# DIRECT LINE INSURANCE GROUP PLC

## PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

## DELIVERING ON THE TURNAROUND

4 March 2025

| Gross written premium and associated fees[1,2] | Net insurance margin[1,2] | Solvency capital ratio[1,3,4] – pre-final dividend |
|---|---|---|
| **£3,732 million** | **3.6%** | **200%** |
| **25.3% increase on 2023** | **12.3pts increase on 2023** | **5.0 pence per share final dividend** |

## ADAM WINSLOW, CEO OF DIRECT LINE GROUP, COMMENTED:

"Our 2024 financial results demonstrate the significant progress we have made, so far, in transforming the business. The turnround strategy, launched in July, has made a marked difference to the company's performance, and we have good momentum across all our business lines.

During the year we launched three new Direct Line branded motor insurance products on the largest price comparison website, Green Flag signed two new agreements, our Home business re-platformed, we further improved our pricing and underwriting capabilities, initiated a new operational structure to become a more efficient and effective organisation and overhauled our claims function in service of better customer and indemnity outcomes.

We also delivered a £395 million increase in ongoing operating profit and 12 point improvement in our net insurance margin compared to the prior year. Motor returned to profitability during 2024, and we made material progress on our cost agenda by actioning £50m of run rate cost savings, with the full benefit expected in 2025.

During the year, we improved our reinsurance protection to reduce future earnings volatility and further diversified our asset portfolio whilst ensuring it closely matches liabilities and carried out an independent third-party reserve review. We remain confident in our ability to deliver at least £100 million of gross run-rate savings by the end of 2025 and 13% net insurance margin in 2026.

Our 2024 results and robust balance sheet with a pre-final dividend solvency ratio of 200% has enabled the Board to recommend a final dividend of five pence per share.

For 2025, we remain focused on delivering the turnaround at pace, leveraging our strong market position and operational efficiencies, to become the customers' insurer of choice.

Our colleagues deserve considerable recognition for showing an unwavering commitment to delivering brilliant customer outcomes everyday particularly during the first year of our turnaround plan."

### Results summary

| | FY 2024 £m | FY 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[1] – ongoing operations[2] | **3,731.9** | 2,977.6 | 25.3% |
| Insurance service result – ongoing operations[2] | **104.6** | (212.0) | £316.6m |
| Net insurance margin[1] – ongoing operations[2] | **3.6%** | (8.7%) | 12.3pts |
| Ongoing operating profit/(loss)[1] – ongoing operations[2] | **205.0** | (189.9) | £394.9m |
| Profit before tax | **218.4** | 277.4 | (£59.0m) |
| Operating return on tangible equity[1] | **10.0%** | (14.9%) | 24.9pts |
| Basic earnings per share (pence) | **11.2** | 15.9 | (4.7) pence |
| Dividends per share – total (pence) | **7.0** | 4.0 | 3.0 pence |
| | **2024** | 2023 | Change |
| In-force policies[1] – ongoing operations (thousands)[1,2] | **8,827** | 9,339 | (5.5%) |
| Solvency capital ratio[1,3,4] – post dividends | **195%** | 188% | 7pts |
| Solvency capital ratio[1,3,4] – pre-final dividend | **200%** | 192% | 8pts |

Footnotes are shown on page 3

## Financial highlights

- 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-final 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.

## 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 Compare the Market.
- 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 are 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[5]. 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.

## 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[6].
- 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.

### For further information, please contact


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Footnotes are shown on page 3

**Notes:**

1. See glossary on pages 56 to 58 for definitions and Appendix A - Alternative Performance Measures on pages 60 to 63 for reconciliation of operating return on tangible equity.
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 56 to 58 for definitions and Appendix B – Management view statements of profit or loss, claims development tables on a discounted basis, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 64 to 70.
3. Estimates based on the Group's Solvency II partial internal model.
4. The full year 2023 solvency capital ratio has been re-presented as explained in the Capital analysis section of this report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).
5. 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.
6. 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.

## CEO REVIEW

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.

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.

### 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 Price Comparison Website 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:**

1. See glossary on pages 56 to 58 for definitions and Appendix A - Alternative Performance Measures on pages 60 to 63 for reconciliation of operating return on tangible equity.
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 56 to 58 for definitions and Appendix B – Management view statements of profit or loss, claims development tables on a discounted basis, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 64 to 70.
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

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.

### 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[1].

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[2,3], a £395 million improvement in ongoing operating profit[2,3] 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[2,4] 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.

Footnotes are shown on page 7

## 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. 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.
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4. Net insurance margin for ongoing operations, normalised for event weather.

## GROUP FINANCIAL PERFORMANCE

| | Notes | 2024 | 2023 | Change |
|---|---|---|---|---|
| **Ongoing operations**[1,2] | | | | |
| In-force policies (thousands)[1] | | **8,827** | 9,339 | (5.5%) |
| Motor | | **3,831** | 4,181 | (8.4%) |
| Non-Motor | | **4,996** | 5,158 | (3.1%) |
| | | **FY 2024 £m** | FY 2023 £m | Change £m |
| **Ongoing operations**[1,2] | | | | |
| Gross written premium and associated fees[1] | | **3,731.9** | 2,977.6 | 25.3% |
| Motor | | **2,700.0** | 2,047.8 | 31.8% |
| Non-Motor | | **1,031.9** | 929.8 | 11.0% |
| Net insurance revenue[1] | | **2,857.1** | 2,422.6 | 17.9% |
| **Insurance service result - ongoing operations**[1] | | **104.6** | (212.0) | 316.6 |
| Motor | | **19.3** | (331.6) | 350.9 |
| Non-Motor | | **85.3** | 119.6 | (34.3) |
| 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 |
| Motor | | **107.0** | (319.6) | 426.6 |
| Non-Motor | | **98.0** | 129.7 | (31.7) |
| 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) | (58.6) |
| Brokered commercial business, Non-core and Run-off | | **39.7** | (1.5) | 41.2 |
| Other finance costs | 6 | **(15.4)** | (14.5) | (6.2%) |
| 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) | 9 | **11.2** | 15.9 | (4.7) |
| Diluted earnings per share (pence) | 9 | **11.1** | 15.7 | (4.6) |
| Operating earnings/(loss) per share (pence)[1,3] | | **9.8** | (12.8) | 22.6 |
| Return on equity | 11 | **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 ordinary (pence) | | **5.0** | 4.0 | 1.0 |
| Dividend per share – total ordinary (pence) | | **7.0** | 4.0 | 3.0 |
| Net asset value per share (pence) | 10 | **164.3** | 158.0 | 4.0% |
| Tangible net asset value per share (pence)[1] | 10 | **104.7** | 95.6 | 9.5% |
| Solvency capital ratio – post-dividends[1,5,6] | | **195%** | 188% | 7pts |

Footnotes are shown on page 11

## 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 1 (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 premium growth. 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%).

Footnotes are shown on page 11

| | FY 2024<br>£m | FY 2023<br>£m |
|---|---|---|
| Commission expenses | **(121.2)** | (104.8) |
| Marketing | **(58.1)** | (61.1) |
| **Acquisition costs[1]** | **(179.3)** | (165.9) |
| Staff costs[5] | **(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[2] | **6.3%** | 6.8% |
| Net acquisition costs ratio[1] – total Group | **7.5%** | 9.3% |
| Net expense ratio[1] – ongoing operations[2] | **20.2%** | 19.8% |
| **Net expense ratio[1] – total Group** | **21.6%** | 19.7% |

### 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%.

| **Ongoing operations[1,2]** | FY 2024<br>£m | FY 2023<br>£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[1]** | **101.4** | 22.6 |

| | FY 2024 | FY 2023 |
|---|---|---|
| **Investment income yield (total Group)[1,3]** | **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

| | Note | FY 2024<br>£m | FY 2023<br>£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 profit/(loss)[1]- Non-core and Run-off[1] | | **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)** | — |
| Other finance costs | 6 | **(15.4)** | (14.5) |
| (Loss)/gain on disposal of business | 7 | **(4.7)** | 443.9 |
| 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)** | 9 | **11.2** | 15.9 |
| **Operating return on tangible equity[1,3]** | | **10.0%** | (14.9%) |

Footnotes are shown on page 11

## 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 on pages 8 to 14. The calculation of earnings per share is presented in note 9 on page 43, while the calculation of operating earnings/(loss) per share is presented on page 63.

**Notes:**

1. See glossary on pages 56 to 58 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 56 to 58 for definitions and Appendix B – Management view statements of profit or loss, claims development tables on a discounted basis, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 64 to 70.
3. See Appendix A - Alternative Performance Measures on pages 60 to 63 for reconciliation 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 Capital analysis section 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).

## Segmental Report

### Motor

| | 31 Dec 2024 | 30 Sep 2024 | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 |
|---|---|---|---|---|---|
| In-force policies[2] (thousands) | **3,831** | 3,933 | 3,979 | 4,072 | 4,181 |
| Of which: | | | | | |
| Own brands[1] | **2,927** | 3,048 | 3,119 | 3,235 | 3,373 |
| Partnerships | **904** | 885 | 860 | 837 | 808 |

| | FY 2024 £m | FY 2023 £m | Change |
|---|---|---|---|
| Gross written premium | **2,700.0** | 2,047.8 | 31.8% |
| Own brands[1] | **1,554.9** | 1,601.3 | (2.9%) |
| Partnerships | **1,145.1** | 446.5 | 156.5% |
| **Operating profit/(loss)** | **107.0** | (319.6) | 426.6 |
| **Profit/(loss) before other finance costs** | **207.0** | (274.4) | 175.4% |
| **Net insurance margin[2]** | **1.0%** | (21.1%) | 22.1pt |
| Net insurance claims ratio[2] | **74.9%** | 95.5% | 20.6pts |
| Current-year attritional net insurance claims ratio[2] | **76.0%** | 86.7% | 10.7pts |
| Prior-year reserves development ratio[2] | **(1.1%)** | 8.8% | 9.9pts |
| Net acquisition costs ratio[2] | **4.6%** | 5.7% | 1.1pts |
| Net expense ratio[2] | **19.5%** | 19.9% | 0.4pts |

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.

### 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[1,4]

| £ | 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 |
| Own brands | **530** | 470 | **524** | 521 | 536 | 541 | 537 |

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.

Footnotes are shown on page 14

## Non-Motor

| | 31 Dec 2024 | 30 Sep 2024 | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 |
|---|---|---|---|---|---|
| In-force policies[2] (thousands) | **4,996** | 5,042 | 5,086 | 5,107 | 5,158 |
| Home | **2,461** | 2,464 | 2,466 | 2,450 | 2,444 |
| Rescue | **1,780** | 1,821 | 1,867 | 1,904 | 1,965 |
| Commercial Direct | **755** | 757 | 753 | 753 | 749 |
| Of which: Own brands | **3,469** | 3,507 | 3,521 | 3,510 | 3,503 |

| | FY 2024 £m | FY 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[2] | **1,031.9** | 929.8 | 11.0% |
| Home | **636.8** | 551.5 | 15.5% |
| Rescue | **132.8** | 137.3 | (3.3%) |
| Commercial Direct | **262.3** | 241.0 | 8.8% |
| Of which: Own brands | **831.3** | 734.9 | 13.1% |
| **Operating profit[2]** | **98.0** | 129.7 | (24.4%) |
| **Profit before other finance costs** | **110.4** | 156.9 | (29.6%) |
| **Net insurance margin[2]** | **8.9%** | 14.0% | (5.1pts) |
| Net insurance claims ratio[2] | **59.8%** | 57.5% | (2.3pts) |
| Current-year attritional net insurance claims ratio[2] | **52.8%** | 53.7% | 0.9pts |
| Prior-year reserves development ratio[2] | **2.5%** | 0.7% | (1.8pts) |
| Event weather ratio[2] | **4.5%** | 3.1% | (1.4pts) |
| Net acquisition costs ratio[2] | **9.7%** | 8.9% | (0.8pts) |
| Net expense ratio[2] | **21.6%** | 19.6% | (2.0pts) |
| **Normalised net insurance margin[2]** | **7.0%** | 10.2% | (3.2pts) |

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.

Home average premiums[1]

| £ | FY 2024 | FY 2023 | Q4 2024 | Q3 2024 | Q2 2024 | Q1 2024 | Q4 2023 |
|---|---|---|---|---|---|---|---|
| New business | **259** | 206 | **278** | 266 | 255 | 238 | 212 |
| Renewal | **278** | 249 | **287** | 284 | 276 | 261 | 259 |
| Own brands | **274** | 242 | **286** | 281 | 272 | 257 | 249 |

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 attritional net insurance 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.

Footnotes are shown on page 14

### 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.

## Brokered commercial business[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[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).

**Notes:**

1. Own brands include Motor in-force policies under the Direct Line, Churchill, Darwin, Privilege and By Miles brands and Home in-force policies under the Direct Line, Churchill and Privilege brands.
2. See glossary on pages 56 to 58 for definitions and Appendix B – Management view statements of profit or loss, claims development tables on a discounted basis, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 64 to 70.
3. Source: ABI motor premium tracker as at Q2 2024.
4. Average premium figures quoted relate to Motor own brands excluding the By Miles brand.

## 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** | 15 | **(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** | 15 | **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%).

## 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[1]

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

| At 31 December | **2024** | 2023 |
|---|---|---|
| | **£bn** | £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[1]

| At 31 December | **2024** | 2023 |
|---|---|---|
| | **£bn** | £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[2] | **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).

## 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 |
| 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 |

## Assets under management[1]

| At 31 December | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Investment-grade credit[2] | **2,869.6** | 2,288.1 |
| High yield | **302.7** | 281.2 |
| Investment grade private placements | **55.7** | 70.6 |
| **Credit** | **3,228.0** | 2,639.9 |
| Sovereign[2] | **746.0** | 681.2 |
| **Total debt securities** | **3,974.0** | 3,321.1 |
| Infrastructure debt | **188.7** | 214.2 |
| Commercial real estate loans | **135.5** | 145.9 |
| Other loans | **5.4** | 3.1 |
| Cash and cash equivalents[3] | **791.1** | 1,448.0 |
| Investment property | **287.6** | 277.1 |
| Equity investments[4] | **20.1** | 19.7 |
| **Total assets under management** | **5,402.4** | 5,429.1 |

**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 and unquoted shares and insurtech-focused equity fund partnerships. The insurtech-focused equity fund partnerships 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 – ongoing operations | | **207.5** | 146.3 |
| Investment fees – ongoing operations | | **(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** | 3 | **235.2** | 178.6 |
| Net fair value gains/(losses) | 3 | **37.1** | 124.4 |
| **Total investment income recognised through the statement of profit or loss** | 3 | **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[1] | 10 | **2,137.9** | 2,058.2 |
| Goodwill and other intangible assets | 10 | **(776.3)** | (818.6) |
| **Tangible net assets** | 10 | **1,361.6** | 1,239.6 |
| Closing number of Ordinary Shares (millions) | 10 | **1,301.0** | 1,297.7 |
| Net asset value per share (pence) | 10 | **164.3** | 158.6 |
| Tangible net asset value per share (pence) | 10 | **104.7** | 95.5 |

**Note:**

1. See glossary on pages 56 to 58 for definitions.

Net assets at 31 December 2024 increased by £79.7 million to £2,138 million (31 December 2023: £2,058 million), partially offset by 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%) following increases in retained earnings.

| | 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 strengthening), 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)** |
| Non-Motor | (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)** |
| Non-core and Run-off[1] | (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)** |

**Note:**

1. See glossary on pages 56 to 58 for definitions and Appendix B – Management view statements of profit or loss, claims development tables on a discounted basis, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 64 to 70 for reconciliation to financial statement line items.
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[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** | | | | |
| 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 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 composition of this between the various taxes borne and collected by the Group is shown below.

### Total taxes borne

| At 31 December | 2024 £m |
|---|---|
| Current-year Corporation Tax credit | 55.0 |
| Irrecoverable Value Added Tax incurred on overheads | 83.2 |
| Irrecoverable Value Added Tax embedded within claims spend | 286.7 |
| Employers' National Insurance contributions | 52.1 |
| Other taxes | 10.7 |
| **Total** | **487.7** |

### Total taxes collected

| At 31 December | 2024 £m |
|---|---|
| Insurance Premium Tax | 392.1 |
| Value Added Tax | 32.7 |
| Employees' Pay As You Earn and National Insurance contributions | 119.6 |
| **Total** | **544.4** |

**Jane Poole**
Chief Financial Officer

## 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 risks | Risk commentary |
|---|---|
| **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:<br>– fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements; and<br>– 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.<br>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.<br>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.<br>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** 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.<br>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 risks | Risk commentary |
|---|---|
| **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.<br><br>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.<br><br>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.<br><br>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.<br>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.<br><br>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.<br><br>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 risks | Risk commentary |
|---|---|
| **Conduct and regulatory and compliance risk:** 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.<br>Our approach is to act promptly to identify and address the risk of failing to deliver good customer outcomes.<br>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.<br>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).<br>The FCA published two regulatory requirements for Direct Line Group in 2023: The FCA required the Group to undertake past business reviews to<br>– 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<br>– 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.<br>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.<br>We have continued to engage with industry bodies, regulators and HM Treasury regarding the future regulatory framework within the UK. |
| **Credit risk:** The risk of loss resulting from default in obligations due from, and/or changes in the credit standing of, issuers of securities, counterparties or any debtors to which the 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.<br>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.<br>Exceptions to the above or strategic reinsurance arrangements are assessed on a case-by-case basis and follow clearly defined internal credit risk processes.<br>Finally, we also have well defined criteria to determine which customers and brokers are offered and granted credit. |
| **Strategic risk:** 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.<br>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 in place to::

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

Our process leverages subject matter expertise across the Group, external horizon scanning and external industry data. Emerging risks are regularly reviewed and reported to the 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 TCFD section of the Group's Annual Report and Accounts.

### 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

## Corporate information

Direct Line Insurance Group plc 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.

## (A) Basis of preparation

The financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") as adopted by the UK. The accounting policies applied in this preliminary announcement are consistent with those set out in the Group's 2023 annual financial statements with the exception of new accounting standards which were effective for periods beginning on or after 1 January 2024. The nature and effect of these changes are disclosed in note (C). The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2024 or 2023. These accounts were signed on 3 March 2025 and are expected to be published in March 2025 and delivered to the Registrar of Companies following the Annual General Meeting to be held on 14 May 2025. The independent Auditor's report on the Group accounts for the year ended 31 December 2024 was signed on 3 March 2025, is unqualified, does not draw attention to any matters by way of emphasis and does not include a statement under S498(2) or (3) of the Companies Act 2006. This audit opinion excludes disclosures surrounding capital adequacy calculated under the Solvency II regime as these are outside of the audit scope.

## (B) 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.

## (C) Adoption of new and revised standards

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.

## (D) Accounting policies and developments

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.

‘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.

## (E) Critical accounting judgements and key sources of estimation uncertainty

Full details of the critical accounting judgements and sources of estimation uncertainty used in applying the Group's accounting policies are outlined on pages 190 to 193 of the Annual Report and Accounts 2023.

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 judgment in relation to combination of direct and reinsurance contracts with Motability as follows:

### 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.

Additionally, the following areas are no longer considered significant:

- PAA eligibility
- Onerous contracts

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.

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| Insurance revenue | 2 | **4,567.0** | 3,601.7 |
| Insurance service expenses | 2 | **(4,185.0)** | (3,806.3) |
| Net expense from reinsurance contracts held[1] | 2 | **(259.6)** | (46.8) |
| **Insurance service result** | 2 | **122.4** | (251.4) |
| | | | |
| Total interest income calculated using effective interest rate method | 3 | **226.6** | 171.8 |
| Other interest and similar income | 3 | **17.4** | 16.1 |
| Investment fees | 3 | **(8.8)** | (9.3) |
| **Net investment income** | 3 | **235.2** | 178.6 |
| Total net fair value gains on financial assets held at fair value through profit or loss | 3 | **30.3** | 127.0 |
| Net fair value gains/(losses) on investment property | 3 | **6.6** | (1.9) |
| Net credit impairment gains/(losses) on financial investments | 3 | **0.2** | (0.7) |
| **Investment return** | 3 | **272.3** | 303.0 |
| Net finance expenses from insurance contracts issued | 3 | **(21.0)** | (193.8) |
| Net finance (expenses)/income from reinsurance contracts held | 3 | **(20.2)** | 28.0 |
| **Investment return and net insurance finance result** | 3 | **231.1** | 137.2 |
| | | | |
| Other operating income | | **20.3** | 21.8 |
| Other operating expenses | 4 | **(135.3)** | (59.6) |
| Other finance costs | 6 | **(15.4)** | (14.5) |
| (Loss)/gain on disposal of business | 7 | **(4.7)** | 443.9 |
| **Profit before tax** | | **218.4** | 277.4 |
| Tax charge[2] | | **(55.8)** | (54.5) |
| **Profit for the year attributable to the owners of the Company** | | **162.6** | 222.9 |
| | | | |
| **Earnings per share:** | | | |
| Basic (pence) | 9 | **11.2** | 15.9 |
| Diluted (pence) | 9 | **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 form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

| | 2024<br>£m | 2023<br>£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 | **0.6** | 0.1 |
| Fair value gain on equity investments measured at fair value through other comprehensive income | **1.2** | 3.3 |
| Realised gain/(loss) on equity investments measured at fair value through other comprehensive income | **0.4** | (0.6) |
| Tax relating to items that will not be reclassified | **(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 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 | | **776.3** | 818.6 |
| Property, plant and equipment | | **92.7** | 91.6 |
| Right-of-use assets | | **101.0** | 96.1 |
| Investment property | | **287.6** | 277.1 |
| Insurance contract assets | 12 | **5.7** | 5.4 |
| Reinsurance contract assets | 12 | **1,802.1** | 1,346.0 |
| Deferred tax assets | | **53.0** | 56.5 |
| Current tax assets | | **19.9** | 82.8 |
| Other receivables | | **21.8** | 35.2 |
| Prepayments, accrued income and other assets | | **103.6** | 101.5 |
| Derivative financial instruments | | **19.1** | 27.4 |
| Retirement benefit asset | | **0.8** | 1.3 |
| Financial investments | 14 | **4,343.3** | 3,691.6 |
| Cash and cash equivalents | 15 | **1,156.0** | 1,772.2 |
| Assets held for sale | | **12.2** | 13.9 |
| **Total assets** | | **8,795.1** | 8,417.2 |
| **Equity** | | | |
| Shareholders' equity | | **2,137.9** | 2,058.2 |
| Tier 1 notes | 17 | **346.5** | 346.5 |
| **Total equity** | | **2,484.4** | 2,404.7 |
| **Liabilities** | | | |
| Subordinated liabilities | 18 | **259.1** | 258.8 |
| Insurance contract liabilities | 12 | **5,086.9** | 5,238.8 |
| Reinsurance contract liabilities | 12 | **549.5** | 116.6 |
| Borrowings | 15 | **66.8** | 82.4 |
| Derivative financial instruments | | **38.7** | 15.4 |
| Provisions | | **15.6** | 30.8 |
| Trade and other payables | | **178.9** | 163.6 |
| Lease liabilities | | **113.7** | 106.1 |
| Current tax liabilities | | **1.5** | — |
| **Total liabilities** | | **6,310.7** | 6,012.5 |
| **Total equity and liabilities** | | **8,795.1** | 8,417.2 |

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

| | Share capital (note 16) | Employee trust shares | Capital reserves | Equity investments revaluation reserve | Foreign exchange translation reserve | Retained earnings | Shareholders' equity | Tier 1 notes | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £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 8) | — | — | — | — | — | (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 8) | **—** | **—** | **—** | **—** | **—** | **(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 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 | | **(31.0)** | 132.0 |
| Cash (used in)/generated from investment of insurance assets | | **(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 | | **(93.2)** | (124.1) |
| Purchases of property, plant and equipment | | **(13.3)** | (18.9) |
| Proceeds on disposals of assets held for sale | | **—** | 21.9 |
| Proceeds from disposal of business | 7 | **—** | 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 | 8 | **(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 | | **1,689.8** | 938.4 |
| **Cash and cash equivalents at the end of the year** | | **1,089.2** | 1,689.8 |

The accompanying notes form an integral part of these consolidated financial statements.

## 1. 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.

## 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 56 to 58 for definitions.
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).

| | 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 36).
2. See glossary on pages 56 to 58 for definitions.
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.

## 2. 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<br>£m | 2023<br>£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 (31 December 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.

## 3. 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<br>£m | 2023<br>£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<br>£m | 2023<br>£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.

## 4. 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.

## 5. 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 2, in the insurance service result, as part of other directly attributable expenses.

## 6. 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 £m | 2023 £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 |

## 7. (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** | 2023 |
|---|---|---|
| | **£m** | £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 |

## 8. 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** | 2023 |
|---|---|---|
| | **£m** | £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[1] | **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

## 9. 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<br>£m | 2023<br>£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)[1] | **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 |

## 10. Net asset value per share and net tangible asset value per share

### Net 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<br>£m | 2023<br>£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.

## 11. 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% |

## 12. 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.

### 12.1 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 56 to 58 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 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 liabilities** | **(3,338.8)** | **(927.6)** | **(4,266.4)** | **(718.5)** | **(96.3)** | **(5,081.2)** |
| **2023** | | | | | | |
| **Insurance contracts 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 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 56 to 58 for definitions.

### 12.2 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 | 2 | **4,567.0** | 3,601.7 |
| Insurance service expenses | 2 | **(3,952.0)** | (3,514.0) |
| Insurance finance expense | 3 | **(21.0)** | (193.8) |
| Premiums received | 12.2.2 | **(4,386.0)** | (3,758.9) |
| Claims and expenses paid, including investment component | 12.2.1 | **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.

### 12.2.1 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 | 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 | — | — | — | 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 recoveries 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**[1] | (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 recoveries 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**[1] | (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)** |

### 12.2.2 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 | Loss component | Total | Excluding loss recovery component | Loss recovery component | Total | Total |
| | £m | £m | £m | £m | £m | £m | £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) |

## 13. 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.

## 13. Fair value continued

### 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** |

| 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.

## **13. Fair value** continued

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. A summary of realised and unrealised gains or losses in relation to investment property at fair value are presented in note 3.

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** |

## 14. 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 |

**Notes:**

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).

### 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.

## 14. Financial instruments continued

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 expected credit loss: financial investments measured at amortised cost

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

| | Gross carrying amount | ECL allowance | Carrying amount | Carrying amount | Carrying amount |
|---|---|---|---|---|---|
| | 2024 | 2024 | 2024 | 31 Dec 2023 | 1 Jan 2023 |
| | £m | £m | £m | £m | £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 | 3-notch immediate downgrade | ECL | 3-notch immediate downgrade |
|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2023 |
| | £m | £m | £m | £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 | 2023 |
|---|---|---|
| | £m | £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.

## 15. 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 |
|---|---|---|
| Short term deposits with credit institutions[1] | **1,054.7** | 1,624.2 |
| Cash at bank and in hand | **101.3** | 148.0 |
| **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.

## 16. 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 |

**Note:**

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.

## 17. 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.

## 18. Subordinated liabilities

The carrying amount of subordinated liabilities at 31 December was:

| | 2024<br>£m | 2023<br>£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.

## Statutory accounts information

The Annual Report & Accounts 2023 were signed on 21 March 2024 and were delivered to the Registrar of Companies following the Annual General Meeting held on 8 May 2024. The Annual Report & Accounts 2023 is available at: https://www.directlinegroup.co.uk/esef/2023/index.xhtml

At the time of the publishing of these Preliminary Results for 2024 the Annual Report & Accounts 2024 had not been published. Once published, the Annual Report & Accounts 2024 will be available on the Group's website at www.directlinegroup.co.uk/en/investors.html

## GLOSSARY

| 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. |
| **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. |
| **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. |
| **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.<br>The term Brokered commercial business does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such. |
| **Capital** | The funds invested in the Group, including funds invested by shareholders and Tier 1 notes. In addition, the subordinated liabilities in the Group's statement of financial position are classified as Tier 2 capital for Solvency II purposes. |
| **Claims frequency** | The number of claims divided by the number of policies per year. |
| **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 page 60 - Alternative Performance Measures.) |
| **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 page 60 - Alternative Performance Measures.) |
| **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.) |
| **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. |
| **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 3 Insurance finance result.) |
| **Financial leverage ratio** | Tier 1 notes and financial debt (subordinated Tier 2 notes) as a percentage of total capital employed. |
| **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.<br>Gross written premium is included for the Motability contract for the following six months at the commencement of each six month pricing period. |
| **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 page 60 - Alternative Performance Measures.) |

| Term | Definition and explanation |
|---|---|
| **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 page 60 - Alternative Performance Measures.) |
| **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 page 60 - Alternative Performance Measures.) |
| **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 page 60 - Alternative Performance Measures.) |
| **Net insurance claims ratio** | The ratio of net insurance contract claims divided by net insurance contract revenue. (See page 60 - Alternative Performance Measures.) |
| **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 page 60 - Alternative Performance Measures.) |
| **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). |
| **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.**<br>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 page 60 - Alternative Performance Measures.) |
| **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 page 61 - Alternative Performance Measures.) |

| Term | Definition and explanation |
|---|---|
| **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% (2023: 23.5%). (See page 61 - Alternative Performance Measures.) |
| **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 Appendix B - Expenses, on page 68) |
| **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. |
| **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 page 60 - Alternative Performance Measures.) |
| **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. |
| **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.<br>The term Run-off partnerships does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such. |
| **Solvency 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 page 61 - Alternative Performance Measures.) |
| **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 page 61 - Alternative Performance Measures.) |
| **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 page 61 - Alternative Performance Measures.) |

### Forward-looking statements disclaimer

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

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

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

## APPENDIX A – ALTERNATIVE PERFORMANCE MEASURES

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 this report in understanding the activity taking place across the Group. These APMs are contained within the main narrative sections of this document, outside of 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 56 to 58 and reconciled to the most directly reconcilable line items in the financial statements and notes. Note 1 on page 36 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 36 to 55.

| 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 claims ratio is defined in the glossary on pages 56 to 58 and is reconciled to the net insurance claims ratio in Appendix B on pages 64 to 67. | 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 56 to 58 and is reconciled to the net insurance claims ratio in Appendix B on pages 64 to 67. | 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 associated fees is defined in the glossary on pages 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 56 to 58 and is reconciled on page 62. | 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 56 to 58 and is reconciled on page 62. | 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 | Net insurance margin and normalised net insurance margin are defined in the glossary on pages 56 to 58 and reconciled in Appendix B on pages 64 to 67. | This is a measure of underwriting profitability excluding the variances of event 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, Non-core businesses and Run-off partnerships are defined in the glossary on pages 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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.<br>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 56 to 58 and reconciled on page 63. | 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 56 to 58 and reconciled in Appendix B on pages 64 to 67. | 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 56 to 58 and is reconciled on page 62. | 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 | Operating expenses are defined in the glossary on pages 56 to 58 and reconciled in Appendix B on page 36. | 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 56 to 58 and is reconciled to the net insurance claims ratio in Appendix B. | 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 56 to 58 and is reconciled on page 63. | 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 assets per share is defined in the glossary on pages 56 to 58 and reconciled in note 10 on page 20. | 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 | 3 | **244.0** | 187.9 |
| Less: Funds withheld interest | | **(13.8)** | 0.0 |
| Investment fees | 3 | **(8.8)** | (9.3) |
| Realised and unrealised gains | 3 | **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 | | **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 | 14 | **4,343.3** | 3,691.6 |
| Closing cash and cash equivalents (excluding funds withheld asset) | 15 | **857.9** | 1,530.4 |
| Closing borrowings | 15 | **(66.8)** | (82.4) |
| Closing derivative (liability)/asset | | **(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)[4] | | **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 56 to 58 for definitions.
2. See notes to the consolidated financial statements.
3. See Assets under management table, footnote 1 on page 19.
4. Mean average of opening and closing balances.

## Operating return on tangible equity[1]

| | 2024 £m | 2023 £m |
|---|---|---|
| Operating profit/(loss) - ongoing operations[1,2] | **205.0** | (189.9) |
| Other finance costs[1] | **(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[3] | **1,300.6** | 1,131.4 |
| **Operating return on tangible equity[1]** | **10.0%** | (14.9%) |

**Notes:**

1. See glossary on pages 56 to 58 for definitions.
2. See the Management view statement of profit or loss tables in Appendix B for reconciliations of operating profit/(loss) to profit/(loss) before tax.
3. Mean average of opening and closing balances.

## Operating earnings/(loss) per share

| | 2024 £m | 2023 £m |
|---|---|---|
| Operating profit/(loss) - ongoing operations[1] | **205.0** | (189.9) |
| Other finance costs[1] | **(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) |

**Notes:**

1. See the Management view statement of profit or loss tables in Appendix B for reconciliations of operating profit/(loss) to profit/(loss) before tax.
2. See glossary on pages 56 to 58 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 56 to 58 for definitions.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### 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** | 1 | 2,739.0 | 1,020.9 | **3,759.9** | 620.4 | 186.7 | **4,567.0** |
| Expenses from reinsurance contracts held | 1 | (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 | 1 | 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** | | (460.1) | (296.5) | **(756.6)** | (105.3) | (45.2) | **(907.1)** |
| **Insurance service result** | 1 | 19.3 | 85.3 | **104.6** | 15.0 | 6.8 | **126.4** |
| Investment income | | 168.0 | 32.3 | **200.3** | 33.6 | 1.3 | **235.2** |
| Unwind of discounting of claims[1] | | (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** | | 107.0 | 98.0 | **205.0** | 36.2 | 3.5 | **244.7** |
| Net fair value gains[2] | 3 | | | | | | **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] | 1 | | | | | | **(118.1)** |
| Other finance costs | 6 | | | | | | **(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%** |

# APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

## Additional data to support key performance indicators – year ended 31 December 2024

| | Motor | Non-Motor | Total Group - ongoing operations[1] | Total Group |
|---|---|---|---|---|
| | £m | £m | £m | £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: | |
| 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 56 to 58 for definitions and appendix A – Alternative Performance Measures on pages 60 to 63 for reconciliation.
2. Restructuring and one-off costs include £4.0 million expenses included in the Group insurance service result as disclosed in note 1.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### 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.

| | 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** | 1 | 1,805.4 | 919.2 | 2,724.6 | 600.8 | 276.3 | 3,601.7 |
| Expenses from reinsurance contracts held | 1 | (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/(payable on) reinsurers | 1 | 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** | | (401.7) | (244.5) | (646.2) | (207.5) | (54.2) | (907.9) |
| **Insurance service result** | 1 | (331.6) | 119.6 | (212.0) | 13.9 | (28.5) | (226.6) |
| Investment income | | 107.7 | 31.4 | 139.1 | 35.2 | 4.3 | 178.6 |
| Unwind of discounting of claims[1] | | (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]** | 3 | | | | | | 124.4 |
| Effect of change in yield curve | | | | | | | (25.5) |
| Restructuring and one-off costs[1,2] | 1 | | | | | | (59.5) |
| Other finance costs | 6 | | | | | | (14.5) |
| (Loss)/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 costs ratio[1] | N/A | 0.0% | 0.0% | 0.0% |
| **Net insurance margin normalised for event weather[1]** | N/A | 10.2% | (10.0%) | (8.8%) |

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### 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 loss[1] – 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) |
| **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 56 to 58 for definitions and appendix A – Alternative Performance Measures on pages 60 to 63 for reconciliation.
2. Restructuring and one-off costs include £24.8 million expenses included in the Group insurance service result as disclosed in note 1.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Operating expenses - ongoing operations[1]

| | FY 2024 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| | Insurance service result £m | Other expenses £m | Total expenses £m | Insurance service result £m | Other expenses £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** | **(756.6)** | **(18.8)** | **(775.4)** | (646.2) | (21.1) | (667.3) |
| Total expenses - Brokered commercial business | **(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- | **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 56 to 58 for definitions and appendix A – Alternative Performance Measures on pages 60 to 63 for reconciliation.
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 ("**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).

### 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.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Gross written premium and associated fees

| At | FY 2024 £m | FY 2023 £m | Change from Dec 2023 |
|---|---|---|---|
| Own brands[1,2] | **1,554.9** | 1,601.3 | (2.9%) |
| Partnerships[3] | **1,145.1** | 446.5 | 156.5% |
| **Motor** | **2,700.0** | 2,047.8 | 31.8% |
| Own brands[1] | **480.3** | 408.8 | 17.5% |
| Partnerships | **156.5** | 142.7 | 9.7% |
| **Home** | **636.8** | 551.5 | 15.5% |
| Rescue: Green Flag | **88.7** | 85.1 | 4.2% |
| Rescue: Linked[4] | **27.2** | 36.6 | (25.7%) |
| Rescue: Partners and other[4] | **16.9** | 15.6 | 8.3% |
| **Rescue** | **132.8** | 137.3 | (3.3%) |
| **Commercial direct[1]** | **262.3** | 241.0 | 8.8% |
| **Non-Motor** | **1,031.9** | 929.8 | 11.0% |
| **Ongoing operations[5]** | **3,731.9** | 2,977.6 | 25.3% |
| **Non-Core and Run-off[5]** | **178.3** | 278.5 | (36.0%) |
| Of which: Run-off partnerships | **60.8** | 150.1 | (59.5%) |
| **Brokered commercial insurance** | **436.9** | 665.8 | (34.4%) |
| **Total gross written premium and associated fees** | **4,347.1** | 3,921.9 | 10.8% |

**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 56 to 58 for definitions and appendix A – Alternative Performance Measures on pages 60 to 63 for reconciliation.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### In-force policies (thousands)

| At | **31 Dec 2024** | 30 Sep 2024 | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 | Change from 31 Dec 2023 |
|---|---|---|---|---|---|---|
| Own brands[1] | **2,927** | 3,048 | 3,119 | 3,235 | 3,373 | (13.2)% |
| Partnerships[2] | **904** | 885 | 860 | 837 | 808 | 11.9 % |
| **Motor** | **3,831** | 3,933 | 3,979 | 4,072 | 4,181 | (8.4)% |
| Own brands[1] | **1,729** | 1,751 | 1,746 | 1,721 | 1,706 | 1.3 % |
| Partnerships | **732** | 713 | 720 | 729 | 738 | (0.8)% |
| **Home** | **2,461** | 2,464 | 2,466 | 2,450 | 2,444 | 0.7 % |
| Rescue: Green Flag | **985** | 999 | 1,022 | 1,036 | 1,048 | (6.0)% |
| Rescue: Linked[3] | **574** | 583 | 581 | 579 | 604 | (5.0)% |
| Rescue: Partners and other[3] | **221** | 239 | 264 | 289 | 313 | (29.4)% |
| **Rescue** | **1,780** | 1,821 | 1,867 | 1,904 | 1,965 | (9.4)% |
| **Commercial direct[1,4]** | **755** | 757 | 753 | 753 | 749 | 0.8 % |
| **Non-Motor[4]** | **4,996** | 5,042 | 5,086 | 5,107 | 5,158 | (3.1)% |
| **Ongoing operations[4,5]** | **8,827** | 8,975 | 9,065 | 9,179 | 9,339 | (5.5)% |
| **Non-core and run-off[4,5]** | **256** | 307 | 376 | 1,020 | 2,431 | (89.5)% |
| Of which: Run-off partnerships[4,5] | **83** | 126 | 185 | 819 | 2,224 | (96.3)% |
| **Brokered commercial insurance[5]** | **174** | 243 | 272 | 281 | 286 | (39.2)% |
| **Total in-force policies[4]** | **9,257** | 9,525 | 9,713 | 10,480 | 12,056 | (23.2)% |

**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 all periods, and 1,771,000 policies in Non-core and Run-off as of 31 March 2024, previously included in the Q1 Trading Update have been removed.
5. See glossary on pages 56 to 58 for definitions and appendix A – Alternative Performance Measures on pages 60 to 63 for reconciliation.

## ADDITIONAL INFORMATION

We confirm that to the best of our knowledge:

1. the financial statements within the Annual Report & Accounts, from which the financial information within these Preliminary Results have been extracted, are prepared in accordance with the International Financial Reporting Standards, issued by the IASB as adopted by the UK and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
2. the management report within these Preliminary Results includes a fair review of the development and performance of the business and the position of the Group, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

Signed on behalf of the Board

**ADAM WINSLOW**
CHIEF EXECUTIVE OFFICER

3 March 2025

**JANE POOLE**
CHIEF FINANCIAL OFFICER

3 March 2025

LEI: 213800FF2R23ALJQOP04