

Note to readers of U K Insurance Limited PRA return – April 2015

This note summarises some of the key differences between the figures within the PRA return for U K Insurance (“UKI”) and those in the Group accounts.

In 2014 UKI incurred restructuring and other one-off costs, which are included in expenses, of £69.6 million (2013: £140.5 million). The PRA return for UKI also includes the run-off of the business underwritten through the relationship with Tesco Personal Finance and personal lines broker (“Run-off”).

The following table adjusts the premiums, claims and expenses as reported in the PRA return to calculate adjusted ratios excluding Run-off and restructuring and other one-off costs.

PRA class	UKI total £m	Motor 120 / 600 £m	Home 160 £m	Commercial 220/260/270 £m	Other £m
2014 PRA Return					
Net earned premium	2,986.7	1,211.8	837.5	446.8	490.6
Net claims	1,756.8	844.0	431.9	255.2	225.7
Expenses	1,088.6	370.8	381.6	191.8	144.4
Loss ratio	58.8%	69.6%	51.6%	57.1%	46.0%
Expense ratio	36.4%	30.6%	45.6%	42.9%	29.4%
Combined operating ratio	95.3%	100.2%	97.1%	100.0%	75.4%
Exclude run off business					
Net earned premium	0.4	0.4	-	-	-
Net claims	52.2	52.6	0.2	-	(0.6)
Expenses	(1.0)	(0.8)	(0.1)	-	(0.1)
Exclude restructuring and other one-off costs					
Expenses	(69.6)	(31.6)	(19.2)	(8.7)	(10.1)
Adjusted PRA ratios					
Net earned premium	2,987.1	1,212.2	837.5	446.8	490.6
Net claims	1,809.0	896.6	432.1	255.2	225.1
Expenses	1,018.0	338.4	362.3	183.1	134.2
Loss ratio	60.6%	74.0%	51.6%	57.1%	45.9%
Expense ratio	34.1%	27.9%	43.3%	41.0%	27.4%
Combined operating ratio	94.6%	101.9%	94.9%	98.1%	73.2%

The adjusted PRA ratios above are different to the ongoing segmental ratios published in the Group accounts due to:

- the classification of certain products (including legal protection and home emergency) which appear in specific classes within the PRA return
- the inclusion of other Group entities in the Group accounts.

The International division, which is classified as a discontinued operation, is not included in the UKI PRA return.