		**3,674.4**	3,601.8

Prior period comparatives have been re-presented to be based on classification rather than on liquidity.

The attached notes on pages 233 to 235 form an integral part of these separate financial statements.

The profit for the year net of tax was £213.5 million (2023: £21.2 million). There were no other components of recognised income or expense in either period and, consequently, no statement of other comprehensive income has been presented.

The financial statements were approved by the Board of Directors and authorised for issue on 3 March 2025.

They were signed on its behalf by:

Jane Poole
Chief Financial Officer

Direct Line Insurance Group plc

Registration No. 02280426

Parent Company Statement of Changes in Equity

As at 31 December 2024

	Share capital (note 7) £m	Capital reserves (note 7) £m	Share-based payment reserve £m	Retained earnings £m	Shareholders equity £m	Tier 1 notes (note 8) £m	Total equity £m
Balance at 1 January 2023	143.1	1,456.9	1.1	1,094.6	2,695.7	346.5	3,042.2
Profit for the year	–	–	–	21.2	21.2	–	21.2
Total comprehensive income for the year	–	–	–	21.2	21.2	–	21.2
Dividends and appropriations paid (note 10)	–	–	–	(16.6)	(16.6)	–	(16.6)
Credit to equity for equity-settled share-based payments	–	–	12.6	–	12.6	–	12.6
Shares distributed by employee trusts	–	–	(19.3)	–	(19.3)	–	(19.3)
Total transactions with equity holders	–	–	(6.7)	(16.6)	(23.3)	–	(23.3)
Balance at 31 December 2023	143.1	1,456.9	(5.6)	1,099.2	2,693.6	346.5	3,040.1
Profit for the year	**–**	**–**	**–**	**213.5**	**213.5**	**–**	**213.5**
Total comprehensive income for the year	**–**	**–**	**–**	**213.5**	**213.5**	**–**	**213.5**
Dividends and appropriations paid (note 10)	**–**	**–**	**–**	**(94.8)**	**(94.8)**	**–**	**(94.8)**
Credit to equity for equity-settled share-based payments	**–**	**–**	**15.8**	**–**	**15.8**	**–**	**15.8**
Shares distributed by employee trusts	**–**	**–**	**(17.6)**	**–**	**(17.6)**	**–**	**(17.6)**
Total transactions with equity holders	**–**	**–**	**(1.8)**	**(94.8)**	**(96.6)**	**–**	**(96.6)**
Balance at 31 December 2024	**143.1**	**1,456.9**	**(7.4)**	**1,217.9**	**2,810.5**	**346.5**	**3,157.0**

The attached notes on pages 233 to 235 form an integral part of these separate financial statements.

Notes to the Parent Company Financial Statements

1. Risk management

The risks faced by the Company, arising from its investment in subsidiaries, are considered to be the same as those in the operations of the Group. Details of the key risks and the steps taken to manage them are disclosed in note 1 to the consolidated financial statements. The Company also holds, on behalf of its subsidiaries, designated hedging instruments which relate to foreign currency supplier payments.

2. Investment in subsidiary undertakings

	2024 £m	2023 £m
At 1 January	**3,445.2**	3,332.6
Additional investment in subsidiary undertakings	**15.7**	112.6
At 31 December	**3,460.9**	3,445.2

The subsidiary undertakings of the Company are set out in the table below. Their capital consists of Ordinary Shares which are unlisted. In all cases, the Company owns 100% of the Ordinary Shares, either directly or through its ownership of other subsidiaries, and exercises full control over their decision making.

Name of subsidiary	Company registration number	Place of incorporation and operation	Principal activity
Directly held by the Company:			
Direct Line Group Limited[1]	02811437	United Kingdom	Intermediate holding company[6]
DL Insurance Services Limited[1]	03001989	United Kingdom	Management services
Finsure Premium Finance Limited[1]	01670887	United Kingdom	Non-trading company[6]
Inter Group Insurance Services Limited[1]	02762848	United Kingdom	Dormant[5]
UK Assistance Accident Repair Centres Limited[1]	02568507	United Kingdom	Motor vehicle repair services
UK Assistance Limited[1]	02857232	United Kingdom	Dormant[5]
U K Insurance Business Solutions Limited[1]	05196274	United Kingdom	Insurance intermediary services
U K Insurance Limited[2,3]	01179980	United Kingdom	General insurance
Indirectly held by the Company:			
Brolly UK Technology Limited[1]	10134039	United Kingdom	Dormant[5]
By Miles Group Ltd[1]	12270837	United Kingdom	Intermediate holding company
By Miles Ltd[1]	09498559	United Kingdom	Business support services
By Miles Payment Services Ltd	12190473	United Kingdom	Dissolved[7]
By Miles Technology Services Ltd[1]	12189384	United Kingdom	Software development
Churchill Insurance Company Limited[1]	02258947	United Kingdom	General insurance
Direct Line Insurance Limited[1]	01810801	United Kingdom	Dormant[5]
DL Support Services India Private Limited[4]	See footnote 4	India	Support and operational services
DLG Legal Services Limited[2]	08302561	United Kingdom	Legal services
DLG Pension Trustee Limited[1]	08911044	United Kingdom	Dormant[5]
Farmweb Limited[1]	03207393	United Kingdom	Dormant[5]
Green Flag Group Limited[2]	02622895	United Kingdom	Intermediate holding company
Green Flag Holdings Limited[1]	03577191	United Kingdom	Intermediate holding company[6]
Green Flag Limited[2]	01003081	United Kingdom	Breakdown recovery services
Intergroup Assistance Services Limited[1]	03315786	United Kingdom	Dormant[5]
National Breakdown Recovery Club Limited[1]	02479300	United Kingdom	Dormant[5]
Nationwide Breakdown Recovery Services Limited[1]	01316805	United Kingdom	Dormant[5]
The National Insurance and Guarantee Corporation Limited[1]	00042133	United Kingdom	Dormant[5]
UKI Life Assurance Services Limited[1]	03034263	United Kingdom	Dormant[5]

Notes:

1. Registered office at: Churchill Court, Westmoreland Road, Bromley, BR1 1DP.
2. Registered office at: The Wharf, Neville Street, Leeds, LS1 4AZ.
3. U K Insurance Limited is registered as a foreign company in the Republic of South Africa and had a branch in Ireland (deauthorised February 2025).
4. Registered office at: Max House, Level 5, Okhla Industrial Estate Phase-III, New Delhi, 110020, India. Company registration number: U74140DL2014FTC265567.
5. These entities have not been audited, in accordance with the exemptions available for dormant entities under section 480 of the Companies Act 2006.
6. These entities have not been audited, in accordance with the exemptions available for subsidiaries under section 479A of the Companies Act 2006.
7. By Miles Payment Services Ltd was dissolved on 1 October 2024.

Notes to the Parent Company Financial Statements continued

At 31 December 2024, the carrying amount of the Company's net assets of £3,157.0 million (2023 £3,040.1 million) exceeded the Group's market capitalisation of £2,386.1 million (2023: £2,902.1million). The Group has performed an impairment test in line with the requirements of IAS 36 'Impairment of Assets' and concluded that no impairments were required to any of the Company's investments in its subsidiaries.

The recoverable amounts of each investment were based on the higher of the value-in-use test, using the strategic plan, and the fair value which was deemed to be equal to the subsidiaries' net asset values. For each investment in subsidiary the recoverable amount was greater than the carrying value of the cost of investment resulting in no impairment required for the year ended 31 December 2024 (2023: £nil).

3. Other receivables

	2024 £m	2023 £m
Loans to subsidiary undertakings[1]	**18.0**	16.9
Trade receivables due from subsidiary undertakings	**5.7**	6.0
Other debtors	**1.1**	0.5
Total[2]	**24.8**	23.4

Notes:

1. Loans to subsidiary undertakings are not expected to be settled within 12 months and as such are classified as non-current. Loan balances are held at their recoverable amount
2. Trade receivables due from subsidiary undertakings and Other debtors are classified as current.

4. Tax assets and liabilities

	2024 £m	2023 £m
Per Statement of Financial Position:		
Current tax assets	**11.4**	14.1
Deferred tax liabilities	**(0.8)**	(0.9)

The deferred tax liability is in respect of temporary differences in Tier 1 notes.

5. Financial instruments

This note shows the carrying values of the Company's derivative financial assets and liabilities[1].

	Notional amount 2024 £m	**Fair value 2024 £m**	Notional amount 2023 £m	Fair value 2023 £m
Derivative assets				
Designated as hedging instruments:				
Foreign exchange contracts (forwards)[2]	**24.0**	–	14.5	0.3
Total	**24.0**	–	14.5	0.3
Derivative liabilities				
Designated as hedging instruments:				
Foreign exchange contracts (forwards)[2]	**24.0**	–	14.5	0.3
Total	**24.0**	–	14.5	0.3

Notes:

1. The derivative assets and liabilities are both classified as level 2 within the Group's fair value hierarchy set out in note 23 of the consolidated financial statements.
2. The foreign exchange cash flow hedges have been entered into on behalf of the Group's subsidiary companies.

6. Cash and cash equivalents and borrowings

This note provides detail of the Company's cash position.

Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and in hand	–	0.3
Short-term deposits with credit institutions[1]	177.3	118.5
Total	**177.3**	118.8

Note:

1. This represents money market funds.

Borrowings

	2024 £m	2023 £m
Loans from fellow subsidiaries within the Group[1]	**257.5**	301.7

Note:

1. All loans from fellow Group subsidiaries are repayable by 31 December 2024 and automatically extend by a year on 1 January 2025. Interest is charged at the bank of England base rate plus 1%.

7. Share capital, capital reserves and distributable reserves

Full details of the share capital and capital reserves of the Company are set out in notes 27 and 28 to the consolidated financial statements.

Of the Company's total equity, £1,217.9 million (2023: £1,099.2 million), being the total of its retained earnings, is considered to be distributable reserves.

8. Tier 1 notes

Full details of the Tier 1 notes of the Company are set out in note 29 to the consolidated financial statements.

9. Subordinated liabilities

	2024 £m	2023 £m
Subordinated Tier 2 notes	**259.1**	258.8

Full details of the Company's subordinated Tier 2 notes are set out in note 30 to the consolidated financial statements.

The aggregate fair value of subordinated guaranteed dated notes at 31 December 2024 was £229.0 million (2023: £212.8 million).

10. Dividends

Full details of the dividends paid and proposed by the Company are set out in note 11 to the consolidated financial statements.

11. Share-based payments

Full details of share-based compensation plans are provided in note 6 to the consolidated financial statements. The Company is the sponsoring entity and the employees of a subsidiary are the participants of the schemes.

12. Employees, Directors and key management remuneration

The Company has no employees. The Directors and key management of the Group and the Company are the same. The aggregate emoluments of the Directors are set out in note 6 to the consolidated financial statements, the compensation for key management is set out in note 35 to the consolidated financial statements and the remuneration and pension benefits payable in respect of the highest-paid Director are included in the Directors' Remuneration Report in the Governance section of the Annual Report and Accounts.

Shareholder information

Annual General Meeting

The 2025 AGM will be held at Riverbank House, 2 Swan Lane, London, EC4R 3AD on Wednesday 14 May 2025, starting at 10:30 am. All shareholders will receive a separate notice convening the AGM. This will explain the resolutions to be put to the meeting.

The Articles of Association of the Company and the letters of appointment of the Executive Directors, the Chair and the Non-Executive Directors will be available at the venue for the annual general meeting (Riverbank House, as referred to in the paragraph above).

Market

The Company has a 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.

Share ownership

Share capital

You can find details of the Company's share capital in note 27 to the consolidated financial statements.

Dividends

The Company pays its dividends in sterling to shareholders registered on its register of members at the relevant record date.

Shareholders can arrange to receive their cash dividend payments in a bank or building society account by completing a dividend mandate form. This is available from the Company's registrar, Computershare Investor Services Plc ("**Registrar**"), in the UK. You can find the Registrar's contact details on page 255. Alternatively, shareholders can access their shareholdings online and download a dividend mandate form from the Investor Centre. You can find details of this below.

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan. This enables shareholders to use their cash dividends to buy the Company's Ordinary Shares in the market. You can find more details on the Company's website.

Shareholder enquiries

Shareholders with queries about anything relating to their shares can contact our Registrar.

Shareholders should notify the Registrar of any change in shareholding details, such as their address, as soon as possible.

Shareholders can access their current shareholding details online at www.investorcentre.co.uk/directline. Investor Centre is a free-to-use, secure, self-service website that enables shareholders to manage their holdings online. The website allows shareholders to:

- check their holdings;
- update their records, including address and direct credit details;
- access all their securities in one portfolio by setting up a personal account;
- vote online; and
- register to receive electronic shareholder communications.

To access information, the website requires shareholders to quote their shareholder reference number. Shareholders can find this number on their share certificates.

Corporate website

The Group's corporate website is www.directlinegroup.co.uk. It contains useful information for the Company's investors and shareholders. For example, it includes press releases, details of forthcoming events, essential shareholder information, a dividend history, a financial calendar, and details of the Company's AGM. A microsite containing documents relevant to the recommended offer by Aviva plc for Direct Line Insurance Group plc can be found on the corporate website. You can also subscribe to email news alerts.

Shareholder warning

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that prove to be worthless or non-existent, or they can offer to buy shares at an inflated price in return for you paying upfront. They promise high profits. However, if you buy or sell shares in this way, you will probably lose your money.

How to avoid share fraud

- Remember that FCA-authorised firms are unlikely to contact you unexpectedly offering to buy or sell shares.
- Do not converse with them. Note the name of the person and firm contacting you, then end the call.
- To see if the person and firm contacting you are authorised by the FCA, check the Financial Services Register at www.fca.org.uk/register.
- Beware of fraudsters claiming to be from an authorised firm; copying its website; or giving you false contact details.
- If you want to phone the caller back, use the firm's contact details listed on the Financial Services Register at www.fca.org.uk/register.
- If the firm does not have contact details on the Register or they tell you the details are out of date, call the FCA on 0800 111 6768.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/consumers/unauthorised-firms-individuals.
- Remember that if you buy or sell shares from an unauthorised firm, you cannot access the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Get independent financial and professional advice before handing over any money.
- If it sounds too good to be true, it probably is.

Report a scam

If fraudsters approach you, tell the FCA using the share fraud reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also find out more about investment scams on the same web page.

You can call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters, call Action Fraud on 0300 123 2040.

Tips on protecting your shares

- Keep all your certificates in a safe place. Alternatively, consider holding your shares in the UK's electronic registration and settlement system for equity, called CREST, or via a nominee.
- Keep correspondence from the Registrar that shows your shareholder reference number in a safe place, and shred unwanted correspondence.
- Inform the Registrar as soon as you change your address.
- If you receive a letter from the Registrar regarding a change of address and you have not recently moved, contact them immediately.
- Find out when your dividends are paid and contact the Registrar if you do not receive them.
- Consider having your dividends paid direct into your bank account. You will need to complete a dividend mandate form and send it to the Registrar. This reduces the risk of cheques being stolen or lost in the post.
- If you change your bank account, inform the Registrar of your new account details immediately.
- If you are buying or selling shares, only deal with brokers registered in the UK or in your country of residence.
- Be aware that the Company will never call you concerning investments.

Electronic communications and voting

The Group produces various communications. Shareholders can view these online, download them, or receive paper copies by contacting the Registrar.

Shareholders, who register their email address with our Registrar, or at the Investor Centre, can receive emails with news on events, such as the AGM. They can also receive shareholder communications electronically, such as the Annual Report and Accounts and Notice of Meeting.

Dealing facilities

Shareholders who wish to buy, sell or transfer their shares may do so through a stockbroker or a high street bank; or through the Registrar's share-dealing facility.

You can call or email the Registrar regarding its share-dealing facility using this contact information:

- for telephone sales, call +44 (0)370 703 0084 between 8.00 am and 6.00 pm, Monday to Friday, excluding public holidays, and
- for internet sales, go to www.investorcentre.co.uk/directline. You will need your shareholder reference number, as shown on your share certificate, or your welcome letter from the Chair.

Dividend tax allowance

The dividend tax-free allowance is £500 across an individual's entire share portfolio for the tax years 2024 to 2025 and beyond. Above these amounts, individuals will pay tax on their dividend income. The rate of this tax depends on their income tax bracket and personal circumstances. The Company will continue providing registered shareholders with a confirmation of the dividends paid. Shareholders should include this with any other dividend income they receive when calculating and reporting total dividend income received to HMRC. The shareholder is responsible for including all dividend income when calculating tax requirements. If you have any tax queries, please contact your financial adviser.

Glossary and Appendices

Term	Definition and explanation
Actuarial best estimate ("ABE")	The probability-weighted average of all future claims and cost scenarios. It is calculated using historical data, actuarial methods and judgement. A best estimate of reserves will therefore normally include no margin for optimism or, conversely, caution.
Acquisition costs	Costs that arise from activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.
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.
Association of British Insurers ("ABI")	The trade body that represents the insurance and long-term savings industry in the UK.
ASHE index	The Annual Survey of Hours and Earnings ("**ASHE**") provides information about the levels, distribution and make-up of earnings and paid hours worked for employees in all industries and occupations. The ASHE tables contain estimates of earnings for employees by sex and full-time or part-time status.
Bootstrapping	A statistical sampling technique used to estimate reserve variability around the Actuarial Best Estimate. Results produced from bootstrapping historical data are used to set and inform the risk margin incorporated in the Liability for Incurred Claims.
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 is subject to a quota share arrangement between the two companies. 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.
Buy-As-You-Earn Plan	The HM Revenue & Customs approved Buy-As-You-Earn Share Incentive Plan gives all employees the opportunity to become shareholders in the Company.
Capital	The funds invested in the Group, including funds invested by shareholders and Tier 1 notes. In addition, the subordinated liabilities in the Group's statement of financial position are classified as Tier 2 capital for Solvency II purposes.
Carbon/operational emissions: **Scope 1** **Scope 2** **Scope 3**	Scope 1 – covers direct emissions from owned or controlled sources, including fuels used in office buildings, accident repair centres and owned vehicles. Scope 2 – covers indirect emissions from the generation of purchased electricity, steam, heating and cooling for office buildings and accident repair centres. Scope 3 – includes all other indirect emissions that occur in the Group's value chain,such as from purchased goods and services.
Claims frequency	The number of claims divided by the number of policies per year.
Clawback	The Group's ability to claim repayment of paid amounts both cash and equity-settled share-based payments.
Combined operating ratio	The sum of the net insurance claims, net acquisition costs and net expense ratios. The ratio measures the amount of claims costs, acquisition and operating expenses, compared to net insurance revenue. A ratio of less than 100% indicates profitable underwriting. The ratio and the comparative are calculated on an IFRS 17 basis and are not comparable to combined operating ratios that were calculated on an IFRS 4 'Insurance Contracts' basis published previously. (See appendix A – Alternative performance measures on pages 242 to 245.)
Current-year attritional net insurance claims ratio	The loss ratio for the current accident year, excluding the movement of claims reserves relating to previous accident years and claims relating to major weather events. See appendix A – Alternative performance measures on pages 242 to 245)
Deferred Annual Incentive Plan ("DAIP")	For Executive Directors and certain members of senior management, at least 40% of the AIP award is deferred into shares typically vesting three years after grant. The remainder of the award is paid in cash following year end.
Employee Representative Body ("ERB")	The forum that represents all employees, including when there is a legal requirement to consult employees.
Effect of change in yield curve	Reflects the effect of changes in discounting, due to movements in the PRA risk-free yield curve and ASHE index, on claims previously recognised.
Event weather ratio	The loss ratio for claims relating to major weather events. (See page 60 - Alternative Performance Measures.) (See appendix A – Alternative performance measures on pages 242 to 245.)
Events not in data ("ENIDs")	Events not in data allow for short- and long-term risks not reflected in other actuarial inputs, including uncertainties in relation to the actuarial best estimate.

Term	Definition and explanation
Fair value through profit or loss ("FVTPL")	A financial asset or liability where at each Statement of Financial Position date the asset or liability is remeasured to fair value and any movement in that fair value is taken directly to the Statement of Profit or Loss.
Fair value gains/(losses)	Includes fair value gains/(losses) on financial assets held at FVTPL, fair value gains/(losses) on investment property and net expected credit losses on financial investments. (See note 4 Insurance finance result.)
Financial leverage ratio	Tier 1 notes and financial debt (subordinated Tier 2 notes) as a percentage of total capital employed.
Financial Reporting Council	The UK's regulator for the accounting, audit and actuarial professions, promoting transparency and integrity in business.
Gross written premium and associated fees	The total premiums from insurance contracts that were incepted during the period including the impact of a contractual change to Green Flag premium such that a portion of income that was historically included in gross written premium is included in service fee income. Gross written premium is included for the Motability contract for the following six months at the commencement of each six month pricing period.
Incremental borrowing rate ("IBR")	The rate of interest that a lessee would have to pay to borrow, over a similar term and security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.
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.
Investment income yield	The investment return, excluding funds withheld interest income divided by the average AUM (excluding funds withheld assets). The average AUM derives from the period's opening and closing balances for the total Group. (See appendix A – Alternative performance measures on pages 242 to 245.)
Investment return	Total investment return recognised through the Statement of Profit or Loss, earned from the investment portfolio, including investment fees, fair value gains and losses and impairments.
Investment return yield	The investment return divided by the average AUM (excluding funds withheld assets). The average AUM (excluding fund withheld assets) derives from the period's opening and closing balances. (See appendix A – Alternative performance measures on pages 242 to 245.)
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.
Malus	An arrangement that permits unvested remuneration awards to be reduced or forfeited, when the Company considers it appropriate.
Minimum capital requirement ("MCR")	The minimum amount of capital that an insurer needs to hold to cover its risks under the Solvency II regulatory framework, as amended by the PRA's 2024 reforms. 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.
Net acquisition costs ratio	The ratio of acquisition costs divided by net insurance contract revenue. (See appendix A – Alternative performance measures on pages 242 to 245.)
Net asset value	The difference between the Group's total assets and total liabilities, calculated by subtracting total liabilities (including Tier 1 notes) from total assets.
Net expense ratio	The ratio of operating expenses divided by net insurance contract revenue. (See appendix A – Alternative performance measures on pages 242 to 245.)
Net insurance claims ratio	The ratio of net insurance contract claims divided by net insurance contract revenue. (See appendix A – Alternative performance measures on pages 242 to 245.)
Net insurance margin	The ratio of insurance service result divided by net insurance contract revenues. The normalised net insurance margin adjusts net insurance claims and acquisition costs for event weather. (See appendix A – Alternative performance measures on pages 242 to 245.)
Net insurance revenue	The total insurance contract revenue (consisting of gross written premium and associated fees, instalment income and movement in liability for remaining coverage) less expenses from reinsurance contracts held (consisting of reinsurance premium paid and movement in asset for remaining coverage).
Net promoter score ("NPS")	This is an index that measures the willingness of customers to recommend products or services to others. It is used to gauge customers' overall experience with a product or service, and customers' loyalty to a brand.

Term	Definition and explanation
Non-core businesses	The Group has excluded the results of Other personal lines products, including three partnerships that were previously disclosed as being exited, from its ongoing operations and has restated all relevant comparatives across this review. Other personal lines is made up of Pet, Travel, Creditor and Select, our insurance targeted at Mid- to high-net worth customers. Pet is the largest product within Other personal lines. As announced at the Group's Capital Markets Day in July 2024, the decision was taken to pause investment in these products. Other personal lines represented around £130 million of gross written premium and associated fees in 2023.
Ogden discount rate	The discount rate set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases.
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. (See appendix A – Alternative performance measures on pages 242 to 245.)
Operating earnings/(loss) per share	The operating earnings attributable to the owners of the Company. Operating profit from ongoing operations is adjusted to include other finance costs and coupon payments in respect of Tier 1 notes and is divided by the weighted average of Ordinary Shares outstanding in the relevant financial period, excluding Ordinary Shares held by as employee trust shares, adjusted for the dilutive potential Ordinary Shares. The Group's Long-term Incentive Plan outcomes are partly based on this metric.
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. (See appendix A – Alternative performance measures on pages 242 to 245.)
Operating return on tangible equity ("RoTE")	This is adjusted operating profit from ongoing operations divided by the Group's average shareholders' equity less goodwill and other intangible assets. Operating profit after tax is adjusted to include other finance costs and the Tier 1 coupon payments. It is stated after charging tax using the UK standard rate of 25.0% (2023: 23.5%). (See appendix A – Alternative performance measures on pages 242 to 245.)
Other finance costs	The cost of servicing the Group's external borrowings and including the interest on right-of-use assets.
Other operating expenses	These are the expenses relating to business activities excluding restructuring and one-off costs and those included within the insurance service result. (See See Appendix B - Expenses, on page 251.)
Own Risk and Solvency Assessment ("ORSA")	A forward-looking assessment of the Group's risks and associated capital requirements, over the business planning period.
Periodical payment order ("PPO")	These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle certain 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.
PRA risk-free yield curve	Schedules of risk-free interest rates in a number of currencies produced by the Bank of England. These rates are used to calculate the present value of the expected future costs of honouring insurance companies' obligations to policyholders.
Prior-year reserves development ratio	The loss ratio relating to the movement of claims reserves relating to previous accident years. (See appendix A – Alternative performance measures on pages 242 to 245.)
Restructuring and one-off costs	Restructuring costs are costs incurred in respect of those business activities which have a material effect on the nature and focus of the Group's operations. One-off costs are costs that are non-recurring in nature.
Return on equity	This is calculated by dividing the (loss)/profit attributable to the owners of the Company after deduction of the Tier 1 coupon payments by average shareholders' equity for the period.

Term	Definition and explanation
Run-off partnerships	The Group has exited three partnerships which will reduce its exposure to low margin packaged bank accounts so it may redeploy capital to potentially 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 expired in the first half of 2024. Although the Nationwide partnership contract ended during H1 2024, upgrades on existing policies will continue to be underwritten by the Group until 30 April 2025. 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.
Science-Based Targets ("SBT")	Science-Based Targets are a set of goals developed by a business to provide it with a clear route to reduce greenhouse gas emissions. An emissions reduction target is defined as "science-based" if it is developed in line with the scale of reductions required to curb a global temperature rise to well below 2°C above pre-industrial levels and ideally to limit to a 1.5°C rise.
Solvency capital ratio	The ratio of Solvency II own funds to the solvency capital requirement.
Solvency capital requirement ("SCR")	The SCR is the amount of capital the regulator requires an insurer to hold to meet the requirements under the Solvency II regulatory framework, as amended by the PRA's 2024 reforms. The Group uses a partial internal model to determine the SCR.
Tangible equity	This shows the equity excluding Tier 1 notes and intangible assets (for comparability with companies which have not acquired businesses or capitalised intangible assets) (See appendix A – Alternative performance measures on pages 242 to 245.)
Tangible net assets per share	This shows the amount of tangible equity allocated to each ordinary share (for comparability with companies which have not acquired businesses or capitalised intangible assets). (See appendix A – Alternative performance measures on pages 242 to 245.)
Task Force on Climate-related Financial Disclosure ("TCFD")	Established by the Financial Stability Board, the TCFD developed a set of disclosure recommendations on the risks and opportunities presented by climate change. The TCFD aims to improve and increase climate-related disclosure by organisations and promotes the provision of clear, comprehensive and high-quality information.
Total Shareholder Return ("TSR")	Compares share price movement with reinvested dividends as a percentage of the share price.
Unwind of discounting of claims	Comprises insurance finance income and expenses arising from the release of the effect of discounting as projected cash flows move one period closer. The discount unwind is calculated every quarter on opening reserves on a period-to-period basis. (See appendix A – Alternative performance measures on pages 242 to 245.)

Appendix A – Alternative performance measures (unaudited)

The Group has identified Alternative Performance Measures ("**APMs**") in accordance with the European Securities and Markets Authority's published Guidelines. The Group uses APMs to improve comparability of information between reporting periods and reporting segments, by adjusting for either uncontrollable or one-off costs which impact the IFRS measures, to aid the user of the annual report and accounts in understanding the activity taking place across the Group. These APMs are contained within the main narrative sections of this document, outside the financial statements and notes, and may not necessarily have standardised meanings for ease of comparability across peer organisations.

Further information is presented below, defined in the glossary on pages 238 to 241 and reconciled to the most directly reconcilable line items in the financial statements and notes. Note 2 on page 189 of the consolidated financial statements presents a reconciliation of the Group's business activities on a segmental basis to the consolidated statement of profit or loss. All note references in the table below are to the notes to the consolidated financial statements on pages 173 to 229.

Group APM	Closest equivalent IFRS measure	Definition and/or reconciliation	Rationale for APM
Combined operating ratio	Insurance service result	Combined operating ratio is defined in the glossary on pages 238 to 241 and reconciled in appendix B on pages 246 to 249.	This is a measure of underwriting profitability and excludes non-insurance income, whereby a ratio of less than 100% represents an underwriting profit and a ratio of more than 100% represents an underwriting loss.
Current-year attritional insurance claims ratio	Net insurance claims	Current-year attritional loss ratio is defined in the glossary on pages 238 to 241 and is reconciled to the loss ratio (discussed below) on pages 246 to 249.	Expresses claims performance in the current accident year in relation to net insurance revenue.
Event weather ratio	Net insurance claims	Event weather ratio is defined in the glossary on pages 238 to 241 and is reconciled to the loss ratio (discussed below) on pages 246 to 249.	Expresses claims performance with respect to weather events experienced in relation to net insurance revenue.
Gross written premium and associated fees	Insurance revenue	Gross written premium and associate fees is defined in the glossary on pages 238 to 241 and reconciled appendix B on pages 246 to 249.	The IFRS 17 profit or loss account disclosures reflect revenue earned from service provided, compared to a premium written basis under IFRS 4. The Group will continue to provide detail on trading volumes on a written basis as an alternative performance measure.
Investment income yield	Investment income	Investment income yield is defined in the glossary on pages 238 to 241 and is reconciled on page 244.	Expresses a relationship between the investment income and the associated opening and closing assets adjusted for portfolio hedging instruments.
Investment return yield	Investment return	Investment return yield is defined in the glossary on pages 238 to 241 and is reconciled on page 244.	Expresses a relationship between the investment return and the associated opening and closing assets adjusted for portfolio hedging instruments.
Net acquisition costs ratio	Other directly attributable expenses	Net acquisition costs ratio is defined in the glossary on pages 238 to 241 and is reconciled in appendix B on pages 246 to 249.	Expresses acquisition costs in relation to net insurance contract revenue.
Net expense ratio	Other directly attributable expenses	Net expense ratio is defined in the glossary on pages 238 to 241 and is reconciled in appendix B on pages 246 to 249.	Expresses underwriting and policy expenses in relation to net insurance revenue. Note that restructuring and one-off costs are not considered as underwriting costs and are not included in expense ratio calculations.
Net insurance claims ratio	Net insurance claims	Net insurance claims ratio is defined in the glossary on pages 238 to 241 and is reconciled in appendix B on pages 246 to 249.	Expresses claims performance in relation to net insurance revenue.
Net insurance margin ("**NIM**")	Insurance service result	Net insurance margin is defined in the glossary on pages 238 to 241 and is reconciled in Appendix B on pages 246 to 249.	This is a measure of underwriting profitability and excludes non-insurance income. A ratio greater than 0% represents an underwriting profit and a ratio of less than 0% represents an underwriting loss.
Normalised net insurance margin	Insurance service result	Normalised net insurance margin is defined in the glossary on pages 238 to 241 and reconciled in appendix B on pages 246 to 249.	This is a measure of underwriting profitability excluding the variances of actual weather from our assumptions. It also excludes non insurance income. A ratio greater than 0% represents an underwriting profit and a ratio of less than 0% represents an underwriting loss.

Group APM	Closest equivalent IFRS measure	Definition and/or reconciliation	Rationale for APM
Ongoing operations (see also Brokered commercial business, Non-core businesses and Run-off partnerships)	Multiple - rationale for APM	Ongoing operations, Brokered commercial business and run-off partnerships are defined in the glossary on pages 238 to 241 and reconciled in appendix B on pages 246 to 249.	The Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. The purpose of this is to give the reader a clearer view of the Group's ongoing activities and activities that it is seeking to exit from.
Operating earnings/(loss) per share	Diluted earnings per share	Operating earnings/(loss) per share is defined in the glossary on pages 238 to 241 and reconciled on page 244.	This is a measure of profitability. A three-year cumulative operating earnings per share (the sum of the amounts for the three years starting with the year that the award is made) is used in long-term incentive plan ("**LTIP**") calculations.
Operating profit	Profit before tax	Operating profit is defined in the glossary on pages 238 to 241 and reconciled in note 2 on page 189.	This shows the underlying performance (before tax and excluding net fair value gains/(losses), effect of the change in the yield curve in insurance finance expenses, finance costs, gains on disposal of businesses and restructuring and one-off costs) of the business activities.
Operating return on tangible equity	Return on equity	Operating return on tangible equity is defined in the glossary on pages 238 to 241 and is reconciled on page 244.	This shows performance against a measure of equity that is more easily comparable to that of other companies.
Other operating expenses	Other directly attributable expenses	Other operating expenses is defined in the glossary on pages 238 to 241 and reconciled in Appendix B on pages 246 to 249.	This shows the expenses relating to business activities excluding restructuring and one-off costs and those included within the insurance service result.
Prior-year reserves development ratio	Net insurance claims	Prior-year reserves development ratio is defined in the glossary on pages 238 to 241 and is reconciled to the net insurance claims ratio in Appendix B on pages 246 to 249.	Expresses claims performance relating to the movement in prior-year reserves in relation to net insurance revenue.
Tangible equity	Equity	Tangible equity is defined in the glossary on pages 238 to 241 and is reconciled in note 13 on page 199.	This shows the equity excluding Tier 1 notes and intangible assets for comparability with companies which have not acquired businesses or capitalised intangible assets.
Tangible net asset value per share	Net asset value per share	Tangible net asset value per share is defined in the glossary on pages 238 to 241 and reconciled in note 13 on page 199.	This shows the equity excluding Tier 1 notes and intangible assets per share for comparability with companies which have not acquired businesses or capitalised intangible assets.

Investment income and return yields[1]

	Notes[2]	FY 2024 £m	FY 2023 £m
Investment income	4	**244.0**	187.9
Less: Funds withheld interest		**(13.8)**	0.0
Investment fees	4	**(8.8)**	(9.3)
Realised and unrealised gains	4	**37.1**	124.4
Adjusted total investment return		**258.5**	303.0
Opening investment property		**277.1**	278.5
Opening financial investments		**3,691.6**	3,696.4
Opening cash and cash equivalents (excluding funds withheld asset)		**1,530.4**	1,003.6
Opening borrowings		**(82.4)**	(65.2)
Opening derivatives asset[3]		**12.4**	1.6
Opening assets under management (excluding funds withheld asset)		**5,429.1**	4,914.9
Closing investment property		**287.6**	277.1
Closing financial investments	23	**4,343.3**	3,691.6
Closing cash and cash equivalents (excluding funds withheld asset)[3]		**857.9**	1,530.4
Closing borrowings	25	**(66.8)**	(82.4)
Closing derivative (liability)/asset[4]		**(19.6)**	12.4
Closing assets under management (excluding funds withheld asset)		**5,402.4**	5,429.1
Average assets under management (excluding funds withheld asset)[5]		**5,415.8**	5,172.0
Investment income yield[1]		**4.1%**	3.5%
Investment return yield[1]		**4.8%**	5.9%

Notes:

1. See glossary on pages 238 to 241 for definitions.
2. See notes to the consolidated financial statements.
3. Excludes cash withheld under funds withheld arrangement, see note (J).
4. See page 29 (Investment holdings).
5. Mean average of opening and closing balances.

Operating return on tangible equity[1]

	2024 £m	2023 £m
Operating profit/(loss) - ongoing operations	**205.0**	(189.9)
Other finance costs	**(15.4)**	(14.5)
Coupon payments in respect of Tier 1 notes	**(16.6)**	(16.6)
Adjusted operating profit/(loss) - ongoing operations before tax	**173.0**	(221.0)
Tax (charge)/credit (2024 UK standard tax rate of 25.0%, 2023 UK standard tax rate of 23.5%)	**(43.3)**	51.9
Adjusted operating profit/(loss) - ongoing operations after tax	**129.7**	(169.1)
Opening shareholders' equity	**2,058.2**	1,845.3
Opening goodwill and other intangible assets	**(818.6)**	(822.2)
Opening shareholders' tangible equity	**1,239.6**	1,023.1
Closing shareholders' equity	**2,137.9**	2,058.2
Closing goodwill and other intangible assets	**(776.3)**	(818.6)
Closing shareholders' tangible equity	**1,361.6**	1,239.6
Average shareholders' tangible equity[2]	**1,300.6**	1,131.4
Operating return on tangible equity	**10.0%**	(14.9%)

Notes:

1. See glossary on pages 238 to 241 for definitions.
2. Mean average of opening and closing balances.

Operating earnings/(loss) per share[1]

	2024 £m	2023 £m
Operating profit/(loss) - ongoing operations	**205.0**	(189.9)
Other finance costs	**(15.4)**	(14.5)
Coupon payments in respect of Tier 1 notes	**(16.6)**	(16.6)
Adjusted operating profit/(loss) - ongoing operations before tax	**173.0**	(221.0)
Tax (charge)/credit/(2024 UK standard tax rate of 25.0%, 2023 UK standard tax rate of 23.5%)	**(43.3)**	51.9
Adjusted profit/(loss) for the year attributable to the owners of the Company	**129.7**	(169.1)
Weighted average total shares (number of Ordinary Shares (millions))	**1,311.4**	1,311.4
Weighted average of Share Trust owned shares (millions)	**(10.8)**	(12.4)
Weighted average number of Ordinary Shares in issue (millions)	**1,300.6**	1,299.0
Effect of dilutive potential of share options and contingently issuable shares (millions)	**19.5**	17.3
Weighted average number of Ordinary Shares for the purpose of operating earnings per share (millions)	**1,320.1**	1,316.3
Operating earnings/(loss) per share	**9.8**	(12.8)

Note:

1. See glossary on pages 238 to 241 for definitions.

Insurance and reinsurance finance expenses

	2024 £m	2023 £m
Insurance finance expense from insurance contracts issued:		
Unwind of discounting of claims	**(185.6)**	(189.8)
Of which:		
Ongoing operations[1]	**(156.3)**	(161.5)
Brokered commercial business[1]	**(25.9)**	(24.4)
Non-core and Run-off[1]	**(3.4)**	(3.9)
Effect of change in yield curve[1]	**164.6**	(4.0)
Insurance finance expense from insurance contracts issued	**(21.0)**	(193.8)
Reinsurance finance expense from insurance contracts issued:		
Unwind of discounting of claims[1]	**69.6**	49.5
Of which:		
Ongoing operations[1]	**57.4**	45.0
Brokered commercial business[1]	**11.9**	4.3
Non-core and Run-off[1]	**0.3**	0.2
Effect of change in yield curve[1]	**(75.4)**	(21.5)
Interest expense on funds withheld liabilities	**(14.4)**	–
Reinsurance finance expense from insurance contracts issued	**(20.2)**	28.0
Net insurance finance expense:		
Unwind of discounting of claims[1]	**(116.0)**	(140.3)
Of which:		
Ongoing operations[1]	**(98.9)**	(116.5)
Brokered commercial business[1]	**(14.0)**	(20.1)
Non-core and Run-off[1]	**(3.1)**	(3.7)
Effect of change in yield curve[1]	**89.2**	(25.5)
Interest expense on funds withheld liabilities	**(14.4)**	–
Net insurance finance expense	**(41.2)**	(165.8)

Note:

1. See glossary on pages 238 to 241 for definitions.

Appendix B – Management view statements of profit or loss, claims development tables, expenses, average premiums, gross written premium and associated fees and in-force policies (unaudited)

Management view Statement of Profit or Loss – year ended 31 December 2024

The table below analyses the Group's management view results by reportable segment for the year ended 31 December 2024

	Notes	Motor £m	Non-Motor £m	**Total Group - ongoing operations[1] £m**	Brokered commercial business[1] £m	Non-core and Run-off[1] £m	**Total Group £m**
Gross written premium and associated fees		2,700.1	1,031.6	**3,731.7**	436.9	178.4	**4,347.0**
Instalment income		69.9	26.9	**96.8**	1.9	–	**98.7**
Movement in liability for remaining coverage		(31.0)	(37.6)	**(68.6)**	181.6	8.3	**121.3**
Insurance revenue	3	2,739.0	1,020.9	**3,759.9**	620.4	186.7	**4,567.0**
Expenses from reinsurance contracts held	3	(830.8)	(72.0)	**(902.8)**	(532.4)	(4.4)	**(1,439.6)**
Net insurance revenue		1,908.2	948.9	**2,857.1**	88.0	182.3	**3,127.4**
Incurred claims - including losses from onerous contracts and other directly attributable claims income		(2,209.8)	(571.8)	**(2,781.6)**	(364.9)	(127.4)	**(3,273.9)**
Amounts recoverable from/(payable on) reinsurers	3	781.0	4.7	**785.7**	397.2	(2.9)	**1,180.0**
Net insurance claims		(1,428.8)	(567.1)	**(1,995.9)**	32.3	(130.3)	**(2,093.9)**
Of which:							
Prior-year reserves development		20.5	(23.7)	**(3.2)**	(2.3)	10.0	**4.5**
Acquisition costs		(87.3)	(92.0)	**(179.3)**	(47.7)	(6.0)	**(233.0)**
Operating expenses		(372.8)	(204.5)	**(577.3)**	(57.6)	(39.2)	**(674.1)**
Other directly attributable expenses	3	(460.1)	(296.5)	**(756.6)**	(105.3)	(45.2)	**(907.1)**
Insurance service result	3	19.3	85.3	**104.6**	15.0	6.8	**126.4**
Investment income	4	168.0	32.3	**200.3**	33.6	1.3	**235.2**
Unwind of discounting of claims[1]	4	(78.9)	(20.0)	**(98.9)**	(14.0)	(3.1)	**(116.0)**
Other operating income and expenses		(1.4)	0.4	**(1.0)**	1.6	(1.5)	**(0.9)**
Operating profit/(loss)		107.0	98.0	**205.0**	36.2	3.5	**244.7**
Net fair value gains[2]	4						**37.1**
Effect of change in yield curve[1]							**89.2**
Interest expense on fund withheld liabilities							**(14.4)**
Restructuring and one-off costs[1,2]	4						**(118.1)**
Other finance costs	8						**(15.4)**
(Loss)/gain on disposal of business							**(4.7)**
Profit before tax							**218.4**

Key performance indicators – year ended 31 December 2024

	Motor	Non-Motor	**Total Group - ongoing operations[1]**	**Total Group**
Net insurance margin[1]	1.0%	8.9%	3.6%	**4.0%**
Combined operating ratio[1]	99.0%	91.1%	96.4%	**96.1%**
Net expense ratio[1]	19.5%	21.6%	20.2%	**21.6%**
Net acquisition costs ratio[1]	4.6%	9.7%	6.3%	**7.5%**
Net insurance claims ratio[1]	74.9%	59.8%	69.9%	**67.0%**
– current-year attritional[1]	76.0%	52.8%	68.3%	**65.7%**
– prior-year reserves development	(1.1%)	2.5%	0.1%	**(0.1%)**
– major weather events	N/A	4.5%	1.5%	**1.4%**
Effect of weather				
Net insurance claims ratio[1]	N/A	(1.9%)	**(0.6%)**	**(0.6%)**
Net acquisition costs ratio[1]	N/A	0.0%	**0.0%**	**0.0%**
Net insurance margin normalised for event weather[1]	**N/A**	**7.0%**	**3.0%**	**3.4%**

Additional data to support key performance indicators – year ended 31 December 2024

	Motor £m	Non-Motor £m	**Total Group - ongoing operations[1]** **£m**	**Total Group** **£m**
Net insurance claims	**(1,428.8)**	**(567.1)**	**(1,995.9)**	**(2,093.9)**
Attritional net insurance claims	(1,449.3)	(500.3)	**(1,949.6)**	**(2,055.3)**
Prior-year reserves development	20.5	(23.7)	**(3.2)**	**4.5**
Major weather events	N/A	(43.1)	**(43.1)**	**(43.1)**

Normalised operating profit[1] – year ended 31 December 2024

	Total Group - ongoing operations[1] **£m**
Operating profit	**205.0**
Effect of:	
Ogden discount rate	**–**
Normalised weather - claims	**(19.2)**
Normalised weather - profit share	**–**
Normalised operating profit	**185.8**
Prior-year adjustments	
Prior-year reserves development	**(3.2)**
Prior-year normalised operating loss	**(3.2)**
Current-year normalised operating profit	**189.0**
Current-year normalised operating profit ratio	**102%**

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
2. Restructuring and one-off costs include £4.0 million expenses included in the Group insurance service result as disclosed in note 4.

Management view Statement of Profit or Loss – year ended 31 December 2023

The table below analyses the Group's management view results by reportable segment for the year ended 31 December 2023 (restated).

	Notes	Motor £m	Non-Motor £m	**Total Group - ongoing operations[1]** £m	Brokered commercial business[1] £m	Non-core and Run-off[1] £m	**Total Group** £m
Gross written premium and associated fees		2,047.8	929.8	2,977.6	665.8	278.5	3,921.9
Instalment income		66.1	24.8	90.9	1.9	—	92.8
Movement in liability for remaining coverage		(308.5)	(35.4)	(343.9)	(66.9)	(2.2)	(413.0)
Insurance revenue	3	1,805.4	919.2	2,724.6	600.8	276.3	3,601.7
Expenses from reinsurance contracts held	3	(240.5)	(61.5)	(302.0)	(163.4)	(4.8)	(470.2)
Net insurance revenue		1,564.9	857.7	2,422.6	437.4	271.5	3,131.5
Incurred claims - including losses from onerous contracts and other directly attributable claims income		(1,743.5)	(524.1)	(2,267.6)	(356.8)	(249.2)	(2,873.6)
Amounts recoverable from reinsurers	3	248.7	30.5	279.2	140.8	3.4	423.4
Net insurance claims		(1,494.8)	(493.6)	(1,988.4)	(216.0)	(245.8)	(2,450.2)
Of which:							
Prior-year reserves development		(138.4)	(6.1)	(144.5)	32.2	(11.8)	(124.1)
Acquisition costs		(89.6)	(76.3)	(165.9)	(116.3)	(10.1)	(292.3)
Operating expenses		(312.1)	(168.2)	(480.3)	(91.2)	(44.1)	(615.6)
Other directly attributable expenses	3	(401.7)	(244.5)	(646.2)	(207.5)	(54.2)	(907.9)
Insurance service result	3	(331.6)	119.6	(212.0)	13.9	(28.5)	(226.6)
Investment income	4	107.7	31.4	139.1	35.2	4.3	178.6
Unwind of discounting of claims	4	(94.3)	(22.2)	(116.5)	(20.1)	(3.7)	(140.3)
Other operating income and expenses		(1.4)	0.9	(0.5)	(1.4)	(1.2)	(3.1)
Operating (loss)/profit		(319.6)	129.7	(189.9)	27.6	(29.1)	(191.4)
Net fair value gains[2]	4						124.4
Effect of change in yield curve							(25.5)
Restructuring and one-off costs[1,2]	4						(59.5)
Other finance costs	8						(14.5)
Gain on disposal of business							443.9
Profit before tax							277.4

Key performance indicators – year ended 31 December 2023

	Motor	Non-Motor	Total Group - ongoing operations[1]	Total Group
Net insurance margin[1]	(21.1%)	14.0%	(8.7%)	(7.2%)
Combined operating ratio[1]	121.1%	86.0%	108.7%	107.2%
Net expense ratio[1]	19.9%	19.6%	19.8%	19.7%
Net acquisition costs ratio[1]	5.7%	8.9%	6.8%	9.3%
Net insurance claims ratio[1]	95.5%	57.5%	82.1%	78.2%
– current-year attritional[1]	86.7%	53.7%	75.0%	73.3%
– prior-year reserves development	8.8%	0.7%	6.0%	4.0%
– major weather events	N/A	3.1%	1.1%	0.9%
Effect of weather				
Net insurance claims ratio[1]	N/A	(3.8%)	(1.3%)	(1.6%)
Net acquisition cost ratio	N/A	0.0%	0.0%	0.0%
Net insurance margin normalised for event weather[1]	N/A	10.2%	(10.0%)	(8.8%)

Additional data to support key performance indicators – year ended 31 December 2023

	Motor	Non-Motor	Total Group - ongoing operations[1]	Total Group
	£m	£m	£m	£m
Net insurance claims	(1,494.8)	(493.6)	(1,988.4)	(2,450.2)
Attritional net insurance claims	(1,356.4)	(460.8)	(1,817.2)	(2,297.9)
Prior-year reserves development	(138.4)	(6.1)	(144.5)	(124.1)
Major weather events	N/A	(26.7)	(26.7)	(28.2)

Normalised operating profit[3] – year ended 31 December 2023

	Total Group - ongoing operations[1]
	£m
Operating loss	(189.9)
Effect of:	
Normalised weather - claims	(32.7)
Normalised weather - profit share	–
Normalised operating loss	(222.6)
Prior-year adjustments	
Prior-year reserves development	(144.5)
Ogden discount rate	–
Prior-year normalised operating loss	(144.5)
Current-year normalised operating loss	(78.1)
Current-year normalised operating loss ratio	35%

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
2. Restructuring and one-off costs include £24.8 million expenses included in the Group insurance service result as disclosed in note 4.

Insurance and reinsurance contract assets and liabilities – claims development tables (discounted PPO basis)

The claims development tables disclosed in note 19.3 have been re-presented on an undiscounted PPO basis, this is more in line with how the Group manages its insurance and reinsurance contract assets and liabilities.

Gross insurance liabilities

Accident year	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Total £m
Estimate of ultimate gross claims costs:											
At end of accident year	2,066.5	2,124.8	2,178.0	2,280.7	2,059.9	1,767.3	1,905.5	2,252.1	2,721.5	3,229.4	
One year later	(35.1)	(78.5)	(118.2)	(92.3)	(57.3)	(66.4)	(11.1)	157.9	134.9		
Two years later	(113.2)	(52.7)	(93.7)	(38.8)	(37.5)	(28.7)	(29.9)	22.2			
Three years later	(57.2)	(80.4)	(32.1)	(3.4)	(8.1)	36.7	(14.7)				
Four years later	(20.5)	(39.8)	(18.2)	4.1	15.0	(63.6)					
Five years later	(16.5)	(12.0)	(1.2)	20.9	5.4						
Six years later	5.3	(18.6)	11.0	(33.1)							
Seven years later	(5.9)	8.6	(8.6)								
Eight years later	(16.6)	0.1									
Nine years later	(6.2)										
Current estimate of cumulative claims	1,800.6	1,851.5	1,917.0	2,138.1	1,977.4	1,645.3	1,849.8	2,432.2	2,856.4	3,229.4	
Cumulative payments to date	(1,757.5)	(1,806.4)	(1,868.2)	(2,071.3)	(1,845.6)	(1,518.5)	(1,584.3)	(1,970.1)	(1,992.3)	(1,759.0)	
Gross liability recognised in the statement of financial position	**43.1**	**45.1**	**48.8**	**66.8**	**131.8**	**126.8**	**265.5**	**462.1**	**864.1**	**1,470.4**	**3,524.5**
2014 and prior											**556.2**
Claims handling provision											**125.1**
Adjustment for non-financial risk											**305.3**
Effect of discounting											**(438.7)**
Other Liabilities for Incurred Claims											**37.2**
Total											**4,109.6**

Net insurance contract liabilities

Accident year	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Total £m
Estimate of ultimate net claims costs:											
At end of accident year	1,912.3	1,931.8	2,009.2	2,137.8	1,921.4	1,622.7	1,761.1	2,180.7	2,237.7	1,985.7	
One year later	(75.5)	(30.3)	(95.1)	(80.1)	(36.3)	(49.2)	(1.5)	170.5	(47.5)		
Two years later	(61.9)	(46.7)	(60.2)	(20.0)	(36.9)	(42.6)	(12.6)	22.2			
Three years later	(29.2)	(42.9)	(17.2)	(18.2)	(7.7)	48.3	(17.1)				
Four years later	(21.0)	(14.8)	(26.8)	3.5	9.9	(22.4)					
Five years later	(22.0)	(8.0)	(10.2)	20.8	3.0						
Six years later	5.0	(13.2)	7.9	(2.1)							
Seven years later	(5.2)	(4.9)	(2.6)								
Eight years later	(7.4)	2.9									
Nine years later	4.5										
Current estimate of cumulative claims	1,699.6	1,773.9	1,805.0	2,041.7	1,853.4	1,556.8	1,729.9	2,373.4	2,190.2	1,985.7	
Cumulative payments to date	(1,687.6)	(1,753.8)	(1,780.1)	(1,995.3)	(1,786.9)	(1,464.0)	(1,542.3)	(1,966.3)	(1,575.1)	(1,117.7)	
Gross liability recognised in the statement of financial position	**12.0**	**20.1**	**24.9**	**46.4**	**66.5**	**92.8**	**187.6**	**407.1**	**615.1**	**868.0**	**2,340.5**
2014 and prior											**352.8**
Claims handling provision											**89.3**
Adjustment for non-financial risk											**148.9**
Effect of discounting											**(358.5)**
Other Liabilities for incurred claims											**(265.1)**
Total											**2,307.9**

Operating expenses – ongoing operations[1]

	FY 2024			FY 2023		
	Insurance service result £m	Other expenses (note 5) £m	Total expenses £m	Insurance service result £m	Other expenses (note 5) £m	Total expenses £m
Commission expenses	**(121.2)**	**N/A**	**(121.2)**	(104.8)	N/A	(104.8)
Marketing	**(58.1)**	**N/A**	**(58.1)**	(61.1)	N/A	(61.1)
Acquisition expenses	**(179.3)**	**N/A**	**(179.3)**	(165.9)	N/A	(165.9)
Staff costs[2]	**(225.2)**	**0.7**	**(224.5)**	(185.1)	(5.5)	(190.6)
IT and other operating expenses[2,3]	**(104.4)**	**–**	**(104.4)**	(93.2)	(5.3)	(98.5)
Insurance levies	**(104.1)**	**N/A**	**(104.1)**	(79.1)	N/A	(79.1)
Depreciation, amortisation and impairment of intangible and fixed assets[4]	**(143.6)**	**(19.5)**	**(163.1)**	(122.9)	(10.3)	(133.2)
Other expenses	**(577.3)**	**(18.8)**	**(596.1)**	(480.3)	(21.1)	(501.4)
Total operating expenses - ongoing operations[1]	**(756.6)**	**(18.8)**	**(775.4)**	(646.2)	(21.1)	(667.3)
Total expenses - Brokered commercial business[1]	**(105.3)**	**0.3**	**(105.0)**	(207.5)	(1.8)	(209.3)
Total expenses - Non-Core and Run-off[1]	**(45.2)**	**(2.7)**	**(47.9)**	(54.2)	(2.0)	(56.2)
Total expenses – Restructuring and one-off costs[1]	**N/A**	**N/A**	**(118.1)**	N/A	N/A	(59.5)
Total expenses	**(907.1)**	**(21.2)**	**(1,046.4)**	(907.9)	(24.9)	(992.3)
Net acquisition costs ratio – ongoing operations[1]	**6.3%**			6.8%		
Net acquisition costs ratio – total Group[1]	**7.5%**			9.3%		
Net expense ratio - ongoing operations[1]	**20.2%**			19.8%		
Net expense ratio - total Group[1]	**21.6%**			19.7%		

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
2. Staff costs and other operating expenses attributable to claims handling activities are allocated to the cost of insurance claims.
3. IT and other operating expenses include professional fees and property costs.
4. Includes right-of-use assets ("**ROU**") and property, plant and equipment. For the year ended 31 December 2024, there were no impairment charges which relate solely to own occupied freehold property (2023: no impairments).

Motor and Home average premium (£)

£	FY 2024	FY 2023	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
New business	**583**	551	**592**	557	588	599	594
Renewal	**508**	441	**499**	505	514	515	513
Motor own brands[1]	**530**	470	**524**	521	536	541	537
New business	**259**	206	**278**	266	255	238	212
Renewal	**278**	249	**287**	284	276	261	259
Home own brands	**274**	242	**286**	281	272	257	249

Note:

1. Excluding the By Miles brand.

Gross written premium and associated fees

	FY 2024 £m	FY 2023 £m
Own brands[1,2]	**1,554.9**	1,601.3
Partnerships[3]	**1,145.1**	446.5
Motor	**2,700.0**	2,047.8
Own brands[1]	**480.3**	408.8
Partnerships	**156.5**	142.7
Home	**636.8**	551.5
Rescue: Green Flag	**88.7**	85.1
Rescue: Linked[4]	**27.2**	36.6
Rescue: Partners and other[4]	**16.9**	15.6
Rescue	**132.8**	137.3
Commercial direct[1]	**262.3**	241.0
Non-Motor	**1,031.9**	929.8
Ongoing operations[5]	**3,731.9**	2,977.6
Non-Core and Run-off[5]	**178.3**	278.5
Of which: Run-off partnerships	**60.8**	150.1
Brokered commercial insurance	**436.9**	665.8
Total gross written premium and associated fees	**4,347.1**	3,921.9

Notes:

1. Own brands include gross written premium for Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands, Home under the Direct Line, Churchill and Privilege brands and Commercial Direct under the Direct Line for Business and Churchill brands.
2. Gross written premiums for the By Miles brand which were previously reported within Motor partnerships have been reallocated to own brands. There is no impact on in-force policies.
3. Motor partnerships includes the Motability partnership, which started on 1 September 2023, and resulted in significant growth in the third quarter of 2023. From 2024, the majority of Motability gross written premium is recognised twice a year on 1 April and 1 October.
4. A reclassification between Rescue Partners and other and Rescue Linked has been made to reflect how these businesses are managed.
5. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.

In-force policies (thousands)

	31 Dec 2024	31 Dec 2023
Own brands[1]	**2,927**	3,373
Partnerships[2]	**904**	808
Motor	**3,831**	4,181
Own brands[1]	**1,729**	1,706
Partnerships	**732**	738
Home	**2,461**	2,444
Rescue: Green Flag	**985**	1,048
Rescue: Linked[3]	**574**	604
Rescue: Partners and other[3]	**221**	313
Rescue	**1,780**	1,965
Commercial direct[1,4]	**755**	749
Non-Motor[4]	**4,996**	5,158
Ongoing operations[4,5]	**8,827**	9,339
Non-core and Run-off[4,5]	**256**	2,431
Of which: Run-off partnerships[4,5]	**83**	2,224
Brokered commercial insurance[5]	**174**	286
Total in-force policies[4]	**9,257**	12,056

Notes:

1. Own brands include in-force policies Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands. Home under the Direct Line, Churchill and Privilege brands and Commercial Direct under the Direct Line for Business and Churchill brands.
2. Motor partnerships includes the Motability partnership, which started on 1 September 2023, and resulted in significant growth in the third quarter of 2023. From 2024, the majority of Motability gross written premium is recognised twice a year on 1 April and 1 October. As the Motability contract is a fleet contract, customer numbers are used to allow a more representative presentation of the Group's in-force policies.
3. A reclassification between Rescue Partners and other and Rescue Linked has been made to reflect how these businesses are managed.
4. Total in-force policies have been adjusted as follows: policies associated with borderaux business in Commercial Direct have been added across both periods.
5. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation.

Forward-looking statements disclaimer

This Annual Report & Accounts has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept responsibility to any other person to whom this document is shown, or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

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;
- United Kingdom ("**UK**") domestic and global economic business conditions, and changes of a geo-political and/or macro-economic nature;
- 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.

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