Year-End 2025 Results – Life Insurers' Disclosures

Analysis Report for Year-End 2025

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April 2026

Contents

Market overview

KPMG unveils key insights from 2025 Year-End reports of 15 UK Life Insurers

Headlines

- YE25 announcements show generally stable or improving operating performance across insurers, supported by strong capital generation, disciplined capital management and selective strategic transactions. Solvency coverage remained robust across the peer set, with movements largely explained by acquisitions, dividends, buybacks and deleveraging actions rather than underlying operating driver.

Insurance market

- UK Pension Risk Transfer/Bulk Purchase Annuities (PRT/BPA) activity remained strong in FY25, with insurers reporting continued demand and transaction momentum, alongside increasing competition and a growing emphasis on pricing discipline and capital efficiency.
- Despite ongoing fee pressure, the workplace pension scheme market continues to grow rapidly, with Royal London and Standard Life expanding memberships and assets via digital tools and platform efficiencies. Aviva also continued strong growth in their Wealth channel in support of their growth strategy in workplace pensions.

Mergers and acquisitions

- M&A activity remained active across the UK life insurance sector, with several insurers completing or announcing transactions during the year, reflecting continued strategic focus on scale, simplification and portfolio optimisation.
- YE25 transaction activity included Aviva's acquisition of Direct Line Group, M&G's strategic partnership with Dai-ichi Life, Royal London's acquisition of Dalmore Capital, L&G's private markets and US PRT transactions, acquisition of Pension Insurance Corporation (PIC) by Athora, acquisition of Just Group by Brookfield Wealth Solutions (BWS), acquisition of Utmost by JAB insurance and Chesnara's agreed acquisitions of HSBC Life (UK) and Scottish Widows Europe, with several transactions completing in early 2026.
- More recent announcement in April 2026 was the acquisition of Aegon UK by Standard Life (formerly Phoenix Group).
- Three mergers were also announced for UK mutuals: 1) One Family and Scottish Friendly, 2) Wiltshire Friendly and Holloway Friendly, 3) Shepherds Friendly and Foresters Friendly Society. All three mergers are expected to be effective from late-2026 or early-2027, subject to regulatory approval.

Key messages

Solvency II surplus generation	• Most UK life insurers delivered robust operating capital and cash generation in 2025, enabling increased dividend payouts and, for some, share buybacks or debt reduction. • Several firms met or exceeded multi-year financial targets ahead of plan, for example, Aviva hit its 2026 goals one year early (operating profit +25% YoY), and Standard Life remains on track to achieve its 2024-2026 cumulative target for total cash generation. • Solvency II **coverage ratios remain high** across the sector, generally in the 170%–250% range (e.g. PIC 257%, M&G 242%, L&G ~210% pro forma), reflecting resilient capital positions.
New business metrics	• A more competitive market environment in 2025 led to generally lower new business volumes and thinner profit margins for life insurers' annuity business. • Under IFRS 17, most companies now report Contractual Service Margin (CSM) at initial recognition as the primary new business profitability metric. • Across major annuity writers, total **new business CSM decreased compared to 2024** – reflecting reduced PRT volumes and tighter pricing.
Assumptions & Sensitivities	• **Illiquidity premiums (ILPs) have reduced** slightly or remained stable for most insurers, with isolated increases in the with-profits and protection businesses in some cases. • Assumption and experience impacts across insurers remain mixed, with longevity, persistency and expense updates driving both favourable and adverse movements. • YE25 sensitivities show **lower interest-rate risk**, mixed equity movements, and mixed property impacts, with Just remaining the most property-sensitive.
Capital optimisation	• Several life insurers have **increased allocations to gilts**, reflecting more attractive spreads relative to corporate bonds when adjusted for capital requirements and credit risk. In the current market environment, gilts are viewed as offering a more efficient risk-adjusted return, supporting both pricing competitiveness and capital resilience. Gilt-heavy strategies reduce Solvency II capital strain and balance-sheet volatility, freeing up capital headroom. Insurers are also able to redeploy capital into higher-yielding illiquid assets (e.g. private credit and infrastructure), supporting long-term returns while maintaining robust solvency positions. • In 2025, some insurers obtained **approval** from the Prudential Regulatory Authority (PRA) **for Major Model Change** applications relating to credit risk modelling and group solvency scope (see Hot topics for more details).
Regulatory changes	• The Solvency UK reforms, effective from December 2024, introduced more flexible capital rules, including the MA Investment Accelerator (MAIA) to facilitate investment in illiquid assets. PRA stress test results published in November 2025 confirmed the sector's resilience under severe scenarios, with insurers maintaining strong solvency ratios well above regulatory minima. • The PRA requirements on **liquidity, climate risk and solvent exit regime** will become effective **from 2026**, strengthening expectations around insurer resilience and orderly exitplanning. Insurers have updated their climate disclosures, with some intending to make potential enhancements in 2026 (please see the Appendix). • The Bank of England and the FCA published a **Mutuals Landscape Report (December 2025),** reviewing the role, scale and regulatory treatment of mutuals and friendly societies in the UK financial system. The report concluded that mutuals enhance diversity and resilience and committed regulators to more proportionate supervision and legislative reform to support sustainable growth, particularly for smaller friendly societies and mutual insurers.

Headlines extracted from YE25 announcements

The below extracts are taken from annual reports, presentations or results announcements. It does not represent KPMG's view.

Aviva

Aviva achieved its 2026 financial targets in 2025. The Adjusted Operating Profit rose to £2.2bn (2024: £1.8bn) and IFRS return on equity increased to 17.5% (2024: 15.7%).

Solvency II coverage ratio decreased to 180% (2024: 203%) due to the Direct Line acquisition, dividend payments and preference shares cancellation. The firm state that future focus is on hitting the new targets, accelerating the capital-light mix of business, and realising the full benefit of the Direct Line acquisition.

Just

Just was acquired by Brookfield Wealth Solutions (BWS) in 2025 and the transaction was completed in April 2026. During 2025, new business profit declined to £249m (2024: £460m) due to lower volumes and margins, driving a 39% fall in underlying operating profit.

Solvency II coverage ratio decreased to 179% (2024: 204%) due to new business investment. Cash generation increased in 2025 from higher capital and risk allowance releases.

LBG

LBG Insurance, Pensions and Investments (IP&I) holds a top three market share across Home, Workplace and Individual Annuities. It continues to support the Group's Wealth and Mass Affluent strategy and acquired Schroders Personal Wealth (SPW), previously a joint venture with Schroders Group, which has rebranded as Lloyds Wealth.

Underlying profit was £330m, up 50% from prior year, and excluding SPW the underlying profit was £303m, up 38% from prior year.

L&G

L&G's adjusted operating profit remained stable at £1.8bn (2024:£1.7bn). Profit before tax from continuing operations more than doubled to £824m (2024: £448m) and capital generated in the year was £1.5bn.

The Solvency II coverage ratio decreased to 203% (2024: 232%). After allowing for the impact of the Meiji Yasuda transaction and the related £1bn share buyback, the full year 2025 Solvency II coverage ratio was 210%.

M&G

Shareholder Solvency II coverage ratio increased to 242% in 2025 (2024: 223%) while the Adjusted operating profit before tax remained stable at £838m (2024: £837m). M&G generated £928m operating capital excluding new business strain.

M&G also agreed a partnership with Dai-ichi Life HD becoming their preferred asset manager for Europe. This partnership also enhances M&G's profile in Asia.

PIC

PIC was acquired by Athora Holdings Ltd in 2025, and the transaction was completed in March 2026. PIC is expected to represent approximately 45% of Athora's total Assets under Management (AuM). During 2025, new business profit increased to £331m (2024: £313m).

The Solvency II ratio increased to 257% (2024: 237%), remaining above the long-term target range. The Adjusted Operating Profit was £880m (2024: £875m).

Rothesay (1)

In 2025, the business generated £5.2bn of new business premiums (2024: £15.7bn), an overall decrease from previous two years to ensure that returns remained attractive. This led to a significant reduction in new business profit to £197m (2024: £886m).

Rothesay ended the year with a Solvency II Capital Requirement coverage ratio of 246% (2024: 261%), and surplus capital of £5.4bn (2024: £5.3bn) to support further new business.

Royal London Group (RLG)

Group adjusted operating profit increased by 18% to £327m (2024: £277m), driven by strong Pensions performance, higher Protection contributions and a full year of BPA trading. AuM rose to £199bn, reflecting the £6bn Dalmore Capital acquisition and £16bn of positive market movements.

The capital position remained strong, with an estimated Solvency II Investor View capital cover ratio of 188% (2024: 203%).

Standard Life

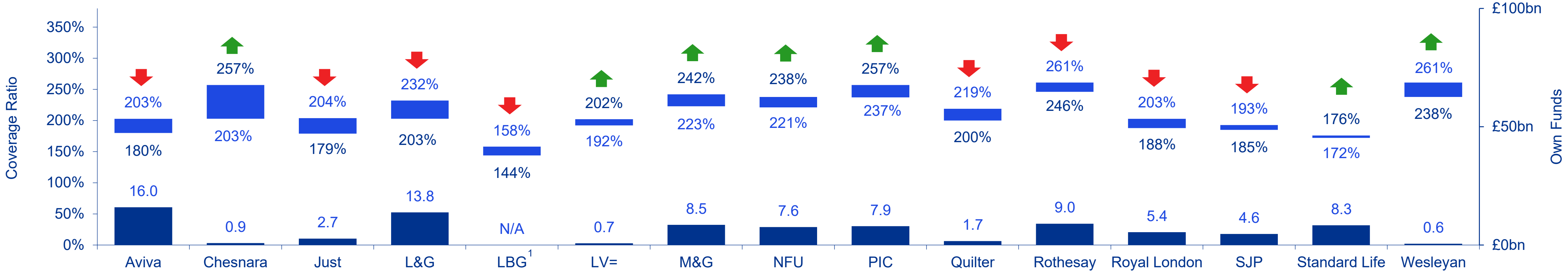
Operating Cash Generation amounted to £1.4bn, with £1bn used to fund recurring cash outflows and dividends. The remaining £0.4bn was applied to debt reduction under the deleveraging programme, contributing to an improvement in the Solvency II leverage ratio to 33% (2024: 36%).

Group Solvency II Shareholder Capital Coverage Ratio was 176% (2024: 172%) and remained in the top-half of the company's 140-180% operating range.

Note: (1) The metrics used here are from Rothesay Limited and differ slightly from Rothesay Plc.

Coverage ratio

This graph below illustrates the movement in Solvency II coverage ratios from YE24 to YE25, based on the 2025 financial results disclosures. This analysis covers 15 UK life insurers that have disclosed their financial results by 17 April 2026 (SFCRs used for NFU Mutual and Wesleyan as financial results not published). The coverage ratios reveal a diverse range of performance throughout 2025. Solvency is presented in two different views: the Shareholder View ('SH') represents the shareholder fund capital position (excluding ring-fenced funds) whereas the Regulatory View ('Reg') takes into account all exposures including ring-fenced funds.



Key: 2025 Coverage Ratio (dark blue) | 2024 Coverage Ratio (blue) | Coverage Ratio | Increase in Ratio | Decrease in Ratio | Own Funds

Company	Aviva	Chesnara	Just	L&G	LBG (1)	LV= (2)	M&G	NFU	PIC	Quilter	Rothesay	RLG (3)	SJP	Standard Life	Wesleyan
£bn															
YE25 Own Funds	16.0	0.9	2.7	13.8	N/A	0.7	8.5	7.6	7.9	1.7	9.0	5.4	4.6	8.3	0.6
YE25 SCR	8.9	0.3	1.5	6.8	N/A	0.4	3.5	3.2	3.1	0.8	3.7	2.9	2.5	4.7	0.2
YE25 Surplus	7.1	0.5	1.2	7.0	N/A	0.4	5.0	4.4	4.8	0.8	5.4	2.5	2.1	3.6	0.4
YE24 Own Funds	15.6	0.6	3.1	15.9	N/A	0.9	8.5	6.9	8.1	1.6	8.5	5.4	4.1	8.4	0.6
YE24 SCR	7.7	0.3	1.5	6.8	N/A	0.4	3.8	3.1	3.4	0.7	3.3	2.7	2.1	4.9	0.2
YE24 Surplus	7.9	0.3	1.6	9.0	N/A	0.4	4.7	3.8	4.7	0.9	5.3	2.7	2.0	3.5	0.4
Solvency View	SH	Reg	Reg	SH	SH	SH	SH	Reg	Reg	Reg	Reg	SH	Reg	SH	Reg

Source: KPMG analysis of insurers' YE25 disclosures.

Note: (1) LBG refers to the Insurance, Pensions and Investments division of Lloyds Banking Group throughout the Solvency II sections of this report. Most of LBG's Solvency II results (including Own Funds, SCR and Surplus) are disclosed in the SFCR which is available later in the year-end reporting timetable.

(2) LV= reports an 'Investor View' of the solvency coverage ratio despite being a mutual to exclude amounts attributable to ring-fenced funds (Royal National Pension Fund for Nurses (RNPFN) and Teachers Assurance). Therefore, the 'Solvency View' has been classified as 'SH'.

(3) RLG manages its capital on an "Investor View" basis. Therefore, the 'Solvency View' has been classified as 'SH' despite being a mutual.

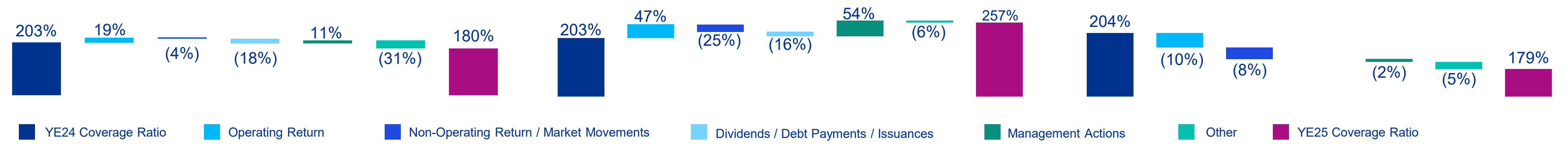
Analysis of movements in coverage ratio

Analysis of the changes in coverage ratio for life insurers is shown in this section over the next 3 pages. The movements incorporate the impact of recalculating TMTP as of 2025. The YE25 disclosures for LBG, LV=, NFU Mutual, PIC, Rothesay, SJP and Wesleyan did not provide sufficient information to support the analysis shown below and hence have been excluded. Here we show Aviva, Chesnara and Just.

Aviva

Chesnara

Just



Source: KPMG analysis of insurers' YE25 disclosures.

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

Total Change at YE25: (23)%

- The coverage ratio fell by 23%. Solvency II Own Funds has increased while surplus has decreased over 2025. Aviva's operating range is 160-180%, with opportunities for deployment of any excess capital considered as part of their framework.
- The largest impact on the coverage ratio can be attributed to Aviva's acquisition of Direct Line, which contributes to a reduction in coverage ratio of 31%.
- The growth in operating return of 19% is attributed to strong General Insurance results and higher management actions in the Insurance, Wealth & Retirement (IWR) business unit. There has been an elevated level of management actions as Aviva look to build solvency post the Direct Line acquisition.
- There is a further 18% reduction in solvency coverage ratio, of which (13)% relates to dividends, (8)% corresponds to a preference share cancellation and 3% arises from the net impact of debt transactions.
- At YE25, the solvency position includes a 3% benefit from realising capital synergies following acquisition of Direct Line. The remaining capital synergies are expected to improve the current solvency coverage ratio by more than 7% and is expected towards the end of 2026 upon regulatory approval.

Total Change at YE25: 54%

- The coverage ratio increased by 54%. Solvency II Own Funds and Surplus have both increased, positive operating performance variances and funds raised as part of M&A activity. Chesnara's operating range is 140-160%.
- The operating return of 47% is supported by the writing of profitable new business over the period. This is partially offset by a 25% reduction due to non-operating capital generation, including movements from expected investment return, and financing and restructuring costs.
- The dividend and debt payment category contributed a 16% reduction to the coverage ratio which includes the impact of the final 2025 dividend of £34m and interim 2025 dividend of £18m.
- Management actions contributed a 54% increase to coverage ratio which included the extension of mass-lapse reinsurance arrangements to include the Canada Life portfolio and the wider UK portfolio, along with the implementation of a foreign currency hedge. Additionally, there were benefits from cost synergies arising from the merger of the two Dutch entities.
- The 'other' category contributing a 6% reduction is due to tiering restrictions.

Total Change at YE25: (25)%

- The coverage ratio fell by 25%. Solvency II Own Funds reduced in 2025, with Surplus reducing by a larger amount.
- Operating return reduced the shareholder coverage ratio by 10%, which was primarily driven by an increase in new business strain relative to last year. Management actions are not disclosed separately, so are captured within the operating return step. This has reduced in 2025 due to negative operating experience and assumption changes, partially offset by modelling refinements.
- There is an 8% reduction for non-operating returns and market movements, which includes (3)% for property growth experience against the long-term annual growth assumption, (4)% due to rising long-term interest rates and (1)% for asset trading timing variances.
- There is a further 2% reduction for strategic costs, which is primarily driven by Just's costs in relation to Brookfield's acquisition, investments to bring various retail-focused propositions to market and the cost associated with new workplace property facilities.
- The 'other' reduction of 5% includes in-year non-recurring items such as the £28m shareholder dividend paid in 2025.

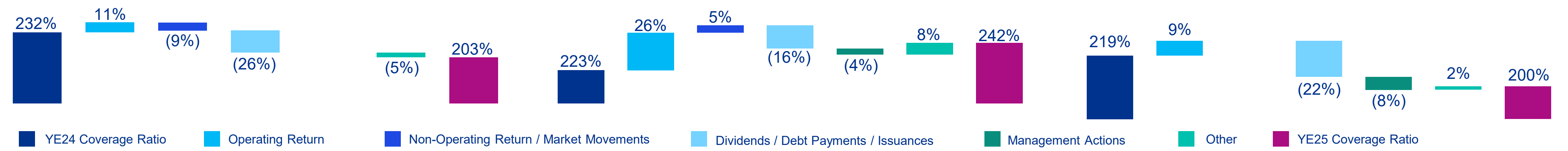
Analysis of movements in coverage ratio (cont.)

Analysis of the changes in coverage ratio for L&G, M&G and Quilter are shown below.

L&G

M&G

Quilter



Source: KPMG analysis of insurers' YE25 disclosures.

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

Total Change at YE25: (29)%

- The coverage ratio decreased by 29% over the year. Solvency II Own Funds and Surplus have both reduced over the year. L&G's operating range is 160-190%.
- The 11% operating return comprises operating surplus generation of 25%,offset by new business strain of 14%.
- Non-operating return and market movements reduced the Solvency II coverage ratio by 9%. This line item combines impact on surplus from operating variances of £(0.7)bn along with market movements of £(0.5)bn.
- There is a further 26% reduction in solvency coverage ratio, of which (18)% relates to dividends and (7)% corresponds to a share buyback.
- The remaining 5% reduction in solvency coverage ratio is made up of 3% for M&A and disposals (including the disposal of the Group's US insurance entity) and 2% for Tier 2 eligibility restrictions.
- L&G have also reported the pro forma FY25 coverage ratio of 210%, which is not presented in the chart above. This reflects a 28% increase due to the Meiji Yasuda transaction, which is partially offset by the related £1bn share buyback of 16% and further Tier 2 eligibility restrictions of 5%.

Total Change at YE25: 19%

- The coverage ratio increased by 19% over the year. Solvency II Surplus increased in 2025 because SCR reduced more than Own Funds, resulting in a net reduction in solvency coverage ratio. M&G's operating range is 160-190%.
- The operating returns of 28% were mainly driven by life in-force contribution including return on annuity surplus assets and with-profits expected returns, which is partially offset by new business strain due to increased BPA sales.
- Non-operating returns and market movement contributed a further increase of 5% to Solvency II coverage ratio.
- Dividend payment and capital reduction of 16%, which also allows for the reduction in Solvency II Own Funds to reflect the acquisition of P Capital Partners, a European private credit manager.
- The 'other' increase of 8% relates to tax benefits, arising due to benefits from current tax credits and the loss absorbing capacity of deferred tax, which is partly offset by net deferred tax assets.

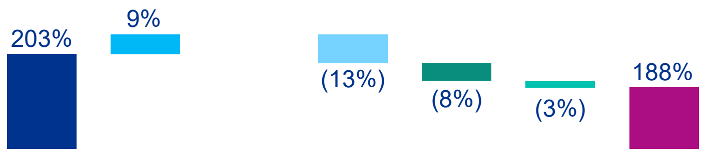
Total Change at YE25: (19)%

- The coverage ratio decreased by 19% over the year. Solvency II Own Funds increased in 2025 while Surplus remained broadly consistent to last year.
- There is a 9% increase in solvency coverage ratio due to net profit in the year partially offset by the negative impact of market variances. Due to the level of granularity in Quilter's results, this impact is captured entirely in the operating return step above.
- There is a 22% reduction in solvency coverage ratio, of which (10)% relates to the foreseeable dividend payment of £58m and (12)% corresponds to the share buyback programme of £100m.
- There is a further 8% reduction in shareholder coverage ratio due to acquisition, transformation and financing costs.
- A 2% increase in solvency coverage ratio arises from Ongoing Advice Evidence Review provision release.

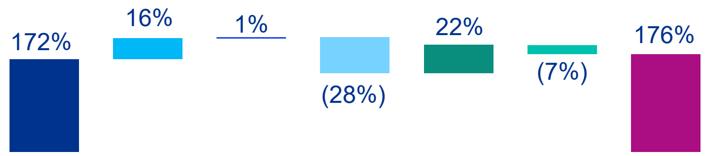
Analysis of movements in coverage ratio (cont.)

Analysis of the changes in coverage ratio for Royal London Group and Standard Life are shown below.

Royal London Group



Standard Life



YE24 Coverage Ratio | Operating Return | Non-Operating Return / Market Movements | Dividends / Debt Payments / Issuances | Management Actions | Other | YE25 Coverage Ratio

Source: KPMG analysis of insurers' YE25 disclosures.

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

Total Change at YE25: (15)%

- The coverage ratio decreased by 15% over the year. Solvency II Own Funds remained broadly consistent with last year, while Solvency II Surplus has decreased due to a reduction in SCR. RLG's operating range is 165-180%.
- Operating return of 9% includes the surplus generation from existing business 18%, offset by the new business strain of 9% (of which 4% relates to the capital strain for BPA new business).
- The net effects of non-operating returns and economic movements had no impact on the solvency coverage ratio this year.
- A reduction of 13% in the coverage ratio arises due to (7)% from profit distribution to policyholders and interest payments and (6)% from corporate items and financing costs.
- A further 8% reduction came from management actions, which includes the impact from the acquisition of Dalmore Capital, a UK based infrastructure investment manager.
- The 'other' category, contributing a 3% reduction, included strategic development costs and other items.

Total Change at YE25: 4%

- There was an overall increase of 4% in the coverage ratio with a number of offsetting impacts. Standard Life's operating range is 140-180%.
- Operating return contributed 16%, which consists of 21% for surplus emergence from in-force business and the release of capital requirements from Pensions, Savings & Retirement Solutions. This is offset by new business strain of 5% on annuities written in 2025. This is lower compared to last year due to lower capital allocation to protect economics in a highly competitive market.
- There is a further 28% reduction, of which (20)% arises from £(0.9)bn in debt interest payment, dividends and operating costs and the other (8)% arises from debt repayment.
- Management actions contributed 22%, of which 13% relates to recurring management actions, predominantly Own Funds accretive due to portfolio optimisation actions. Non-recurring management actions, including benefits achieved from transition to in-house management of annuity-backing assets, contributed an increase of 9% to the coverage ratio.
- The 'other' reduction of 7% is mainly attributed to non-recurring investment spend of £0.3bn, which is a part of the 3-year plan to optimise the business during 2024-26.

New Business: IFRS 17

This page 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 2025. 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 2025 to estimate a NB margin.

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

£m	Aviva (1)	Just (3)	L&G (4)	LBG (5)	LV= (6)	M&G (7)	PIC	Rothesay	RLG (8)	Standard Life (9)
Basis	IFRS 17 CSM	IFRS 17 CSM	IFRS 17 CSM	IFRS 17 CSM	Adj. UK GAAP NBC	IFRS 17 CSM	IFRS 17 CSM	IFRS 17 CSM	UK GAAP NBC	IFRS 17 CSM
Reinsurance	Gross	Gross	Gross	Gross	Net	Gross	Gross	Gross	Net	Gross
(a) New Business measure – CSM or NBC										
Total	**482**	**233**	**452**	**18**	**n/a**	**174**	**77**	**32**	**281**	**408**
Annuity	482	233	308			46	77	32	52	408
Protection			144						77	
Other						128			152	
(b) PVNBP or New Business Premium										
Total	**9,967**	**4,341**	**13,063**	**21,047**	**1,232**	**7,708**	**6,752**	**5,200**	**12,200**	**5,100**
Annuity	6,212	4,341	9,991		284		6,752	5,200	1,423	5,100
Protection	3,407		3,072		430				991	
Other	348				518				9,786	
(c) Margin – NB (a) / PVNBP (b)										
Total	**4.8%**	**5.4%**	**3.5%**	**0.1%**	**n/a**	**2.3%**	**1.1%**	**0.6%**	**2.3%**	**8.0%**
Annuity	5.0%(2)	5.4%	3.1%				1.1%	0.6%	3.7%	8.0%
Protection			4.7%						7.8%	
Other									1.6%	

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**: The 'Other' segment includes Equity Release which has £348m PVNBP but zero CSM as it is not in scope of IFRS 17. Thus, the 5.01% = £482m / (£6,212m + £3,407m).
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, and includes contribution from Workplace and Scottish Widows Platform businesses with no corresponding CSM, hence suppressing a combined margin calculated using NB CSM.
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. As at YE25, LV= has not disclosed their new business contribution figure this year.
7) **M&G**: 'Other' includes Europe business, which is non-annuity Life business and PruFund UK which is the wealth business. PVNBP represent the 'Estimates of the present value of future cash inflows' used within CSM calculation.
8) **RLG**: 'Other' includes Individual Pensions, Workplace pensions and Ireland business,
9) **Standard Life**: '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 IFRS 17 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 0.1% to 8%.
- For annuity products,
  - Standard Life's annuity gross margin is highest at 8.0%, with Just at 5.4%, Aviva at 5.0% and L&G at 3.1%
  - On the lower end of the spectrum, PIC's annuity margin is 1.1%, while Rothesay reports an annuity margin of 0.6%.
- LBG's new business margin of 0.09% is not directly comparable to peers, as the PVNBP measure includes participating investment contracts and is reported on an adjusted UK GAAP NBC basis, with no additional granularity provided.
- M&G's new business margin of 2.3% is not directly comparable to peers either, as the new CSM arises from annuity as well as with-profits business and the denominator has not been split out at this level of granularity.
- For protection and other products, the level of disclosed granularity remains inconsistent across firms at YE25, limiting the usefulness of cross-company margin comparisons for non-annuity business.
- Most companies have now adopted IFRS 17 CSM as their primary measure of new business profitability and no longer disclose alternative new business performance measures.

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

New Business CSM: YE24 vs. YE25

The table summarises **IFRS 17 gross new business CSM**, associated new business volumes (PVNBP or new business premium) and the resulting gross new business margins for **the major UK annuity writers** over YE24 and YE25. We have excluded LBG and M&G as their NB margins are not directly comparable to peers as stated on the previous page.

Across the cohort, YE25 new business CSM volumes are generally lower than YE24, reflecting a combination of reduced annuity volumes, increased competition and a greater emphasis on pricing and capital discipline. This is most evident for Aviva, Just, L&G and Rothesay, all of which report materially lower new business CSM in YE25 compared with YE24. Overall, the YE25 results indicate continued dispersion in new business margins across firms, driven by differences in pricing strategy, product mix and capital deployment, while reaffirming the growing reliance on IFRS 17 CSM as the primary measure of new business profitability.

£m	Aviva (1)		Just (3)		L&G (4)		PIC		Rothesay		Standard Life (5)	
Year-end	YE24	YE25	YE24	YE25	YE24	YE25	YE24	YE25	YE24	YE25	YE24	YE25
(a) New Business measure – IFRS 17 Gross CSM												
Total	**750**	**482**	**438**	**233**	**869**	**452**	**75**	**77**	**412**	**32**	**360**	**408**
Annuity	750	482	438	233	550	308	75	77	412	32	360	408
Protection					319	144						
Other												
(b) PVNBP or New Business Premium												
Total	**12,994**	**9,967**	**5,308**	**4,341**	**12,683**	**13,063**	**8,064**	**6,752**	**15,700**	**5,200**	**6,100**	**5,100**
Annuity	9,143	6,212	5,308	4,341	9,973	9,991	8,064	6,752	15,700	5,200	6,100	5,100
Protection	3,586	3,407			2,710	3,072						
Other	265[2]	348[2]										
(c) Margin – NB CSM (a) / PVNBP (b)												
Total	**5.8%**	**4.8%**	**8.3%**	**5.4%**	**6.9%**	**3.5%**	**0.9%**	**1.1%**	**2.6%**	**0.6%**	**5.9%**	**8.0%**
Annuity	5.9%	5.0%	8.3%	5.4%	5.5%	3.1%	0.9%	1.1%	2.6%	0.6%	5.9%	8.0%
Protection					11.8%	4.7%						
Other												

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 £348m PVNBP but zero CSM as it is not in scope of IFRS 17.

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

YE24 vs. YE25

- The IFRS 17 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.
- **Aviva**'s total new business CSM decreased from £750m in YE24 to £482m in YE25, broadly in line with the reduction in annuity PVNBP from £9.1bn to £6.2bn. This resulted in a reduction in the total new business margin from 5.77% to 4.84%, while the annuity margin remained relatively resilient at 5.01%.
- **Just** experienced a decline in both volumes and CSM, with total new business CSM reducing from £438m to £233m and PVNBP falling from £5.3bn to £4.3bn. The corresponding gross margin reduced from 8.25% to 5.37%, reflecting a more competitive pricing environment in YE25.
- **L&G** reported a reduction in total new business CSM from £869m in YE24 to £452m in YE25, driven by lower annuity margins and a decline in protection new business CSM. Although total PVNBP increased slightly to £13.1bn, the overall margin fell from 6.85% to 3.46%, with annuity margins reducing to 3.08% at YE25.
- **PIC** continues to report low gross margins, with steady but slightly reduce volumes compared to prior year. The total new business CSM is £77m on PVNBP of £6.8bn, resulting in a margin of 1.14% (YE24: 0.93%). While margins improved modestly year-on-year, they remain materially below those of most peers.
- **Rothesay** saw a significant reduction in new business activity, with PVNBP declining from £15.7bn to £5.2bn and new business CSM falling from £412m to £32m. This resulted in a reduction in the gross margin from 2.62% to 0.62%, reflecting both lower volumes and reduced margin on annuity business written in YE25.
- In contrast, **Standard Life** reported an increase in new business CSM from £360m in YE24 to £408m in YE25, despite a reduction in annuity PVNBP from £6.1bn to £5.1bn. This drove an increase in the gross margin from 5.90% to 8.00%, the highest reported among the peers in YE25.

Discount rates – IFRS 17

The table below provides a summary of each company's disclosed methodology and illiquidity premium (ILP) used for discount rates. We observe that ILPs have reduced slightly or remained stable for most insurers, with isolated increases in the with-profits and protection businesses in some cases.

Discount rates – YE25 disclosures analysis (n/a means not disclosed or may not be applicable).

Approach by product		Aviva	Just [1]	L&G [2]	M&G [3]	PIC	Rothesay	Standard Life [4]
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 for insurance contracts Bottom up for collateralised longevity swaps (NB*)	Top-down based on actual assets (NB*)
	ILP YE25 (bps)	160-170	190-200	150-160	133-146	150	136	168
	ILP YE24 (bps)	170-180	210-220	130-160	143-149	170	137	169
With-profits	**Top-down or bottom-up**	Bottom-up	n/a	n/a	Bottom-up	n/a	n/a	Bottom-up
	ILP YE25 (bps)	20-30	n/a	n/a	37	n/a	n/a	40
	ILP YE24 (bps)	30-40	n/a	n/a	39	n/a	n/a	20
Protection	**Top-down or bottom-up**	Bottom-up	n/a	Top-down based on notional asset portfolio	n/a	n/a	n/a	Not applied
	ILP YE25 (bps)	10-20	n/a	80-90	n/a	n/a	n/a	0
	ILP YE24 (bps)	20-30	n/a	50-80	n/a	n/a	n/a	0

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) **Standard Life** 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 40bps is applied to funds with predominantly liquid characteristics, whereas an ILP between 119-168 bps is applied to funds with predominantly illiquid characteristics.

Assumptions and experience

This page 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 2025, disclosures remain mixed across firms: some provide assumption-by-assumption profit impacts, while others provide only aggregate operating variance / experience & assumption change lines. Overall, the direction of impacts is more mixed than a simple narrative: longevity impacts are not consistently positive across firms, and persistency and expense impacts continue to be mixed (with some expense impacts reflecting expected cost savings / transformation activity, and others reflecting adverse updates).

	Assumption changes and non-economic variance
Aviva	• **Longevity assumption changes:** £37m adverse profit impact in 2025, driven by £69m decrease in fulfilment cashflows (FCF) and a £106m increase in CSM. • **Persistency assumption changes**: £3m adverse profit impact in 2025, from a £53m increase in FCF and a £50m decrease in CSM. • **Expense assumption changes:** £23m adverse profit impact in 2025, reflecting a £76m increase in FCF and a £53m decrease in CSM. Aviva notes most of the £23m loss relates to onerous contracts, where the full FCF impact is recognised immediately in profit. • These assumption impacts are disclosed under IFRS 17. A separate quantification within Solvency II Own Funds Generation (OFG) is not provided in the OFG disclosure.
Chesnara	• CSM decreased by £6m pre-tax due to non-economic assumption changes, with the CSM roll-forward showing a £13m decrease for “experience & assumption changes” (gross of tax). • Swedish performance benefiting from improved **persistency** experience and disciplined expense management.
Just	• **Mortality experience / assumption changes**: Mortality experience and assumption changes reduced IFRS profit before tax by £32m. This included £20m of negative operating experience driven by lower-than-expected mortality, together with £6m arising from modelling updates and £6m from minor assumption strengthening. • **Mortality improvement assumption**: In 2025, Just broadened its mortality review to assess drivers holistically (public health, behaviours, health & social care funding, medical advances and technology) using internal and external longevity experts, and aligned long-term improvement patterns for men and women. The resulting expert-led basis is broadly equivalent at key ages to the default CMI 2024 model.
L&G	• Operating variance resulted in a £688m decrease to Solvency II surplus. The disclosures do not provide a breakdown of the £(688)m operating variance into assumption changes, experience variances, or management actions, so these impacts are only observable in aggregate within the operating variance line.
M&G	• In the operating change in CSM, assumption changes and variances in shareholder annuities included £158m of **longevity** assumption changes. In Traditional With-Profits, assumption changes and variances included a £25m decrease, which includes weakened **persistency** assumptions relating to retirement rates. • Assumption changes contributed £15m to OCG. This included an £81m increase from changes to **longevity** assumptions, partly offset by an increase in **investment management expense** assumptions and a weakening of **persistency** assumptions (offset amounts not separately disclosed).
PIC	• Non-financial assumption changes were one of the key drivers of the CSM movement, with “other movements” of £232m being driven by non-financial assumption changes, contributing to an overall £458m increase in CSM. • In the Adjusted Operating Profit Before Tax (AOPBT) bridge, assumption changes contributed £194m, mainly from updates to **liquidity premium, expense and demographic assumptions** to reflect recent experience.
RLG	• Experience variances and assumption changes were £47m (i.e. favourable) within existing business contribution, driven by the positive impact of higher-than-expected Workplace Pensions premiums and partly offset by a charge for **persistency** assumption changes, particularly relating to the assumed level of pension transfers-out as customers consolidate pension pots. • Royal London’s governance reporting also flags **persistency** (transfers-out / stopping contributions), **longevity**, and **expense / expense-inflation** assumption updates as key areas of actuarial assumption review. In closed funds, the main assumption change related to **guaranteed annuity option** liabilities reflecting latest transfers and retirement experience
Standard Life	• Favourable assumption changes included updates to **base** and **improvement assumptions** (longevity), annual **persistency** updates, and specific refinements to **late retirement** and **GAO take-up** assumptions. • Favourable **expense** assumption changes were driven principally by expected cost savings associated with strategic outsourcing/technology partnership (including the partnership with Wipro to service the ALPHA platform), anticipated in-housing of shareholder asset management, and refinements to investment expense assumption modelling.

Continuous Mortality Investigation (CMI) – Longevity improvements

For YE25, more than half of the insurers below have transitioned to the CMI_2024 model, with the remainder using CMI_2023. Under the core CMI_2023 calibration, 0% weight was applied to 2020 and 2021 experience, with partial weighting applied to 2022 and 2023. CMI_2024 allows 100% weighting of experience across all years, including 2020 to 2024.

However, insurers have taken differing calibration approaches in YE25. Aviva has removed weightings on 2020–2024 data and made an explicit adjustment to reflect excess post-pandemic mortality, while L&G applies full weighting to mortality data from all years. Just has adopted an expert-led mortality driver model for YE25 while LBG applied bespoke mortality tables. LV= has continued to apply adjustments to initial improvement rates.

CMI_2024, released in March 2025, reflects a return to more stable mortality conditions following the pandemic. The model includes experience from 2024, which saw the lowest all-age mortality rates on record, and projects a further rise in life expectancy compared to CMI_2024. The next version of the CMI model (CMI 2025) was published in March 2026 as a business-as-usual update of the CMI model.

Figures in brackets denote the corresponding assumptions used for YE24 reporting.

Continuous mortality investigation approach by insurer – (Figures in brackets denote the corresponding assumptions used for YE24 reporting)

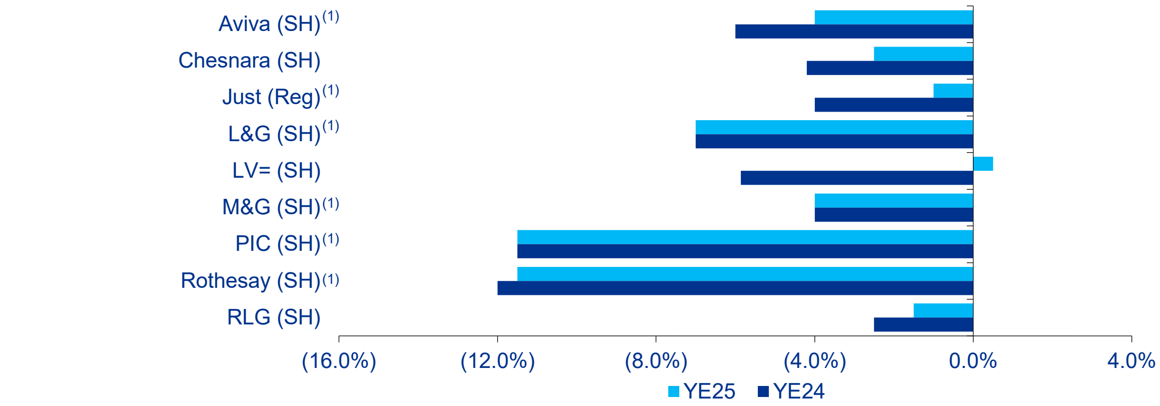
Firm	CMI Model	Long-Term		Smoothing parameter (Sk)		Additional Notes
		Male	Female	Male	Female	
Aviva	2024 (2023)	1.5% (1.5%)	1.5% (1.5%)	7.25 (7.25)	7.25 (7.25)	Aviva applied zero weight on 2020-2024 data within the model. A separate adjustment was made to reflect the impact that the drivers of excess mortality post-pandemic are expected to have in future years.
Just	2024 (2023)	1.5% (1.5%)	1.25% (1.25%)	7 (7)	7 (7)	Just used an expert-led mortality driver model, which is equivalent across key ages to CMI_2024 with default parameters and 1.5% long-term mortality improvements for men and 1.25% for women.
L&G	2023 (2022)	1.75% (1.75%)	1.25% (1.25%)	7.75 (7.5)	7.5 (7.5)	L&G placed 100% weighting on data for all years. This approach is different to last year where L&G applied 0% weighting for 2020-2022 experience data.
LBG	2024 (2023)	2% (2%)	1.8% (1.8%)	7.25 (7.25)	7.25 (7.25)	LBG applied bespoke mortality tables for its annuities business, with mortality improvements based on 100% bespoke calibration.
LV=	2024 (2022)	1.5% (1.5%)	1.5% (1.25%)	7 (7)	7 (7)	LV= applied initial additions to improvement rates (“A” parameter) of 0.1% (males) and 0.2% (females) for protection business, and 0.3% (males) and 0.4% (females) for non-protection business.
M&G	2023 (2022)	1.6% (1.6%)	1.6% (1.6%)	7.25 (7.25)	7.25 (7.25)	0% weight is applied to 2020 and 2021 data. 10% weight is applied to 2022 data and 15% weight is applied to 2023 data.
PIC	2024 (2022)	1.5% (1.75%)	1.5% (1.75%)	Not Stated (Not Stated)	Not Stated (Not Stated)	PIC doesn’t indicate the specifics of the adjustments or weightings used.
Rothesay	2024 (2023)	1.5% (1.8%)	1.5% (1.8%)	7 (7.6)	7 (7.6)	The initial adjustment parameter has been adopted for YE25 with 0.4% for both genders.
RLG	2023 (2023)	1.25% (1.5%)	1.25% (1.5%)	7 (7)	7 (7)	There has been no change in the CMI model used between YE24 and YE25.

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

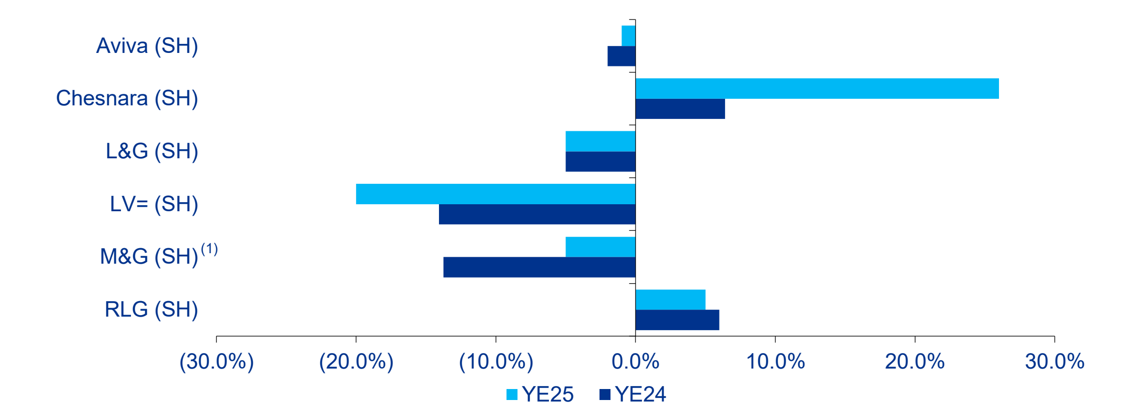
YE25 Solvency II sensitivities

The graphs below compare the sensitivity results between YE24 and YE25, illustrating the changes in coverage ratios. This page covers interest rate, equity and property sensitivities, whereas the next page covers credit and longevity sensitivities. Results are presented in either the shareholder or regulatory view, denoted by “SH” or “Reg” respectively.

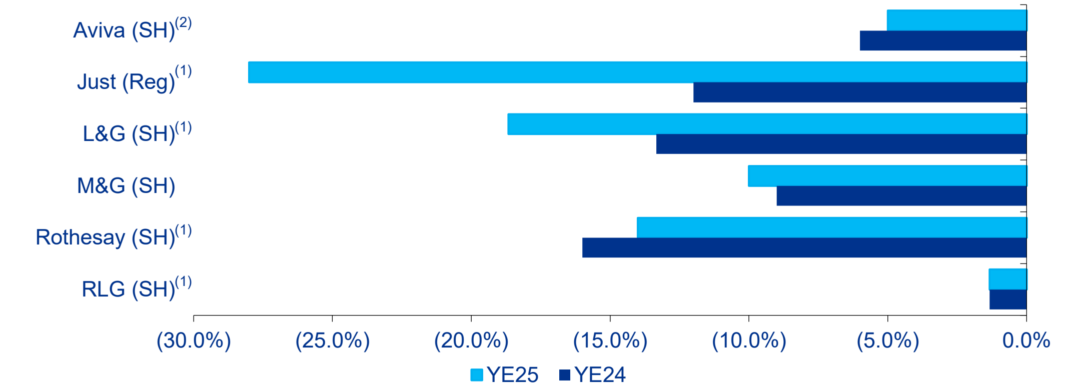
Interest Rate: -50bps



Equity: -25%



Property: -20%



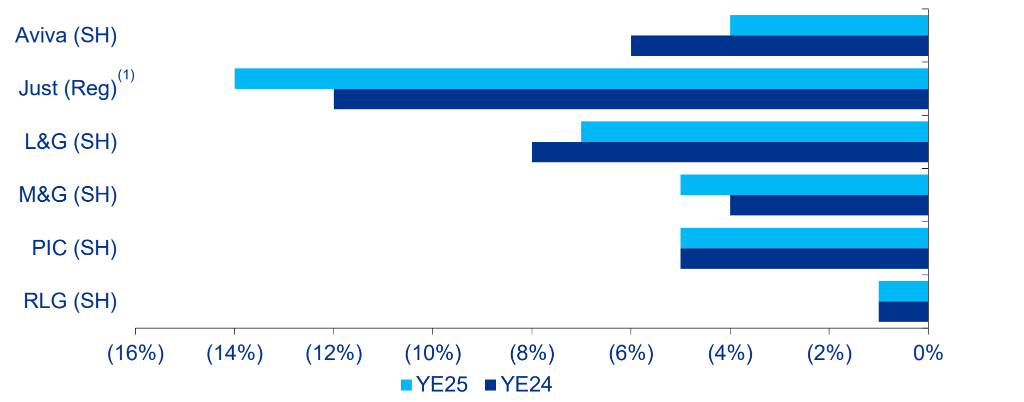
Note: (1) Linear interpolation on provided sensitivities were used where required to determine the impact of the stress.
(2) The figure for Aviva’s property stress only applies to commercial business.

- Most firms report a stable or reduced adverse impact from a −50bps **interest rate stress** in YE25 compared with YE24. Several insurers show less sensitivity over the year, with **LV=** exhibiting the largest reduction in interest rate sensitivity over the year. **LV=** moved from a material interest rate sensitivity at YE24 to a broadly neutral position due to a significant reduction in interest-rate (yield) exposure during 2025, driven by update to late retirement terms on certain pension products and the resulting true-ups to the hedged position.
- **LV=** shows increased **equity sensitivity** at YE25, with the sensitivity driven by the DB pension scheme, with-profits guarantees/smoothing costs and unit-linked future charges, plus lapse-driven capital impacts. These are partly hedged / mitigated by smoothing actions. **Chesnara’s** equity sensitivity became materially less favourable over the year. **Chesnara** explained equity stresses reduce Assets under Administration, and therefore both Own Funds and the associated SCR. The YE25 result reflects a stronger SCR reduction (relative to Own Funds) under the equity shock. **M&G’s** equity sensitivity has decreased, with no specific reason disclosed for this impact.
- Changes in the **sensitivity to property** from YE24 to YE25 is mixed. While **Aviva**, **Rothesay** and **RLG** report stable or reduced sensitivity, both **Just** and **L&G** disclosed materially more adverse impacts year-on-year. **Just** reports the largest property sensitivity across the firms analysed which it attributes to the PRA EVT minimum deferment rate (2025: 4.5%, 2024: 3.5%), noting that its sensitivities allow for the EVT deferment rate to vary subject to this, together with other basis updates.

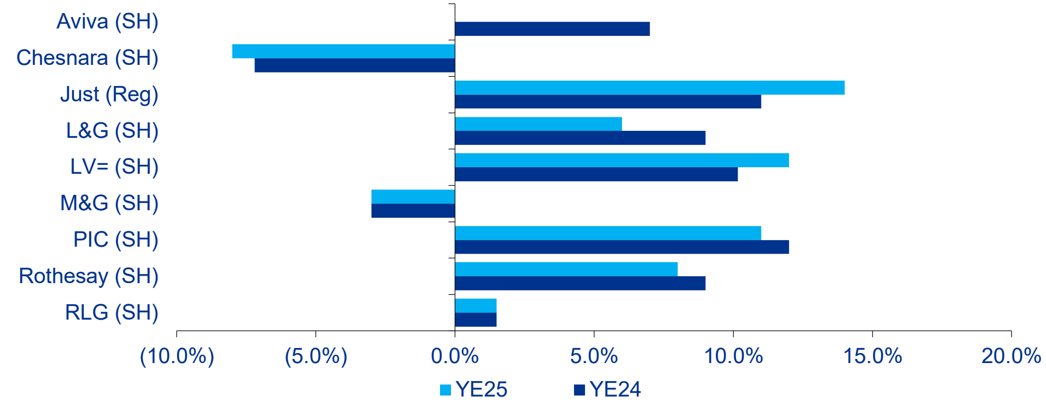
YE25 Solvency II sensitivities (cont.)

The graphs below compare the sensitivity results between YE24 and YE25, illustrating the changes in coverage ratios. This page covers credit and longevity sensitivities. Results are presented in either the shareholder or regulatory view, denoted by SH or Reg respectively.

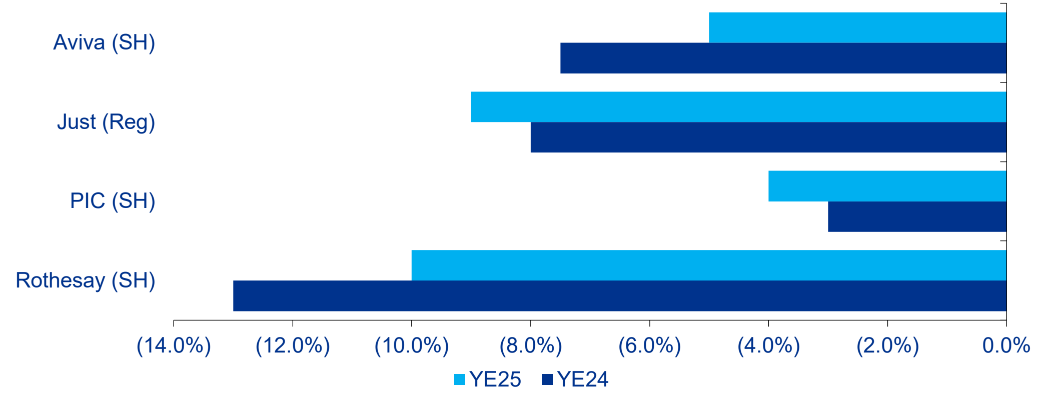
20% Portfolio Full Letter Downgrade



Corporate Bonds: +100bps



Longevity: +5%



Note: (1) Linear interpolation on provided sensitivities were used where required to determine the impact of the stress.

- Credit downgrade sensitivities are broadly stable between YE24 and YE25. **Just** and **M&G** show slightly increased sensitivity, while **Aviva** and **L&G** report slightly lower sensitivity to a credit downgrade.
- Sensitivities to corporate bonds remain broadly stable from YE24 to YE25, with some firms showing slightly increased sensitivity and others slightly decreased sensitivity. At YE25, Aviva reports zero sensitivity which is a significant reduction from the prior year.
- This year's analysis considers the +5% longevity stress, these are broadly stable between YE24 and YE25, with a decrease for Aviva and Rothesay and a small increase in longevity sensitivity for Just and PIC.

Asset portfolio

The table below summarises the asset portfolios for shareholder backed business (excluding participating and unit linked business) disclosed in YE25 reports, with a focus on corporate and government bond securities. Compared to YE24, there has been some rebalancing within bond portfolios; however, the split by rating and industry exposure remains broadly unchanged and overall credit quality has remained stable, with sub investment grade exposure continuing to be minimal. Most insurers have increased their allocation to government bonds, consistent with trends observed at YE24. Disclosure on defaults and downgrades remains limited, although available information does not indicate material credit deterioration during the year. Figures in brackets denote the corresponding values for 2024.

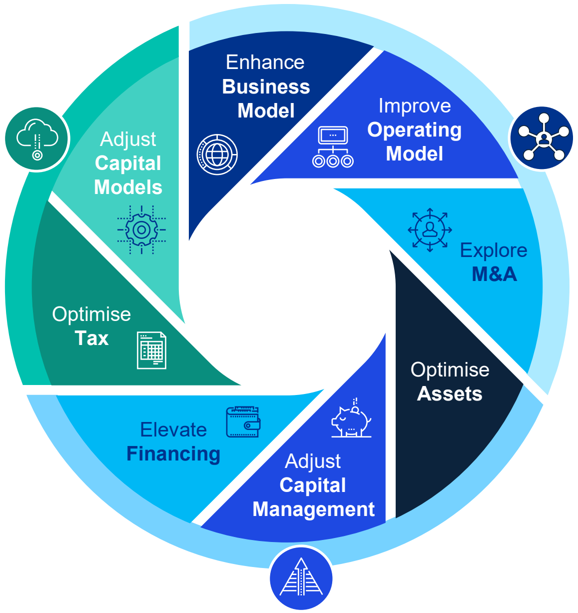
YE25 Bond Portfolio		Aviva(1)	Just	L&G	M&G(2)	Standard Life
Bond Assets Under Management (AuM) – YE25 (YE24)		£50.0bn (£46.9bn)	£21.5bn (£18.7bn)	£82.0bn (£81.3bn)	£13.4bn (£12.2bn)	£37.7bn (£33.6bn)
	% rated at least A	85% (87%)	64% (62%)	72% (68%)	54% (53%)	80% (79%)
	% rated BBB	14% (12%)	35% (37%)	28% (32%)	16% (14%)	19% (20%)
	% sub inv. grade	1% (1%)	1% (1%)	1% (1%)	0% (1%)	1% (1%)
Split by Rating2	% other	0% (0%)	0% (0%)	0% (0%)	30% (32%)	0% (0%)
	% in government sectors	52% (52%)	23% (16%)	31% (22%)	31% (27%)	48% (37%)
	% in financial sectors	16% (16%)	14% (15%)	15% (19%)	19% (22%)	12% (15%)
	% in real estate sectors	4% (4%)	17% (17%)	5% (6%)	22% (23%)	17% (18%)
	% in infrastructure sector	0% (0%)	21% (19%)	16% (16%)	0% (0%)	8% (6%)
	% in utilities sectors	7% (7%)	11% (15%)	13% (14%)	13% (13%)	7% (10%)
	% in consumer services	7% (6%)	6% (8%)	12% (14%)	4% (3%)	2% (5%)
	% in industrial sectors	7% (6%)	3% (4%)	2% (2%)	3% (3%)	3% (4%)
	% in communication and technology sectors	4% (4%)	5% (6%)	4% (5%)	3% (3%)	2% (3%)
Split by Industry Exposure	% in other sectors	3% (5%)	0% (0%)	2% (3%)	6% (6%)	1% (2%)
Downgrades – full letter		Not disclosed	10% downgrade offset by 5% upgrade	Not disclosed	Less than 9% of bonds downgraded, partially offset by an upgrade for 4%	Not disclosed

YE25 Asset Mix (£bn)	Aviva	Just	L&G	M&G	Standard Life
Bond portfolio	54% – £50.0bn (£46.9bn)	57% – £21.5bn (£18.7bn)	59% – £82.0bn (£81.3bn)	91% – £13.4bn (£12.2bn)	83% - £37.7bn (£33.6bn)
Equity Release Mortgages (ERM)	10% – £9.1bn (£9.1bn)	16% – £6.0bn (£5.6bn)	4% – £5.8bn (£5.9bn)	0% – £0.0bn (£1.0bn)	11% - £4.9bn (£4.8bn)
Other assets excluding ERM	36% – £32.7bn (£27.1bn)	26% – £9.9bn (£10.2bn)	37% – £51.8bn (£60.8bn)	9% – £1.4bn (£1.4bn)	6% - £2.6bn (£5.4bn)
Total assets	100% – £91.8bn (£83.1bn)	100% – £37.4bn (£34.5bn)	100% – £139.5bn (£148.0bn)	100% – £14.8bn (£14.6bn)	100% - £45.3bn (£43.9bn)
Segments included in disclosures	Shareholder (SH) asset portfolio (i.e. excl. policyholder assets)	Financial investments(excl. reinsurance asset, cash and property)	Annuity investment (excl. Other investment)	Annuity and other long term business assets (Excl. with-profits and Unit linked)	SH and non-profit funds; SH supported with-profits funds (Excl. WPs and Unit linked)

Note: (1) Percentages are based on corporate bonds and government bonds only.
(2) M&G assets rated as 'other' are internally rated.

Capital optimisation actions

We have extracted a selection of **capital optimisation actions** implemented by firms in 2025 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 Management (1)

- **Just –** New business strain rose materially above target in 2025 due to competitive conditions and business mix contributing to lower Solvency II coverage and organic capital consumption, with management constraining volumes to remain within capital budgets and manage capital resources.
- **M&G –** Board updated the Group's Capital Allocation Framework in 2025 to support long-term value creation, with revised parameters reflecting market and regulatory changes. M&G are targeting £2.7bn cumulative operating capital generation (excluding new business strain) for the three years to 2027.
- **L&G** – Advanced its 2024 strategy in 2025 by adopting a more disciplined, framework driven approach to capital allocation, focused on strategic fit and financial performance across the business.
- **Standard Life –** Intends to make a voluntary change in its accounting policy through the adoption of the IFRS 17 Risk Mitigation Option (RMO) in its 2026 financial statements. Currently, a mismatch arises from derivative instruments held to mitigate financial risks which does not reflect the nature of risk mitigation activities. The RMO will be applied for the Group's equity risk hedging strategy.
- **Chesnara –** the UK business extended mass-lapse reinsurance to the Canada Life portfolio and wider UK book, delivering capital relief and reducing SCR.
- **Aviva -** Optimised equity release mortgage portfolio and updated BPA modelling to reflect that deferred scheme members have an option to convert some of their annuity benefits to cash.

Financing

- **Aviva –** Solvency II leverage ratio increased to 30.1% (2024: 28.9%), driven by Tier 1 and Tier 2 debt acquired with Direct Line acquisition, partly offset by preference share cancellations and Tier 2 redemptions.
- **Just** – Finance costs were up 3% in 2025, reflecting the higher coupon payable on a portion of the Group's debt following a refinancing in 2024.
- **Standard Life –** Solvency II leverage ratio improved to 33% in 2025 (2024: 36%), reflecting £398m of debt repayments in 2025 with £423m of excess cash largely used for deleveraging and the Group on track to reach its c.30% target by 2026.
- **L&G –** Completed a further £500m share buyback program in 2025 while increasing the dividend by 2% and further £1.2bn is planned to be returned to shareholders over the next 12 months following the completion of the sale of the US business to Meiji Yasuda.

Note: (1) Internal Model updates and regulatory proposals presented in the Hot Topics section

M&A

- **Just** was acquired by Brookfield Wealth Solutions (BWS) on 1 April 2026 for £2.4bn. BWS is one of the largest private investors in the U.K. with approximately £70bn invested in sectors critical to the economy, including infrastructure and real estate.
- **PIC** was acquired by Athora Group on 27 March 2026 for £5.7bn. Athora also announced its intention to relocate its corporate and legal headquarters from Bermuda to the UK by late 2027, subject to regulatory approvals.
- **Chesnara** agreed its £260m acquisition of HSBC Life (UK) Limited on in July 2025 bringing £4bn of assets under administration. The acquisition was completed in Feb 2026.
- **M&G –** In May 2025, M&G entered into a long-term strategic partnership with Dai-ichi Life Holdings across life insurance and asset management, with Dai-ichi intending to increase its current shareholding to around 15% in M&G
- **L&G** M&A activity in 2025: 1) In 2025, L&G acquired a 75% stake in Proprium Capital Partners, strengthening and expanding its global real estate private markets capability, 2) It also entered a long-term strategic partnership with Blackstone to source US focused investment grade private credit for its annuities business, 3) In 2025, L&G entered a strategic partnership with Meiji Yasuda encompassing the sale of 100% of it's US PRT business (including Banner Life) and forming a partnership in the US PRT market. Meiji Yasuda plan to acquire a 5% economic interest in L&G to deepen the corporate relationship.
- **Aviva** – In July 2025, Aviva completed its £3.7bn cash-and-share acquisition of Direct Line Group, strengthening its UK general insurance scale.
- **Royal London** – In Nov 2025, Royal London completed its acquisition of Dalmore Capital, an infrastructure investment manager to grow its private assets capabilities.

Assets

- **L&G**'s Board approved using gilt-heavy asset strategies for Pension Risk Transfer deals to remain competitive and manage risk. These strategies involve initially investing premiums predominantly in gilts (UK government bonds) and subsequently transitioning into higher-yielding assets. L&G's Risk Committee monitored this approach throughout 2024–25 to ensure any liquidity risks were well-controlled.
- **Just** built up a "gilt-heavy" holding in 2025 because corporate bond spreads were unusually tight. This conservative stance meant surplus pension premiums were parked in low-risk gilts while suitable illiquid or corporate credit investments were scarce.
- **PIC** did not explicitly label its strategy "gilt-heavy," but its disclosures underscore a prudent balance between gilts and higher-yield assets. PIC warned that persistently tight credit spreads (narrow gap between corporate yields and gilts) pose a risk to achieving target returns. By YE25, PIC's £54.8bn portfolio included £31bn in UK gilts, corporate bonds, and other fixed income, and £15bn in UK private investments (in infrastructure, housing, etc.)
- **Rothesay**, a major PRT insurer, has long maintained a gilts-heavy asset allocation for interest rate matching, combined with carefully selected credit investments. At YE25, its asset mix featured roughly £24bn in UK government and agency bonds (for secure cash flows) and about £34bn in investment-grade corporate and secured debt, alongside ~£6–7bn in lifetime mortgage loans.
- **Chesnara** – In 2025, the UK business unit implemented a currency hedge, to enhance capital efficiency relating to foreign exchange risk. The Group also renewed and rebalanced the Group's foreign exchange hedge, releasing capital and generating OCG of £9m.

Hot topics

Regulatory changes

- The Solvency II reform package (“**Solvency UK”)** took effect from 31 Dec 2024, bringing more favourable and flexible capital rules, affecting disclosures for the first time.
- Notably, **the Matching Adjustment Investment Allowance (MAIA)** was introduced to streamline approval of new asset classes for MA portfolios, addressing earlier constraints and supporting investment in illiquid assets.
- Most insurers did not disclose anything related to the **Matching Adjustment Attestation. Just** and **RLG** state that their respective Boards have approved the MA Attestation Policy.
- The Prudential Regulation Authority (PRA) also conducted a **Life Insurance Stress Test (LIST 2025);** sector-wide results published in November 2025 confirmed that UK insurers remain resilient under severe scenarios (Solvency II ratios in the range 150–250%).
- The PRA’s Nov 25 discussion paper (DP2/25) explores enabling UK life insurers to transfer defined tranches of risk to the capital markets. It outlines various options and seeks industry views on feasibility and risk management.

Workplace pensions

- **Royal London’s** workplace pensions continued to grow in members and assets despite industry-wide fee pressure. New workplace pension sales were £4.5bn in 2025 (flat vs 2024’s high), and membership reached 2.2m. Royal London invested in digital transfer tools and consolidation campaigns to attract transfers, implicitly aiming to offset lower charges with higher scale.
- **Standard Life** stressed that Workplace pensions are a scale game. Workplace Assets Under Administration were ~£71bn (up ~40% over three years).The business added 247k new members in 2025 and achieved cost efficiencies through platform migration, which are “driving margin expansion” despite fee pressure. Standard Life is focused on **digital-first engagement** and operational efficiency to manage the **low AMC** inherent in workplace schemes.
- **Aviva’s Wealth division** (incl. Workplace pensions) saw revenue margins dip (34.6 bps from 36.1 bps in 2024) due to competitive fee pressure, but operating leverage lifted profit margin to 8.1 bps (from 7.0 bps).

Mutuals and Friendly Societies

- **The Bank of England** published a Mutuals Landscape Report in Dec 2025, reviewing the role, scale and regulatory treatment of mutuals and friendly societies in the UK financial system.
- **One Family** entered advanced merger discussions with **Scottish Friendly**, leading to a Feb 2026 announcement of a proposed merger that would create a combined £10bn AUM, 2.3m member mutual by 2027.
- **Scottish Friendly** completed a major acquisition in April 2025, adding £2.16bn of pension & annuity assets (40,000 pension policies and 1,000 annuities) from Fidelity International, which boosted total AUM to ~£6.3bn.
- **Foresters Friendly** announced in a March 2026 that they will cease operating as an insurer and transfer its policies to **Shepherds Friendly** (expected completion in 2027).
- **Wiltshire Friendly and Holloway Friendly** have announced a proposal to merge, with the merger effective on October 1, 2026, subject to regulatory approval. The merged business will continue to operate as Holloway Friendly serving over 33,000 members following the effective date of the transfer.

AI / Technology

- **Aviva** positioning AI as a growth / efficiency enabler, focusing on scale, data advantage and end to end transformation opportunities across multiple business lines.
- **Chesnara** focusing on digital operational resilience and regulatory compliance, with technology embedded into BAU processes following the introduction of Digital Operational Resilience Act (DORA) in 2025.
- **L&G** stated explicit Board-level oversight of resourcing and skills to deliver enterprise transformation, including responsibility for technology, data and major change programmes.
- **Lloyds Banking Group** extending their capabilities in new and emerging technologies through investment in Gen AI with 50 live Gen AI use cases in 2025. They are also increasing technology hires, including the launch of Lloyds Technology centre to bring talent in-house.
- **Royal London** highlights AI as a major industry and internal enabler, with emphasis on responsible and ethical use, governance oversight and customer experience improvement.

Private credit and illiquid investments

- Life insurers are allocating more to private credit, infrastructure, real estate loans, and other illiquid assets to enhance yields and bolster Matching Adjustment portfolios in a higher-rate environment. This is aligned to some of the M&A activity observed in the capital optimisation section to enhance access to assets in this category. In addition, three insurers have noted that they are showing commitment to the Mansion House Accord and directing more Defined Contribution pension funds to private assets or pledging a percentage of Workplace funds to it.
- For example, **PIC** grew its asset portfolio to £54.8bn, including £15bn in privately sourced UK infrastructure and housing investments, to back long-term pension liabilities. It also has a long track record and expertise in private debt. In 2025 alone PIC originated £2.0bn of new private debt investments, spanning UK infrastructure (e.g. £300 m in the Haweswater Aqueduct project) and social housing, among others.
- **Just Group** continued to increase its allocation to private credit and other illiquid assets in 2025. It sourced £2.2bn of illiquid investments (e.g. private placements, infrastructure loans) during the year. Approximately two-thirds of these were sourced internally (leveraging its new partnership with a global asset manager).
- **L&G** noted *“the vast majority of our exposure is to private placement type debt, predominantly in the UK, almost exclusively IG rated”*, underscoring its focus on quality and local investment. It also reported minimal Collateralised Loan Obligations (CLO) exposure (~3% of the private credit book) and no defaults since 2009, reinforcing that its illiquid credit assets are managed to bank-like standards for long-term stability.
- **Royal London** highlighted the expansion of its private credit and illiquid asset investments as a strategic priority.

Hot topics (Cont.)

Operational costs

- **Royal London** - In December 2025 they entered into an agreement to bring in-house the administration of a significant number of Longstanding customer policies which were currently outsourced to the Capita plc group. The Group transferred £167m to the fund for future appropriations, including a one-off charge of £51m to reflect the expected impact of this transition over the next five years.
- **M&G** delivered £250m of cost savings over the three years to the end of 2025, exceeding the upgraded £230m target through simplification and operating leverage.
- **Standard Life** achieved £180m of cumulative run rate cost savings by end 2025 and reaffirmed the £250m run rate cost savings target by end 2026.
- **Aviva** post Direct Line acquisition integration targeting £225m of run rate cost synergies, with around £50m already delivered in 2025 from role duplication removal and integration actions.
- **L&G** undertook substantial restructuring and technology transformation. Incurred ~£202 million of exceptional M&A and restructuring costs in 2025 to simplify operations and create a "growing, simpler and better-connected" L&G. These one-off investments are expected to reduce future operating costs, with transformation spend tapering to £100–£200 million in 2026.
- **PIC** - 'Project and other' costs fell to £105 million in 2025 (from £130 million in 2024), reflecting lower spend on the 22 Ropemaker infrastructure project.
- **Just Group** invested £36 million (2024: £35m) in new systems and proposition development ("strategic costs"), contributing to a 39% drop in underlying operating profit (to £305m) as planned. Expense efficiencies are expected as these investments mature.

Internal Model – Major Model Changes (MMC)

- **Aviva** have disclosed that they are on track to migrate Direct Line onto Aviva's internal model by YE26, subject to PRA approval. In addition, Aviva received regulatory approval for certain credit risk modelling changes within the SCR during 2025.
- **Standard Life** developed a credit model for use in the Group Solvency UK Internal Model. The application for the Major Model Change was submitted in June 2025 and approved by the PRA in December 2025.
- **L&G** – Although no MMCs took place in 2025, the Group's US insurance businesses and L&G Reinsurance Company No. 2 are now valued on a local statutory basis, following the PRA's approval to use Calculation Method 2 for including these businesses in the Group solvency calculation.

Product Innovation

- **M&G - Prudential Guaranteed Income Plan** – a new fixed-term annuity product (backed by M&G's with-profits fund) introduced under the Retirement Account, offering customers a guaranteed income for a set term.
- **Standard Life - Guaranteed Lifetime Income plan** – a newly launched individual annuity product providing a guaranteed lifetime income, thereby completing the firm's suite of retirement income solutions across all life stages.
- **Aviva and L&G - Guided Retirement** – Aviva has a blended retirement proposition that combines flexible drawdown with later-life guaranteed income ("flex first, fix later"), guiding customers through retirement by allowing initial flexibility then locking in a guaranteed income later. L&G's Guided Retirement Planner has been used by more than 70,000 members aged 55+, where the Planner breaks retirement planning into simple steps. RLG intends to implement a framework for targeted support / guided retirement in 2026, and Quilter plans to deliver target support through its Quilter Invest platform.
- **LV= - With-Profits Fixed Term Annuity** – a fixed-term annuity contract (the first of its kind in the UK) that participates in LV='s with-profits fund, giving policyholders a guaranteed income for a set period while also making them eligible for mutual bonus distributions after the first year (sharing in the insurer's profits).
- **St. James Plc - Polaris Multi Index fund range** – a set of lower-cost, multi-asset fund-of-funds portfolios implementing SJP's active asset allocation. Developed to broaden client investment choice, this new range attracted over £1 billion of client funds within just two months of its late-2025 launch.
- **Rothesay** – Nest (workplace pension scheme provider), has appointed Rothesay to co-design a bulk deferred annuity for DC pension savers. Once the co-design has been completed successfully, Nest will purchase bulk deferred annuities for cohorts of members from Rothesay. The bulk deferred annuity will pool longevity risk and be a key part of Nest's trustee-managed sustainable income solution for members.
- **Chesnara** - Movestic (Chesnara's Swedish subsidiary) enhanced its pension offering by introducing flexibility to pause occupational pension withdrawals within the first five years and driving strong adoption of its 'Movestic Freedom' retirement planning concept.

Appendices

Basis of preparation

- We have analysed the publicly disclosed year-end 2025 reports and accounts, press releases and other published materials for 15 UK life insurance companies that had reported by a cut-off date of 17 April 2025: Aviva, Chesnara, Just, L&G, Lloyds Banking Group (LBG), LV=, M&G, NFU Mutual, PIC, Quilter, Rothesay, Royal London (RLG), Standard Life, St James's Place (SJP) and Wesleyan.
- This document summarises the YE 2025 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 SUK results. Our analysis focuses on the life insurance segments of these companies.
- However, key solvency measures, such as coverage ratio and SUK 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 eight insurers (Aviva, Chesnara, Just, LBG, L&G, M&G, Standard Life and RLG).
- 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 their SFCRs before the financial reports and therefore we have included information from their SFCRs.
- Since the implementation of Solvency UK reforms, insurers continue to reference "Solvency II" in their financial reports and often use the terms interchangeably. For consistency we have used "Solvency II" in this report.

Coverage ratios

Approaches to analysis of change under Solvency II throughout 2025 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.

Firm	Total change in coverage ratio[1] (%)	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	(23)%	Shareholder	Underlying capital generation	19%	Non-operating capital generation	(4)%	Preference share cancellation	(8)%	Management actions	11%	M&A	(31)%
							Net debt issuance	3%				
							Dividends	(13)%				
Chesnara	54%	Shareholder	Operating Capital Generation	47%	Non-operating Capital Generation	(25)%	Dividends	(16)%	Capital Raises (net of Integration & Restructuring)	54%	Tiering Restrictions	(6)%
Just	(25)%	Regulatory	Organic capital consumption	(10)%	Property experience	(3)%	N/A	N/A	Strategic costs (excl. one-off)	(2)%	One off items	(5)%
					Interest rates	(4)%						
					Asset timing variance	(1)%						
L&G	(29)%	Shareholder	Operational surplus generation	26%	Operating variances + market movements	(9)%	Share buyback	(7)%	N/A	N/A	Mergers, acquisitions and disposals	(3)%
			New business strain	(14)%			Dividends paid	(18)%			Tier 2 eligibility restrictions	(2)%
M&G	19%	Shareholder	Operating Cap Gen	26%	Market movements	5%	Dividends & capital mov.	(16)%	Other movements	(4)%	Tax	8%
RLG	(15)%	Shareholder	New Business	(9)%	Economic movements	N/A	Profit share	(7)%	Management actions	(8)%	Strategic development costs and other items	(3)%
			Existing Business	18%			Corporate items and financing costs	(6)%				
Standard Life	4%	Shareholder	Surplus emergence and release of SCR	21%	Economics and temporary strain	1%	Operating costs, debt interest and dividend	(20)%	Recurring management actions	13%	Investment spend and other	(7)%
			New business strain	(5)%			Debt repayment	(8)%	Other management actions	9%		

Note: (1) The total change in coverage ratio may not equal the sum of individual components due to rounding differences

Hedging strategies

Use of derivatives for hedging remains an important feature of insurers' market-risk management and capital optimisation. The table below summarises, for YE25, each insurer's stated hedging objectives and the reported impact on financial results, based on disclosures in their 2025 reports and accounts. This analysis specifically focuses on hedging against market risks and does not include other types of risks.

Across the insurers shown, hedging is frequently described as being managed primarily with reference to Solvency II capital and liquidity objectives (e.g. protecting solvency coverage and dividend capacity). Where that is the case, the impacts can appear less aligned to IFRS profit trends, because IFRS and Solvency II measure balance sheets differently and recognise some items on different timelines. This can result in IFRS volatility or timing effects, for example where hedge movements are recognised immediately in IFRS (or in OCI for qualifying hedges) while the offsetting benefit is reflected elsewhere (including over time) or is more visible in Solvency II measures.

Insurer	Objective of Hedging Strategy	Impact on FY 2025 Financial Results	Changes in approach (vs. 2024)	Solvency II Focus(1)
Aviva	• Interest rate risk is managed using liability-matching assets and derivatives (including interest rate swaps). Aviva also uses derivative financial instruments (exchange-traded and OTC), including interest rate swaps, currency swaps and credit default swaps, to manage exposure to market, foreign currency and/or interest rate risks (including on existing assets/liabilities and planned purchases). Currency exposures are managed via currency swaps / currency hedging. • Hedging is focused on protecting the Solvency II capital position and securing the ability to pay dividends, and this approach can introduce IFRS volatility from fair-value movements on long-term assets held to back liabilities/capital requirements. • 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.	• The loss of £105m (2024: loss of £850m) in relation to investment variances and economic assumption changes on Life business was primarily due to UK long-term interest rates rising for terms over 10 years and losses from hedging against gains on equity markets; partially offset by gains from sovereign debt spreads and currency hedging. • The adverse impact of equity market gains reflects 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.	No explicit change in approach identified. Note: Canada net investment hedge was terminated in December 2025 following a change in how FX risk on external borrowings is managed.	Y
Just	• Just manages balance-sheet exposures through hedging and matching, including hedging foreign exchange and inflation exposure and continuing to execute strategic interest-rate hedging. • The Group holds a portfolio of UK Government bonds ("Gilts") as part of its strategic interest-rate hedging, meaning movements in risk-free interest rates have had a negligible effect and have almost eliminated the Group's IFRS exposure to interest-rate movements.	• Investment and economic movements were negative at £(98)m (FY2024:+ £18m). Within this, the "change in risk-free rates and inflation" was +£12m, and Just attributes the limited impact of risk-free rate movements to the strategic hedging approach introduced in late 2022 and continued through FY2025. • Just held £4.0bn of long-dated gilts at amortised cost under IFRS and this approach has almost eliminated IFRS exposure while also helping to contain Solvency II sensitivity to future interest-rate movements.	No explicit change in approach identified.	Y (and IFRS)

Note: (1) Where the strategy mentions Solvency II, this is flagged as yes.

Hedging strategies (cont.)

Insurer	Objective of Hedging Strategy	Impact on FY 2025 Financial Results	Changes in approach (vs. 2024)	Solvency II Focus[(1)]
L&G	• L&G uses derivatives as part of efficient portfolio management / asset-liability management, including hedging exposures to interest rates, inflation, FX and other market risks (via swaps and FX forwards).	• Cross-currency swap contracts had a net liability fair value of £46m (2024: £42m) and a notional amount of £1,099m in 2025 (2024: £1,099m). Forward exchange contracts had a net asset fair value of £53m (2024: £nil) and a total notional amount of £1,243m at FY25. • The consolidated cash flow hedge and cost of hedging reserve increased by £44m in OCI during 2025 (FY24: £3m), with a £2m related tax movement (FY24: £(1)m)	New hedging tools / programmes in 2025: (i) EUR cross-currency swap hedge added, and (ii) forward FX contracts designated to hedge $2.6bn sales proceeds from Legal & General America Inc.	Not specified
M&G	• M&G uses hedging instruments to protect its Solvency II capital position against key market risks, including interest rate swaps to protect The Prudential Assurance Company Limited's (PAC's) Solvency II capital position against falls in interest rates, and equity hedging instruments to protect the Solvency II capital position from falling equity markets.	• In 2025, M&G recorded a £34m loss (FY24: £227m loss) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates, and a £174m loss (FY24: £98m loss) on hedging instruments held to protect the Solvency II capital position from falling equity markets. • Separately (in capital generation disclosures), management actions included a£56m benefit from increasing the level of equity hedging on the with-profits business.	No explicit change in approach identified. Note: With-profits equity hedging increased in 2025 (due to management action), delivering a £56m capital benefit.	Y
PIC	• 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 Economic and other non-operating variances line. • PIC uses derivatives to hedge certain market risks associated with both new and existing business (with derivative exposures collateralised). • PIC also notes its hedging strategy helps it match asset cash flows to pension payments in volatile interest rate environments.	• Economic and other non-operating variances resulted in a loss of £121m in FY25 (FY24: loss of £264m), primarily driven by differences between actual and expected investment returns and changes in risk-free rates and inflation rates.	No explicit change in approach identified.	Y
RLG	• Royal London's hedging approach is positioned as a capital and balance-sheet risk management tool, with hedging strategies involving derivatives considered within its capital management governance. • The Group assesses the ability of its hedging programmes to ensure the stability of its capital position through periods of market volatility, alongside monitoring liquidity/funding risks and maintaining access to collateral and funding arrangements.	• RLG noted that their hedging strategy helped keep the Group's capital position robust despite market volatility during the period. It also notes that collateral calls driven by volatility in interest rates were managed within existing liquidity and collateral arrangements. • In addition, Royal London highlights that its equity hedging strategy played a key role in dampening the effects in its climate pathway capital impact assessment.	No explicit change in approach identified.	Y

Note: (1) Where the strategy mentions Solvency II, this is flagged as yes.

Hedging strategies (cont.)

Insurer	Objective of Hedging Strategy	Impact on FY 2025 Financial Results	Changes in approach (vs. 2024)	Solvency II Focus[(1)]
Rothesay	• Rothesay's hedging approach is tightly integrated with asset-liability matching (ALM) and broader balance sheet/capital objectives. • Rothesay holds significant surplus assets (primarily low-risk, liquid assets such as cash and government bonds) that form an important part of its overall market risk hedging strategy, designed to balance the needs of different KPIs. • In capital management, real-time solvency information and balance-sheet sensitivities enable it to tailor its hedging strategy to manage trade-offs between solvency and embedded value, protecting long-term value • In risk disclosures, Rothesay uses derivatives to hedge market risks (interest rate, inflation and foreign exchange) and matches assets and liabilities "as closely as possible", including using inflation-linked assets for inflation-linked liabilities.	• As permitted by IFRS 9, Rothesay continues to apply the hedge accounting requirements of IAS 39 as its accounting policy. • The currency swap hedging instruments relating to the $500m Restricted Tier 1 (RT1) notes, $400m RT1 notes and $325m Tier 2 notes have fair values of £(15)m, £10m and £(12)m respectively at 31 December 2025 (FY24: £38m). Total nominal amounts are £911m at 31 December 2025 (FY24: £546m). The currency swaps are included within derivative assets and derivative liabilities as part of total financial investments and financial investment liabilities. • Note: Rothesay hedges its USD-denominated notes using currency swaps; the fair values are reported in GBP in the financial statements and total reported nominal amounts are also presented in GBP.	Hedging objective framing uses the same "balance solvency vs embedded value" logic, but metric references have shifted from MCEV (2024) to IEV (2025). Note: MCEV new business no longer reported.	N
Standard Life	• Standard Life's hedging programme aims to protect cash and Solvency II capital from volatility in equities and interest rates, thereby safeguarding the Group's ability to deliver a progressive and sustainable dividend. • The Group prioritises stable Solvency II surplus capital and predictable dividends, and accepts hedge-related IFRS volatility because parts of the Solvency balance sheet that are hedged are not present under IFRS, creating accounting volatility/mismatch.	• Management explains that the FY25 Investment return variances and economic assumption changes of £604m (pre-tax) reflect the Group's hedging programme under IFRS and were primarily driven by rising equity markets (FTSE 100 +21.5%, S&P 500 +16.4%, Eurostoxx 50 +18.3%). • Management further states that the FY25 hedging impact is an accounting timing effect rather than an economic loss, because the negative equity hedge effect is recognised immediately in earnings, while the offsetting benefit (higher future fee revenues) emerges through earnings over time. • Separately, the Group reports £105m of cash collateral outflows on currency derivatives used to hedge non-sterling debt instruments.	No explicit change in approach identified.	Y

Note: (1) Where the strategy mentions Solvency II, this is flagged as yes.

Hedging strategies (types of market risks hedged)

Most insurers hedge against a range of market risks. Some firms also hedge specific exposures. For example, Just hedges property risk linked to Non-Negative Equity Guarantees (NNEG) via put options on a property index, whereas M&G has a partial equity hedge in respect of shareholder transfers from its with-profits business, as these transfers depend on investment return and are particularly exposed to equity risk.

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	Standard Life	PIC	RLG	Rothesay
Interest rate (IR)	✓ (Interest rate futures; currency & interest rate swaps, interest rate options incl. swaptions, interest rate contracts).	✓ (Interest rate swaps; Forward swaps; Interest rate options; Total return swaps).	✓ (IR contracts – held for trading).	✓ (Interest rate swaps and swaptions).	✓ (Interest rate swaps, swaptions and fixed income futures, total return bond swaps).	✓ (Interest rate swaps, total return swaps).	✓ (Interest rate swaps, swaptions, total return swaps) To mitigate risk inherent in guaranteed annuity rates.	✓ (Interest rate swaps).
Currency	✓ (Foreign exchange contracts incl. forwards/futures, currency swaps, currency options, OTC forwards).	✓ (Foreign currency swaps).	✓ (Forward exchange contract, cross-currency swap contracts incl. cash flow hedges)	✓ (Currency derivatives).	✓ (Cross-currency swaps, forward currency and currency futures).	✓ (Currency forwards and swaps).	✓ (Currency forwards, currency swaps).	✓ (Spot foreign exchange and cross-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).	✓ (Derivatives used to manage counterparty credit risk). 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).	Manage credit risk in the shareholder annuity portfolio through a conservatively positioned, high-quality asset mix, and by monitoring rating migrations.	Hedging programme to protect Solvency II surplus and cash generation from market volatility. However, disclosures do not explicitly identify credit-risk hedging derivative instruments.	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.	Counterparty credit risk arising from derivatives and reinsurance is mitigated by transacting with highly rated counterparties, diversifying exposures where appropriate, and applying margining requirements so positions are appropriately collateralised.
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.	✓ (Equity futures).	Not specified.

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 2025.

Company	New business volumes	Performance over 2025
Aviva	• **Solvency II Present Value of New Business Premiums (PVNBP)** measures sales in the Group's insurance businesses and represents the present value of new regular premiums expected to be received over the term of the contracts plus 100% of single premiums from new business written in the year, expressed at the point of sale. • PVNBP also includes changes to existing contracts that generate additional shareholder risk and premium income of the nature of a new policy.	• Group PVNBP increased slightly to £45.2bn (YE24: £45.0bn), driven by growth in Wealth & Other and Ireland, partly offset by lower Retirement volumes. • Wealth & Other remained the largest contributor at £30.6bn (YE24: £28.7bn), supported by workplace and individual pensions. • Insurance (Protection and Health) PVNBP declined to £3.4bn (YE24: £3.6bn) due to competitive pricing, while Retirement PVNBP fell to £6.6bn (YE24: £9.4bn), reflecting lower BPA volumes following a strong YE24. • Ireland PVNBP increased to £3.1bn (YE24: £2.6bn), and International investments were broadly stable at £1.5bn.
Just	• **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.	• Shareholder funded Retirement Income sales decreased from **£5.3bn to £4.3bn**. New business was impacted by the increase in competition, which hampered their ability to reprice and offset the trend of tighter credit spreads as the year progressed, lower volumes, and business mix.
LBG	• **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.	• Life and pensions sales increased from £18.2bn to £21.0bn, representing 15% growth, driven by higher contributions from Workplace, Protection and Scottish Widows Platform businesses. • This was partially offset by lower annuity sales due to market conditions.
L&G	• **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.	• Institutional Retirement (UK annuities): PVNBP £8.2bn (YE24: £7.9bn) with margin reducing to 4.3% (YE24: 5.3%). • Retail Retirement (UK annuities): PVNBP £1.8bn (YE24: £2.1bn) with margin reducing to 3.1% (YE24: 6.2%).
LV=	• PVNBP provides a measure of the value of new business written in the year that is more useful than UK GAAP new business premiums as it includes the present value of the regular premiums we expect to receive over the term of contracts sold in the year. • PVNBP is the total of new single premium sales received in the year, plus the discounted value at the point of sale of the regular premiums we expect to receive over the term of the new contracts sold in the year, adjusted for expected levels of persistency.	• Group PVNBP stable at £1,232m (2024: £1,229m). • Protection PVNBP increased to £430m (2024: £398m), including £49m of new regular premiums (2024: £46m). • Savings & Retirement PVNBP decreased to £802m (2024: £831m), comprising: single premium annuities £284m, pension deposits £191m, equity release £181m, Smoothed Managed Funds £123m, and pension wrappers £23m.
M&G	• Estimates of present value of future cash inflows on contracts initially recognised, used as a proxy for new business volumes (IFRS 17)	• Estimated present value of future cash inflows on new contracts was £7.7bn (2024: £6.1bn), with present value of future cash outflows of £7.5bn (2024: £5.9bn).

New business volume definitions (cont.)

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 2025.

Company	New business volumes	Performance over 2025
PIC	• **New business volumes** – Equivalent to Gross Premiums Written for new business.	• New business volumes declined to £6.8bn (YE24: £8.1bn), reflecting lower BPA transaction volumes in a competitive market.
RLG	• **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.	• 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%.
Rothesay	• 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.	• New business premiums reduced significantly in YE25 to £5.2bn, following exceptionally high BPA volumes in YE24 (£15.7bn).
Standard Life	• Annuity premiums written represents the aggregate, gross of reinsurance, new business premium volume for annuity business, written in the period and measured at the risk transfer date.	• Standard Life invested £162m of capital into its annuities business in 2025 (2024: £206m) to support £5.1bn of new business annuity premiums (2024: £6.1bn). • The reduction in capital deployed and new business volumes reflects disciplined capital allocation and a more selective approach to annuity origination in 2025.

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 eight 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 four of the eight making changes to their scenarios or approach in 2025 and four disclosing potential enhancements over 2026.

Company	Aviva	Chesnara	Just	L&G
Scenarios	Different scenarios are set according to each asset class. **Equities, corporate bonds, and real estate** NGFS Phase IV Scenarios: • Net Zero 2050. • Below 2°C. • Delayed Transition. • Nationally Determined Contributions (NDCs). • Low Demand • Fragmented World • Current Policies. **Sovereign debt** IPCC Representative Concentration Pathways (RCP) Scenarios: • RCP 2.6 (broadly equivalent to NGFS Below 2°C). • RCP 8.5 (broadly equivalent to NGFS Current Policies). **Infrastructure debt** ClimateWise Transition Risk Framework Scenarios: • 2°C (broadly equivalent to NGFS Delayed Transition). • 2.7°C (broadly equivalent to NGFS NDCs).	Climate Value at Risk (CVaR) is considered in five different scenarios. The full balance sheet impacts are assessed using the following two climate scenarios: **1.5°C Disorderly –** Reflects warming being limited to 1.5°C above preindustrial levels, but the approach taken by different countries is divergent. • Underlying NGFS scenario: Divergent Net Zero. • Policy ambition: 1.4°C • Policy reaction: immediate but divergent across countries and sectors • Technology change: fast change • Carbon dioxide removal use: low use climate • Regional policy variation: medium **Nationally Determined Contributions (NDC) –** Reflects the expected warming if countries were to only implement the policies, which they have already committed to. • Underlying NGFS scenario: NDC • Policy ambition: 2.3°C • Policy reaction: NDCs • Technology change: slow change • Carbon dioxide removal use: low-medium use • Regional policy variation: medium	Just continued to use three NGFS scenarios for both the investment (Credit) and Lifetime Mortgage (LTM) portfolios: • **Delayed Transition** • **Net Zero 2050** • **Current Policies**	There are four climate scenarios: • **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. Note that scenario results are produced for the first three pathways, focuses on transition risks. L&G do not apply the Inaction scenario to their portfolio as this scenario is expected to be driven by physical risks.
Modelling approach	Scenario analysis approach uses a combination of quantitative (using their Climate Value-at-Risk (VaR) metric), and qualitative analyses. Aviva uses a Climate VaR metric as a forward-looking estimate to assess and help manage financial risk, exposure and resilience to different climate scenarios within a given time horizon.	Chesnara's focus was the Climate Value at Risk (CVaR) metric on their portfolio of invested assets. It assesses policy risk, technology opportunities, direct and macro-economic physical risks. Chesnara use a climate risk model provided by MSCI, which in turn, uses data from the Network for Greening the Financial System (NGFS) scenarios.	Just applies Climate Value-at-Risk (CVaR) across the three scenarios. Separate CVaR metrics are produced for physical and transition risks under each scenario and are combined to give an aggregate value at portfolio level. Property Value-at-Risk (PVaR) is used for the LTM portfolio.	L&G develops its own bottom-up scenarios of how energy and land systems may evolve by 2060. The key metrics of the framework are climate risk and temperature alignment. Scenario analysis focuses on both transition and physical risks, and models asset valuations and credit rating based on current exposures.
Changes over 2025	Aviva discloses changes to methodology/metrics and re-presentation of comparatives, including integration of Direct Line post-acquisition into the metrics (where possible), an updated sustainable assets methodology (with no prior-year comparatives for that metric), re-presentation of operational emissions comparatives (including homeworking in Scope 3), and re-presentation of 2024 financed and sovereign emissions metrics due to improved data coverage for externally managed funds.	Chesnara continued to use the MSCI model. Further analysis was developed in 2025 to consider the cost of wider macro-economic impacts of indirect physical risks due to rising temperatures.	Just notes changes including not disclosing CVaR and PVaR results in numerical terms, and improvements by establishing and analysing the metrics at an asset-class level for transition risk. Just intends to enhance their physical risk metrics by using geospatial mapping during 2026.	Key developments over 2025 included extending the modelling horizon to 2060; updating data to reflect recent global climate action; developing bespoke ORSA narrative scenarios for bottom-up qualitative analysis; incorporating forward-looking physical and transition climate risk analysis into valuation uncertainty assessments; and introducing climate-specific stresses into routine profitability stress testing.

Climate scenario analysis (cont.)

Company	LBG[1]	M&G	RLG	Standard Life
Scenarios	Four "quadrants" are defined based on differing levels of physical and transition risk. • **Orderly –** (low physical risk and low transition risk). Start reducing emissions now in a measured way to meet climate goals. • **Disorderly –** (low physical risk and high transition risk). Sudden and unanticipated response is disruptive but sufficient enough to meet climate goals. • **Hothouse** – (high physical risk and low transition risk). Continue to increase emissions doing very little, if anything, to avert the physical risks. • **Too little, too late –** (high physical risk and high transition risk). Sudden and unanticipated response is disruptive but not sufficient enough to meet climate goals. Analysis continues to focus on the orderly and disorderly quadrants.	Different scenarios are set according to each asset class. **Public assets (equities, corporate debt and sovereign debt)** Based on three NGFS-aligned scenarios: • **Orderly (Net Zero 2050)** – Temperature rise below 1.5°C by 2050, assuming stringent climate policies and innovation. • **Disorderly (Delayed Transition)** – Assumes delayed and divergent climate policy action, leading to higher transition and physical risks, with only partial achievement of net zero targets. • **Hot house (Current Policies) –** Temperature rise limited to 3.0°C by 2100, assuming only current policies are implemented. **Private assets (real estate and infrastructure)** **IPCC scenarios** Based in IPCC Sixth Assessment Report-aligned pathways: • **Moderate emissions scenario** – Aligned to RCP 4.5 / SSP2-4.5, approx. 2.7°C warming by 2100. • **Hot house scenario** – Aligned to RCP 8.5 / SSP5-8.5, approx. 4.4°C warming by 2100.	RLG continues to use three climate pathways based on NGFS scenarios, aligned to a five-year time horizon to reflect business planning. • **Below 2°C –** Orderly scenario. Assumes countries with net zero targets partially reach them (80% of targets achieved), resulting in a two-thirds 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 is 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.	Three scenarios are assessed using NGFS Phase V: • **Net Zero 2050 –** An immediate and orderly transition to achieve a temperature rise of below 1.5°C by 2050. • **Delayed Transition –** Policy action is delayed and abrupt, leading to higher transition risk impacts. • **Current Policies** – Globally misaligned climate ambitions leading to emissions growth and irreversible climate change.
Modelling approach	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.	For public assets, M&G applies a bottom-up analysis using the Aladdin Climate platform and provides estimated financial impacts on all issuers. For private assets, M&G uses Munich Re's Location Risk Intelligence platform to model physical climate risks for real estate and infrastructure assets.	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.	The scenario analysis considers both physical and transition risk. For transition risk, the analysis is based on the asset value impact across regions, sectors and individual counterparties. For physical risk, they model the future cost of different risk hazards on both real estate loans and real estate assets.
Changes over 2025	No significant changes were disclosed over 2025, though the report notes LBG is continuing to develop its scenario analysis capabilities .	M&G updated the scenarios to reflect NGFS Phase V. No significant changes were disclosed over 2025.	No significant changes were disclosed over 2025. RLG has developed climate scenario narratives and intends to embed these across the Group during 2026.	Standard Life updated its climate scenario analysis to use three quantitative scenarios from NGFS Phase V. In addition, they plan to enhance the physical risk analysis to other asset classes, such as illiquid credit, over 2026.

Note: (1) The LBG approach set out above references the LBG group-wide Sustainability Report 2025. It is not specific to Scottish Widows life insurance.

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For a fuller discussion on the content of the insurer's disclosures and how they may impact your firm please get in touch with your usual KPMG contact.
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CREATE: CRT166591A | April 2026