



Year-End 2024 Results – Life Insurers Disclosures

Analysis Report for Year-End 2024

—
April 2025



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Key Messages

We have analysed the publicly disclosed year-end 2024 reports, press releases and other published materials for 15 UK life insurance companies that had reported by a cut-off date of 09 April 2024: Aviva, Chesnara, Just, L&G, Lloyds Banking Group (LBG), LV=, M&G, NFU Mutual, Phoenix, Pension Insurance Corporation (PIC), Quilter, Rothersey, Royal London (RLG), St James's Place (SJP) and Wesleyan.

This document summarises the YE 2024 Solvency II and IFRS results for these life insurers. For companies (RLG, Wesleyan, LV=, NFU) that report on UK GAAP, we have focused on their SII results. Our analysis focuses on the life insurance segments of these companies.

However, key solvency measures, such as coverage ratio and SII surplus, are presented at Group level for composite insurers (e.g. Aviva, L&G and LBG), and therefore include general insurance business. In this document we have also analysed several components of the climate disclosures of seven insurers (Aviva, Just, LBG, L&G, M&G, Phoenix and LBG).

Our observations are summarised below. Please note that the level of detail disclosed varies across companies and the depth of the analysis is constrained by the granularity of results disclosed, especially the limited availability of product level information. NFU Mutual and Wesleyan had not released the full financial statements by our cut-off date. As in previous years, this document does not contain information from the Solvency and Financial Condition Report (SFCR) as the SFCRs are available later in the year-end reporting timetable. NFU Mutual and Wesleyan are the exceptions in that they have issued the SFCR before the financial reports and therefore we have analysed their SFCRs.

Highlights

- **Headlines** – Many insurers have highlighted their performance in operating capital generation, indicating continued growth and cash generation which has supported dividend payments. A number of insurers have undertaken deleveraging activities by repaying debt and buy-back of shares.
- **Insurance market** – 2024 witnessed new entrants to bulk annuity market and new product innovations (e.g. Value share BPA).
- **Mergers and acquisitions** – M&A remained active in 2024, where we saw Aviva completing the acquisition of Probitas and announcing their plans to acquire Direct Line Group. RLG completed their acquisition of Aegon's protection business; and L&G announced the sale of its US Protection business in Feb 2025. Chesnara acquired closed pension portfolio from Canada Life UK.

Solvency II surplus generation

- Solvency II / Shareholder coverage ratio remains a key capital metric. As in previous years, there are a variety of drivers contributing to the movements in coverage ratio.
- The presentation for SII analysis of change remains broadly consistent to the prior year for many firms. As in previous years, insurers presented their movement analysis differently.
- For many insurers, we have observed positive contribution from operating returns, offset by dividend and debt payments leading to small movements in the solvency coverage ratio.
- In 2024, insurers noted positive releases from changes in longevity assumptions for annuity business. For other assumptions, such as persistency and expenses, the impact on surplus was mixed.

New business metrics

- Under IFRS 17, CSM at initial recognition is a key new business measure. Other new business disclosures, such as value of new business (VNB), continue to vary amongst insurers, with differences and limited disclosures of methodology and/or product granularity, making it difficult to present like-for-like results for meaningful comparisons.
- Some insurers have noted that new business strains have reduced marginally from a move to a gilt-heavy asset strategy for their annuities business.

Risk management & hedging strategies

- Overall, the sensitivity impacts were broadly stable between YE23 and YE24. Firms continued to use hedges against market risks. Many insurers manage their hedging approaches on a SII (rather than IFRS) basis, which can introduce IFRS volatility due to a mismatch between IFRS and SII balance sheets.
- Due to rising interest rates and tightening of credit spreads, many insurers have adjusted their investment strategy to increase their stake in gilts, allowing them to write capital efficient new business. Hedging strategies disclosed by insurers remain broadly unchanged from prior years covering the general objectives of their strategies, risks covered, and hedges utilised.

Regulatory changes

- **Solvency UK** – The second phase of Solvency UK (SUK) Matching adjustment reforms was implemented in 2024. However, the impacts of regulatory change were not explicitly emphasised in their headline messages. Most insurers noted positive impact on capital requirements owing to the change in matching adjustment requirements introduced under Solvency UK reform:
 - **Aviva** noted an increase in their shareholder cover ratio by 4% due to SUK MA changes.
 - **Just** noted SII surplus movement of -£42m due to SUK MA changes.
 - **M&G** noted a £16m capital benefit due to SUK MA changes.
- **Funded Reinsurance** – The PRA published statement SS5/24 on Funded Reinsurance in July 2024.
 - **Just** have commented that they are aligned to SS5/24 in respect of reinsurer counterparty risk measurement and management.
 - **Phoenix** performed a self-assessment of SS5/24 relating to Funded Re, identified areas for development and has put in place an implementation plan.
- **LIST** – We expect insurers to participate in the PRA's Life Insurance Stress Test (LIST) exercise in 2025 and the results to be published in the second half of 2025.

Headlines extracted from YE24 announcements

The below extracts are taken from annual reports, presentations or results announcements and text included with respect to Capital movements in 2024 and does not represent KPMG's view.

Aviva

Consistent performance and the strength of balance sheet have allowed M&A at attractive returns. The integration of AIG's UK Protection business and Probitas are progressing, while the proposed acquisition of Direct Line is expected to close in the middle of 2025. It will deliver material capital synergies and c.£125m of incremental run-rate cost savings.

Just

Robust capital position and reduced sensitivities to market and other risks enable them to sustainably fund their growth plans from their own means. The Group's estimated Solvency II capital coverage ratio has increased to 204% (2023: 197%) as the capital position benefited from management actions (implementation of full internal model) and rising interest rates.

LBG

The Group has a large, high quality liquid asset portfolio held mainly in cash and government bonds, with all assets hedged for interest rate risk. The Group's liquid assets continue to significantly exceed regulatory requirements and internal risk appetite, with a strong, stable liquidity coverage ratio of 146% (2023: 142%).

L&G

L&G's strong financial results in 2024 reflect their diversified business model, ability to adapt to prevailing market conditions and capitalise on growing structural trends. Their core operating profit of £1.6bn is up 6% and balance sheet remained resilient and provides strategic flexibility with a Solvency II coverage ratio of 232% (2023: 224%).

M&G

Shareholder coverage ratio increased to 223% in 2024 (2023: 203%) including the impact of deleveraging actions totalling £461m taken during the year. These actions had the effect of reducing the leverage ratio to 33% (2023: 35%).

Phoenix

Operating Cash Generation of £1.4bn, achieving their 2026 target two years early. Excess cash generation of £0.3bn in 2024 available to deploy in line with their capital allocation framework. Solvency balance sheet remains resilient with Shareholder Capital Coverage Ratio of 172% (2023: 176%) in the top-half of their 140-180% operating range.

PIG

In 2024, PIG delivered their highest ever total of new business volumes of £8.1bn, and at the same time have strengthened the capital position and generated further value. The solvency ratio of 237% in 2024, represents a significant increase on 2023 (211%) and is well above their long-term average.

Royal London Group (RLG)

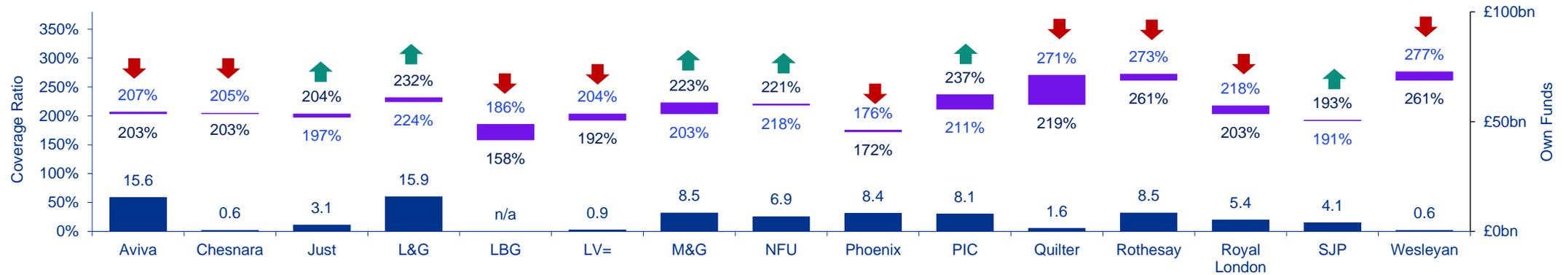
Capital position remains robust with an estimated Solvency II Investor View capital cover ratio of 203% (2023: 218%). The reduction is mainly driven by changes to the level of equity hedging, as RLG seek to manage the capital position within their capital management framework. The estimated Solvency II Regulatory View capital cover ratio decreased to 196% (2023: 206%).

Rothesay

In 2024, the business completed £15.7bn of de-risking transactions (2023: £12.7bn), delivering one of its strongest ever years of growth and maintaining its market leading position. They ended the year with a strong capital position, with a Solvency Capital Requirement coverage ratio of 261% (APM) (2023: 273%), and surplus capital of £5.3bn (2023: £5.4bn) above their normal target range.

Coverage Ratio included

This graph below illustrates the movement in Solvency II coverage ratios from YE23 to YE24, based on the 2024 financial results disclosures. This analysis covers 15 UK life insurers that have disclosed their financial results by 09 April 2025. The coverage ratios reveal a diverse range of performance throughout 2024. Solvency is presented in two different views: the Shareholder View represents the shareholder fund capital position (excluding ring-fenced funds) whereas the Regulatory View takes into account all exposures including ring-fenced funds.



Key: 2024 Coverage Ratio 2023 Coverage Ratio Coverage Ratio Increase in ratio Decrease in ratio Own Funds

Company	Aviva	Chesnara	Just	L&G	LBG ⁽¹⁾	LV=	M&G	NFU	Phoenix	PIC	Quilter	Rothesay	Royal London	SJP	Wesleyan ⁽²⁾
£ bn															
YE24 Own Funds	15.6	0.6	3.06	15.9	n/a	0.9	8.5	6.9	8.4	8.1	1.6	8.5	5.4	4.1	0.6
YE24 SCR	7.7	0.3	1.49	6.8	n/a	0.4	3.8	3.1	4.9	3.4	0.7	3.3	2.7	2.1	0.2
YE24 Surplus	7.9	0.3	1.56	9.0	n/a	0.4	4.7	3.8	3.5	4.7	0.9	5.3	2.7	2.0	0.4
YE23 Own Funds	17.0	0.7	3.10	16.6	n/a	0.9	8.9	6.4	8.9	8.2	1.5	8.5	5.3	3.3	0.7
YE23 SCR	8.2	0.3	1.58	7.4	n/a	0.5	4.4	2.9	5.0	3.9	0.6	3.1	2.5	1.7	0.3
YE23 Surplus	8.8	0.4	1.53	9.2	n/a	0.5	4.5	3.5	3.9	4.3	1.0	5.4	2.9	1.6	0.4
Solvency View	SH	Reg	Reg	Reg	SH	SH	SH	Reg	SH	Reg	Reg	Reg	SH	Reg	Reg

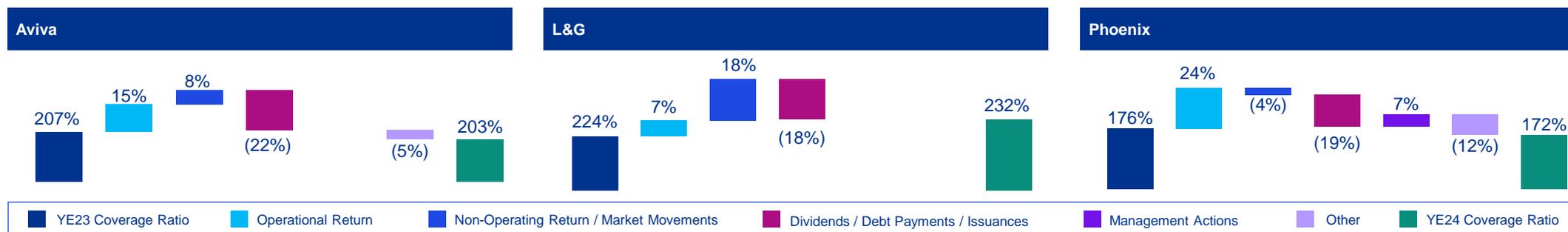
Source: KPMG analysis of insurers YE24 disclosures

1. LBG refers to the Insurance, Pensions and Investments division of Lloyds Banking Group throughout the SII sections of this report. Most of LBG's SII results (including Own Funds, SCR and Surplus) are disclosed in the SFCR which is available later in the year-end reporting timetable.
2. The YE23 figures for Wesleyan were restated in the 2024 SFCR due to an accounting policy change. The Long-term business provision under revised policy includes 'PVIF' (the present value of in-force business) for linked with-profits business leading to YE23 coverage ratio to decrease from 322% (reported) to 277% (restated).

Analysis of Movements in Coverage Ratio

Analysis of the changes in coverage ratio for life insurers is shown below and in the next slide. The movements incorporate the impact of recalculating TMTP as of 2024.

The YE24 disclosures for Wesleyan, Quilter, SJP, LV=, LBG, Rotherhay, PIC, Just , NFU Mutual and SJP did not provide sufficient information to support the analysis shown below and hence have been excluded from these slides.



Source: KPMG analysis of insurers YE24 disclosures.

Note: Refer to "Appendix – Coverage Ratios" for further details on the approach of allocation.

Total Change at YE24: (4)%

- The coverage ratio fell by 4%. SII own funds and surplus have both fallen over 2024.
- The growth in operational return of 15% is attributed to improvements in underlying performance across Insurance, Wealth & Retirement (IWR) business lines.
- The non-operating capital generation of 8% is driven by an increase in interest rates contributing 4% and Solvency UK reform changes to matching adjustment, contributing 4%.
- The 22% reduction arises from 15% reduction from dividend payments/share buyback and 7% reduction from subordinated debt redemptions.
- The other reduction of 5% is driven by acquisitions of Probitas, AIG's UK protection business and disposal of Aviva's Singapore entity during 2024.

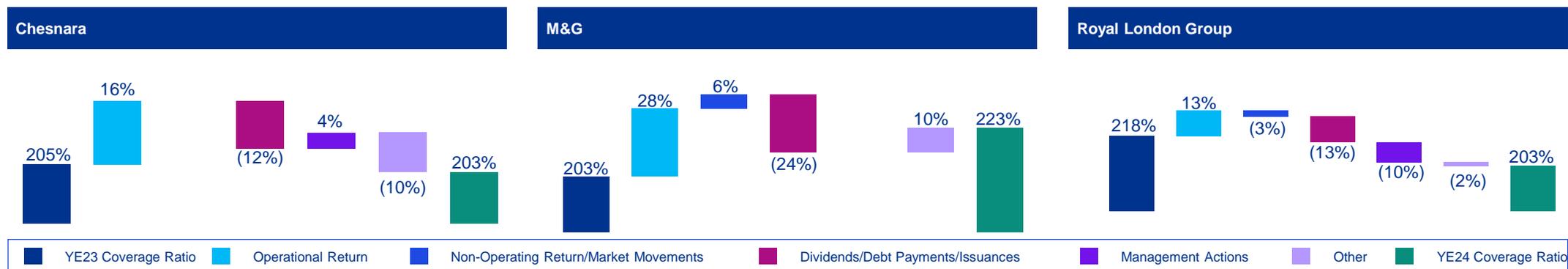
Total Change at YE24: 8%

- The coverage ratio increased by 8% over the year, the SII own funds has fallen over the year while the surplus has remained largely unchanged.
- The 7% operational return comprises operational surplus generation of 23%, offset by new business strain of 16%.
- Non-operating return and market movements increased by 18%. This line item combines impact on surplus from operating variances of £0.2bn, offset by market movements and share buyback of £(0.2)bn each. This also includes the disposal of Cala Group, a UK house builder. The impact on coverage ratios have not been split out due to lack of disclosure granularity.
- The 18% reduction includes dividend payout of £1.2bn.

Total Change at YE24: (4)%

- There was a decrease of 4% in the coverage ratio with a number of offsetting impacts.
- Operating return contributed 24%, which consists of ongoing surplus emergence of 19% from Pensions, Savings & Retirement Solutions. It includes recurring management actions which contributed 13% (i.e. day to day actions to optimise in force balance sheet) and is offset by new business strain of 8% on annuities written in 2024.
- Market movements reduced the coverage ratio by 4% reflecting hedging strategies of 2023 to protect the capital position. This included £(0.1)bn of market economical impact and £(0.2)bn temporary new business strain impact.
- There is a 19% reduction in coverage ratio due to £(0.9)bn in debt interest payment, dividends and operating costs.
- Non-recurring management actions contributed an increase of 7% to the coverage ratio.
- The 'other' reduction of 12% is mainly attributed to non-recurring investment spend of 7%, which is a part of the 3-year plan to optimise the business during 2024-26, and 5% due to non-recurring debt repayments of £(0.3)bn.

Analysis of Movements in Coverage Ratio (cont.)



Source: KPMG analysis of insurers YE24 disclosures.

Note: Refer to "Appendix – Coverage Ratios" for further details on the approach of allocation.

Total Change at YE24: (2)%

- The coverage ratio remained stable over the year with 2% fall, where SII own funds and surplus remained largely unchanged.
- The operational return of 16% includes the change in reported value of Tier 2/3 loans of £(8)m, economic variances and foreign exchange rate impacts. The non-operational elements are not disclosed but are included in the operational category
- The dividend and debt payment category contributed a 12% reduction to the coverage ratio which included £24.3m dividend payments in 2024.
- Management actions contributed a 4% increase to coverage ratio which included renewal of the mass lapse reinsurance arrangement and renewal of the 'Group FX' hedging strategy.
- The 'other' category contributing a 10% reduction consists of 3% due to acquisitions and 7% due to fair value adjustment of Tier 2 assets. This includes the 'symmetric adjustment' which is an adjustment factor to the equity capital requirement to better reflect historical market conditions.

Total Change at YE24: 20%

- The coverage ratio increased by 20%, but both SII own funds and surplus reduced in 2024, where SII own funds reduced more than the surplus.
- The operational returns of 28% were mainly driven by modelling improvement of £0.16bn, mainly for with-profits policies and operational risk, and £0.15bn longevity improvement assumption change.
- Market movement contributed an increase of 6% to coverage ratio with higher risk-free interest rates being the main driver for an increased contribution to solvency capital requirement.
- Dividend payment and capital reduction of 24%, included deleveraging portfolio action of £(0.45)bn in 2024.
- The 'other' increase of 10% included the release of restricted capital contributing an increase of 5%, restructuring costs contributing a reduction of 3% and tax benefit contributing an increase of 8%, arising from Solvency UK reforms transition.

Total Change at YE24: (15)%

- With a 15% fall in the coverage ratio, SII own funds increased slightly, while the surplus decreased slightly.
- Operational return of 13% includes the surplus generation from existing business 25%, offset by the new business strain of 12%, which included the strain from entering the BPA market
- Market movements reduced the coverage ratio by 3%, mostly due to economic turbulence and on short-term asset mix.
- The decrease was largely driven by profit distribution to policyholders and interest payments, causing a reduction of 13%.
- A further 10% reduction came from management actions, which includes the rebalancing of the equity hedging portfolio in 2024
- The 'other' category, contributing a 2% reduction, included strategic development costs and other items.

New Business: IFRS 17

This slide focuses on New Business disclosures on an IFRS 17 basis. For insurers who report annual accounts on UK GAAP, we have included the equivalent New Business Contribution (NBC) figures in the table below.

Under IFRS 17, insurers report the Contractual Service Margin (CSM) for New Business contracts which are **initially recognised** in 2024. For Gross Business, the CSM represents the new business that is profitable. The loss at inception for onerous business is recognised in the P&L (Profit and Loss) account and no CSM is held. These CSM figures have been set against the present value of new business premiums (PVNBP) written in 2024 to estimate a NB margin.

The **granularity of new business disclosures continue to vary amongst insurers**, making meaningful comparisons between companies is difficult, which can be seen in table below.

YE24										
£m	Aviva ⁽¹⁾	Just ⁽³⁾	L&G ⁽⁴⁾	LBG ⁽⁵⁾	LV= ⁽⁶⁾	M&G ⁽⁷⁾	Phoenix ⁽⁸⁾	PIC	RLG	Rothsay
Basis	IFRS17 CSM	IFRS17 CSM	IFRS17 CSM	IFRS 17 CSM	Adj. UK GAAP NBC	IFRS17 CSM	IFRS17 CSM	IFRS17 CSM	UK GAAP NBC	IFRS17 CSM
Reinsurance	Gross	Gross	Gross	Gross	Net	Gross	Gross	Gross	Net	Gross
(a) New Business measure – CSM or NBC										
Total	750	438	869	61	10	155	360	75	209	412
Annuity	750	438	550			63	360	75	18	412
Protection			319						27	
Other						92			164	
(b) PVNBP or New Business Premium										
Total	12,994	5,308	12,683	18,249	1,229		6,100	8,064	10,804	15,700
Annuity	9,143	5,308	9,973		358	Not Disclosed	6,100	8,064	352	15,700
Protection	3,586		2,710		398				846	
Other	265 ⁽²⁾				473				9,606	
(c) Margin – NB (a) / PVNBP (b)										
Total	5.77%	8.25%	6.85%	0.33%	0.81%	n/a	5.90%	0.93%	1.93%	2.62%
Annuity		8.25%	5.51%				5.90%	0.93%	5.11%	2.62%
Protection	5.89% ⁽²⁾		11.77%	0.33%	0.81%				3.19%	
Other									1.71%	

1) **Aviva:** Annuity segment represents the Retirement business. Protection segment (i.e. non-annuity) includes the Health, Wealth and Other businesses. International Investments, Heritage and Ireland businesses have been excluded.

2) **Aviva PVNBP:** Other segment includes Equity Release which has £265m PVNBP but zero CSM as it is not in scope of IFRS17. Thus, the 5.89% = £750m / (£9,143m + £3,586m).

3) **Just:** PVNBP includes the 'Retirement Income Sales (shareholder funded)' value.

4) **L&G:** Annuity includes Retail and Institutional business. Protection includes both UK and US segments.

5) **LBG:** The CSM and PVNBP relates to insurance and participating investment contracts.

6) **LV=:** The new business measures are presented on an adjusted UK GAAP basis. In addition to UK GAAP premiums, the PVNBP metric includes the amount of LV= Equity Release loans advanced and policyholders' deposits to their unit-linked pensions and Self Invested Personal Pension funds. New business contribution is used to monitor the contribution to the UK GAAP result from new business written in the year.

7) **M&G:** 'Other' includes Europe business, which is non-annuity Life business and PruFund UK which is the wealth business. PVNBP has not been disclosed.

8) **Phoenix:** 'Europe and other' have been excluded. We use BPA premiums written (reported to the nearest £0.1bn) as a proxy for annuity PVNBP.

New Business Margin

- The IFRS17 NB CSM to PVNBP ratio gives an indication of gross margin. This margin is calculated on a 'Gross' basis and does not allow for the impact of reinsurance as the timing of reinsurance may be spread across multiple reporting periods.
- The New business margin for the firms reporting gross CSM range from 0.5% to 8%.
- Annuity gross margin for **Just** was above 8%, followed by **Aviva**, **L&G** and **Phoenix** all showing margins above 5%, whereas **Rothsay** and **PIC** were less than 3%:
 - In particular, **PIC's** gross margin was 0.93% on profitable contracts while the loss component on onerous contracts was £76m. This is in contrast to 2023, where they wrote IFRS17 new business CSM of £364m with no onerous new business. PIC noted that the onerous gross contracts written in 2024 are expected to be profitable on a net of reinsurance basis, however no offsetting against loss recovery component is permitted under IFRS17.
 - LBG** gross margin is 0.33% as the PVNBP includes participating investment contracts, with no additional granular information and makes the ratio inconsistent and incomparable to other insurers.
- For protection and other products, the granularity of disclosures were not consistent between the companies, making comparison less meaningful.

'Appendix – New business volume definitions' sets out definitions of PVNBP used by each company.

New Business: IFRS 17 vs Alternative NB measures

This slide presents New Business measures for a limited number of companies that have disclosed an Alternative New Business metric in addition to IFRS 17 NB CSM.

As the alternative NB measures are disclosed on a 'net of reinsurance' basis, the IFRS 17 NB CSM on the **initially recognised business in 2024** has been presented here on a net basis⁽⁵⁾ for comparability. These are broken down by Annuities, Protection, and Others (where disclosed). New business KPIs are not defined consistently between firms, and while high level comparisons may be informative, direct comparisons aren't always possible.

YE24						
£m	Aviva		L&G ⁽⁴⁾		Rothesay	
Basis	IFRS17 CSM	SII VNB	IFRS17 CSM	SII NBC	IFRS17 CSM	MCEV
Reinsurance	Net	Net	Net	Net	Net	Net
(a) New Business measures – CSM / VNB / NBC						
Total	588	550	840	744	562	560
Annuity	588 ⁽¹⁾	300 ⁽³⁾	564	552	562	560
Protection		250	276	192		
(b) SII PVNBP / New Business Premium						
Total	12,994	12,994	12,683	12,683	15,700	15,700
Annuity	9,143	9,408 ⁽³⁾	9,973	9,973	15,700	15,700
Protection	3,586	3,586	2,710	2,710		
ERM	265 ⁽²⁾					
(c) Margin – NB (a) / PVNBP (b)						
Total	4.53%	4.23%	6.62%	5.87%	3.58%	3.57%
Annuity	4.62% ⁽²⁾	3.20%	5.66%	5.53%	3.58%	3.57%
Protection		7.00%	10.18%	7.08%		

IFRS 17 vs Other Metrics

- **Aviva, L&G and Rothesay** are the firms that have reported new business using an alternative metric in addition to IFRS17.
 - **Aviva** has reported Solvency II Value of New business (VNB)
 - **L&G** has reported Solvency II New business Contribution (NBC)
 - **Rothesay** has reported Market Consistent Embedded Value (MCEV) for new business
- Each of the above metrics is compared to IFRS17 CSM on a 'net of reinsurance' basis.
- **Phoenix** also disclosed a SII New Business Contribution (NBC) figure at YE24 but were not comparable with the IFRS 17 CSM due to differences in granularity and hence has not been included here.
- **Just, L&G and PIC** has disclosed SII new business strain which includes capital strain hence not comparable.
- **M&G** has disclosed new business impact on SII own funds for With-Profits: PruFund only. Due to lack of complete information for other business lines it has not been included here.
- For **Aviva**, different treatment of ERMs between IFRS17 NB CSM and SII VNB meant adjustments were required on PVNBP in order to perform the margin calculation, (see footnote for more details).

New Business Margin

- The ratio gives an indication of the margin on a net basis.
- SII net margin appears to be marginally lower than the net ratio on IFRS17 basis for **L&G and Aviva**.
- The net margin is similar on MCEV and IFRS17 basis for **Rothesay**.
- For annuities, the net margin ranged from 3% to 6%.
- For Protection and Other lines, the net margin range from 7% to 11%.

Appendix Alternative NB measures – shows additional information on other NB metrics reported which are not directly comparable to IFRS 17 CSM, hence not included here

- 1) **Aviva IFRS17 CSM**: the CSM included here for annuity and protection includes the Health, Wealth and Other businesses. International Investments, Heritage and Ireland businesses have been excluded.
- 2) **Aviva PVNBP**: As the IFRS17 CSM excludes Equity release (ERM), the PVNBP for ERM has been split out, to enable the margin to be calculated consistently. Thus, the 4.62% = £588m / (£9,143m + £3,586m)
- 3) **Aviva SII**: SII VNB includes 'Annuity and equity release', which cannot be separated out based on available information. Hence, we have used PVNBP including equity release for margin calculation. Thus, the 3.20% = £300m / £9,408m
- 4) **L&G**: Annuity segment includes Retail and Institutional business. Protection segment includes both UK and US segments.
- 5) **IFRS 17 CSM 'Net' basis**: The IFRS 17 CSM is disclosed gross for Insurance and Reinsurance contracts. The 'Net' IFRS 17 CSM presented here is calculated by differencing the Reinsurance CSM from the Insurance CSM for the initially recognised contracts during the year and does not necessarily represent the reinsurance portion of the directly written insurance contracts.

IFRS17 - Discount rates

The table below provides a summary of each company's disclosed methodology and illiquidity premium (ILP) used for discount rates. Our observations are as follows:

Discount rates – YE24 disclosures analysis (n/a means not disclosed or may not be applicable).								
Approach by product		Aviva	Just ¹	L&G ²	M&G ³	Phoenix	PIC	Rothesay
Annuities	Top-down or bottom-up.	Top-down based on actual assets (NB*).	Top-down based on actual assets (NB*).	Top-down based on actual assets.	Top-down based on actual assets (NB*).	Top-down based on actual assets (NB*).	Top-down based on actual assets (NB*).	Top-down based on actual assets for insurance contracts Bottom up for collateralised longevity swaps (NB*).
	ILP YE24 (bps).	170-180	210-220	130-160	143 - 149	169	170	137
	ILP YE23 (bps).	170-180	210-220	150-160	151 - 168	170 ⁴	160	141
With-profits	Top-down or bottom-up.	Bottom-up	n/a	n/a	Bottom-up	Bottom-up	n/a	n/a
	ILP YE24 (bps).	30-40	n/a	n/a	39	20 ⁵	n/a	n/a
	ILP YE23 (bps).	30-50	n/a	n/a	47	20	n/a	n/a
Protection	Top-down or bottom-up.	Bottom-up	n/a	Top-down based on notional portfolio	n/a	Not applied	n/a	n/a
	ILP YE24 (bps).	20-30	n/a	50 - 80	n/a	0	n/a	n/a
	ILP YE23 (bps).	30-40	n/a	60-80	n/a	0	n/a	n/a

Annuities:

All companies listed have employed a top-down approach based on the actual assets they hold. Most companies also disclose an adjustment for assets yet to be sourced for new business, marked with an asterisk (NB*).

Other products:

For other products, companies generally apply a percentage of the illiquidity premium according to the product's liquidity characteristics. However, L&G uses a different approach for protection business, using a top-down approach based on a notional asset portfolio.

- Notes:
- (1) **Just** ILP shown for Just Retirement Limited (JRL) to represent the annuity business.
 - (2) **L&G** based on interpreting the discount rate graphs.
 - (3) **M&G** uses different ILPs for shareholder backed annuities and annuities in the with-profits funds.
 - (4) **Phoenix** have restated their 2023 ILP, previously 173 for GBP annuities.
 - (5) **Phoenix** has a range of with-profit funds with differing levels of liquidity characteristics. A single illiquidity premium is determined for each fund based on the cash flow characteristics of the contracts within the fund and applied to all contracts within the fund. An ILP of 20bps is applied to funds with predominantly liquid characteristics, whereas an ILP between 104-169bps is applied to funds with predominantly illiquid characteristics.

Assumptions and experience

This slide highlights assumption changes and non-economic variances, where disclosed. Firms regularly update assumptions as part of their annual assumption-setting process to align with their latest experiences. Under IFRS 17, there is more extensive disclosure of assumption changes compared to Solvency II. Since most non-economic assumptions are consistent between Solvency II and IFRS 17, the table below provides relevant IFRS 17 comparisons.

In 2024, we observe that the magnitude of assumption changes is smaller compared to the previous year. Generally, there are positive releases resulting from changes in longevity assumptions, most likely from annuity business based on the affected insurers. However, for other assumptions, such as persistency and expenses, the impact on results is mixed.

Assumption changes and non-economic variance	
Aviva	<ul style="list-style-type: none"> • Longevity assumption: SII operating own funds generation includes benefit of longevity assumption changes (+£54m on IFRS 17 BEL and not specified under SII). • Expense assumption: £47m benefits have been recognised in SII operating own funds generation reflecting lower expense assumptions, from the extension of two key strategic partnerships to simplify operations.
Chesnara	<ul style="list-style-type: none"> • Adverse changes in lapse assumptions led to a negative impact on cash generation from the Swedish division. • Adverse changes in mortality assumptions led to a negative impact on cash generation from the Netherlands divisions. • Adverse expense assumption changes led to a negative impact on cash generation from the UK division.
Just	<ul style="list-style-type: none"> • Mortality assumption: Management actions and other items, primarily a mortality assumption change, contributed to an increase in the SII surplus by £58m. Just has updated its longevity reserving assumptions using the CMI 2023 mortality tables (2023: CMI 2022). The Group continues to allow for future improvements in long-term mortality, but with the longer term also reflecting the heightened mortality being experienced post-pandemic.
L&G	<ul style="list-style-type: none"> • Operating variances (which include the impact of experience variances, changes to assumptions and management actions) resulted in a £156m increase to SII surplus. While not specified for SII, the IFRS section of the preliminary management report mentioned longevity assumption change.
M&G	<ul style="list-style-type: none"> • Favourable longevity assumptions changes, due to lower assumed level of future mortality improvements. • There was a reduction in OCG in the with profits business due to negative persistency experience compared to long term assumptions and reduction in future shareholder transfers.
Phoenix	<ul style="list-style-type: none"> • Favourable longevity assumptions due to reflecting updates to base and improvement SII assumptions. • Favourable persistency assumption changes made to late retirement and guarantee annuity option take-up rates during the year. • Adverse expense assumption changes are driven by an increase in reserves, principally in respect of delivering transformation, offset by the group cost-saving programme.
PIC	<ul style="list-style-type: none"> • Updates to residual risk reserves resulted in a decrease in estimates of future cash flows as well as a corresponding increase in CSM. • Updates to demographic and expense assumptions, resulted in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.
RLG	<ul style="list-style-type: none"> • Adverse changes in persistency assumption including expectations over the assumed level of pension transfers-out. • Adverse changes in expense assumption to take account of the higher levels of National Insurance Contributions from April 2025. • Experience variances were relatively benign in the period.

Continuous Mortality Investigation (CMI)

For YE24, more than half of insurers below have transitioned to the CMI 2023 model, while the remainder use CMI 2022. Calibrations of the CMI model remain broadly consistent with prior-year methodologies. The core calibration for CMI_2023 used weights of 0% for 2020 and 2021 data, 15% for 2022 and 2023 data, and 100% for other years. However, Aviva and Just have opted to remove this weighting—Aviva has implemented alternative parameters to reflect its mortality expectations, while Just applies an explicit mortality uplift to account for the anticipated long-term impacts. Additionally, insurers continue to apply adjustments to initial improvement rates in different ways, reflecting varied views on future longevity trends.

The CMI has proposed some significant developments for the CMI_2024 model to more appropriately reflect COVID impacts, and to allow for observed differentials in mortality improvements at different ages. The next version of the CMI model is expected to be published in Q2 2025. While some companies may adopt the new version for YE25 reporting, the later-than-usual release of the model may result in other companies deferring adoption to the following year to allow more time to investigate the impacts of the changes and incorporate these into their reporting processes.

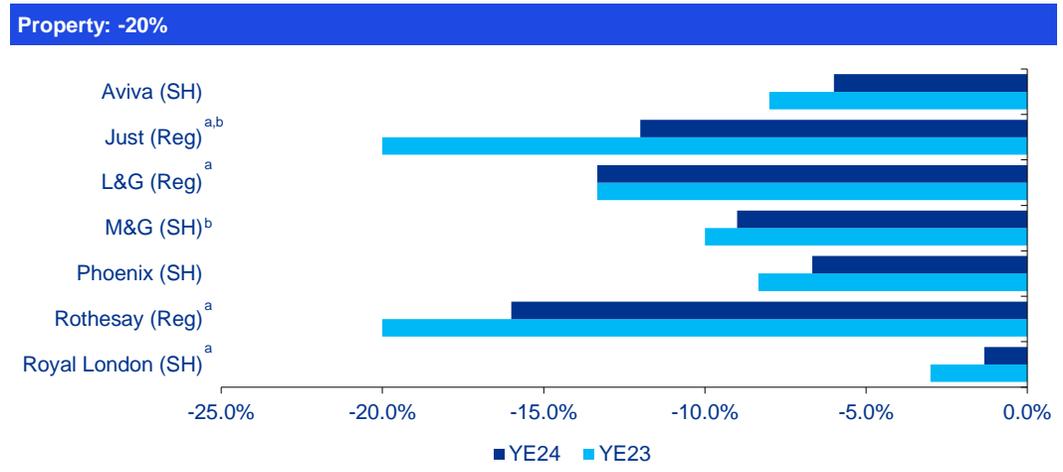
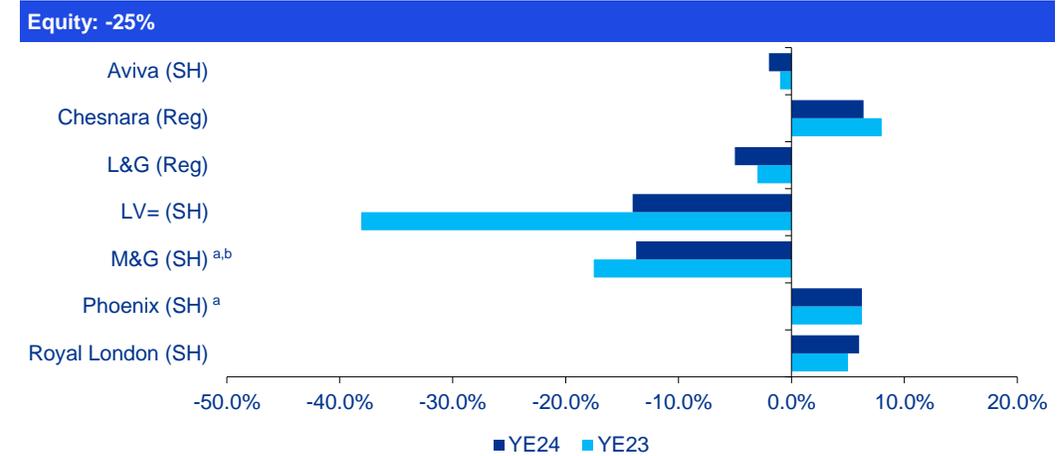
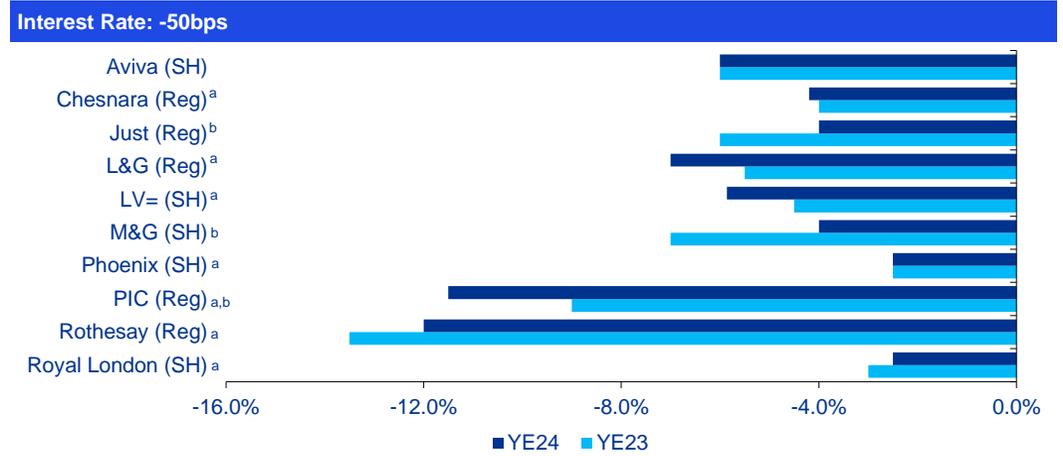
Figures in brackets denote the corresponding assumptions used for YE23 reporting.

Continuous mortality investigation approach by insurer – (Figures in brackets denote the corresponding assumptions used for YE23 reporting).						
Firm	CMI Model	Long-Term		Smoothing parameter (Sk)		Additional Notes
		Male	Female	Male	Female	
Aviva	2023 (2022)	1.5% (1.5%)	1.5% (1.5%)	7.25 (7.25)	7.25 (7.25)	Aviva applied zero weight to 2022 and 2023 mortality data within the CMI 2023 model. Separately, an additional adjustment was made to reflect higher mortality improvements in the annuitant population compared to the general population, using a parameter of 0.15% for males and 0.20% for females.
Just	2023 (2022)	1.5% (1.5%)	1.25 (1.25%)	7 (7)	7 (7)	Just applied zero weight to 2023 CMI mortality experience. Separately, an explicit allowance was made for the long-term impact of COVID-19 and healthcare system disruption, including a mortality uplift of +2.8% in 2025, gradually reducing to +2.5% in 2030, +1.7% in 2040, and +1.3% in 2050.
L&G	2022 (2021)	1.75% (1.75%)	1.25% (1.25%)	7.5 (7.5)	7.5 (7.5)	L&G applied zero weight to 2020, 2021, and 2022 mortality data. Long-term improvement factors taper from age 85 to 0% at age 110.
LBG	2023 (2022)	2% (2%)	1.8% (1.8%)	7.25 (7.25)	7.25 (7.25)	LBG applied uplifts to initial improvement rates (+0.5% for males and +0.5% for females). The weights used are as per the core calibration.
LV=	2022 (2022)	1.5% (1.5%)	1.25 (1.25%)	7 (7)	7 (7)	LV= applied 25% weights are as per the default 2022 CMI model. The mortality improvements was set at 0.35% for males and 0.45% females.
M&G	2022 (2021)	1.6% (1.6%)	1.6% (1.6%)	7.25 (7.25)	7.25 (7.75)	M&G based its mortality improvements on the CMI 2022 model, replacing the CMI 2021 model used in 2023. A 15% weighting was applied to 2022 data, while 2020 and 2021 data were excluded, aligning with broader industry practice.
PIC	2022 (2022)	1.75 (1.75%)	1.75 (1.75%)	Not Stated	Not Stated	PIC doesn't indicate the specific of the adjustments or weightings used.
Royal London	2023 (2019)	1.5% (1.5%)	1.5% (1.5%)	7 (7)	7 (7)	Royal London applies adjustments using a bespoke in-house calibration.
Rothsay	2023 (2022)	1.8% (1.7%)	1.8% (1.7%)	7.6 (7.4)	7.6 (7.4)	Rothsay used an advanced calibration of the CMI model, incorporating limited period smoothing and advanced calibration for 2023 and 2024. Mortality improvement rates taper non-linearly from age 70 to 0% at age 120.

(1) Phoenix disclosed 5 sets of CMI assumptions across different schemes, the granularity was not suitable for inclusion in the table above.

YE24 SII Sensitivities

The graphs below compare the sensitivity results between YE23 and YE24, illustrating the changes in coverage ratios. This slide covers interest rate, equity and property sensitivities, whereas the next slide covers credit and mortality sensitivities. Results are presented in either the shareholder or regulatory view, denoted by SH or Reg respectively.



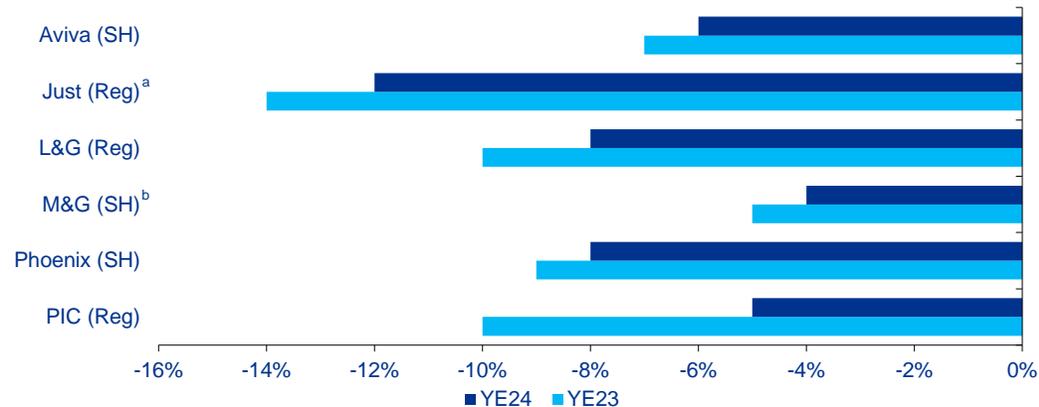
- **M&G, Just, Rothesay and RLG** have become less sensitive to interest rates at YE24, though the change for RLG is only 0.5%. **L&G, PIC** and **LV=** have become more sensitive to interest rates at YE24. Only PIC disclose the reason for the change and have attributed the increased sensitivity to the current strong solvency position which increases the impact in ratio terms.
- **LV=** has become less sensitive to equity risk at YE24. **LV=** has attributed this to implementing a Smoothing Management Framework which permits management actions to suspend smoothing on certain products to limit the extent of loss in severe market downturns. Other companies have disclosed only small, if any, changes to equity risk sensitivity.
- There is a general trend towards companies becoming less sensitive to property valuations, with **Just** having the largest change over the year. **Just** has attributed this to modelling refinements following implementation of the internal model. Property sensitivity for **PIC** is zero as they have no direct commercial real estate loans and limited exposure to commercial property (less than 2% of the portfolio).

Note: (a) Linear interpolation on provided sensitivities were used where required to determine the impact of the stress.
 (b) TMTP is recalculated for the sensitivity.

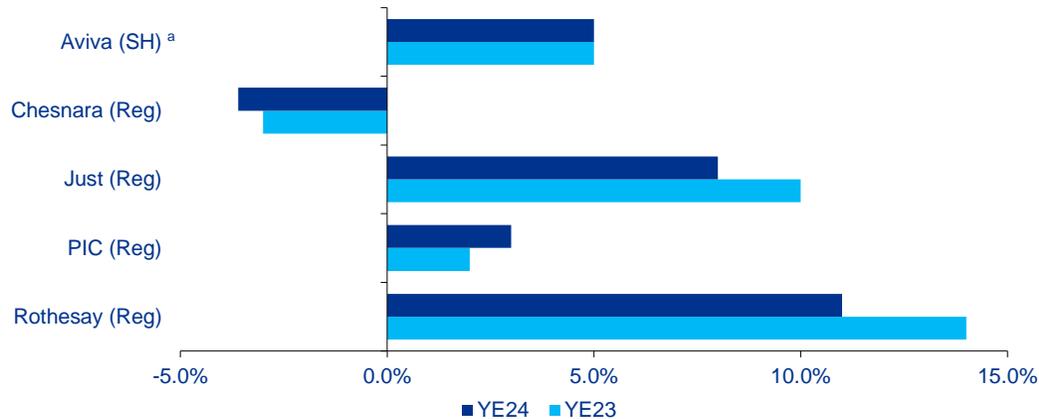


YE24 SII Sensitivities (cont.)

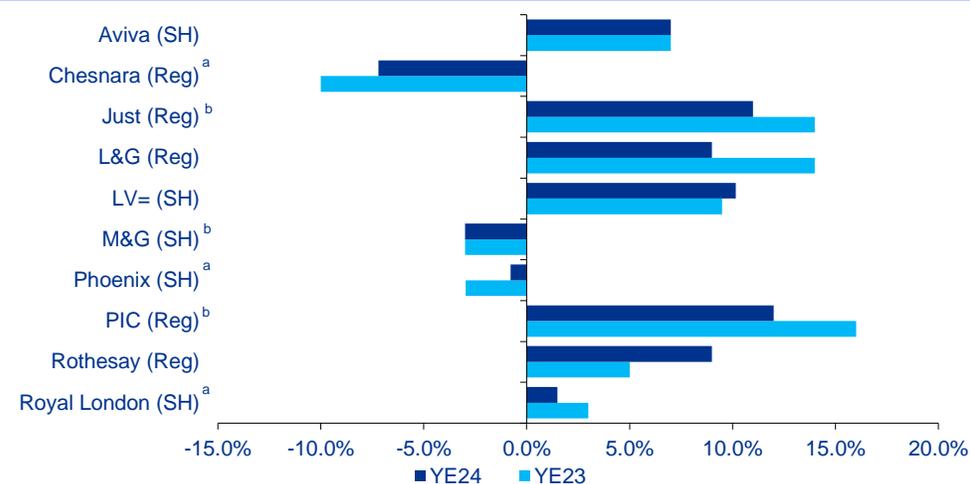
20% Portfolio Full Letter Downgrade



Mortality: +5%



Corporate Bonds: +100bps



- Overall, companies are generally less sensitive to credit spreads and downgrade at YE24 compared to YE23, whilst the sensitivity impact for mortality is broadly stable between YE23 and YE24.
- Most companies do not disclose the reason for their reduced credit sensitivities. However, both **Just** and **PIC** (who are less sensitive at YE24) have attributed this to the general narrowing of spreads. **Just** commented that narrower spreads decreases the cost of trading the downgraded portfolio back to their original credit rating. Similarly, **PIC** assumes that downgraded assets are traded back to their original credit rating. They noted that narrower spreads and smaller differences between spreads of different credit ratings reduces the impact of the sensitivity, as the reduction in Own Funds from the loss of value on downgrade is smaller, i.e. trading back to the original credit rating is cheaper.
- Mortality sensitivities are broadly stable between YE23 and YE24 and companies have not disclosed further details around their mortality stress.

Note: (a) Linear interpolation on provided sensitivities were used where required to determine the impact of the stress.
(b) TMTP is recalculated for the sensitivity.

Asset Portfolio

The table below gives an overview of the asset portfolios for **shareholder backed business (i.e. excluding participating and unit linked business)** disclosed in YE24 reports focusing on corporate and government bond securities. The split by rating and industry exposure of the bond portfolios has not materially changed over 2024 and the credit quality has remained stable. All insurers below have increased their asset allocation in government bonds as a percentage of total assets. Limited information has been provided on default or downgrade experience. The brackets denote the corresponding values for 2023.

YE24 Bond Portfolio		Aviva ¹	Just	L&G	M&G	Phoenix
Size YE24 (YE23)		£46.9bn (£45.6bn)	£18.7bn (£16.3bn)	£81.3bn (£75.6bn)	£12.2bn (£12.8bn)	£33.6bn (£33.8bn)
Split by Rating²	% rated at least A	87% (86%)	62% (54%)	74% (73%)	78% (78%)	81% (80%)
	% sub inv. grade	1% (1%)	1% (1%)	1% (1%)	1% (1%)	1% (1%)
Split by Industry Exposure	% in government sectors	52% (48%)	16% (11%)	22% (16%)	27% (27%)	37% (33%)
	% in financial sectors	16% (16%)	15% (18%)	14% (14%)	22% (22%)	15% (19%)
	% in real estate sectors	4% (5%)	17% (16%)	6% (6%)	23% (23%)	18% (16%)
	% in infrastructure sector	Not disclosed separately	19% (15%)	16% (16%)	Not disclosed separately	6% (8%)
	% in utilities sectors	7% (8%)	13% (16%)	11% (14%)	13% (14%)	10% (8%)
	% in consumer services	6% (6%)	8% (8%)	14% (17%)	3% (3%)	5% (6%)
	% in industrial sectors	6% (7%)	4% (5%)	2% (2%)	3% (3%)	4% (3%)
	% in communication and technology sectors	4% (5%)	6% (8%)	5% (6%)	3% (2%)	3% (5%)
	% in other sectors	5% (6%)	2% (3%)	11% (9%)	6% (5%)	2% (2%)
Downgrades – full letter		2% of downgraded offset by 2% of upgrades	9% downgrades offset by 7% upgrades	Not disclosed	3% downgrade offset leading to net upgrade	Not disclosed
YE24 Asset Mix (£bn)		Aviva	Just	L&G	M&G	Phoenix
Bond portfolio		56% - 46.9 (45.6)	54% - 18.7 (16.3)	55% - 81.3 (75.6)	84% - 12.2 (12.8)	77% - 33.6 (33.8)
Equity Release Mortgages (ERM)		11% - 9.1 (9.8)	16% - 5.6 (5.7)	4% - 5.9 (5.8)	7% - 1.0 (0.9)	11% - 4.8 (4.6)
Other assets excluding ERM		33% - 27.1 (29.2)	30% - 10.2 (7.6)	41% - 60.8 (48.3)	10% - 1.4 (1.5)	12% - 5.4
Total assets		100% - 83.1 (84.6)	100% - 34.5 (29.6)	100% - 148.0 (129.6)	100% - 14.6 (15.2)	100% - 43.9
<i>Segments included in disclosures</i>		<i>Shareholder (SH) asset portfolio (i.e. excl. policyholder assets)</i>	<i>Financial investments (excl. reinsurance asset, cash and property)</i>	<i>Financial investments and investment property (excl. Unit-Linked)</i>	<i>Annuity and other long term business assets (Excl. with-profits and Unit linked)</i>	<i>SH and non-profit funds; SH supported with-profits funds (Excl. with-profits and Unit linked)</i>

Note: (1) Percentages are based on corporate bonds and government bonds only

(2) Excludes bonds rated as 'Other' or 'Unrated' in split by rating



Capital Optimisation Actions

We have extracted a selection of **capital optimisation actions** implemented by firms in 2024 and grouped together based on type of actions as per the chart below. In addition to this, we note that **hedging strategies** have remained consistent with prior years as summarised in the Appendix of this pack.

Capital Model / Optimise tax

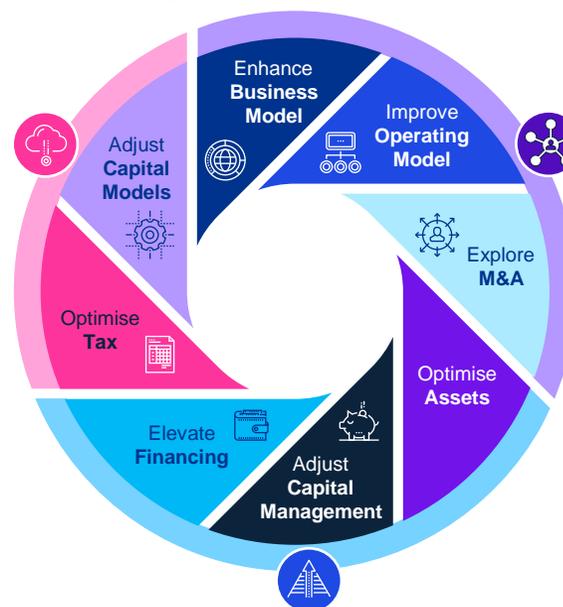
- **Just** - In July 2024, the Group received approval to expand the scope of its revised SII internal model and applied it to include the Partnership business from 30 Sep 2024, which previously used Standard Formula. This led to increased diversification benefits between the Group's two life companies, resulting in a reduction in SCR.
- **Phoenix** - Transformed their finance function with a new in-house capital model used for SII Internal Model and various sensitivities used in both internal and external reporting. This transformation simplifies and accelerates processes for the involved teams, with fewer manual interventions and faster processing capacity. Phoenix has indicated that this will enable them to undertake capital projects easily and more quickly.

Capital Management

- **Just** - In common with other annuity writers, Just uses reinsurance as an integral part of its risk and capital management activities. New business is reinsured via longevity swap and quota share arrangements. The funded reinsurance represented 17% of the total new business volume in 2024.
- **L&G** - At the Capital Markets Event in June 2024, L&G outlined a capital allocation framework, prioritising investments in their business for long-term growth and setting a hurdle return rate of 14% for any investments made across the business.

Financing

- **Aviva** - In Q2 2024, Board approved the redemption of €700m dated Tier 2 Reset Notes and in Q3 approved the issuance of £500m Tier 2 Notes under the £7bn Euro Note Programme, with a concurrent tender of £500m legacy Tier 2 Notes.
- **Just** - Refinanced £250m Tier 2 (callable from October 2025) and £155m Tier 3 (repaid in February 2025) into a single £400m Tier 2 bond, while extending maturity to 2035. A larger and more liquid bond has expanded the pool of investors available to Just, which improved pricing, while also acting as a reference point for future issuance.
- **Phoenix** - Repaying historic M&A-related debt with surplus cash, targeting a Solvency II leverage ratio of c.30% by the end of 2026. They repaid £250m of debt in June 2024, which reduced the leverage ratio by two percentage points.
- **M&G** - In 2024, M&G undertook deleveraging actions totalling £450m, including the redemption of £300m subordinated notes callable in July 2024.
- **L&G** - L&G completed a £200m share buyback program in 2024 and announced further capital returns in the form of dividends and buybacks over 2024-2027.



Business model

- **Royal London** - The Group's bulk purchase annuities market entry has been a key area of focus during the year.
- **PIC** - Given the market dynamics in 2024, PIC chose to write new business using less capital-intensive strategies which also resulted in lower new business margins.

Operating model

- **L&G** restructured its operational segments to focus on three core business divisions: Institutional Retirement, Asset Management, and Retail, simplifying its business model and target to enhance synergies.

M&A

- **Aviva** completed the acquisition of Probitas in Jul 2024, giving them access to the Lloyd's market. The proposed acquisition of Direct Line Group plc is expected to complete by mid-2025 which will increase their GI market presence.
- **Royal London** completed the acquisition of Responsible Life Limited and Responsible Lending Limited, at the end of Jan 2024. The Part VII transfer of the protection portfolio acquired from Aegon UK was completed on 1 July 2024 following court approval.
- **M&G** - In October 2024, M&G acquired a majority stake in BauMont Real Estate Capital, a fund manager specialising in value-add investment strategies in Western Europe. This acquisition was aimed at expanding M&G's existing capabilities and providing customers with access to broader investment strategies.
- **L&G** - In February 2025, L&G announced the sale of its US Protection business and strategic partnership with Meiji Yasuda increasing growth potential in US Pension Risk Transfer.
- **Chesnara** - Announced second portfolio acquisition of a closed portfolio of onshore bond and pensions products from Canada Life UK.

Assets

- **Just** - In 2024, enhanced Investments capabilities enabled them to insource a portion of private asset investments, complementing their "manager of managers" model.
- **Phoenix** - Schroders and Phoenix Group launched Future Growth Capital ('FGC') in July 2024, which is the UK's first dedicated private markets investment manager set up to promote the objectives of the Mansion House Compact. FGC aims to unlock investment opportunities in private markets for pension savers, with a significant allocation of up to £2.5bn over three years from Phoenix Group and an initial £1bn commitment. FGC plans to deploy £10-20bn of investor funds into private markets over the next decade.
- **PIC** - Strategically transition to assets that align with their long-term investment strategy. This often involves selling assets acquired through premiums and purchasing high-quality assets that better match their liability cash flows and liquidity requirements.
- **Aviva** ⁽¹⁾ - Aviva sold a block of Equity Release Mortgages to Aira Force Capital Optimization Strategies LLC. Aira Force then immediately sold the portfolio to Lifetime Mortgage Funding 1 PLC (LMF1), a newly established securitization vehicle. LMF1 issued notes backed by the mortgage portfolio. Aviva then purchased the senior fixed rate notes which were Matching adjustment eligible and junior notes were retained by Aira Force.

Source: (1) Slaughter and May advised Aviva

Hot topics

Below are some of the other themes observed from analyst presentations and YE24 announcement.

Propositions and Growth

- Bulk Purchase annuity - The BPA market entry has been a key area of focus during the year with new participants entering the market including Royal London, Utmost, Blumont and Canada Life.
- M&G launched a 'Value Share BPA' solution in 2024 which is an innovative solution that generates fee-related earnings. It is also designing a unique proposition 'With-profits' BPA to expand their presence in the BPA market.
- Phoenix has quoted their priorities for 2025 include expanding their range of retail market propositions and retirement income solutions.

Asset strategy

- In 2024, several insurers (such as L&G, Aviva) have pivoted to use gilts-based investment strategies for their annuity new business.
- This approach allows insurers to write capital-efficient new business resulting in a highly attractive return on capital with scope for further back book asset optimisation.
- Whilst day one profitability metrics are moderately lower, reflecting the slightly lower initial yield, the capital deployed is significantly reduced.

Regulatory changes

- Solvency UK – SUK Matching adjustment reforms were implemented in 2024. Most insurers had limited impacts with some noting positive impacts to its capital requirements.
- Funded Re – PRA published supervisory statement in July 2024. Just and Phoenix commented on their compliance and plans with SS5/24.
- Consumer duty – Companies have noted this to be an area of focus in 2024 and will continue to monitor its impact on consumer experience in 2025.
- LIST – We expect insurers to participate in PRA's Life Insurance Stress Test (LIST) exercise in 2025 and the results to be published in the second half of 2025.

Sustainability/ESG

- Phoenix has committed to advancing their long-term ambition to invest up to £40bn in sustainable, transitional, or UK-focused productive assets.
- Aviva has delivered >50% reduction in emissions from Aviva's operations since 2019, aiming for Net Zero by 2040.
- L&G has set overall emission reduction targets in alignment with the 1.5°C Paris objective, evolving approach to include nature and biodiversity alongside climate risk work.
- M&G launched new sustainable investment options, such as the M&G (Lux) ResponsAbility Sustainable Solutions Bond Fund and the M&G (Lux) Nature and Biodiversity Solutions Fund.

Artificial intelligence

- **Aviva** has emphasised driving efficiency with technology and AI as a part of its core strategy. They have 150+ GenAI use cases in pipeline, pilot, or deployment. They reported that 70% of their UK protection business is underwritten with machine learning. They have quoted over £60m savings with motor claims transformation and 10% reduction in call-handling time using GenAI summarisation tool. They also highlighted use GitHub Copilot code completion tool for developers with an average time-saving of over 10% when developing code.
- **L&G** spoke about the potential of AI to disrupt their business by enabling new entrants to compete with lower costs and more efficient processes. They have launched a central AI Accelerator programme to shape and incubate their GenAI approaches, raise awareness, and deliver a secure environment for internal test and learn use cases. L&G continuously monitors factors impacting the markets in which they operate and invests in automation, using robotics and machine learning to enhance business efficiency. They have been actively engaged in consultations related to AI and generative AI and anticipate further investment in automation.
- **M&G** – During 2024, the Board received training and/or undertook deep dives on the following areas: sustainability within asset management, artificial intelligence, brand, crisis management, talent and succession, and the client and adviser experience.

Climate scenario Analysis

- Many insurers disclosed their climate scenario analysis, with each company examining a 2°C scenario or lower.
- Various approaches are used in deriving the scenarios, with some companies choosing to utilise Network for Greening the Financial System (NGFS) scenarios while others develop their own bespoke scenarios.
- However, the scenarios that companies use are generally aligned to NGFS and/or Intergovernmental Panel on Climate Change (IPCC) scenarios.
- There is ongoing evolution in climate modelling practices, with four of the seven making changes to their scenarios or approach in 2024 and two disclosing planned changes over 2025.

Appendices

Appendix – Coverage Ratios

Approaches to analysis of change under SII throughout 2024 varied significantly among insurers, reflecting the unique circumstances of each entity. Further inconsistencies arise as insurers disclose solvency based on either regulatory or shareholder perspectives. This makes like-for-like comparisons challenging and subject to interpretation. However, the broad categories of movements are similar. Therefore, through analyst interpretation and judgement, the various detailed movements within the disclosures can be grouped into five broad categories, as detailed below.

	Total change in coverage ratio (%)	Solvency view	Operating return		Non-operating return / market movements		Dividends / debt payments / issuances		Management actions		Other	
			Description in disclosure	Coverage ratio change (%)	Description in disclosure	Coverage ratio change (%)	Description in disclosure	Coverage ratio change (%)	Description in disclosure	Coverage ratio change (%)	Description in disclosure	Coverage ratio change (%)
Aviva	-4	Shareholder	Operating capital generation.	15	Non-operating capital generation.	8	Dividends & share buyback.	-15	Not disclosed.		M&A.	-5
							Net debt issuance.	-7				
Phoenix	-4	Shareholder	New business strain.	-8	Economics.	-4	Operating Costs, debt interest, and dividends.	-19	Management actions.	7	Debt repayment.	-5
			Recurring Management Actions.	13							Investment spend and other.	-7
			Surplus emerging and release of capital requirements.	19								
L&G	8	Regulatory	Operational surplus generation.	23	Operating Variances, M&A. Market Movements Share buy-back	18	External dividends.	-18	Not disclosed.			
			New Business.	-16								
M&G	20	Shareholder	Organic capital generation.	28	Market Movements.	6	Dividends & capital movements.	-24	Not disclosed.		Capital restrictions.	5
											Tax.	8
											Other movements.	-3
Just	7	Regulatory	Organic capital generation including financing costs, group costs and management actions.	-4	Economic Movements.	11	Not disclosed.		Not disclosed.		Not disclosed.	
Chesnara	-2	Regulatory	Capital generation.	16	Not disclosed		Dividend payments.	-12	Management actions.	4	Acquisitions.	-3
					SII adjustments.	-7						
Royal London	-15	Shareholder	New Business.	-12	Economic Movements.	-3	Corporate and financing costs.	-6	Management actions.	-10	Strategic Development Costs.	-2
			Existing Business.	25			Profit Share.	-7				

Source: KPMG analysis of UK Life insurers YE24 disclosures



Hedging Strategies

The use of derivatives for hedging purposes remains a significant strategy in optimising capital for insurance companies. The following table provides an overview of the hedging strategies, as well as the impact on financial results, as disclosed in the YE24 reports. This analysis specifically focuses on hedging against market risks and does not include other types of risks.

It is observed that most insurers below manage their hedging approaches on a SII (rather than IFRS) basis, which can introduce IFRS volatility due to the mismatch between IFRS and Solvency II balance sheets, for example, the full value of future profits impacted by the equity markets is not held on the IFRS balance sheet.

Insurer	Objective of Hedging Strategy	Impact on FY 2024 Financial Results	SII Focus*
Aviva	<ul style="list-style-type: none"> Interest rate and inflation rate risks are managed using a combination of liability-matching assets and swaps. Exposure to equity and property risk has been reducing over time and credit risk is managed within risk appetite. Currency risk is relatively small and is largely hedged. They manage and hedge interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. 	<ul style="list-style-type: none"> The loss of £850m (2023: gain of £217m) in relation to investment variances and economic assumption changes on Life business was primarily due to UK 10-year term interest rates rising c.80 bps and losses from hedging gains on equity markets; partially offset by reduced credit risk allowances on equity release mortgages. The negative impact of interest rate rises, and adverse impact of equity market gains reflect the fact that they hedge on a Solvency II basis rather than an IFRS basis. For example, when equity markets increase, they gain from the increase in the value of future annual management charges on unit-linked products on an economic basis which are not immediately recognised as IFRS profit, however, the loss from hedges in place is recognised on both Solvency II and IFRS bases. 	Y
Just	<ul style="list-style-type: none"> The Group does not currently apply hedge accounting although it applies asset and liability matching and hedging strategies to limit its exposure to interest rate risk and market risk arising from the Group's financial instruments and insurance contracts. The Group holds a portfolio of UK Government bonds ("Gilts") that act as an economic hedge to liabilities that do not expose the IFRS balance sheet to interest rate movements. 	<ul style="list-style-type: none"> Investment and economic movements were positive at £18m (2023: £92m). Movements in risk free rates have had a negligible effect due to the revised hedging strategy that was first implemented in the latter part of 2022 and continued into 2023 and 2024. At YE24, Just holds £4.0bn of long dated gilts held at amortised cost under IFRS (2023: £2.5bn). This approach has almost eliminated the IFRS exposure whilst also containing our Solvency II sensitivity to future interest rate movements. 	Y (and IFRS)
L&G	<ul style="list-style-type: none"> L&G uses derivatives as a component of efficient portfolio management. This includes hedging economic exposure to foreign currencies, interest rates, inflation, and credit risks. A portfolio of assets backing annuity business are accounted for at either amortised cost or fair value through other comprehensive income (FVOCI) as they are in surplus to the IFRS 17 best estimate liability and risk adjustment. Protection insurance liabilities have applied the IFRS 17 OCI option. Changes in discount rate are therefore reported in OCI, whilst backing assets are classified as either FVOCI or amortised cost. 	<ul style="list-style-type: none"> These swaps had a net asset fair value totalling £42m (2023: £21m) and a notional amount of £1,099m in 2024 (2023: £1,099m). There was no ineffectiveness recognised in the income statement in respect of these hedges during 2024. 	Not specified
M&G	<ul style="list-style-type: none"> The Group employs derivatives for efficient portfolio management and to reduce investment risk, obtaining cost-effective and efficient exposure to various markets and managing exposure to equity, interest rate, currency, credit, and other business risks. Specifically, interest rate derivatives, such as interest rate swaps and swap options, are used to reduce exposure to interest rate volatility. Currency derivatives are also used to limit volatility due to foreign currency exchange rate fluctuations arising on securities denominated in currencies other than pounds sterling. 	<ul style="list-style-type: none"> The IFRS result was affected by fair value losses on interest rate hedging and surplus assets in the annuity portfolio, leading to a substantial loss after tax attributable to equity holders of £347m(2023: £309mprofit). Specifically, losses from interest rate swaps purchased to protect the Solvency II capital position amounted to £227mdriven by rises in risk-free rates. There were also losses of £98mon hedging instruments held to protect the Solvency II capital position from falling equity markets due to rises in equity values during the year. 	Y

Source : *Where the strategy mentions Solvency II, this is flagged as yes.

Hedging Strategies (Cont.)

Insurer	Objective of Hedging Strategy	Impact on FY 2024 Financial Results	SII Focus*
Phoenix	<ul style="list-style-type: none"> Phoenix's hedging strategy in 2024 is designed to protect their cash and Solvency II capital, supporting their progressive and sustainable dividend policy. The Board continues to prioritise stable Solvency II surplus capital and predictable dividends, while accepting hedge-related volatility in the IFRS result. The hedging strategy is designed to protect cash and SII surplus capital, which in turn supports dividend payments. Phoenix hedges unrewarded market risks such as interest rates, inflation, currency, and equity risk. 	<ul style="list-style-type: none"> The Group generated an IFRS loss after tax attributable to owners of £1,078m (2023: profit of £841m). The loss is primarily driven by £1,297m of adverse hedging related economic variances. 	Y
PIC	<ul style="list-style-type: none"> PIC's hedging strategy is primarily designed to actively manage risk over the long-term in the solvency balance sheet, and there exists a mismatch between this hedging strategy and the IFRS balance sheet. This mismatch, and the resulting volatility, is included within the investment related variances line. 	<ul style="list-style-type: none"> Investment related variances resulted in a loss of £134m in the year (2023: loss of £38m), largely driven by the increase in interest rates partly offset by management actions to optimise their in-force asset portfolio generating a profit of £129m. 	Y
RLG	<ul style="list-style-type: none"> RLG utilise derivative instruments to hedge market risk for efficient portfolio management and for the matching of liabilities to policyholders. Derivatives are either 'exchange-traded' (regulated by an exchange), which have a quoted market price, or 'over-the-counter' (individually negotiated between the parties to the contract), which are unquoted. 	<ul style="list-style-type: none"> RLG noted that their capital position remains robust with an estimated Solvency II Investor View capital cover ratio of 203% (2023: 218%) with their hedging programmes continuing to operate as intended. The reduction is mainly driven by changes to the level of equity hedging, as they seek to manage the capital position within their capital management framework. 	Y
Rothesay	<ul style="list-style-type: none"> As part of Rothesay's foreign currency risk management objective, cash flow hedges were put in place to remove the volatility caused by exchange rate movements, using bespoke fixed-for-fixed cross-currency swaps. The swaps are designated as hedges of probable forecasted transactions, being the foreign currency sterling costs of the coupons and principal payments. Rothesay determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currencies, interest rates, amounts and timing of their respective cash flows. 	<ul style="list-style-type: none"> As allowed under IFRS 9, Rothesay continues to apply the hedge accounting requirements of IAS 39 as an accounting policy. The total fair value of the currency swap hedging instruments is £38m as in 2024 (2023: £25m) with total nominal amounts of £546m as in 2024 (2023: £291m). The currency swaps are included in the derivative assets as part of the total financial investments. 	N

*Where the strategy mentions Solvency II, this is flagged as yes.

Hedging Strategies (types of market risks hedged)

Majority of insurers hedge against a range of market risks. Some firms also hedge against specific risks. For example, Just hedges exposure to property risk via Non-Negative Equity Guarantee (NNEG) hedging whereas M&G hedges against equity risk to reduce volatility in profit emergence from shareholder transfers, which depend on investment return of the funds.

The following table provides an indication of the risks being hedged based on the derivative instruments held. This is not necessarily an exhaustive list of hedging strategies adopted but reflects what has been disclosed.

Market risk	Aviva	Just	L&G	M&G	Phoenix	PIC	RLG	Rothsay
Interest rate (IR)	✓ (OTC IR swaps, options, and exchange traded futures and options).	✓ (IR swaps, forward swaps and IR options, total return swaps).	✓ (IR contracts – held for trading).	✓ (IR swaps and swaptions).	✓ (IR swaps, swaptions and fixed income futures, total return bond swaps).	✓ (IR swaps, total return swaps).	✓ (IR swaps, swaptions, total return swaps) To mitigate risk inherent in guaranteed annuity rates.	✓ (IR swaps, forwards).
Currency	✓ (OTC forwards, swaps and options, exchange traded futures).	✓ (foreign currency swaps).	✓ (currency swaps and Forward contracts – held for trading) (cross-currency interest rate swaps held for cash flow hedges).	✓ (currency derivatives).	✓ (cross-currency swaps, forward currency and currency futures).	✓ (currency swaps and foreign exchange forward contracts).	✓ (currency forwards, currency swaps).	✓ (currency swaps).
Inflation	✓ (equity/index contracts).	✓ (inflation swaps).	✓ (inflation swaps).	✓ (inflation swap for DB pension).	✓ (inflation swaps).	✓ (inflation swaps).	✓ (inflation swaps).	✓ (inflation swaps).
Credit	✓ (credit default swaps, credit contracts).	Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited, as well as the balances permitted.	✓ (credit derivatives).	✓ (credit derivatives).	✓ (credit default swaps).	Credit risk is managed by maintaining a comprehensive due diligence and governance process for assessing and selecting appropriate credit risks to acquire.	Credit risk is managed via a strategy of diversification across industry, issuer, credit rating and stock selection.	✓ (credit derivatives).
Equity & property	✓ (equity/index contracts).	✓ Put options on property index (NNEG hedges).	✓ (equity/index derivatives).	✓ A partial equity hedge of the shareholder transfers from with-profits fund.	✓ (equity options, stock index futures).	Not specified.	✓ The Group hedges some of its equity risk arising from investment guarantees and unit-linked charges using equity derivatives.	Not specified.

Appendix – New Business volume definitions

New business disclosures vary amongst insurers making it difficult to present comparable results. The methodologies to calculate the value of new business may not be consistent. The table below aims to capture the definition of the key metrics companies use to describe the New Business Premiums, as well as highlights of the performance over 2024.

Company	New business volumes	Performance over 2024
Aviva	<ul style="list-style-type: none"> SII Present Value of New Business Premiums (PVNBP) – The present value of premiums expected to be received over the term of the new contracts plus 100% of single premiums from new business written in the financial period and is expressed at the point of sale. Uses the same methodology as for VNB. 	<ul style="list-style-type: none"> SII PVNBP for Insurance, Wealth and Retirement increased from £33.6bn to £40.8bn. The main contributor of PVNBP is the Wealth segment (£27.8bn in 2024). The largest contributor to the increase over 2024 was the Wealth division, which consists of pensions – workplace, platform and Individual lines, increasing from £23.5bn to £27.8bn. Aviva noted that the positive market movements, increased pension transfers and addition of new 477 pension schemes supported the wealth PVNBP, which grew by 16%. Conversely, positive market movement increased withdrawals combined with higher tax-free withdrawal levels increased outflows from £12bn to 15bn in 2024.
Just	<ul style="list-style-type: none"> Retirement Income sales represents one of the Group's KPIs and a collective term for Individual Annuities, DB (defined benefit schemes) and Care Plan (Protection) new business sales and excludes DB partner premium. 	<ul style="list-style-type: none"> Shareholder funded Retirement Income sales increased from £3.9bn to £5.3bn. The fall in risk-free interest rates during 2024 had a positive effect on both the Defined Benefit and Retail Guaranteed Income for Life markets, which had consistent demand throughout 2024.
LBG	<ul style="list-style-type: none"> Life and pensions sales – Present value of regular premiums plus single premiums from new business written in the current period. This is the closest equivalent to PVNBP. 	<ul style="list-style-type: none"> Life and pensions sales increased from £17.4bn to £18.2bn, primarily attributed to individual annuities and workplace business. This is partially offset by the sale of the in-force bulk annuity portfolio. Initially recognised contracts remained stable at £6.2bn. The premiums issued for onerous contracts increased from £0.5bn to £4.6bn in 2024 and CSM reduced from £92m to £61m.
L&G	<ul style="list-style-type: none"> PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the new business value. 	<ul style="list-style-type: none"> For LGRI UK business, PVNBP reduced from £8.9bn to £7.9bn. NBC reduced from £654m to £420m, which moved the new business margin from 7.4% to 5.3%. For Retail Retirement business, PVNBP has increased from £1.4bn to £2.1bn. NBC increased from £100m to £132m. The higher interest rates combined with attractive returns for customers increased the Retail Retirement individual annuity sales.
PIC	<ul style="list-style-type: none"> New business volumes – Equivalent to Gross Premiums Written for new business. 	<ul style="list-style-type: none"> New business volumes increased from £6.9bn to £8.1bn.
Royal London Group	<ul style="list-style-type: none"> New Business Contribution – The expected present value on a UK GAAP basis of all cash flows arising from new business. Present value of new business premiums (PVNBP) – The total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums expected to be received over the term of the new contracts sold in the year. 	<ul style="list-style-type: none"> New business contribution increased to £209m which was driven by a 19% increase in Workplace Pensions, a 12% increase in Individual Pensions and 11% in Protection products. Total PVNBP increased from £9.2bn to £10.8bn in 2024 which increased by 17%, whereas the new business margin reduced from 2.0% to 1.9%. This was offset with an increase in acquisition costs in Annuities reducing the new business margins from 8.5% to 6.6%.
Rothsay	<ul style="list-style-type: none"> New business premiums represents the present value of premiums paid or due to be paid on new business transacted during the year, as well as adjustments to new business premiums from prior years. 	<ul style="list-style-type: none"> New business premium increased from £12.7bn in 2023 to £15.7bn in 2024.

Appendix – Alternative NB Measures – Additional Information

This slide summarizes alternative metrics included by insurers in their disclosure packs. These have not been included in the main pack due to lack of comparability across insurers.

Entity	Name / Definition of metric	Performance over 2024
Chesnara	New Business Contribution represents the best estimate of cash flows expected to emerge from new business written in the period.	Stable New Business Contribution of £9m over FY 2024 (FY 2023: £10m).
Just	New business strain represents the capital strain on new business written in the year after allowing for acquisition expense allowances, the establishment of SII technical provisions and SCR.	New business strain was 1.3% (YE23: 0.9%) which outperformed the 5-year average of 1.5% and is within the target of below 2.5% of premium.
	New Business Profit is one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of reserves, future expected cash flows, risk adjustment, allowance for acquisition expenses and other incremental costs on a marginal basis. Just provides a reconciliation between New Business CSM and New Business Profit . New business profit metric allows for the impact of using the quotation date (rather than IFRS 17 defined initial recognition).	New business profit was up 30% at £460m , translating to a new business margin of 8.7%, down from 9.1%.
LBG	New business value – This represents the value added to the contractual service margin and risk adjustment at the initial recognition of new contracts, net of acquisition expenses and any loss component on onerous contracts but does not include existing business increments.	New business value decreased from £153m to £111m , with a reduction in expected CSM written of £20m and higher initial loss recognition of £22m.
L&G	New business strain is the cost of acquiring business and setting up Technical Provisions and SCR (net of any premium income), on actual new business written over the year. It is based on economic conditions at the point of sale.	New business strain of £409m (FY 2023: £438m) reflects a c. £200m benefit from writing capital efficient UK PRT compared to the strain in 2023.
M&G	New business contribution to SII own funds and SII surplus disclosed for With profits: PruFund, but not explicitly defined.	SII own funds increased by £75m and SII surplus decreased by £25m from new business written under with-profits: PruFund.
Phoenix	Annuity capital strain represents the capital deployment on annuities measured on a Solvency II basis, expressed as a proportion of the annuity premium. It is calculated as the capital deployed (being the Solvency II Technical Provisions plus SCR plus acquisition costs plus reinsurance premium less annuity premium, net of tax) as a proportion of the annuity premium.	Annuity capital strain (pre-Capital Management Policy basis) increased from 2.7% to 3.4%, which remained within target of c.3%.
	New business contribution (NBC) represents the increase in Solvency II Shareholder Own funds arising from new business written in the year, assuming assets have been fully transitioned into the pricing portfolio and provides an assessment of the day one value (excluding a cost of capital) arising on the writing of new business on a discounted basis.	New business contribution in 2024 was £370m. Breakdown by business segments not disclosed.
PIC	New business (net of reinsurance) contribution to surplus generation: Expected impact on surplus of writing new business based on pricing assumptions and target asset mix, and the impact of entering into new reinsurance contracts on the in-force book. (i.e. new business strain net of reinsurance).	New business (net of reinsurance) consumed SII Surplus of £357m in 2024 (2023: £143m) was higher than last year, reflecting higher new business volumes and the impact of asset-backed reinsurance in 2023.
	New business and reinsurance profit represents the impact on profit of writing new pension risk transfer contracts and the impact of entering into new reinsurance contracts on the in-force book. The profit is calculated using the economics at the initial recognition date, the locked-in liquidity premium, expected reinsurance, pricing demographic and maintenance expense assumptions, the target asset portfolio mix assumptions and the actual acquisition expenses incurred.	New business and reinsurance profit reduced from £444m to £313m . The contraction was largely attributed to lower NB margins because of economic movements in 2024.

Climate Scenario Analysis

The Task Force on Climate-Related Financial Disclosures (TCFD) recommends that companies describe the resilience of their organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We have analysed seven companies who have disclosed detail on their climate scenario analysis, with each company examining a 2°C scenario or lower, in line with the recommendation. Various approaches are used in deriving the scenarios, with some companies choosing to utilise Network for Greening the Financial System (NGFS) scenarios while others develop their own bespoke scenarios. However, the scenarios that companies use are generally aligned to NGFS and/or Intergovernmental Panel on Climate Change (IPCC) scenarios. There is ongoing evolution in climate modelling practices, with three of the seven making changes to their scenarios or approach in 2024 and two disclosing planned changes over 2025.

Company	Aviva	L&G	Phoenix
Scenarios	<p>Different scenarios are set according to each asset class.</p> <p>Equities, corporate bonds, and real estate</p> <p>NGFS Phase III Scenarios:</p> <ul style="list-style-type: none"> Net Zero 2050. Below 2°C. Delayed Transition. Nationally Determined Contributions (NDCs). Current Policies. <p>Sovereign debt</p> <p>IPCC Representative Concentration Pathways (RCP) Scenarios:</p> <ul style="list-style-type: none"> RCP 2.6 (broadly equivalent to NGFS Below 2°C). RCP 8.5 (broadly equivalent to NGFS Current Policies). <p>Infrastructure debt</p> <p>ClimateWise Transition Risk Framework Scenarios:</p> <ul style="list-style-type: none"> 2°C (broadly equivalent to NGFS Delayed Transition). 2.7°C (broadly equivalent to NGFS NDCs). 	<p>The financial impact is assessed on four scenarios.</p> <ul style="list-style-type: none"> Net Zero 1.5°C – Approx. global warming 1.5°C by 2100; immediate and highly ambitious climate change action. Below 2°C – Approx. global warming <2°C by 2100; immediate, ambitious climate change action. Warming likely exceeds 1.5°C. Delayed Below 2°C – Approx. global warming <2°C by 2100; policy and investment action delayed to 2030. Warming likely exceeds 1.5°C. Inaction – Approx. global warming of 3-4°C by 2100; global failure to act. <p>Note that scenario results are produced for the first three pathways. L&G do not apply the Inaction scenario to their portfolio.</p>	<p>Three quantitative scenarios are assessed from NGFS Phase 4 :</p> <ul style="list-style-type: none"> Orderly – An orderly transition to net zero by 2050, starting immediately, and a temperature rise of below 1.5°C by 2050. Delayed transition – A delayed transition to net zero, starting in 2030, and a temperature rise of below 2°C. Fragmented – A delayed transition with globally misaligned climate ambitions leading to a fragmented world with a mixture of high transition and physical risks.
Modelling approach	<p>Scenario analysis approach uses a combination of quantitative (using their Climate Value-at-Risk (VaR) metric), and qualitative analyses.</p> <p>The climate VaR is a forward-looking measure, modelling climate-related transition and physical risks and opportunities which are tailored to the impacts observed across asset classes and product offerings in the chosen climate scenarios.</p>	<p>Develops own bottom-up scenarios of how energy and land systems may evolve to 2050. The scenario analysis focuses on the financial risks, both physical and transitional risks, across major risk categories of credit, longevity and market risks.</p>	<p>The scenario analysis focuses on both physical and transition risk. For physical risk, they model the future cost of different risk hazards on both real estate loans and directly held real estate. For transition risk, the analysis is based on the asset value impact.</p>
Changes over 2024	<p>No significant changes over 2024 disclosed.</p>	<p>No significant changes over 2024 disclosed. L&G note the Phase 5 update from NGFS on increased global GDP risk arising from chronic macroeconomic risks and plan to assess this over 2025.</p>	<p>Moved from two quantitative scenarios from NGFS phase 3 to three quantitative scenarios from NGFS Phase 4. Also plan to expand the physical risk analysis to equities and credit over 2025.</p>

Climate Scenario Analysis (cont.)

Company	M&G	LBG*	Just	RLG
Scenarios	<p>Different scenarios are set according to each asset class.</p> <p>Public assets (equities, corporate debt and sovereign debt)</p> <p>Based on three NGFS scenarios:</p> <ul style="list-style-type: none"> Orderly – Aligned with RCP 2.6. Temperature rise below 2°C by 2100. Disorderly – Temperature rise below 2°C by 2100. Climate action is delayed until 2030. Hot house – Aligned with RCP 8.5). Average temperature change of over 3°C by 2100, assuming only current policies are implemented. <p>Private assets (real estate and infrastructure)</p> <p>IPCC scenarios:</p> <ul style="list-style-type: none"> Representative Concentration Pathway (RCP) 2.6, aligned to orderly scenario for public assets. RCP 8.5, aligned to hot house scenario for public assets. 	<p>Four “quadrants” are determined based on NGFS climate scenarios, and each quadrant contains multiple scenarios. Below, only the NGFS pathways are stated, but LBG disclose that there are multiple scenarios within each quadrant:</p> <ul style="list-style-type: none"> Orderly – (low physical risk and low transition risk). Quadrant contains three NGFS pathways: Net zero 2050 (1.5°C); Below 2°C; Low demand. Disorderly – (low physical risk and high transition risk). Quadrant contains one NGFS pathway: Delayed transition. Hothouse – (high physical risk and low transition risk). Quadrant contains two NGFS pathways: Nationally Determined Contributions (NDCs); Current policies. Too little, too late – (high physical risk and high transition risk). Quadrant contains one NGFS pathway: Fragmented world. <p>Analysis focusses on scenarios in the “Orderly” and “Disorderly” quadrants.</p>	<p>Three NGFS scenarios are used for both the credit and LTM portfolios:</p> <ul style="list-style-type: none"> Delayed Transition – Global emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. This is their “base” scenario. Net Zero 20250 – Ambitious climate policies are introduced immediately, and global warming is limited to 1.5°C through stringent policies, reaching net zero CO₂ emissions around 2050. Current policies – Only currently implemented policies are preserved, leading to higher physical risks. Emissions increase until 2080 leading to approximately 3°C of warming. <p>For the LTM portfolio, an additional set of RCP scenarios are used to assess physical risk. RCP 8.5 is the main scenario used for the Property Value-at-Risk (PVaR) calculation.</p>	<p>Three NGFS scenarios are used, focusing on a five-year time horizon to align with business planning:</p> <ul style="list-style-type: none"> Below 2°C – Orderly scenario. Assumes countries with net zero targets partially reach them (80% of targets achieved), resulting in a 67% chance of limiting warming to 2°C by 2100. Delayed transition – Disorderly scenario. Assumes countries do not reduce greenhouse gas emissions until 2030. Strong policies then required. Assumes countries with net zero targets partially reach them (80% of targets achieved). Global warming limited to 2°C by 2100 but 2030 policy changes are disruptive. Current policies – Hot house world scenario. Existing policies remain in place but no strengthening of ambition, leading to high physical risks. Average global warming stabilises at 4°C.
Modelling approach	<p>For public assets, financial impact assessment is based on a bottom-up approach using the Aladdin Climate model and provides estimates of the impact on all issuers. For private assets, M&G use Marsh to model the impact on assets classified as being at high risk from climate-related hazards.</p>	<p>Consider a range of forward-looking climate projections and methodologies, including Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs) to design four bespoke scenarios.</p>	<p>Just use Climate Value-at-Risk (CVaR) across the three scenarios. This metric captures both physical risk and transition risk on the credit portfolio. Property Value-at-Risk (PVaR) is used for the LTM portfolio to assess the potential reduction in property values.</p>	<p>Climate risks are grouped into physical and transition risks. RLG model impacts on the value of different asset classes up to 2060, and the risk to the capital position over a medium-term business planning horizon.</p>
Changes over 2024	<p>No significant changes over 2024 disclosed.</p>	<p>No significant changes over 2024 disclosed.</p>	<p>The “Divergent Net Zero” scenario has been phased out as part of NGFS Phase 4 and Just have replaced this with the “Delayed Transition” scenario. Both are classified as “Disorderly” scenarios.</p>	<p>RLG licensed an external third-party climate model to enhance quantitative climate risk modelling capabilities.</p>

*The LBG approach set out above references the LBG group-wide Sustainability Report 2024. It is not specific to Scottish Widows life insurance.

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Document Classification: KPMG Public

Create | CRT160475A | April 2025