

*Supplementary Report of the Independent Expert  
on the proposed transfer of insurance business  
from*

***U K Insurance Ltd to Intact Insurance UK  
Limited***

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

*For the High Court of Justice of England and Wales*

**6 February 2026**

**FINAL**

**Prepared by:**

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**LCP**

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## 1. Executive summary

U K Insurance Limited (UKI) proposes transferring part of their Brokered Commercial Insurance Business to Intact Insurance UK Limited (IIUK) pursuant to a Part VII transfer (the Proposed Transfer). This forms part of the wider sale of Direct Line Group's Brokered Commercial Insurance Business to IIUK previously announced in September 2023.

A Part VII transfer, also known as an insurance business transfer scheme, is a transfer of business or parts of a business under Part VII of the Financial Services & Markets Act 2000 in the UK. Part VII transfers are a common tool used by insurance businesses to address required business transformation.

The purpose of the Proposed Transfer is to legally transfer certain parts of UKI's Brokered Commercial Insurance Business to IIUK as part of the wider sale announced in September 2023.

### 1.1. The Proposed Transfer

#### The firms involved

UKI is the largest of the regulated entities within the group of companies owned by Direct Line Insurance Group Limited (formerly known as Direct Line Insurance Group plc) (such group of companies will be referred to in this report as DLG or Direct Line Group). It underwrites a variety of non-life insurance products, including motor, home and commercial policies. These products are marketed under brands such as Direct Line, Churchill, Privilege, Green Flag, NIG and FarmWeb.

In December 2024 Aviva plc (Aviva) and DLG announced that they had reached an agreement whereby Aviva would acquire DLG. Aviva is a British multi-national insurance company headquartered in London with c. 19m customers in the UK, Ireland and Canada. The acquisition was approved by the court and became effective on 1 July 2025.

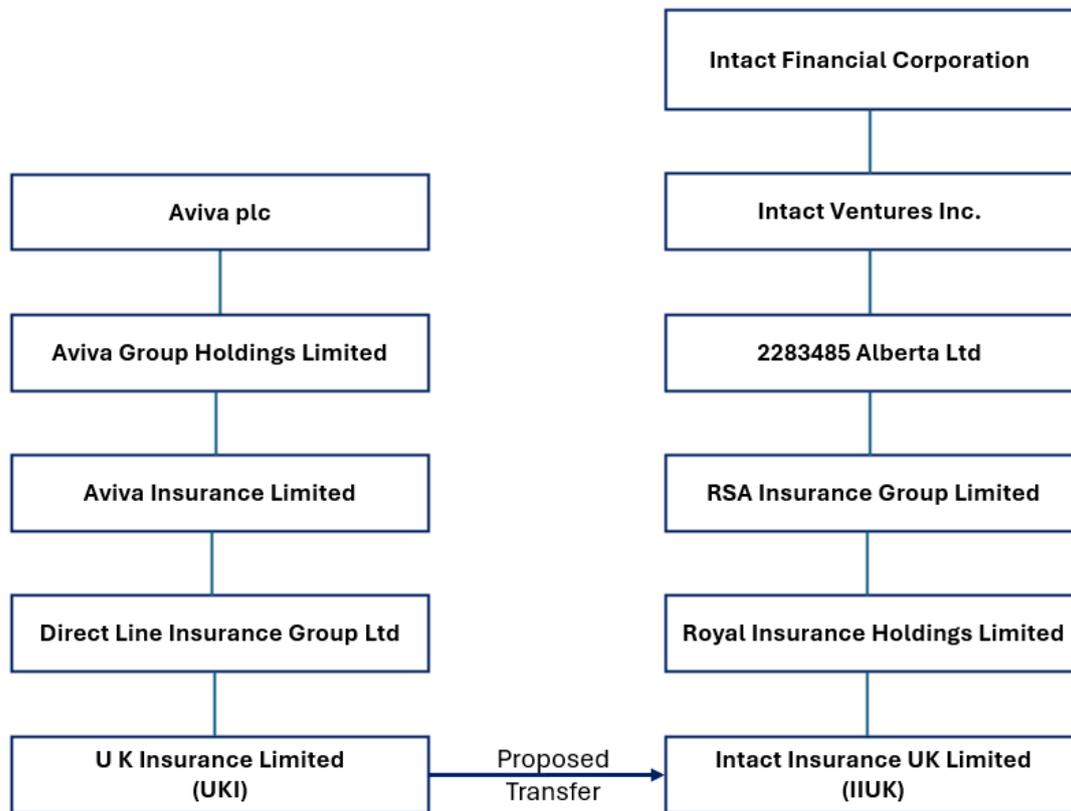
Whilst Aviva has acquired DLG, UKI (a subsidiary of Aviva) remains the Transferor under the scheme. At the time of my Scheme Report, the acquisition of DLG by Aviva did not lead me to change my conclusions regarding the impact of the Proposed Transfer on any group of policyholders. I have continued to engage with DLG to understand the potential implications of the acquisition on the Proposed Transfer, and my conclusions in this Supplementary Report remain unchanged in this respect.

I also note that it is planned that UKI (and Churchill Insurance Company Ltd, another DLG company) will transfer, by way of a separate Part VII transfer, into Aviva Insurance Limited (AIL) on 31 December 2026 ie after the Effective Date of the Proposed Transfer.

IIUK, formerly known as Royal & Sun Alliance Insurance Limited (RSAI) until 19 August 2025, is a British multi-national general insurance company offering a wide range of commercial insurance products including, but not limited to, property, casualty, marine, motor, professional indemnity, construction, engineering & renewable energy and accident & health.

In 2021, RSAI became part of the Intact Financial Corporation group (Intact) following the acquisition of RSA Insurance Group plc by Intact and Tryg A/S. Following the acquisition, Intact retained RSA Insurance Group's Canadian, UK and International entities, Tryg retained RSA's Swedish and Norwegian businesses, and Intact and Tryg co-owned RSA's Danish business, which was subsequently sold to Alm. Brand Group. In 2023 RSAI announced plans to sell its UK direct personal lines business.

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



Note: the transfer of legal title of the shares in Direct Line Insurance Group Limited (formerly Direct Line Insurance Group plc) (DLIG) to Aviva insurance Limited (AIL) is subject to completion of the stamp duty process with HMRC.

### The Transferring Business

Various DLG entities (including UKI) and IIUK entered into a Business Transfer Agreement (BTA) on 6 September 2023 for the sale of DLG’s Brokered Commercial Insurance Business to IIUK. The BTA provided for the transfer of the new business franchise as a going concern, including certain operations, brands, intellectual property rights, employees, contractors and data. The BTA was entered into before the announcement that Aviva was to acquire DLG.

UKI and IIUK entered into a 100% quota share reinsurance agreement dated 6 September 2023 (which was amended and restated on 1 May 2024 and 30 June 2025) (the QS Agreement) and effective from 1 October 2023, the ‘Risk Transfer Date’, relating to the reinsurance of new and certain existing business of the Brokered Commercial Insurance Business.

The Transferring Business is largely brokered commercial lines insurance for small and medium-sized companies/enterprises (SME) and the mid-market companies segment of the UK market through the NIG and FarmWeb brands, including dual branded, broker branded and co-insurance policies, underwritten by UKI.

The NIG brand provides commercial insurance for UK SMEs and is exclusively sold through brokers and includes motor trade, property owners, motor fleet and commercial van policies. The FarmWeb brand provides specialist insurance for agriculture, motor, property and liability cover to UK farmers and is distributed through a network of specialist agricultural insurance brokers.

UKI has clearly identified the relevant brand of the transferring policies (eg NIG or FarmWeb) in the letters to impacted policyholders notifying them of the Proposed Transfer.

UKI and IIUK have also made it clear in the legal notice placed in newspapers/allied publications that the policies transferring are those connected with the NIG and FarmWeb brands to ensure clarity regarding the Transferring Business for customers.

IIUK provides reinsurance to UKI through the QS Agreement in respect of the following:

- the unearned portion of UKI policies that were live at the Risk Transfer Date; and
- policies written by UKI on and after the Risk Transfer Date.

I refer to these policies as the 'front book' in this report.

The earned portion of UKI policies (ie earned prior to the Risk Transfer Date) that were live as at the Risk Transfer Date I shall refer to as the 'back book'. The back book, together with the front book, I refer to as the Transferring Portfolio.

The Part VII transfer seeks to legally transfer all policies within the Transferring Portfolio from UKI to IIUK (the Transferring Business). The Proposed Transfer includes a new reinsurance agreement (new QS arrangement) whereby UKI will provide a 100% quota share reinsurance to IIUK in respect of the back book at the Effective Date of the Proposed Transfer. Further detail on the Transferring Business is set out in section 3 of my Scheme report.

UKI policies that were not live at the Risk Transfer Date are not in scope of the Proposed Transfer (the retained book). The liabilities arising from these policies shall remain with UKI and will continue to be managed under its existing run-off arrangements.

Based on the definitions of the front book and the back book as set out above, policies that were live as at the Risk Transfer Date are categorised as:

- the portion of that policy which was unearned as at the Risk Transfer Date forms part of the front book; and
- the portion of that policy which was earned as at the Risk Transfer Date forms part of the back book.

In summary, the QS Agreement covers the reinsurance of the front book by IIUK. This agreement ends at the point of the Proposed Transfer at which point the front and back books transfer from UKI to IIUK, and the economic risk and reward of the back book immediately returns to UKI via a new QS arrangement to become effective from the Effective Date. In effect the Proposed Transfer achieves the same commercial outcome as the current QS Agreement.

UKI's IFRS 17 reserves have increased by £143m or c. 5% net of reinsurance since my Scheme Report, driven partly by changes to align to Aviva's reserving basis/assumptions.

IIUK's IFRS 17 reserves have increased by £14m or c. 0.3% net of reinsurance since my Scheme Report, which is not materially different.

The increase in reserves for UKI and IIUK have not led me to change any of the conclusions that were in my Scheme Report and which are reiterated in this Supplementary Report.

## Transferring Policyholders

At the time of my Scheme Report, UKI had identified c. 391k transferring policies held by c. 340k policyholders, as some policyholders took out more than one policy.

The c. 391k figure was based on the total of unique separate policy identification numbers which does not treat a policy renewal under the same policy identification number as a separate policy. If a renewal under the same policy identification number is treated as a separate policy, then the number of transferring policies increases to c. 548k policies. The number of policyholders identified has also increased from c. 340k to c. 357k.

Within the transferring policies, by reference to the policy identification numbers, are 1,109 Jersey policies held by 1,038 policyholders.

Of the c. 391k transferring policies (ie based on the policy identification number), virtually all are annual policies with less than 100 multi-year policies written. In terms of brand, 94% are NIG policies and 6% are FarmWeb policies. All the Jersey policies were NIG, other than one FarmWeb policy.

The breakdown of the underlying business of the policies is Van 34%, eTrade Landlords 24%, eTrade Shop/Tradesman 11% and eTrade FarmWeb Combined/Motor 6%. The remainder of business was spread over a

large number of other classes.

Section 1.3 and 7.3 contains further details on the execution of the communication plan for Transferring Policyholders.

## Jersey policies

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

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

There is no conditionality to the Proposed Transfer if the Jersey transfer does not go ahead, but the Jersey transfer would not go ahead if the Proposed Transfer is not sanctioned by the UK Court.

## Effective Date

The Effective Date of the Proposed Transfer is expected to be 1 April 2026, both in the UK and Jersey.

The Directions Hearings were held on 15 October 2025 in the UK and 17 October 2025 in Jersey. The Sanctions Hearings are scheduled for 25 February 2026 in the UK and 5 March 2026 in Jersey.

## Reinsurance

UKI maintains a number of reinsurance arrangements to which the transferring policies attach which, pursuant to the Proposed Transfer, will be transferred to IIUK in whole or in part with effect from the Effective Date. The Proposed Transfer will not affect the underlying terms and conditions of such reinsurance arrangements.

With effect from the Effective Date, these reinsurance arrangements will be shared between UKI and IIUK, such that IIUK will be entitled to all reinsurance protections in respect of liabilities arising from the front book and the back book, while UKI shall continue to retain the corresponding protections in respect of liabilities arising from the retained book.

## Claims handling

Around 200 claims employees transferred from UKI to IIUK in May 2024 (as part of a wider transfer of employees involved in the Brokered Commercial Insurance Business to IIUK) and seconded back to UKI, continuing to service the Transferring Business using UKI's claims handling systems. Those secondments have been ending in a phased approach throughout 2025 in line with the new claims volumes arising from the migration of policies with claims handled on IIUK's claim handling system. On the Effective Date of the Proposed Transfer, the remaining secondments will end and the remaining claims servicing will transition to using IIUK's claims handling system. This will ensure continuity with no disruption to claims handling.

UKI has a number of claims solutions but predominantly uses Guidewire ClaimCenter (GWCC). IIUK is already using GWCC and so the transition for ex-UKI staff is mitigated. The Transferring Business is also aligned to IIUK's existing business.

By the time of the Effective Date of the Proposed Transfer, the vast majority of NIG claims will sit on either UKI's GWCC v9 platform (for motor claims) or v10 platform (for property and casualty claims). All will migrate to IIUK's GWCC v10 platform, benefitting from the alignment of data models and functionality present in the Guidewire software. Commercial van claims are hosted across two UKI legacy systems but these will also migrate to IIUK's GWCC v10 platform, bringing enhancements to capability for both claim handlers and customers.

A number of third party applications support the claims process at both UKI and IIUK and commonality of usage has also been identified through the data migration preparation work that has been jointly undertaken.

From an employee transition perspective, a phased transition of claims employees has been underway since Q4 2024 and will continue into Q1 2026. Upon transfer to IIUK, each employee receives comprehensive training on

IIUK systems before becoming operationally active. The synergy between UKI and IIUK core claims platforms and supporting applications noted above simplifies this transition and effectively mitigates the risk of disruption to customer journeys.

UKI estimated that there were c. 10,000 open claims as at November 2025 relating to the Transferring Business, but this number is expected to reduce to 3,200 by the Effective Date. By comparison, IIUK's in-house claims functions registered and handled c. 185,000 new claim notifications in 2024 (excluding Pet). The transferring claims therefore will not represent a material increase to IIUK's claims activity at the point of transfer.

Both UKI and IIUK operate mature, well-established claims handling functions with a strong focus on customer service. As such, both firms have confirmed that they do not envisage any material changes to the claims experience or service levels for any of the Non-transferring Policyholders, Transferring Policyholders or Existing Policyholders. To the extent that there are any material changes, both firms will employ reasonable endeavours to put in place measures to minimise the potential impact of these changes (where this is commercially practicable to do so). The Proposed Transfer is therefore not expected to have any material impact on the servicing of claims for any policyholders.

From UKI, no material changes in the approach to claims handling are planned for the Non-transferring Policyholders. So far as is possible and practicable, any changes to the IIUK service provision for Transferring Policyholders will endeavour to be on a similar/comparable standard as enjoyed prior to the Proposed Transfer (where this is commercially practicable). Both UKI and IIUK will endeavour to minimise the impact of the Proposed Transfer to a customer's claims service experience.

Existing customer contact channel options (telephony, digital, email, post) will be maintained where appropriate for both Transferring and Non-transferring Policyholders. No material change is planned for the immediate future, and redirections will be provided for any exceptions including for any Non-transferring Policyholders, whose policies will remain with UKI, but who inadvertently contact IIUK.

## Sanctions

DLG conducts sanctions screening on a daily basis using a strategic sanctions screening application. All relevant data held on core customer databases is screened against the Consolidated Sanctions List (CSL), which includes sanctioned individuals, entities, organisations and countries listed by the relevant Regulators. This list is regularly maintained and reviewed to ensure it remains compliant with relevant legal and regulatory requirements.

Screening is conducted at inception and on an ongoing basis at various trigger points throughout the lifecycle of the policy or claim, including each time the relevant external sanctions lists are updated. The sanctions screening application uses various configuration settings and fuzzy matching capability in line with best practice. Sanctions screening is undertaken against all customers, claimants, payees, employees, contractors, third party service providers and transactions.

DLG also has a dedicated sanctions team, with qualified and competent staff. Where sanctions screening cannot be completed via the automated batch process, manual screening is completed by the sanctions team using the ad hoc screening functionality within the screening application. This uses the same screening functionality as the automated process.

All potential matches generated by the screening application are investigated by the sanctions team. If a positive sanctions match is identified this is escalated internally to the Head of Sanctions, Group Legal and relevant senior stakeholders. Payment blocks are applied to the policy/claim and the match is reported to the Office of Financial Sanctions Implementation (OFSI) and Financial Conduct Authority (FCA) where required.

A monthly dashboard containing management information relating to sanctions risk issues is presented to the Financial Crime Steering Committee with reporting to the board where relevant.

UKI has identified no positive matches in respect of the Transferring Business under the Proposed Transfer as at 28 January 2026 and the UKI sanctions team continues to report the status to IIUK on a monthly basis.

UKI has confirmed that there have been no changes to the sanctions process or any positive matches since my Scheme Report.

IIUK screen every policy, claim, policyholder, and third-party claimant utilising their sanctions screening solution, and screen on an on-going basis to assess for potential sanctions hits. Any hits are investigated, to determine whether or not the hit was a false positive. Any true matches would be escalated to the UK Data Protection Officer and then notified to the OFSI and the FCA as appropriate. Screening is conducted by IIUK themselves, rather than through a third party, on a weekly basis and in real time at inception and renewal where higher risk factors are identified.

IIUK has identified no such true matches as at 28 January 2026 in respect of the Transferring Business under the Proposed Transfer.

IIUK has confirmed that there have been no changes to the sanctions process or any positive matches since my Scheme Report.

## 1.2. My role as Independent Expert

DLG and IIUK (when known as RSAI) jointly appointed me to act as the Independent Expert (IE) for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the FCA, has approved my appointment.

As IE, my overall role is to assess whether:

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

I provided my Scheme Report for the Proposed Transfer (dated 7 October 2025) ahead of the Directions Hearings which were held on 15 October 2025 in the UK and 17 October 2025 in Jersey. The Scheme Report was approved by the PRA, in consultation with the FCA, on 1 October 2025.

The purpose of this Supplementary Report is to confirm and/or update the conclusions of my Scheme Report, based on any material new developments in the intervening period, ahead of the Sanctions Hearing. This Supplementary Report should be read in conjunction with the Scheme Report.

## 1.3. Summary of developments since the Scheme Report

The main activities in relation to the Proposed Transfer since the Scheme Report was issued on 7 October 2025 have been as follows:

### Proposed Transfer

- The Scheme Report and other associated scheme documents were presented to the relevant courts at the Directions Hearings on 15 and 17 October 2025, where approval was received to start notifications in line with the communications plan.

### Reserving

- UKI and IIUK have provided unaudited IFRS 17 reserves as at 30 September 2025.

### Capital

- UKI and IIUK have updated their analysis of projected SCR coverage ratios on more recent data as at 30 September 2025. This is discussed further in section 5.
- In December 2025 UKI and Aviva received approval from the PRA to revoke the PRA's approval to use a partial internal model (PIM) to calculate the group SCR and internal model to calculate the UKI solo SCR, and instead use the Standard Formula (SF) for UKI from 31 December 2025.
- This is part of a wider plan where Aviva are planning to apply to the PRA for approval of a Major Model Change (MMC) to allow for DLG's risk profile to be reflected in Aviva's PIM, targeting approval by the end of 2026.
- The projected capital numbers for UKI in this Supplementary Report have been calculated using the SF. The change to SF resulted in a projected increase in the SCR and therefore a reduction in the SCR coverage ratio.

To maintain the coverage ratio at above the risk appetite level, AIL and Direct Line Insurance Group Limited provided a capital injection of approximately £300m into UKI.

- The updated projected SCR coverage ratios (the ratio of an insurer’s available capital to the amount of capital that must be held in order to meet regulatory capital requirements) immediately pre- and post- the Proposed Transfer are:
  - For Non-transferring Policyholders of UKI, the SCR coverage ratio is projected to remain at 142% pre- and post-transfer.
  - For Transferring Policyholders, the SCR coverage ratio is projected to increase from 142% to 178% on transfer.
  - For Existing Policyholders of IIUK, the SCR coverage ratio is projected to remain at 178% on transfer.
- The table below includes a comparison to the ratios in my Scheme Report:

|                                | SCR coverage ratios in Scheme Report |       |                          | Updated SCR coverage ratios |       |                          |
|--------------------------------|--------------------------------------|-------|--------------------------|-----------------------------|-------|--------------------------|
|                                | Day 0                                | Day 1 | Movement due to Transfer | Day 0                       | Day 1 | Movement due to Transfer |
| Non-transferring Policyholders | 184%                                 | 184%  | 0%                       | 142%                        | 142%  | 0%                       |
| Transferring Policyholders     | 184%                                 | 181%  | (3%)                     | 142%                        | 178%  | 36%                      |
| Existing Policyholders         | 181%                                 | 181%  | 0%                       | 178%                        | 178%  | 0%                       |

The projected SCR coverage ratio for Non-transferring Policyholders at the point of transfer has reduced materially from 184% to 142% since my Scheme Report.

The decrease was driven by a number of factors including:

- an increase in technical provisions, including due to changes to align to Aviva’s reserving basis/assumptions;
- the move from internal model to the Standard Formula for the calculation of the Solvency Capital Requirement combined with:
  - removal of the loss adjusting capacity of deferred tax (LACDT)
  - changes to the UKI reinsurance programme as UKI move to a combined Aviva Group programme.

However, to maintain UKI’s projected coverage ratio at above the risk appetite level, AIL and Direct Line Insurance Group Limited provided a capital injection of approximately £300m into UKI, giving a projected SCR coverage ratio of 142%.

UKI’s projected SCR coverage ratio is forecast to be 145% as at 31 December 2025 and to remain above the lower end of UKI’s range of risk appetite of 140% over the period to the Effective Date of the Proposed Transfer.

The reduction in the projected SCR coverage ratio for Non-transferring Policyholders, from 184% at the time of my Scheme Report to 142%, is unrelated to the Proposed Transfer. As noted earlier, the reduction follows changes arising from the acquisition and alignment with Aviva accounting policies and methodologies and the move to the Standard Formula. This reduction was partially offset by AIL and Direct Line Insurance Group Limited’s capital injection of approximately £300m into UKI.

Notwithstanding the reduction in the projected SCR coverage ratio since my Scheme Report for Non-transferring Policyholders, the SCR coverage ratio remains unchanged following the Proposed Transfer. The conclusions reached in my Scheme Report for these policyholders are also unchanged.

The projected SCR coverage ratio for Transferring Policyholders increases from 142% to 178% (slightly lower than the 181% projected in my Scheme Report) as a result of the Proposed Transfer. My conclusion that the Transferring Policyholders are not materially adversely affected by the Proposed Transfer is unchanged.

The projected SCR coverage ratio for Existing Policyholders is unchanged at 178% as a result of the Proposed Transfer, which is slightly lower than the 181% projected in my Scheme Report. I do not consider this reduction to be material and so my conclusion that the Existing Policyholders are not materially adversely affected by the Proposed Transfer is unchanged.

### **Impact of Aviva acquisition**

Although there have been changes to the composition of the group, as a result of the Aviva acquisition of DLG, the DLG Executive Steering Group (ESG) set up to manage the Proposed Transfer (with delegated authority from the board of UKI) remains in place.

The projected SCR coverage ratio for Non-transferring Policyholders has reduced as described earlier in this section. This has not changed the conclusions reached in my Scheme Report for these policyholders.

### **Policyholder communications**

- UKI, and IIUK providing support where applicable, have communicated with policyholders and booked notices in the publications detailed in the communication plan agreed at the Directions Hearings.
- UKI identified two issues during the early mailing phase:
  - The number of transferring policies will have been understated as renewed policies were effectively counted as a single policy, rather than as separate individual policies. In addition, only the most recent renewal, instead of all relevant policies, would have been referenced in communications to policyholders.
  - The details of some cancelled auto-renewal policies were incorrectly displayed in policyholder communications.

This required follow-up emails to be sent to some policyholders. These issues did not lead me to change any of the conclusions in my Scheme Report. This is discussed further in section 7.3.

- As at 28 January 2026, UKI and IIUK had received 632 and 18 responses respectively as a result of the communication with policyholders. The policyholder responses to notification of the Proposed Transfer are discussed further in section 7.1.
- As at 28 January 2026, four objections had been received. These objections have not led me to change any of my conclusions regarding the Proposed Transfer as set out in my Scheme Report. I discuss this further in section 7.1.
- Note that in the final version of this report, the number of responses and objections discussed here and in section 7 will be updated to reflect the latest position.

#### 1.4. Additional considerations for the Supplementary Report

In reaching my conclusions in this Supplementary Report, I have considered the following new information that has become available since the Scheme Report was issued on 7 October 2025:

- Updated IFRS 17 provisions as at 30 September 2025 for UKI and IIUK;
- Updated SCR coverage ratio and balance sheet projections as at 30 September 2025;
- Updated impact on the Solvency UK balance sheets of UKI and IIUK immediately pre- and post- the Proposed Transfer;
- Any impact on DLG of the acquisition by Aviva affecting the Proposed Transfer;
- Any update on the approach to monitoring sanctions for UKI and IIUK;
- The implementation of the communication plan outlined in my Scheme Report;
- Any developments regarding the structure of the Proposed Transfer; and
- Any policyholder queries or objections raised regarding the Proposed Transfer.

#### 1.5. Summary of my conclusions

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*My overall conclusions are unchanged from those set out in my Scheme Report.*

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In forming my conclusions, I have considered the effect of the Proposed Transfer on the following four parties:

- 'Non-transferring Policyholders', ie policyholders of UKI whose policy will not transfer and who will remain with UKI after the Proposed Transfer.
- 'Transferring Policyholders', ie UKI policyholders whose policies relating to the Transferring Business will transfer to IIUK. This includes policies that:
  - were live as at the Risk Transfer Date and/or
  - incepted after the Risk Transfer Date.
- 'Existing Policyholders', ie policyholders of IIUK prior to the Proposed Transfer who will remain policyholders with IIUK after the Proposed Transfer.
- Reinsurers of UKI/IIUK covering the Transferring Business.

In drawing my conclusions, I have considered the impact of the Proposed Transfer on underlying claimants and beneficiaries eg the dependants of policyholders.

## Non-transferring Policyholders

At the Effective Date of the Proposed Transfer, UKI expects to have c. 10m in-force policies.

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

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### Summary rationale:

- I am satisfied that the approaches used to calculate the IFRS and Solvency UK technical provisions for UKI, including the Transferring Business, are appropriate, and UKI has confirmed that these will be materially unchanged post-transfer.
- The SCR coverage ratio for UKI is projected to remain unchanged at 142% as a result of the Proposed Transfer.
- UKI has provided capital projections until 31 December 2027, assuming that the expected transfer of DLG's insurance business by a Part VII transfer into AIL as at 31 December 2026 does not take place. UKI's SCR coverage ratio on this basis is projected to remain at or above the lower end of the range of its risk appetite until 31 December 2027.
- AIL's SCR coverage ratio was 190% as at 31 December 2024. It is projected to be around this level through to 31 December 2026. On the basis of these projections, in the anticipated event that the Non-transferring Policyholders do transfer to AIL via a separate Part VII transfer, it is expected they will be transferring to a well-capitalised entity, with a coverage ratio towards the upper end of the range for this category, as per the definitions set out in Section 5.1 of this report. My conclusions would remain unchanged even if the Non-transferring Policyholders do not transfer to AIL.
- I am satisfied that UKI is expected to have sufficient capital under a range of adverse scenarios. Even in more extreme adverse scenarios, where UKI's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote, such that Non-transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer. I also note that the scenarios are conservative in that they make no allowance for management actions to restore capital levels.
- UKI is not planning any material changes to how the business is carried out. In particular, there are no plans to change how Non-transferring Policyholders are serviced following the Proposed Transfer.

## Transferring Policyholders

UKI has identified c. 548,000 policies (an increase from the initial estimate of c. 391,000 in my Scheme Report for the reason explained in section 1.1) that will transfer to IIUK as a result of the Proposed Transfer. The vast majority of in-scope policies will have expired by the Effective Date.

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

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### Summary rationale:

- I am satisfied that the approaches used to calculate the IFRS and Solvency UK technical provisions for the Transferring Business in IIUK are appropriate, and IIUK has confirmed that these will be materially unchanged post-transfer.
- The SCR coverage ratio for Transferring Policyholders is expected to increase from 142% to 178% as a result of the Proposed Transfer. The security provided to Transferring Policyholders will be positively impacted by the Proposed Transfer since they will be transferring from an insurer with sufficient capital (UKI) to one that is well capitalised (IIUK), as per the definitions set out in Section 5.1 of this report. The strength of capital protection for the Transferring Policyholders will be higher following the Proposed Transfer.
- Further, IIUK has provided capital projections until 31 December 2027 which indicate that IIUK will remain well capitalised over that period.
- I am satisfied that IIUK is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. Even in more extreme adverse scenarios, where IIUK's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote, such that Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer. I also note that the scenarios are conservative in that they make no allowance for management actions to restore capital levels.
- IIUK is a UK entity so the Transferring Policyholders will continue to be regulated in the UK following the Proposed Transfer. The rights of policyholders in respect of access to the Financial Services Compensation Scheme (FSCS) or Financial Ombudsman Service (FOS) will not change as a result of the Proposed Transfer.
- Around 200 claims employees transferred from UKI to IIUK in May 2024 (as part of a wider transfer of employees involved in the Brokered Commercial Insurance Business to IIUK) and seconded back to UKI, continuing to service the Transferring Business using UKI's claims handling systems. Those secondments have been ending in a phased approach throughout 2025 in line with the new claims volumes arising from the migration of policies with claims handled on IIUK's claim handling system. On the Effective Date of the Proposed Transfer, the remaining secondments will end and the remaining claims servicing will transition to using IIUK's claims handling system.

## Existing Policyholders

IIUK estimated that there were over 3.5m live in-force policies as at September 2025. The number of transferring policies expected to be in-force at the Effective Date is immaterial relative to this. The level of transferring provisions is not expected to be material compared to IIUK's overall provisions as at the Effective Date.

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

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### Summary rationale:

- I am satisfied that the approaches used to calculate the IFRS and Solvency UK technical provisions for IIUK are appropriate, and IIUK has confirmed that these will be materially unchanged post-transfer.
- The SCR coverage ratio for IIUK Policyholders is expected to remain at 178% as a result of the Proposed Transfer. Therefore, I do not consider the security provided to Existing Policyholders to be materially adversely affected by the Proposed Transfer.
- Further, IIUK has provided capital projections until 31 December 2027 which indicate that IIUK will remain well capitalised over that period.
- I am satisfied that IIUK is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. Even in more extreme adverse scenarios, where IIUK's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote, such that Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer. I also note that the scenarios are conservative in that they make no allowance for management actions to restore capital levels.
- IIUK is not planning any material changes to how its existing business is carried out. In particular, there are no plans to change how Existing Policyholders are serviced following the Proposed Transfer.

## Reinsurers

I have considered the position of reinsurers of UKI and IIUK who currently provide cover for the Transferring Business.

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

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### Summary rationale:

- The front book of the Transferring Business is currently reinsured by IIUK under the QS Agreement with UKI. At the time of the Proposed Transfer, the QS Agreement will cease.
- Following the Proposed Transfer, through a new QS arrangement, UKI will provide 100% quota share reinsurance to IIUK in respect of the back book.
- With the exception of the QS Agreement, UKI and IIUK have both confirmed that all other existing reinsurance arrangements that are in place for each respective entity will continue following the Proposed Transfer ie IIUK will be entitled to all reinsurance protections in respect of liabilities arising from the front book and the back book, while UKI shall continue to retain the corresponding protections in respect of liabilities arising from the retained book.
- The Proposed Transfer will not affect the underlying terms and conditions of the existing reinsurance arrangements. IIUK will assume all of UKI's rights and obligations under these arrangements for the Transferring Business including any entitlements in respect of reinsurance recoveries, with effect from the Effective Date.
- The reinsurers of the Transferring Business will be exposed to the same claims whether or not the Proposed Transfer goes ahead.
- All of the reinsurers of the Transferring Business with outstanding balances or allocated case reserves will be informed of the Proposed Transfer.

## 2. Introduction

### 2.1. Background

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

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

In my role as Independent Expert, I prepared a Scheme Report for the Proposed Transfer. This was issued on 7 October 2025 and was presented to the High Court on 15 October 2025 and the Royal Court of Jersey on 17 October 2025. In the Scheme Report I stated that, ahead of the Sanctions Hearing for the Proposed Transfer, I would prepare a Supplementary Report (this report), covering any relevant matters which have arisen since the date of the Scheme Report.

### Jersey policies

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

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

UKI has, by reference to policy identification number, identified 1,109 policies registered with 1,038 policyholders in Jersey, all of which will have expired by the Effective Date.

### 2.2. Scope of this Supplementary Report

This Supplementary Report must be read in conjunction with the Scheme Report as the Supplementary Report alone does not contain the full details of the work I have performed in considering the Proposed Transfer. Reading the Supplementary Report in isolation may be misleading.

In combination with the Scheme Report, this Supplementary Report complies with the professional actuarial guidance and standards set out in section 2.5. All terms used in the Supplementary Report are as defined in the Scheme Report.

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

### 2.3. Use of this Supplementary Report

This Supplementary Report has been produced by Stewart Mitchell FIA of LCP under the terms of our written agreement with DLG and IIUK (when known as RSAI). It is subject to any stated limitations eg regarding accuracy or completeness.

This Supplementary Report has been prepared for the purpose of accompanying the application to the High Court and the Royal Court of Jersey in respect of the proposed insurance business transfer scheme described in this report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Supplementary Report is not suitable for any other purpose. The Supplementary Report must be read in conjunction with the Scheme Report of 7 October 2025.

A copy of the Supplementary Report will be sent to the PRA and the FCA and will be filed with the High Court and the Royal Court of Jersey as part of the evidence supporting the application to sanction the Scheme.

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

## 2.4. Reliances

I have based my work on the data and other information made available to me by UKI and IIUK. Appendix 1 contains a list of key data and other information that I have considered. I have also held discussions with the relevant staff of DLG, UKI and IIUK.

My analysis is generally based on UKI and IIUK data as at 31 December 2024, 30 June 2025 and 30 September 2025.

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

- UKI and IIUK will submit witness statements to the High Court stating that all information provided to me by UKI and IIUK is correct and complete in all material aspects to the best of their knowledge, information and belief.
- Each of UKI and IIUK has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer is accurate and complete.
- UKI and IIUK have provided attestations that there have been no material changes to the financial position of UKI or IIUK since that information was provided to me, other than as described in this Supplementary Report.
- UKI and IIUK have read this Supplementary Report and each has agreed that it is correct in terms of all factual elements of the Proposed Transfer.
- I have conducted basic checks on the data provided to me for internal consistency and reasonableness.
- My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely on the integrity of the information provided for the purpose of this report.

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

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

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

## 2.5. Professional standards

This report complies with the applicable rules on expert evidence and with the guidance for scheme reports set out in 'The PRA's approach to insurance business transfers' (Policy Statement 1/22, dated January 2022), 'The FCA's approach to the review of Part VII insurance business transfers (Finalised Guidance 22/1, dated February 2022) and by the PRA Rulebook and the FCA Handbook.

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

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

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

## 2.6. Materiality

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

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

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

## 2.7. Definition of ‘materially adverse’

In order to determine whether the Proposed Transfer will have a ‘materially adverse’ impact on any group of policyholders, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed.

The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a ‘materially adverse’ impact, I have considered the aggregate impact of these different effects on each group of policyholders.

In the Court of Appeal judgement in the Prudential v Rothesay case, the judge set out the following definition for what constituted a ‘material adverse effect’.

*“An adverse effect will only be material to the court’s consideration if it is:*

- *a possibility that cannot sensibly be ignored having regard to the nature and gravity of the feared harm in the particular case,*
- *a consequence of the scheme; and*
- *material in the sense that there is the prospect of real or significant, as opposed to fanciful or insignificant, risk to the position of the stakeholder concerned.”*

The judge drew the distinction between ‘real’ and ‘fanciful’ risks and that the Court should address the former rather than the latter. I have borne this distinction in mind when reaching my conclusions as to whether any set of policyholders is materially adversely affected. Throughout this report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether policyholders are materially adversely affected or otherwise.

### 3. My approach as IE

My approach to assessing the Proposed Transfer, as set out in the Scheme Report, has been to perform five steps analysing evidence provided by UKI and IIUK to support the Proposed Transfer.

My approach for the Supplementary Report has been to revisit each of these five steps and to consider whether any of the updated analysis or information available now would cause me to change my conclusions in that report.

The five steps and my considerations are detailed in the sections as follows:

- Step 1: Assessing the provisions of UKI and IIUK – considered in section 4.
- Step 2: Assessing the capital positions of UKI and IIUK – considered in section 5.
- Step 3: Assessing overall policyholder security – considered in section 6.
- Step 4: Assessing policyholder communications – considered in section 7.
- Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders – considered in section 8.

A list of the key information considered is included in Appendix 1.

Further details on my approach as IE are set out in section 4 of the Scheme Report.

## 4. Reserving considerations

As IE, my overall assessments related to reserving are:

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

These assessments were considered in section 5 of the Scheme Report, based on data and provisions as at 31 December 2024.

In this Supplementary Report, I have also considered updated data, IFRS 17 and Solvency UK provisions as at 30 September 2025 for UKI and IIUK.

UKI and IIUK have both confirmed that the approach and basis for calculating the IFRS 17 and Solvency UK technical provisions have not changed since the Scheme Report.

There has been no new external independent review of reserves since my Scheme Report.

### 4.1. UKI provisions (IFRS 17)

The following table shows the level of IFRS 17 technical provisions as at 30 September 2025 (the latest available figures at the time of my writing of my report) for UKI, split between the Non-transferring and Transferring Business.

#### UKI – Summary of IFRS 17 and Solvency UK (SUK) technical provisions as at 30 September 2025

| £m                           | IFRS 17<br>Gross of<br>reinsurance | IFRS 17<br>Net of external<br>reinsurance | SUK<br>Gross of<br>reinsurance | SUK<br>Net of external<br>reinsurance |
|------------------------------|------------------------------------|---|--------------------------------|---------------------------------------|
| Non-transferring<br>business | 4,152                              | 2,755                                     | 4,311                          | 3,666                                 |
| Transferring<br>business     | 275                                | 49  | 265                            | 46                                    |
| <b>Total UKI</b>             | <b>4,427</b>                       | <b>2,804</b>                              | <b>4,576</b>                   | <b>3,712</b>                          |

Source: UKI

The IFRS 17 provisions are made up of the earned claims reserves and unearned premium reserves, on a discounted basis, including risk adjustment but excluding liability for remaining coverage (LFRC). External reinsurance: excess of loss, flood reinsurance and IIUK.

The SUK provisions are discounted and exclude the risk margin.

The provisions for Transferring Business represent c. 6% and c. 2% of UKI's IFRS 17 technical provisions as at 30 September 2025 on a gross and net of reinsurance basis respectively.

Total gross and net of reinsurance provisions increased by £348m and £143m respectively between 31 December 2024 (ie the figures in my Scheme report) and 30 September 2025, partly due to UKI aligning to Aviva's reserving basis/assumptions.

The change in booked provisions for UKI since my Scheme Report does not lead to a change in any of my conclusions as stated in that report.

The increase in total gross and net Solvency UK provisions over the period was £29m and £24m respectively, which I do not consider to be material changes.

## 4.2. IIUK provisions (IFRS 17)

The table below shows the level of IFRS 17 technical provisions as at 30 September 2025 (the latest available figures at the time of my writing of my report) for IIUK.

### IIUK – Summary of IFRS 17 and Solvency UK technical provisions as at 30 September 2025

| £m                        | IFRS 17<br>Gross of<br>reinsurance | IFRS 17<br>Net of external<br>reinsurance | SUK<br>Gross of<br>reinsurance | SUK<br>Net of external<br>reinsurance |
|---------------------------|------------------------------------|---|--------------------------------|---------------------------------------|
| Non-transferring business | 4,683                              | 3,723                                     | 5,021                          | 4,176                                 |
| Transferring business*    | 206                                | 202                                       | (0)                            | (0)                                   |
| <b>Total</b>              | <b>4,889</b>                       | <b>3,925</b>                              | <b>5,020</b>                   | <b>4,175</b>                          |

Source: IIUK

The SUK provisions are discounted and exclude the risk margin

\* Since the back book liabilities were not reinsured by IIUK, the Transferring Business provisions in this table relate to the front book only.

Total gross IFRS 17 provisions decreased by £57m (-1%), whilst net IFRS 17 provisions increased by £14m (+0%) between 31 December 2024 (ie the figures in my Scheme report) and 30 September 2025.

These movements are not material in the context of the total provisions. The movements in respect of the Transferring Business are more notable but are broadly in line with the expected runoff of the front book liabilities over time.

The changes in the booked provisions for IIUK since my Scheme Report do not lead me to change any of my conclusions as stated in that report.

Total gross and net Solvency UK provisions increased by £111m (+2%) and £187m (+5%) respectively between 31 December 2024 and 30 September 2025.

The front book portion of the technical provisions relating to the Transferring Business decreased by £18m (gross) and £19m (net) over the period to broadly zero. This is because, under the structure of the QS Agreement, future premiums and commissions on a Solvency UK basis are held in a funds withheld account, from which future claims are paid. The value of this fund will transfer to IIUK on Day 1.

## 4.3. Reserving estimates for the Transferring Business

The following table sets out UKI's IFRS technical provisions for the Transferring Business as at 30 September 2025. These are the latest available figures at the time of my writing of this report.

### UKI – IFRS technical provisions for the Transferring Business as at 30 September 2025

| £m                                 | Gross of<br>reinsurance | Net of external<br>reinsurance |
|------------------------------------|-------------------------|--------------------------------|
| Front book                         | 223                     | 2                              |
| Back book                          | 52                      | 47                             |
| <b>Total Transferring Business</b> | <b>275</b>              | <b>49</b>                      |

Source: UKI, includes risk adjustment

As at 30 September 2025, UKI estimated the gross IFRS technical provisions for the Transferring Business to be £275m, comprising £223m for the front book and £52m for the back book. This is a decrease from £349m, £281m for the front book and £68m for the back book, respectively, as at 31 December 2024 and reflects the ongoing runoff of these liabilities.

As discussed in section 3.2, the front book is covered by the existing 100% QS Agreement between UKI and IIUK. As a result, UKI's net IFRS reserves for the front book are £2m (not zero due to eg reinsurance bad debt and attaching risk margin) compared to £47m for the back book, which is not covered by the QS Agreement.

UKI's front book reserves will be released on the Effective Date of the Proposed Transfer, at which point the QS Agreement expires.

The table below set's out IIUK's IFRS technical provisions for the front book of the Transferring Business, as at 30 September 2025.

### IIUK – IFRS technical provisions for the front book of the Transferring Business as at 30 September 2025

| £m                | Gross of reinsurance | Net of external reinsurance |
|-------------------|----------------------|-----------------------------|
| <b>Front book</b> | <b>206</b>           | <b>202</b>                  |

Source: IIUK, includes risk adjustment

As at 30 September 2025, IIUK estimate the gross and net of reinsurance IFRS TPs for the front book to be £206m and £202m respectively, compared to £291m and £287m as at 31 December 2024.

The 31 December 2024 estimates have changed from those stated in my Scheme Report of £308m and £303m ie they are £17m and £16m lower on a gross and net of reinsurance basis respectively.

IIUK have informed me that the 31 December 2024 figures provided to me for my Scheme Report included NIG business written by IIUK, which is not part of the front book.

I do not consider the misstatement to be material enough to change my conclusions from the Scheme Report, and if the correct numbers had been provided at the time of the Scheme Report, my conclusions would have been unchanged.

Overall, total provisions in respect of the front book reduced by £85m (gross and net) since 31 December 2024 following the ongoing runoff of the liabilities.

Although the back book is part of the Transferring Business, as at 30 September 2025, IIUK did not have its own provisions for the back book given these liabilities were not reinsured by IIUK via the QS agreement.

### Difference in UKI and IIUK's reserves estimates for the front book as at 30 September 2025

UKI and IIUK have each carried out independent projections of the Transferring Business.

IIUK's gross of reinsurance estimate for the front book is c. 8% lower than that of UKI as at 30 September 2025. I consider the difference in IIUK and UKI's estimates to be within a range of reasonable best estimates. This is reasonable given the liability elements, and the relative immaturity, of the front book.

Despite the potential range of uncertainty around the value of the Transferring Business, IIUK is well capitalised for the transferring liabilities. I do not consider that any group of policyholders to be materially adversely affected by this difference.

### Day 0 estimates of the back book

UKI and IIUK have provided details of their updated estimates of the back book reserves as at Day 0 ie the day before the Effective Date.

UKI's current estimate is £32m, IIUK's estimate is higher at £40m.

I do not consider this difference in the Day 0 estimates to be material and my current view is that no group of policyholders, as defined in section 1.5, are materially adversely affected in this respect.

#### 4.4. Approach for setting Solvency UK technical provisions

##### Steps from IFRS to Solvency UK technical provisions as at 30 September 2025

The tables below show the key adjustments from IFRS net of reinsurance technical provisions to Solvency UK net of reinsurance technical provisions for UKI and IIUK, based on data as at 30 September 2025.

| £m   | UKI          |
|--|--------------|
| IFRS 17 reserves (excluding LFRC)            | <b>2,804</b> |
| Removal of risk adjustment                   | (158)        |
| Removal of other adjustments                 | 27           |
| Unearned claims and expenses                 | 5,800        |
| Investment expenses                          | 70           |
| Future premiums                              | (4,704)      |
| Change in ENIDs                              | (3)          |
| Discounting                                  | (125)        |
| <b>Solvency UK TPs excluding risk margin</b> | <b>3,712</b> |
| Solvency UK risk margin                      | 139          |
| <b>Solvency UK TPs including risk margin</b> | <b>3,851</b> |

Source: UKI

Overall, total technical provisions excluding risk margin increased by £24m or c. 1% between 31 December 2024 and 30 September 2025 which I do not consider to be a material change.

| £m   | IIUK         |
|--|--------------|
| <b>1) Claims provision</b>                                   |              |
| <b>IFRS claims provision*</b>                                | 3,970        |
| Removal of PPO discounting                                   | 298          |
| <b>Best estimate claims provision</b>                        | <b>4,268</b> |
| ENIDs  | 84           |
| Additional expenses  | 31           |
| Reinsurance default  | 19           |
| Discounting  | (598)        |
| Future premiums and commissions                              | (217)        |
| Other reconciling items                                      | (0)          |
| <b>Solvency UK claims provision (A)</b>                      | <b>3,587</b> |
|  |              |
| <b>2) Premium provision</b>                                  |              |
| <b>Unearned premium</b>                                      | 1,663        |
| Adjustment for contract boundaries                           | (31)         |
| Adjustment for unearned premiums                             | (1,632)      |
| Unearned claims  | 1,044        |
| ENIDs  | 24           |
| Expenses   | 156          |
| Reinsurance Treaty Spend                                     | 47           |
| Adjustment for bound but not incepted business               | (10)         |
| Future premium and commission<br>(net of adjustments)        | (587)        |
| Discounting  | (79)         |
| Other reconciling items                                      | (7)          |
| <b>Solvency UK premium provision (B)</b>                     | <b>588</b>   |
|  |              |
| <b>Solvency UK risk margin (C)</b>                           | <b>157</b>   |
|  |              |
| <b>Solvency UK TPs including risk margin<br/>(A + B + C)</b> | <b>4,332</b> |

Source: IIUK

\*Undiscounted IFRS reserves + Unallocated Loss Adjustment Expenses

Overall, total technical provisions excluding risk margin increased by £187m or c. 5% between 31 December 2024 and 30 September 2025. This was driven by a larger decrease in the future premium and commission line item relative to claims and expenses.

The changes in the bridge from gross and net IFRS 17 booked provisions to Solvency UK technical provisions compared to my Scheme Report do not lead me to change my conclusions in that report.

#### 4.5. Key uncertainties when setting provisions

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

These uncertainties were considered in detail in section 5.7 of my Scheme Report.

#### 4.6. Overall conclusion: reserving considerations

I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that the Non-transferring Policyholders, Transferring Policyholders and Existing Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer.**

## 5. Capital considerations

As IE, my overall assessments related to capital are:

- whether the projected capital requirements have been calculated appropriately for both UKI and IIUK;
- whether there are expected to be any material adverse changes in the strength of capital protection for any group of policyholders (I have assessed this by comparing the projected SCR coverage ratios before and after the Proposed Transfer); and
- whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 6 of my Scheme Report.

In this Supplementary Report, I have also considered the updated SCR coverage ratio and balance sheet projections for UKI and IIUK based on data as at 30 September 2025.

### 5.1. Projected SCR coverage ratios for UKI and IIUK

For the purposes of this report and the Scheme Report, I describe a company as having “sufficient capital” if the SCR coverage ratio is between 100% and 150%. I describe a company as “well capitalised” if the SCR coverage ratio is between 150% and 200% and “very well capitalised” if the SCR coverage ratio is in excess of 200%.

Since providing my Scheme Report, UKI and IIUK have updated their analysis of projected SCR coverage ratios based on more recent data. As such, the coverage ratios quoted in this report have changed since those included in the Scheme Report.

The projected SCR coverage ratios for UKI in this Supplementary Report have been calculated using the Solvency UK SF, rather than the internal model which was used to calculate the projections in my Scheme Report.

This change resulted in a projected increase in the SCR, driven by an increase in underwriting risk, and therefore a reduction in the SCR coverage ratio. To maintain the coverage ratio at above the risk appetite level, AIL and Direct Line Insurance Group Limited provided a capital injection of approximately £300m.

UKI have provided a SF appropriateness review which concludes that the SF sufficiently captures UKI’s risk profile and balance sheet exposures and therefore is appropriate for calculating the SCR. In addition, I note that the SF leads to a higher SCR on Day 0 than under the internal model (£1,479m compared to £1,361m). I have reviewed the differences between the SF and internal model SCR and note that my conclusions regarding the capital protection for Non-Transferring Policyholders and Transferring Policyholders are unchanged from my Scheme Report.

## Projected SCR coverage ratios immediately pre- and post-transfer

The Effective Date of the Proposed Transfer is expected to be 1 April 2026.

The table below sets out the projected SCR and coverage ratios, as prepared by UKI and IIUK, immediately before and after the Proposed Transfer ie at Day 0 (31 March 2026) and Day1 (1 April 2026).

IIUK's and UKI's projected SCR and coverage ratios are based on data as at 30 September 2025.

| Projections before and after the Proposed Transfer | Own Funds | SCR   | Own Funds less SCR | SCR coverage ratio | Movement in coverage ratio |
|--|-----------|-------|--------------------|--------------------|----------------------------|
| <b>Day 0 – before Transfer</b>                     |           |       |                    |                    |                            |
| UKI £m   | 2,100     | 1,479 | 621                | 142%               |                            |
| IIUK £m  | 2,011     | 1,133 | 878                | 178%               |                            |
| <b>Day 1 – after Transfer</b>                      |           |       |                    |                    |                            |
| UKI £m   | 2,100     | 1,479 | 621                | 142%               | 0%                         |
| IIUK £m  | 2,011     | 1,133 | 878                | 178%               | 0%                         |

Source: UKI and IIUK

In summary:

- **Non-transferring Policyholders:** the SCR coverage ratio for Non-transferring Policyholders is projected to remain unchanged at 142% with UKI projected to have sufficient capital immediately after the Proposed Transfer.

Given that:

- Most of the Transferring Business, ie the front book, is already 100% reinsured by IIUK; and
- The back book will, following the transfer, be 100% reinsured by UKI,

the Day 0 and Day 1 SCRs would be expected to be broadly the same.

The only changes to the SCRs expected immediately following the transfer are:

- an immaterial reduction in UKI's counterparty default risk in response to the transfer and the cessation of the QS Agreement; and
  - an immaterial increase in IIUK's counterparty default risk, reflecting the new 100% quota share reinsurance from UKI in respect of the back book.
- **Transferring Policyholders:** the SCR coverage ratio for Transferring Policyholders is projected to increase from 142% to 178% as a result of the Proposed Transfer. The security provided to Transferring Policyholders will be positively impacted by the Proposed Transfer since they will be transferring from an insurer with sufficient capital (UKI) to one that is well capitalised (IIUK).

I am therefore satisfied that the Transferring Policyholders will not be materially adversely affected due to the Proposed Transfer.

The Transferring Policyholders will be exposed to the risks within IIUK and will no longer have any exposure to risks within UKI. Both UKI and IIUK write books of general insurance, although UKI writes more personal lines business whereas IIUK is withdrawing from this business.

I do not expect the Proposed Transfer to lead to a materially adverse change in risk exposures for Transferring Policyholders.

- **Existing Policyholders:** the SCR coverage ratio for Existing Policyholders is projected to remain unchanged at 178% after the Proposed Transfer.

## Projected SCR coverage ratios after the Proposed Transfer

UKI is projected to remain sufficiently capitalised and at or above the lower end of the range of UKI's risk appetite over the period to 31 December 2026, at which point it is planned to transfer, by way of a separate Part VII transfer, into AIL.

IIUK remains well capitalised immediately following the Proposed Transfer and is expected to remain well capitalised following the Proposed Transfer over the period to 31 December 2027, based on the projections provided by IIUK.

In practice, the actual coverage ratios may be higher or lower than projected depending on the claims and other experience of each insurer. Both UKI and IIUK will routinely monitor their capital and projected capital position in line with their respective capital management policies and risk appetites. This could also lead to the coverage ratios being higher or lower than projected but they are expected to remain above the risk appetite level.

IIUK's dividend policy aims to pay dividends at least twice a year during Q2 and Q4, based on the Q1 and Q3 capital positions. The Day 0 and Day 1 projections do not reflect a dividend payment as any payment would not be made until later in Q2 2026. There is a policy requirement that dividends may only be paid if the SCR coverage ratio remains above the risk appetite level of 160%, ensuring that IIUK remains well capitalised. In addition, IIUK's SCR coverage ratio is not expected to change at the point of the Proposed Transfer, regardless of whether a dividend is paid.

### Conclusion

Overall, considering all of the above factors, I have concluded that there is no materially adverse impact from the Proposed Transfer for any group of policyholders in terms of capital security.

The changes in SCR coverage ratios since my Scheme Report have not led me to change my conclusions regarding capital considerations in that report.

### 5.2. SCR scenario analysis

In section 6.10 of my Scheme Report, I considered the impact of a range of adverse scenarios for UKI and IIUK, based on projections prepared by each entity at my request. I considered each scenario pre- and post-transfer to assess the impact of the Proposed Transfer.

The purpose of the analysis is to assess whether UKI and IIUK can withstand plausible adverse experience for their business and whether, under these circumstances, each insurer still provides appropriate security to all groups of policyholders. The scenarios do not attempt to represent the full range of possible adverse events to which the insurer may be exposed. Rather, they aim to focus on key risk areas relevant to UKI and IIUK.

All of the scenarios were specified and reviewed for reasonableness by me, but the calculations have been performed by UKI and IIUK respectively.

The scenarios are conservative in that they make no allowance for management actions that could mitigate the reduction in SCR coverage ratios. They also do not allow for the potential mitigating effect of any deferred tax assets.

Whether the Proposed Transfer takes place or not does not lead to any difference in the projected SCR coverage ratios given the Proposed Transfer achieves the same effect as the existing QS Agreement between UKI and IIUK.

The tables on the following page summarise the results of the scenario analysis on the updated balance sheet projections based on data as at 30 September 2025.

## UKI scenarios

| UKI   | SCR coverage ratio |        |               |        |
|---|--------------------|--------|---------------|--------|
|   | Pre-transfer       | Impact | Post-transfer | Impact |
| <b>Base result</b>                            | <b>142%</b>        |        | <b>142%</b>   |        |
| A) 30% deterioration of reserves              | 92%                | (50%)  | 92%           | (50%)  |
| B) 15% deterioration in asset values          | 108%               | (34%)  | 108%          | (34%)  |
| C) 30% reduction in reinsurance recoveries    | 101%               | (41%)  | 103%          | (39%)  |
| D) Reverse stress test (combination of above) | 22%                | (120%) | 24%           | (118%) |

For UKI, the updated scenario analysis demonstrates broadly similar impacts of the stresses as those set out in my Scheme Report, albeit now starting from a lower base SCR coverage ratio position ie 142% compared to 184%.

## IIUK scenarios

| IIUK   | SCR coverage ratio |        |               |        |
|--|--------------------|--------|---------------|--------|
|  | Pre-transfer       | Impact | Post-transfer | Impact |
| <b>Base result</b>   | <b>178%</b>        |        | <b>178%</b>   |        |
| A) 30% deterioration of reserves   | 84%                | (93%)  | 84%           | (93%)  |
| B) 15% deterioration in asset values   | 143%               | (34%)  | 143%          | (34%)  |
| C) 50% reduction in reinsurance recoveries   | 113%               | (64%)  | 113%          | (64%)  |
| D) Reverse stress test<br>(30% deterioration in reserves and asset values and a 50% reduction in reinsurance recoveries) | 1%                 | (176%) | 1%            | (176%) |

For IIUK, the updated scenario analysis shows broadly similar SCR coverage ratios compared to those in my Scheme Report.

The updated scenario analysis has not led me to change any of my conclusions in my Scheme Report regarding capital considerations.

My conclusions from this scenario analysis are as follows:

### Non-transferring Policyholders

- For the Non-transferring Policyholders, I compared the impact of the scenarios on UKI with and without the Proposed Transfer proceeding.
- Whether the Proposed Transfer takes place or not, the impact of each stressed scenario on UKI is broadly the same.
- Therefore, under these scenarios, I am satisfied that Non-transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.

### Transferring Policyholders

- For Transferring Policyholders, I considered how being exposed to an IIUK stressed scenario would compare to being exposed to the UKI stressed scenarios if they remained with UKI.
- Whilst a 30% reserve deterioration leads to IIUK no longer having a sufficient level of capital, this is the same for UKI and so I do not believe this has a materially adverse impact on the Transferring Policyholders. In this scenario, both UKI's and IIUK's eligible Own Funds would still be sufficient to meet its liabilities and the scenario is conservative in that it makes no allowance for any mitigating management actions to restore capital levels.

- The Transferring Policyholders are exposed to the insolvency risk of both IIUK and UKI in respect of the front book pre-transfer, but only IIUK post-transfer. They are exposed to the insolvency risk of UKI in respect of the back book pre-transfer, but both UKI and IIUK post-transfer.
- IIUK's SCR coverage ratios for the scenarios are higher than those of UKI (other than the reverse stress test), thereby indicating greater financial strength for IIUK in the event these scenarios were to materialise.
- Given this, and under these scenarios, I am satisfied that the Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.

### Existing Policyholders

- For Existing Policyholders, I compared the impact of the scenarios on IIUK with and without the Proposed Transfer proceeding.
- Whether the Proposed Transfer takes place or not, the impact of each stressed scenario on IIUK is the same.
- Therefore, under these scenarios, I am satisfied that Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer.

### 5.3. Overall conclusion: Capital considerations

I am satisfied that my conclusions related to capital remain unchanged from my Scheme Report.

In summary:

- The capital strength for both UKI and IIUK, as measured by SCR coverage ratios, are not projected to change as a result of the Proposed Transfer.
- I have also considered a number of stress scenarios for both UKI and IIUK both pre- and post-transfer. The impact of the Proposed Transfer for most of these scenarios is broadly similar for both entities UKI and IIUK, meaning the impact on the different groups of policyholders is similar whether the Proposed Transfer takes place or not.
- I do not expect there to be any materially adverse changes in the strength of capital protection for any group of policyholders as a result of the Proposed Transfer.

## 6. Policyholder security

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

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

These assessments were considered in section 7 of the Scheme Report.

In this Supplementary Report, I have also considered the updated projected balance sheets of UKI and IIUK immediately pre- and post- the Proposed Transfer.

## 6.1. Impact on the balance sheets of UKI and IIUK

I have updated the analysis set out in section 7.2 of the Scheme Report to reflect UKI and IIUK's latest projections.

The table below shows Solvency UK balance sheets for UKI and IIUK pre- and post-transfer.

### Projected Solvency UK balance sheets of UKI and IIUK: £m

| Converted £m                                    | As at 30 September 2025 |              | Projected Day 0 |              | Projected Day 1 |              | Projected movement due to Proposed Transfer |            |
|---|-------------------------|--------------|-----------------|--------------|-----------------|--------------|---|------------|
|   | UKI                     | IIUK         | UKI             | IIUK         | UKI             | IIUK         | UKI   | IIUK       |
| Property  | 36                      | 81           | 36              | 81           | 36              | 81           | 0   | 0          |
| Investments                                     | 4,949                   | 6,588        | 4,858           | 6,578        | 4,720           | 6,578        | (138)                                       | 0          |
| Loans and Mortgages                             | 309                     | 239          | 302             | 239          | 302             | 239          | 0   | 0          |
| Reinsurance recoverables                        | 864                     | 845          | 841             | 845          | 706             | 885          | (135)                                       | 40         |
| Cash  | 88                      | 70           | 386             | 70           | 386             | 70           | 0   | 0          |
| Other assets                                    | 768                     | 584          | 781             | 464          | 781             | 614          | 0   | 150        |
| <b>Total assets</b>                             | <b>7,013</b>            | <b>8,407</b> | <b>7,205</b>    | <b>8,277</b> | <b>6,932</b>    | <b>8,467</b> | <b>(273)</b>                                | <b>190</b> |
| Technical provisions                            | 4,715                   | 5,178        | 4,688           | 5,178        | 4,415           | 5,368        | (273)                                       | 190        |
| Other Liabilities                               | 431                     | 1,203        | 417             | 1,203        | 417             | 1,203        | 0   | 0          |
| <b>Total liabilities</b>                        | <b>5,146</b>            | <b>6,381</b> | <b>5,105</b>    | <b>6,381</b> | <b>4,832</b>    | <b>6,571</b> | <b>(273)</b>                                | <b>190</b> |
| <b>Excess of assets over liabilities</b>        | <b>1,867</b>            | <b>2,026</b> | <b>2,100</b>    | <b>1,895</b> | <b>2,100</b>    | <b>1,895</b> | <b>0</b>                                    | <b>0</b>   |
| Tier 1  | 1,867                   | 1,602        | 2,100           | 1,591        | 2,100           | 1,591        | 0   | 0          |
| Tier 2  | 0                       | 250          | 0               | 250          | 0               | 250          | 0   | 0          |
| Tier 3  | 0                       | 186          | 0               | 170          | 0               | 170          | 0   | 0          |
| <b>Total eligible Own Funds to meet the SCR</b> | <b>1,867</b>            | <b>2,038</b> | <b>2,100</b>    | <b>2,011</b> | <b>2,100</b>    | <b>2,011</b> | <b>0</b>                                    | <b>0</b>   |
| <b>Total capital (SCR)</b>                      | <b>1,362</b>            | <b>1,240</b> | <b>1,479</b>    | <b>1,133</b> | <b>1,479</b>    | <b>1,133</b> | <b>0</b>                                    | <b>0</b>   |
| <b>SCR coverage ratio</b>                       | <b>137%</b>             | <b>164%</b>  | <b>142%</b>     | <b>178%</b>  | <b>142%</b>     | <b>178%</b>  | <b>0%</b>                                   | <b>0%</b>  |

Source: UKI and IIUK.

Note:

- UKI's SCR as at 30 September 2025 is calculated using their internal model whilst the projected SCRs on Day 0 and Day 1 are calculated using the SF.

- The reduction in UKI's coverage ratio at 30 September 2025 compared to that as at 31 December 2024 quoted in my Scheme Report (172%) is driven by a number of factors including:

- an increase in technical provisions, including due to changes to align to Aviva's reserving basis/assumptions;
- recognition of integration costs following UKI's acquisition by Aviva;
- removal of the loss adjusting capacity of deferred tax (LACDT); and
- changes to the UKI reinsurance programme as UKI move to a combined Aviva Group programme.

- IIUK's eligible own funds are higher than the excess of assets over liabilities due to various adjustments, including in respect of Tier 2 subordinated debt (note this was redeemed after the balance sheet in the table above was provided).

The table above shows the simplified Solvency UK balance sheets for UKI and IIUK pre- and post- the Proposed Transfer. The changes in SCRs for the two firms as a result of the Proposed Transfer are not material.

The movements due to the Proposed Transfer are not comparable for UKI and IIUK because of the different impact of the front book and the back book. The key movements are described below.

### Key movements between Day 0 and Day 1 – UKI

The key movements in the balance sheet for UKI are as follows:

- **Technical provisions** – following the transfer of the front book to IIUK and end of the QS Agreement, gross technical provisions in respect of the front book (£135m) and the liability for future premium/funds withheld (£138m) reducing to zero on Day 1 ie leading to a total decrease of £273m.
- **Reinsurance recoverables** – following the end of the QS Agreement between UKI and IIUK, and the transfer of the front book to IIUK, the reinsurance recoverables in relation to the front book decrease by £135m (ie to zero).
- **Investments** – following the ending the QS Agreement between UKI and IIUK, there is a decrease in the funds withheld leading to a reduction in investments of £138m.

The transfer of the back book to IIUK and new QS arrangement where the back book is 100% reinsured by UKI at the point of transfer does not affect UKI's technical provisions. This is because the direct reserves relating to the back book on Day 0 become inwards reinsurance reserves on Day 1 ie there is no change in value.

### Key movements between Day 0 and Day 1 – IIUK

The key movements in the balance sheet for IIUK are as follows:

- **Technical provisions** - the increase of £190m reflects the gross technical provisions in respect of the back book that transfer to IIUK (£40m), and by the funds withheld no longer being allowed for as future premium within the technical provisions (£150m).
- **Reinsurance recoverables** – the Day 1 reinsurance technical provisions increase by £40m, reflecting the recoveries on the estimated reserves of the back book that will transfer across from UKI to IIUK before then being 100% reinsured by UKI at the point of transfer.
- **Other assets** – the increase of £150m is driven by the addition of the funds withheld transferring across from UKI to IIUK.

The movements described above are summarised in the following table:

### Projected movements of UKI and IIUK balance sheet items: £m

| Balance sheet item                       | Movement due to Proposed Transfer           | UKI          | IIUK       |
|--|---|--------------|------------|
| <b>Liabilities</b>                       |   |              |            |
| Technical provisions                     | Transfer of front book                      | (135)        | 135        |
|  | End of QS Agreement for front book          | -            | (135)      |
|  | Liability for future premium/funds withheld | (138)        | 150        |
|  | Transfer of back book                       | (40)         | 40         |
|  | New QS arrangement for back book            | 40           | -          |
|  | <b>Total</b>                                | <b>(273)</b> | <b>190</b> |
| <b>Assets</b>                            |   |              |            |
| Reinsurance recoverables                 | End of QS Agreement for front book          | (135)        | -          |
|  | New QS arrangement for back book            | -            | 40         |
| Investments/Other assets                 | Movement of future premium/funds withheld   | (138)        | 150        |
|  | <b>Total</b>                                | <b>(273)</b> | <b>190</b> |
| <b>Excess of assets over liabilities</b> | <b>Total</b>                                | <b>0</b>     | <b>0</b>   |

Note: a positive number represents an increase in liabilities and assets

Overall UKI and IIUK's excess assets over liabilities and SCR are materially unchanged following the transfer given that the Proposed Transfer replicates the current economic position, ignoring counterparty default risk, in respect of both the front book and the back book, and that the changes in counterparty default risk are not material.

## 6.2. Reinsurance arrangements

The QS Agreement between UKI and IIUK, whereby the front book is 100% reinsured by IIUK, will expire as part of the Proposed Transfer. The front book and back book will transfer from UKI to IIUK and a new QS arrangement will be put in place whereby the back book of business is 100% reinsured by UKI at the point of transfer. This arrangement is unchanged from that set out in my Scheme Report.

UKI maintains a number of reinsurance arrangements to which the transferring policies attach which, pursuant to the Proposed Transfer, will be transferred to IIUK with effect from the Effective Date such that IIUK will be entitled to all reinsurance protections in respect of liabilities arising from the front book and the back book, while UKI shall continue to retain the corresponding protections in respect of liabilities arising from the retained book. The Proposed Transfer will not affect the underlying terms and conditions of such reinsurance arrangements.

### Conclusion on reinsurance

I am therefore satisfied that Non-transferring Policyholders, Transferring Policyholders and Existing Policyholders are not materially adversely affected by the Proposed Transfer in terms of the reinsurance arrangements.

## 6.3. Access to the Financial Services Compensation Scheme

There have been no changes related to access to the Financial Services Compensation Scheme since my analysis included in the Scheme Report in section 7.5.

Therefore, my conclusion that I do not expect the rights of UKI and IIUK policyholders in respect of access to the FSCS to change as a result of the Proposed Transfer remains unchanged.

#### 6.4. Access to the Financial Ombudsman Service

There have been no changes related to access to the Financial Ombudsman Service since my analysis included in the Scheme Report in section 7.6.

Therefore, my conclusion that I do not expect the rights of UKI and IIUK policyholders in respect of access to the FOS to change as a result of the Proposed Transfer remains unchanged.

#### 6.5. Insurance regulation

There have been no changes related to prudential or conduct regulation since my analysis included in section 7.7 of my Scheme Report that would impact my conclusions.

Therefore, my conclusion that UKI and IIUK policyholders will not be adversely affected by the Proposed Transfer from a regulatory standpoint remains unchanged.

#### Conclusion on regulation

As UKI and IIUK are subject to the same UK based regulatory regime, I have concluded that policyholders will not be adversely affected by the Proposed Transfer from a regulatory standpoint.

#### 6.6. Overall conclusion: Policyholder security

Based on the analysis set out above, I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that policyholders will not be materially adversely affected by the Proposed Transfer.**

## 7. Policyholder communications

As IE, my overall assessments related to policyholder communications are:

- the appropriateness of UKI and IIUK's communication strategy to inform policyholders of the Proposed Transfer.
- whether the policyholders are provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them.

These assessments were considered in section 8 of the Scheme Report.

In this Supplementary Report, I have also considered the following:

- Policyholder and other stakeholder responses to UKI and IIUK's communications; and
- Policyholder and other stakeholder objections to the Proposed Transfer.

### 7.1. Policyholder responses to UKI and IIUK's communications

UKI and IIUK has confirmed that communications with policyholders have been carried out substantially in line with the communications plan agreed at the Directions Hearings on 15 and 17 October 2025, with minor changes and updates set out in section 7.3 and the second witness statement of UKI. The High Court granted IIUK a dispensation to the requirement to notify any of its existing policyholders at the Directions Hearing and therefore there have been no material deviations from its communication strategy with regards to policyholder communications since my Scheme Report.

UKI, and IIUK who have been providing support where applicable, have communicated with policyholders and booked notices in the selected publications as outlined in the communication plan agreed at the Directions Hearings.

UKI and IIUK have also confirmed that there have been minimal diversions from the communications strategy.

As at 28 January 2026, which was the latest available data prior to finalising this Supplementary Report:

- UKI had received 632 policyholder responses, four of which were objections. Details of the objections are as follows:
  - Objection 1 – The customer objected on the basis that they did not understand the content of the email and was confused by the reference to their broker. UKI sent a reply to explain the process and clarify the reference to the broker.
  - Objection 2 – The customer, who is no longer insured with UKI although their policy is in scope to transfer, objected on the basis that they would incur additional costs in updating legally required insurance signage across their construction sites following recent updates it had made in November 2025. UKI responded to confirm that the customer's policy with UKI had already expired in October 2024, so UKI should not have been referred to on the signs in the first place when the most recent updates were made. The customer was referred to their broker for further assistance.
  - Objection 3 – The customer objected on the basis that they did not wish to receive the Policyholder Pack as they were no longer concerned with their policy with UKI. UKI sent a reply explaining the details of the Proposed Transfer, pointing out that their policy had expired.
  - Objection 4 – The customer alleged the policy had been taken out fraudulently using their personal details without their knowledge or consent. The matter was referred to UKI's Counter Fraud Department who confirmed it as a case of impersonation fraud and the policy in question had been cancelled shortly after inception in March 2024. It has been agreed by UKI and IIUK, at the request of the policyholder, that this policy, which remains on UKI's systems, will not form part of the Proposed Transfer and will remain with UKI.

None of the objections above relate to the Proposed Transfer and the Part VII process itself and in my view have been dealt with by UKI appropriately. These objections have not led me to change any of the conclusions in my Scheme Report.

- IIUK had received 18 policyholder responses, 12 noting that they were unaware of the Proposed Transfer, two where there was no response when the calls were answered by IIUK, and when IIUK attempted to follow up, the telephone numbers were not recognised, and four requesting policy information not related to the Proposed Transfer.

I have reviewed a summary of the policyholder responses as at 28 January 2026. The reasons for the contact are summarised in the following table:

| Reason   | Number of responses - UKI | Number of responses - IIUK |
|--|---------------------------|----------------------------|
| Document request                                   | 10                        | 4                          |
| General enquiry                                    | 214                       | 14                         |
| Returns  | 0                         |                            |
| Technical enquiry                                  | 14                        |                            |
| Objections   | 4                         |                            |
| Complaints   | 2                         |                            |
| Other queries (unrelated to the Proposed Transfer) | 388                       |                            |
| <b>Total</b>                                       | <b>632</b>                | <b>18</b>                  |

## 7.2. Policyholder objections to the Proposed Transfer

Other than the responses described in section 7.1, no objections to the Proposed Transfer had been raised as at 28 January 2026 by either UKI or IIUK policyholders.

As such, my conclusions in my Scheme Report and this Supplementary Report are unchanged with regard to any objections, as none have been raised.

## 7.3. Communications plan updates

All policyholders, for whom UKI has contact details, were notified via email of the Proposed Transfer by 23 November 2025.

UKI have informed me that of the c. 548k transferring policies (including renewals), contact has been made with policyholders representing c. 425k of these policies.

Whilst this amounts to c. 77% of the total population of the transferring policies, I am satisfied that UKI has made reasonable efforts to contact policyholders and that the widespread, and enhanced, advertising regarding the Proposed Transfer provides a further opportunity for policyholders to become aware of the Proposed Transfer.

During the early mailing phase of the communication plan, two issues were identified by UKI:

- The number of transferring policies will have been understated as renewed policies were effectively counted as a single policy, rather than as separate individual policies. In addition, only the most recent renewal, instead of all relevant policies, would have been referenced in communications to policyholders.
- The details of some cancelled auto-renewal policies were incorrectly displayed in policyholder communications.

I discussed these issues with UKI and note that:

- Whilst the total number of transferring policies is higher if renewal policies are included (ie c. 548k rather than c. 391k), the financial and solvency information provided remain unaffected.
- The cancelled auto-renewal issue will have impacted only a small proportion of policyholders in the early mailing phase.

- Revised communications have been sent to all affected policyholders to provide clarification and correct details for the two issues described above.

These issues have not led me to change my overall conclusions from those set out in my Scheme Report.

#### 7.4. Overall conclusion: Policyholder communications

Notwithstanding the issues described in section 7.3, the communications regarding the Proposed Transfer have been carried out in line with the communications plan agreed with the High Court and the Royal Court of Jersey at the Directions Hearings on 15 and 17 October 2025.

I have not identified any objections or complaints that have caused me to change my overall conclusions related to the Proposed Transfer. In my opinion, policyholders and interested parties will have had sufficient time to consider the impact of the Proposed Transfer on them before the Sanctions Hearing.

I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded the communications strategy will ensure adequate coverage of affected parties.**

**I have also concluded that the communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer and that UKI and IIUK shall continue to have sufficient resources to deal with any objections, enquiries or complaints received following the Part VII communication exercise.**

## 8. Customer service and other considerations

The assessments related to the customer service and other considerations were considered in section 9 of the Scheme Report.

### 8.1. Customer service

UKI and IIUK have both confirmed to me that it is envisaged that there will be no changes in current customer service arrangements as a result of the Proposed Transfer.

There have been no changes to the customer service arrangements, in respect of policyholder administration and claims handling, of UKI and IIUK since my analysis included in the Scheme Report.

#### Consumer Duty

UKI and IIUK have provided me with updated reports dated July 2025 relating to Consumer Duty.

The DLG board report comments that significant management action has been taken since the previous report a year ago, and that management now consider that the gaps identified in meeting the Consumer Duty standards have now been addressed.

The IIUK report to the Governance, Conduct & Remuneration Committee includes details of continuing improvements in reporting and a recommendation to continue with the Consumer Duty Champion role.

I have reviewed these reports and concluded that my views regarding this matter are unchanged from my Scheme Report.

As such, my conclusions from the Scheme Report remain unchanged ie I anticipate no changes in service levels following the Proposed Transfer.

### 8.2. Tax implications

There are no direct tax implications of the Proposed Transfer on Non-transferring, Transferring or Existing Policyholders.

UKI and IIUK have both informed me that they do not anticipate any material tax implications as a result of the Proposed Transfer, and that this view has not changed since issuing my Scheme Report. Although I am not an expert in matters of taxation, I consider it to be a reasonable assumption that there will not be any material tax implications for any group of policyholders as a result of the Proposed Transfer.

As such, my conclusion is unchanged from the Scheme Report.

### 8.3. Pension arrangements

The Non-transferring Policyholders and Existing Policyholders are not impacted by the Proposed Transfer in terms of pensions arrangements for employees and former employees of UKI or IIUK, as those arrangements will remain with UKI and IIUK respectively.

IIUK's defined benefit pensions plans are expected to be fully funded by the end of 2025. Given this, I do not consider the Transferring Policyholders to be materially adversely affected by the Proposed Transfer.

Overall, I do not consider that any group of policyholders will be materially adversely affected in relation to the pension arrangements of employees and former employees of UKI or IIUK as a result of the Proposed Transfer.

As such, my conclusion is unchanged from the Scheme Report.

### 8.4. Investment management implications

There are no planned changes to UKI's and IIUK's investment strategy or risk appetite as a result of the Proposed Transfer. Therefore, I do not anticipate any materially adverse impact for any group of policyholders in terms of investment management as a consequence of the Proposed Transfer.

As such, my conclusion is unchanged from the Scheme Report.

### 8.5. Implications for ongoing expense levels

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

Therefore, there are no impacts for any group of policyholders as a result of any changes to ongoing expense levels.

As such, my conclusion is unchanged from the Scheme Report.

### 8.6. Impact on liquidity position

UKI maintains a large proportion of its assets in highly liquid asset classes, including cash, government bonds and corporate bonds. As such, UKI does not expect any material cashflow risk. As UKI writes new business, liquidity is also available from premium income.

IIUK monitors liquidity risk as part of its ORSA process to ensure that sufficient funds are available to settle claims and expenses as they fall due. IIUK invests mainly in government bonds and corporate bonds which are normally readily convertible into cash. Following the Proposed Transfer, assets will continue to be held in highly liquid asset classes, so IIUK does not expect any material cashflow risk. In addition, as IIUK writes new business, liquidity is also available from premium income.

Therefore, I do not anticipate any materially adverse impacts on the liquidity position for any group of policyholders as a consequence of the Proposed Transfer.

As such, my conclusion is unchanged from the Scheme Report.

### 8.7. Impact on claims handling

Around 200 claims employees transferred from UKI to IIUK in May 2024 (as part of a wider transfer of employees involved in the Brokered Commercial Insurance Business to IIUK) and seconded back to UKI, continuing to service the Transferring Business using UKI's claims handling systems. Those secondments have been ending in a phased approach throughout 2025 in line with the new claims volumes arising from the migration of policies with claims handled on IIUK's claim handling system. On the Effective Date of the Proposed Transfer, the remaining secondments will end and the remaining claims servicing will transition to using IIUK's claims handling system. This will ensure continuity with no disruption to claims handling.

IIUK has a well-established and mature claims handling function and has confirmed that it does not envisage any material changes to the claims experience or service levels for either Transferring Policyholders or Existing Policyholders.

From UKI, no material changes in the approach to claims handling are planned for the Non-transferring Policyholders. So far as is possible and practicable, any changes to the IIUK service provision for Transferring Policyholders will endeavour to be on a similar/comparable standard as enjoyed prior to the Proposed Transfer (where this is commercially practicable). Both UKI and IIUK will endeavour to minimise the impact of the Proposed Transfer to a customer's claims service experience.

Existing customer contact channel options (telephony, digital, email, post) will be maintained where appropriate for both Transferring and Non-transferring Policyholders. No material change is planned for the immediate future, and redirections will be provided for any exceptions including for any Non-transferring Policyholders, whose policies will remain with UKI, but who inadvertently contact IIUK.

### 8.8. Impact of the Aviva acquisition and other transfers

I note that, following the Aviva acquisition of DLG, Aviva have announced that they intend to effect a Part VII transfer of DLG's insurance business to AIL as part of a 3-year integration process.

Given that this will involve a separate Part VII process, subject to the approval of the High Court, I have not considered the potential impact of this future transfer here.

AIL's SCR coverage ratio was 190% as at 31 December 2024. It is projected to be around this level through to 31 December 2026. On the basis of these projections, in the anticipated event that the Non-transferring Policyholders do transfer to AIL via a separate Part VII transfer, it is expected they will be transferring to a well-capitalised entity, with a coverage ratio towards the upper end of the range for this category, as per the definitions set out in Section 5.1 of this report. My conclusions would remain unchanged even if the Non-transferring Policyholders do not transfer to AIL.

I have continued to engage with DLG to understand the potential implications of the acquisition on the Proposed Transfer, and my conclusions in this Supplementary Report remain unchanged in this respect.

I am not aware of any other future transfers into or out of IIUK that will affect any of the Transferring Policyholders or Existing Policyholders.

Any future transfers would need to go through a separate Part VII Court process to ensure that policyholders would not be materially adversely affected.

### 8.9. Set-off

UKI and IIUK have confirmed that there are no changes in set-off rights as a result of the Proposed Transfer and that this has not changed since issuing my Scheme Report.

Therefore, considerations around set-off do not impact my conclusions, which are unchanged from the Scheme Report.

### 8.10. Overall conclusion: Customer service and other considerations

Since the Scheme Report, there have been no material changes to the Proposed Transfer that affect my analysis on customer service and other aspects of the Proposed Transfer. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that no material impact on service standards (or any other considerations within this section of the report and section 9 of the Scheme Report) is expected following the Proposed Transfer.**

## 9. Conclusions and Statement of Truth

### 9.1. Conclusion

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

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

I have concluded that:

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

### 9.2. IE duty and declaration

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

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

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



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### Professional standards

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

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## Appendix 1 – Summary of data provided

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

- Draft High Court and regulatory documents prepared by UKI for the Proposed Transfer, including:
  - Second Witness Statement for UKI (dated 20 January 2026) and IIUK (dated 19 January 2026)
- Updated reports on Consumer Duty
  - ‘DLG Annual Consumer Duty Board Report’ (dated 21 July 2025)
  - RSA ‘Consumer Duty Review and Approve’ (dated 24 July 2025)
- Documents relating to capital and related processes, including:
  - Updated UKI and IIUK SCR calculations
  - Updated capital stress scenarios for UKI and IIUK
  - Projections of future balance sheets and capital requirements for UKI and IIUK
- Data accuracy statement
  - UKI and IIUK have provided data accuracy statements confirming that the data and information provided to me regarding the Proposed Transfer is accurate and complete.
  - UKI and IIUK have read this IE Supplementary Report and have confirmed that it is correct in terms of all factual elements of the Proposed Transfer.