00204373

Lloyds Bank General Insurance Limited

Annual Report and Accounts

2024

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

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W L D Chalmers
K A Cooper
M H Cuhls
J K Harris
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C A Riddy

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Company Registration Number

00204373

STRATEGIC REPORT

The Directors present their strategic report on Lloyds Bank General Insurance Limited (the 'Company') for the year ended 31 December 2024.

The Company is a subsidiary of Lloyds Bank General Insurance Holdings Limited and contributes to the results of the Insurance, Pensions and Investments (IP&I) Division of Lloyds Banking Group, focusing on providing general insurance to meet our customers' needs.

Our strategy is to help our customers by:

- Delivering a leading customer experience
- Digitising Lloyds Banking Group and its subsidiaries (the 'Group')
- Maximising the Group's capabilities
- Transforming ways of working

Through our strategy we are focusing on transforming ourselves into a digitised, simple, low risk, customer focused, UK general insurance provider, offering home insurance marketed primarily under the Lloyds Bank, Bank of Scotland, Halifax and MBNA brands, sold predominantly through direct channels, Lloyds Banking Group distributors and corporate partnerships. The Company is focused on investing in the growth of its customer base and ensuring policyholder obligations are met, while at the same time ensuring the Company is managed to maximise capital efficiency and returns for its shareholder and the IP&I division. To support this, the Company is focused on the following key performance indicators (see key performance indicators section below):

- Insurance revenue
- Insurance service expense
- Combined ratio
- Solvency II Regulatory capital
- Liquidity position

Principal activities

The principal activity of the Company is to underwrite home insurance marketed primarily under the Lloyds Bank, Bank of Scotland, Halifax and MBNA brands, and sold predominantly through direct channels, Lloyds Banking Group distributors and corporate partnerships. All contracts of insurance are written in the UK.

In home insurance, we continue to enhance digital capabilities for leading customer experiences, responding to the continued shift to digital channels and interactions. The Company also underwrites creditor, pet, accident and health books of business that are all in run-off.

Legal Entity Reorganisation

On the 10th July 2024, a legal entity reorganisation took place as part of the IP&I strategy goal to simplify the legal entity structure of the division. The Company purchased the entire share capital of both St Andrew's Insurance plc (StAI) and Lloyds Bank Insurance Services Limited (LBIS), from Lloyds Bank General Insurance Holdings Limited (LBGIH).

The reorganisation was approved by the Board on 15 June 2023, and regulatory approval provided by the PRA (StAI) and FCA (LBIS) on the 3 June 2024, following the Change in Control applications.

LBIS was acquired for a cash consideration of £125 million, and StAI for £25 million, and will be held at cost as investments in subsidiaries, in accordance with Group accounting policies. In anticipation of the acquisitions, LBGIH increased its investment in the Company in cash via a share subscription for £150 million.

A review of the carrying value of subsidiary investments will be performed on an annual basis, to assess indications of impairment. Where an indicator of impairment is identified the recoverable amount of the subsidiary will be calculated.

Result for the year

The result for the year ended 31 December 2024 is a profit after tax of £39 million (2023 loss after tax: £(5) million).

The increase is predominantly driven by an increase in insurance revenue, caused by both volume growth and higher average premiums, coupled with an increase in investment income.

STRATEGIC REPORT (continued)

Economic Environment

The UK economy recovered somewhat from its pause in the second half of 2023. Households' spending power is rising and the unemployment rate remains low. The new Government aims to boost growth through increased investment and a constructive regulatory backdrop. Global conflicts and threats to global trade integration remain headwinds.

In a positive or more challenging macroeconomic environment, our business model and strategy position us well, in particular the strength of our customer franchise, our scale and balance sheet, and our prudent approach to risk. Our strategy and transformation, combined with further efficiency improvements, will deliver profit growth, diversification and resilience. The Company will continue to monitor the situation and risks to the business.

Climate Change

The Company is a subsidiary of Lloyds Banking Group plc. Lloyds Banking Group (LBG) is committed to supporting the aims of the 2015 Paris Agreement in transitioning to a more sustainable, low carbon economy and recognises the importance of embedding climate-related risks and opportunities into business operations and strategy.

The Company is supportive of the Task Force on Climate-Related Financial Disclosures (TCFD) framework and related regulatory expectations and is aligned to best practice outlined by the Climate Financial Risk Forum (CFRF). The Company is included in the LBG Sustainability Report. This report is available on the LBG website at www.lloydsbankinggroup.com/investors/esg-information.

Key performance indicators

Insurance revenue

Insurance revenue has increased by 28 per cent to £646 million in 2024 (2023: £504 million), benefiting from higher levels of written premiums towards the end of 2023, and in 2024. The increases in written premiums, driven by both volume and average premium increases, are largely as a result of improved market competitiveness.

Insurance service expense

Insurance service expense has increased by 18 per cent to £556 million (2023: £473 million). This has predominantly been driven by increased claims costs, linked to book size growth.

Combined ratio

The Company's combined ratio has decreased to 97 per cent (2023: 108 per cent). This is predominantly driven by the increase in insurance revenue, partially offset by increased claims costs within insurance service expense.

Solvency II

Implementation of the Solvency UK Reforms was completed in 2024. From 31 December 2024 the Solvency UK framework replaces Solvency II in the UK, enhancing certain areas of regulation for Insurance companies. There was minimal financial impact to the Company from implementation of the Solvency UK reforms in 2024. For clarity and in line with Policy Statement PS15/24 from the PRA, we will continue to use the term "Solvency II" as modified by the PRA's 2024 reforms instead of "Solvency UK" throughout.

During the year, the Company has delivered Solvency II reporting including full annual quantitative reporting as at 31 December 2024, as well as the narrative reporting required by Solvency II. The Company has a waiver from the Prudential Regulation Authority (PRA) exempting it from preparing a solo Solvency and Financial Condition Report (SFCR) for each Insurance entity. Instead, in April 2024, the Company reported publicly through a Group SFCR for Scottish Widows Group Limited. The next SFCR will be published in April 2025.

The Directors believe that the Company currently has adequate capital resources and will continue to do so in the foreseeable future. On a Solvency II basis the regulatory surplus of the Company in excess of capital requirements is £130 million (2023: £110 million).

The Solvency II ratio for the Company is 163 per cent (2023: 147 per cent). Further information on the capital position of the Company is given in note 22.

As agreed with the PRA, the wider Insurance, Pensions & Investments Division submits a single Own Risk and Solvency Assessment (ORSA) each year which covers the Group headed by Scottish Widows Group Limited. The assessment of own risks and solvency needs of the Company is therefore covered by that assessment.

STRATEGIC REPORT (continued)

Liquidity

The Company regularly monitors its liquidity position to ensure that, even under stressed conditions, the Company has sufficient liquidity to meet its obligations and remain within approved risk appetite as set out in note 22. As at 31 December 2024, the Company had liquidity coverage of 193 per cent (2023: 201 per cent). Liquidity coverage is defined as the comparison of available liquid assets, net of known cash flows, against 1-in-200 scenario liquidity risks. Liquidity methodology and reporting is compliant with Solvency II.

Other sources where KPIs are presented

The Company also forms part of Lloyds Banking Group's Insurance, Pensions and Investments (IP&I) Division. The development, performance and position of the IP&I Division are presented within Lloyds Banking Group’s annual report, which does not form part of this report.

The Directors consider that the above are the appropriate key performance indicators linked to the principal activity of the Company. These, together with other metrics which cover customer, operational measures and capital, are included in the balanced scorecard used to measure all aspects of the performance of the business. In addition, the Directors are of the opinion that the information contained in the Company's Solvency II reporting on capital resources and requirements and regular actuarial reports, in conjunction with the information presented in the financial statements as a whole, provide the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

Review of the business

In addition to the progress made against the strategic initiatives summarised earlier there are other areas that are worthy of note and these are described below. Decisions taken in the areas described below and in pursuit of our strategy are brought to the Board for due consideration and approval.

Investment strategy

As part of its efficient balance sheet management the Company is focused on low risk, very short duration assets to match its liabilities.

Further details on the credit risk and fair value measurement of these assets can be found in note 22.

Outlook

The Directors consider that the Company’s principal activities will continue to be unchanged in the foreseeable future.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Risks and uncertainties to our strategic plan, both positive and negative, are considered by product through the planning process. The following table describes the principal risks faced by the Company. Further details on financial risks and how the Company mitigates them can be found in note 22, as shown by the note reference.

Financial risks

Principal Risk	Note reference	Description
Market risk	22(a)	Market risk is defined as the risk that the Company's capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business. External rates are outwith the Company's control therefore mitigation is via having sufficient financial reserves to cover reduced earnings.
Insurance underwriting risk	22(b)	The risk of adverse developments in liabilities due to: timing, frequency, and severity of claims for insured / underwritten events; customer behaviour; and expense costs. In order to mitigate insurance underwriting risk, the Company uses underwriting, catastrophe reinsurance, flood reinsurance, pricing-to-risk, claims and expense management, product design, policy wording, and demographics to accurately assess risk.
Credit risk	22(c)	Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Company is subject to credit risk through a variety of counterparties through invested assets, cash in liquidity funds, bank accounts and reinsurance. Credit risk is mitigated via the risk transfer policy and the investment policy which ensure exposures are appropriately monitored and action taken where necessary.
Capital risk	22(d)	Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Company. The Company is regulated by the PRA and the FCA. The PRA rules, which incorporate all Solvency II requirements, specify the minimum amount of capital that must be held by the regulated Company in addition to their insurance liabilities. Capital risk is managed via the Capital Risk Policy, which includes tools and governance to monitor capital requirements and assign capital accordingly.
Liquidity risk	22(e)	Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. The Company is exposed to liquidity risk from payments to policyholders and non-policyholder related activity. Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Non-financial risks

Principal Risk	Description
Operational risk	Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. This includes risks around cyber and physical security, IT systems, data and privacy, internal and external suppliers, people, business continuity, payments and transaction execution, financial reporting (incl. tax), health and safety and premises, and change execution. Operational risk is managed through an operational risk framework, including a Risk and Control Self-Assessment (RCSA) process, and operational risk policies. The Company maintains a formal approach to operational risk event escalation, whereby material events are identified, captured and escalated. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe, reduce costs, and improve efficiency.
Data risk	Data risk is defined as the risk of failing to effectively govern, manage and control data (including data processed by third party suppliers), leading to unethical decisions, poor customer outcomes, loss of value and mistrust. It is present in all aspects of the business where data is processed, both within the company and by third parties. This risk is measured through a series of quantitative and qualitative indicators, covering data governance, data management, records management, data privacy and ethics. Data risks and controls are monitored and governed in line with an embedded risk management framework, which involves identification, measurement, management, monitoring and reporting.
Climate risk	Climate risk is defined as the risk that the Company experiences losses and/or reputational damage, either from the impacts of climate change and the transition to net zero ('inbound risk'), or as a result of the Company's response to tackling climate change ('outbound risk'). As a cross-cutting risk, Scottish Widow Group (of which the Company is a subsidiary) has integrated climate risk as a principal risk within its Enterprise Risk Management Framework (ERMF) which articulates how we manage climate risk through our policies and procedures.

During the ordinary course of business the Company is also subject to complaints and actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the UK and overseas.

All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Balance Sheet date.

In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the situation, and no provisions are held in relation to such matters. However, the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

Section 172(1) Statement and Statement of Engagement with Other Stakeholders

The Board is collectively responsible for the long-term success of the Company. Understanding the views and interests of the Company's key stakeholders (this includes customers, shareholders, communities and environment, regulators and suppliers) is central to achieving the Company's strategy, and informs key aspects of Board decision-making. Stakeholder engagement is embedded in the Board's decision-making process and can be seen in the range of activities across key stakeholder groups.

In accordance with the Companies Act 2006 (the 'Act'), the Directors provide this Statement, which describes the ways in which they have had regard to the following matters set out in Section 172(1) of the Act when fulfilling their duty to promote the success of the Company, under Section 172 of the Act.

This Statement also provides examples of how the Directors have engaged with and had regard to the interests of key stakeholders in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). The Company is a subsidiary of Lloyds Banking Group plc, and as such follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this Statement where relevant.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

How the Board has discharged its Section 172 duties

The Company's Directors are briefed, on appointment and on an ongoing basis, on their statutory director duties and the standards required of subsidiary directors within Lloyds Banking Group. Stakeholder engagement takes place throughout the Company and the Board engages directly and indirectly with its stakeholders. The Board also undertakes an annual review of its governance arrangements, in particular of the matters it has reserved for its own determination and those for which it has delegated authority to management. The Company's governance arrangements are designed to enable the Board to provide effective, sound, and entrepreneurial leadership of the Company in line with its strategic aims and prudent and effective controls.

Stakeholder engagement is embedded in the Board's delegation of authority to the Chief Executive Scottish Widows & Group Director Insurance (Chief Executive) for the delivery of the Company's strategy and overall management of the Company's business within its defined risk appetite. The Chief Executive discharges their responsibility for the day-to-day management of the Company's business by delegating key areas of their authority to members of management and with the assistance of the Executive Committee (the IP&I Executive Committee (IP&IExCo)) which supports the Chief Executive to make informed decisions about the operations of the Company's business.

The Chief Executive and management provide the Board with details of material stakeholder interaction and feedback, through a programme of business updates. Stakeholder interests are routinely identified by management in the wider proposals put before the Board.

Further details of how the Board considers each of the specific matters set out in Section 172, along with specific examples of how these considerations have influenced decisions taken by the Board, are set out in pages 8 to 12 which serves as the Company's Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Consumers

In considering and approving matters reserved to it (or any other matters) the Board of the Company ensures that customer needs, engagement and outcomes are paramount. In 2024 the Company served a variety of customers and acted in ways designed to deliver good outcomes for customers, with products and services designed to meet their needs, that provide fair value, help customers achieve their financial objectives and which do not cause them harm. Customer interests are central to culture and purpose.

The Board reviews the performance of its customer propositions within a cycle of in-depth reviews and debates matters particular to each proposition. Board review, discussion and challenge in 2024 has covered:

- customer service design and performance;
- digital landscape and policy migration to modern systems;
- product suite and design evolution to meet changing customer needs;
- the effectiveness of the different customer engagement and distribution channels to do business with the Company;
- Brand strategy modernisation adding energy and digital centricity; and
- Trustpilot scores, which the Board viewed as a priority to develop customer trust and which improved significantly throughout 2024.

The Board, supported by various committees (including the Independent Governance Committee) challenges management from the perspective of the customer. The Board also puts customers at the heart of its development of future business strategy.

The Board's Risk Oversight Committee ('ROC') monitors the operational performance of customer services, including both those services delivered in-house and the performance of third-party service partners. ROC reviews detailed customer-related risk matters and scrutinises risk performance (including Complaints and Conduct Risk Appetite Metrics) to identify areas where improvements could be made.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

Consumer Duty

During the year, the Board continued to embed the Company’s implementation of the Financial Conduct Authority’s (FCA) Consumer Duty regime which, since July 2024, was extended to customers in Longstanding products. Consumer Duty aims to strengthen how the Company delivers good customer outcomes. The Board was pleased with progress made on the development of a new Consumer Duty management reporting dashboard. There is a strong alignment between Lloyds Banking Group’s purpose, values and existing customer-centric approach and regulatory purpose, both aiming to support customers to achieve their financial objectives while preventing customer harm.

The Board received several updates during 2024 on Consumer Duty, tracking the steps being taken by management (at the Board’s direction) to embed the Company’s approach to Consumer Duty and review of how the Board’s obligations had been discharged.

The Board has nominated one of its Directors to be Consumer Duty Champion (Champion) for the Company. Their purpose is to facilitate discussion and articulate Board level challenge as appropriate. During 2024 the Champion has spearheaded Board challenges on customer issues including journey metrics. The Champion has also assisted the Board’s understanding of management information and helped to further develop its presentation. The Board has responsibility for the independence, autonomy and effectiveness of the relevant Group policies and procedures on Consumer Duty, including the procedures for delivery of good outcomes for customers.

Shareholder

The Company is a wholly owned subsidiary of Lloyds Banking Group. The shareholder expects a financial return on its investment, which is delivered through dividends. The amount (where relevant) of dividend paid in the year is reported within the Directors’ Report. As a wholly owned subsidiary the Board ensures that the strategy, priorities, processes and practices of the Company are aligned where appropriate to those of Lloyds Banking Group, ensuring that its interests as the Company’s shareholder are duly acknowledged.

The relationship between the Board of the Company and the Board of Lloyds Banking Group is supported by one Lloyds Banking Group director serving as a Non-executive Director on the Company's Board throughout 2024. The Board of the Company also welcomed the Chief Executive Officer of Lloyds Banking Group to one of its meetings during 2024 for a discussion of the Company's strategy in the context of Lloyds Banking Group’s purpose.

Communities and the environment

The Company is supported on environmental matters by its Investment Committee, the majority of whose members are Independent Non-executive Directors. This Committee’s purpose is to oversee investment strategy with consideration given to specific opportunities related to sustainability risks including climate, people and societal risk. This includes monitoring the effectiveness of the strategy for meeting stated Net Zero targets.

Lloyds Banking Group’s purpose is Helping Britain Prosper by creating a more sustainable and inclusive future for people and business, shaping finance as a force for good.

Insurance Pensions & Investments (IP&I) is the Lloyds Banking Group business unit to which the Company belongs. It helps millions of customers with their long-term protection, retirement and investment needs. It has a strong heritage, helping customers every day with their diverse and critical needs, including life insurance, pensions, investments and general insurance. Further information on Lloyds Banking Group’s initiatives can be found in the Strategic Report of Lloyds Banking Group’s 2024 Annual Report and Accounts available on its website.

The Company’s Board is responsible for the Company’s strategy, including oversight and support for its Environmental, Social & Governance (ESG) strategy and public disclosures. Approval of proposed external commitments in relation to climate risk that materially impact the Company or the Company's funds is reserved to the Board. The IP&I Risk Oversight Committee on behalf of the Board considers the Company’s management of climate risk, providing oversight and challenge on those activities which impact on the Company’s reputation as a responsible business.

The Company is subject to the requirements of the FCA’s Environmental, Social and Governance sourcebook (the sourcebook).

Employees

The Company does not have any direct employees, all staff are employed by other Lloyds Banking Group entities.

Colleague engagement

As part of Lloyds Banking Group, colleagues are asked each year to share their views via surveys. In addition to an annual survey, regular pulse surveys focusing on timely topics give insight into colleague sentiment. Lloyds Banking Group also communicates directly with colleagues in respect of various matters including performance, economic environment and key strategic initiatives.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

Diversity

Lloyds Banking Group seeks to create an inclusive environment where everyone feels they can be themselves, standing against all forms of discrimination. Further details of Lloyds Banking Group’s diversity targets are set out in its Annual Report and Accounts available on its website.

Regulators

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. The Company continually engages with regulators and other Government authorities (as part of the wider Scottish Widows Group) to ensure the Company supports and delivers in line with current and developing regulation and legislation. Liaison with regulators and the Government is an ongoing priority at all levels of the organisation. In September 2024 the Board invited representatives from the Prudential Regulation Authority and the Financial Conduct Authority to join its meeting to discuss key priorities. In addition, individual Directors have in the ordinary course of business continuing discussions with regulators on various matters within the regulatory agenda.

Government and industry bodies

The Company, via members of its management, engages with government and key industry bodies in order to contribute to shaping policy.

Suppliers

The Company is part of Lloyds Banking Group and has entered into strategic partnerships for important aspects of its operations and customer service provision. As well as external partners, the Company relies on intra-group supplier arrangements for certain services. The Board delegates to management the primary responsibility of oversighting external supplier relationships. Throughout 2024 the Board has held management to account for the performance of supplier relationships, including for third-party provision of customer servicing.

The advantage of being part of a larger group means there are robust processes in place to monitor and review costs with third parties who provide services to the Company. The outsourced business model means competitive fees and commercial terms can be negotiated with service suppliers and control costs for all customers. Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group’s Sourcing & Supply Chain Management Policy applies to all its business units, divisions and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for the application of that policy in a way that is appropriate for the Company. This ensures the most significant supplier contracts receive approval of the Board, including those which are key in progressing strategic priorities. The framework also ensures appropriate management oversight of supplier spending not considered by the Board, allowing challenge to be made where appropriate, and minimising risks and unnecessary cost.

Suppliers are required to adhere to relevant Lloyds Banking Group policies and comply with its Code of Supplier Responsibility, which can be found on the Lloyds Banking Group website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and Lloyds Banking Group to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Lloyds Banking Group remains committed to collaborating with suppliers to tackle climate change and ensure it is embedded within strategy and governance of its organisations. Reducing suppliers' emissions is a key component of its sustainability strategy. Lloyds Banking Group’s Emerald Standard asks suppliers to work towards and help drive progress towards a lower carbon future.

Modern slavery

The Responsible Business Committee of the Board of Lloyds Banking Group, as part of its oversight of its performance (including that of the Company) as a responsible business, governs the approach to human rights. Lloyds Banking Group’s Human Rights Position Statement can be found on the Lloyds Banking Group website.

On a day-to-day basis, management of (and engagement on) modern slavery and human rights is guided by the Modern Slavery and Human Rights Working Group, led by the Social Sustainability Manager, which meets bi-monthly to assess the embedding of human rights within Lloyds Banking Group’s operations.

Lloyds Banking Group’s Modern Slavery & Human Trafficking Statement covers all its subsidiary companies and sets out the steps taken to prevent modern slavery in Lloyds Banking Group’s business and supply chains.

The IP&I Executive Committee governs (and approves) this Statement as it relates to the Company. The statement is published on the Scottish Widows website.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

Maintaining a reputation for high standards of business conduct

The Board supports the Chief Executive to ensure a culture of customer focus, responsible business conduct, with risk awareness and ethical behaviours. As part of the Board's oversight of this, the Board will, where necessary, seek assurance from management that steps have been taken to ensure that policy and behaviours are aligned to the purpose, value, and strategy of the wider Insurance business.

Approved / authorised for issue by the Board of Directors

S T Nyahasha

Director

26 March 2025

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company. The Company is a private company limited by shares, domiciled and incorporated in England and Wales.

Principal activities

The principal activity of the Company is to underwrite home insurance marketed primarily under the Lloyds Bank, Bank of Scotland, Halifax and MBNA brands and sold predominantly through direct channels, Lloyds Banking Group distributors and corporate partnerships. All contracts of insurance are written in the UK.

Legal Entity Reorganisation

On the 10th July 2024, a legal entity reorganisation took place as part of the IP&I strategy goal to simplify the legal entity structure of the division. The Company purchased the entire share capital of both St Andrew's Insurance plc (StAI) and Lloyds Bank Insurance Services Limited (LBIS), from Lloyds Bank General Insurance Holdings Limited (LBGIH).

The reorganisation was approved by the Board on 15 June 2023, and regulatory approval provided by the PRA (StAI) and FCA (LBIS) on the 3 June 2024, following the Change in Control applications.

LBIS was acquired for a cash consideration of £125 million, and StAI for £25 million, and will be held at cost as investments in subsidiaries, in accordance with Group accounting policies. In anticipation of the acquisitions, LBGIH increased its investment in the Company in cash via a share subscription for £150 million.

A review of the carrying value of subsidiary investments will be performed on an annual basis, to assess indications of impairment. Where an indicator of impairment is identified the recoverable amount of the subsidiary will be calculated.

Result for the year

The result for the year ended 31 December 2024 is a profit after tax of £39 million (2023 loss after tax: £(5) million).

The profit, following 2023's loss, is predominantly driven by the increase in insurance revenue, linked to improved market competitiveness in 2023 and 2024, partially offset by increased claims costs within insurance service expense, linked to book size growth.

During the year, dividends of £50 million were paid in November 2024 (2023: £30 million).

Post balance sheet events

An interim dividend of £20 million was declared on 6 February 2025 and paid to Lloyds Bank General Insurance Holdings Limited on 17 February 2025.

Further information on post balance sheet events is set out in note 26.

Directors

The names of the current Directors are listed on page 3. Changes in Directorships during the year and since the end of the year are as follows:

M H Cuhls	(Appointed 1 January 2024)
M R Downie	(Resigned 15 January 2024)
S T Nyahasha	(Appointed 15 January 2024)
K A Cooper	(Appointed 1 March 2024)
A J Reizenstein	(Resigned 30 June 2024)
P G McNamara	(Appointed 2 September 2024)
D L Davis	(Resigned 18 March 2025)

Particulars of the Directors' emoluments are set out in note 24.

Directors' indemnities

Lloyds Banking Group has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third-party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Directors who join the Board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group. In addition, the Company has in place appropriate Directors' and Officers' Liability Insurance cover which was in place throughout the financial year.

DIRECTORS' REPORT (continued)

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

Future developments

Future developments are detailed within the Strategic Report and also in note 25.

Going concern

The going concern of the Company is dependent on successfully maintaining adequate levels of capital and liquidity. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies, which are set out in the risk management note (note 22), and have additionally considered projections for the Company's capital and funding position. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Financial risk management

Disclosures relating to financial risk management are included in note 22 to the financial statements and are therefore incorporated into this report by reference.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and Deloitte LLP will therefore continue in office.

Information incorporated by reference

The following additional information forms part of the Directors' Report, and is incorporated by reference.

Requirement	Content	Section
Disclosures required under the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Statement of other stakeholder engagement	Strategic report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic Reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities (continued)

Each of the Directors whose names are listed on page 3 confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company; and
- the Company Strategic Report on pages 4 to 12, and the Directors' Report on pages 13 to 15 include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors have also separately reviewed and approved the Strategic Report.

Approved / authorised for issue by the Board of Directors

S T Nyahasha

Director

26 March 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYDS BANK GENERAL INSURANCE LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Lloyds Bank General Insurance Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of cashflows;
- the statement of changes in equity; and
- the notes to the financial statements 1 to 26, except the information on regulatory capital marked as “unaudited” in note 22(d).

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of insurance contract liabilities – Subsidence and escape of water perils frequency and severity assumptions Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was £10.2 million (2023: £10.5 million) which was determined on the basis of net assets.
Scoping	The audit scope is determined to provide sufficient coverage for all the material financial statement line items.
Significant changes in our approach	The adoption of IFRS 17 was a key audit matter in the prior period due to the company's initial transition to the standard on 1 January 2023. As the current period's financial statements are no longer the first to incorporate IFRS 17, it is not considered a key audit matter this year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE LIMITED (continued)

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's judgement paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecast;
- inspecting the Scottish Widows Group Limited ("SWG") Own Risk and Solvency Assessment ("ORSA") to support our understanding of the key risks faced by the company in its ability to continue as a going concern. The company is a subsidiary of SWG and its results are included in SWG's ORSA;
- assessing the historical accuracy of forecasts prepared by management;
- assessing the consistency of the assumptions applied in the going concern assessment with those used in other forecasts;
- evaluating the appropriateness of the going concern disclosures; and
- performing sensitivity analysis in relation to going concern to assess consistency with our understanding of the forecast performance and position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1.Valuation of insurance contract liabilities – Subsidence and escape of water perils frequency and severity assumptions	
Key audit matter description	The insurance contract liabilities are the largest single area of judgement within the company's financial statements, giving rise to a fraud risk. In the current year, we identified a key audit matter within the subsidence and escape of water perils within the Household book. There is a significant level of judgement applied in the methodology and key actuarial assumptions of the frequency and severity of claims relating to subsidence and escape of water perils used to determine ultimate losses. The total insurance contract liabilities is £391 million (2023: £357 million). Both perils are quantitatively significant, driving a large proportion of the overall account balance. In addition, subsidence is a long-tailed risk relative to other components of the book; whereas escape of water requires increased judgement for recent claims and inflation experience. Refer to Note 2 'Critical accounting judgements and key sources of estimation uncertainty'; Note 1(p) 'Accounting Policies'; and Note 15 'Insurance Contracts'.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE LIMITED (continued)

How the scope of our audit responded to the key audit matter	Our audit work to challenge the actuarial key assumptions and methodology used by management in estimating the insurance contract liabilities included the following procedures: • obtaining an understanding of relevant controls in the process of estimating the reserves. Together with our actuarial specialists, we have performed the following procedures: • calculated an independent projection of the subsidence and escape of water perils within the Household book; • assessed the reasonableness of any differences noted between our independent projection and the company's results; • tested the reconciliation of paid and incurred claims development data to the claims administration system and general ledger; and • tested the claims paid in the year, and outstanding case reserve as at the year end by reviewing correspondence and policy documents included in the policyholders' files, where this data was used in reserving.
Key observations	Overall, we consider that the methodology applied and key assumptions used in the valuation of insurance contract liabilities for subsidence and escape of water perils, are reasonable.

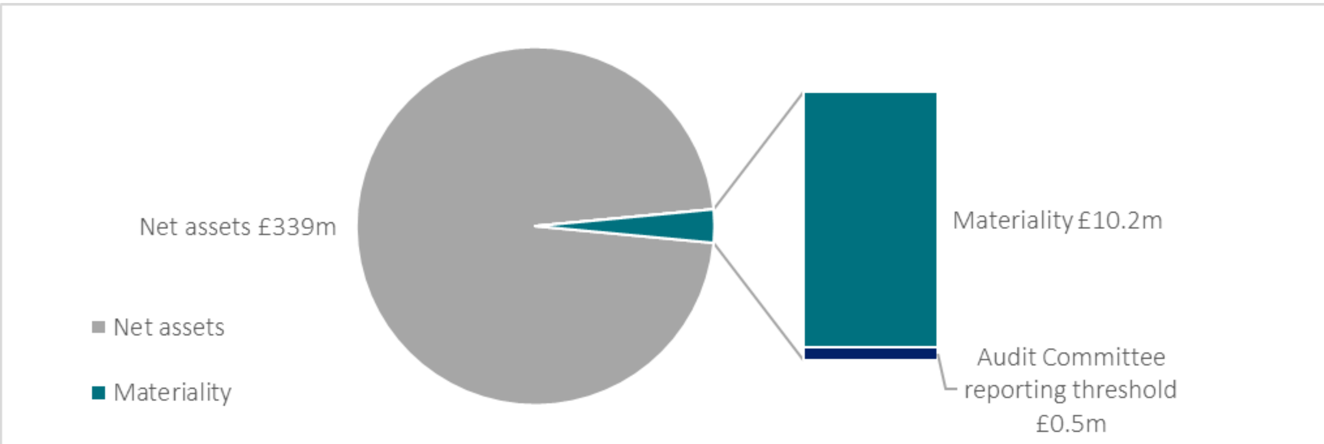
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£10.2 million (2023: £10.5 million)
Basis for determining materiality	3% of net assets (2023: 3% of net assets)
Rationale for the benchmark applied	Net assets has been determined as the most appropriate benchmark due to the fact that it is a key metric of interest to the users of the financial statements to assess the company's financial stability and solvency.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE LIMITED (continued)

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2024 audit (2023: 65%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and the fact that we were not able to rely on key controls;

b. the low volume of corrected and uncorrected misstatements in the previous audit;

c. the stability of senior management and oversight structures; and

d. the fact that the company operates in a highly regulated industry.

6.3. Error reporting threshold

We agreed with the Insurance Audit Committee that we would report to the Committee all audit differences in excess of £0.50 million (2023: £0.52 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Insurance Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope has been based on the materiality of each element of the statement of comprehensive income and the statement of financial position, taking into account both qualitative and quantitative factors in our assessment. Audit work to respond to the risks of material misstatement was performed by the audit engagement team.

7.2. Our consideration of the control environment

Our internal controls testing approach was informed by our scoping and risk assessment activities. We identified key IT systems that were relevant to the audit, and involved our internal IT specialists to support our testing of general IT controls over these systems. Due to control deficiencies identified during this testing, we extended the scope of our substantive audit procedures. We also obtained an understanding of the entity’s end-to-end financial reporting processes supporting all in-scope financial statement balances. This included obtaining an understanding of relevant controls on key business processes such as reserving, premiums and claims.

7.3. Our consideration of climate-related risks

IIn planning our audit, we have considered the impact of climate change on the company’s operations and subsequent impact on its financial statements. The company sets out its assessment of the potential impact on page 5 in the annual report and financial statements.

Our audit work involved:

- evaluating the completeness of the physical and transition risks identified and considered in the company’s climate risk assessment; and
- reading the disclosures in the annual report to consider if they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE LIMITED (continued)

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Insurance Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
- ◦ identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- ◦ detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- ◦ the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of insurance contract liabilities. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included laws and regulations issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) including the company's regulatory solvency capital requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE LIMITED (continued)

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of insurance contract liabilities as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA and PRA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Insurance Audit Committee, we were appointed by shareholders at its general meeting on 20 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointment of the firm is four years, covering the years ended 31 December 2021 to 31 December 2024.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Insurance revenue	3	645,683	503,574
Insurance service expense	4	(556,003)	(472,523)
Insurance service result before reinsurance contracts held		89,680	31,051
Allocation of reinsurance premiums		(46,423)	(37,194)
Amounts recoverable from reinsurers for incurred claims		5,691	7,781
Net expenses from reinsurance contracts		(40,732)	(29,413)
Insurance service result		48,948	1,638
Investment income	5	34,573	28,755
Net gain on assets and liabilities at fair value through profit or loss	5	291	1,569
Total investment income		34,864	30,324
Net finance expense from insurance contracts	5	(6,402)	(8,405)
Net finance income from reinsurance contracts	5	134	2
Net insurance financial result		28,596	21,921
Other operating expenses	6	(24,370)	(29,019)
Profit / (Loss) before tax		53,174	(5,460)
Taxation (charge) / credit	8	(14,379)	472
Profit / (Loss) for the year		38,795	(4,988)

There are no items of comprehensive profit which have not already been presented in arriving at the profit for the year. Accordingly, the profit for the year is the same as total comprehensive profit for the year.

The notes set out on pages 27 to 70 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Investment in subsidiaries	11	150,000	—
Intangible assets	9	7,204	11,273
Reinsurance contract assets	16	10,286	7,959
Financial assets:			
Loans and receivables at amortised cost	10	60,375	47,172
Investments at fair value through profit or loss	12	433,711	410,331
Cash and cash equivalents	13	235,178	240,099
Total assets		896,754	716,834
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	14	336,700	186,700
Retained profits		152,462	163,667
Total equity		489,162	350,367
Liabilities			
Insurance contract liabilities	15	391,088	356,963
Reinsurance contract liabilities	16	515	1,570
Current tax liabilities	17	14,334	6,313
Financial liabilities:			
Other financial liabilities	18	1,655	1,621
Total liabilities		407,592	366,467
Total equity and liabilities		896,754	716,834

The notes set out on pages 27 to 70 are an integral part of these financial statements.

The financial statements on pages 23 to 70 were approved by the Board on 26 March 2025 and signed on behalf of the Board:

S T Nyahasha

Director

26 March 2025

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit / (Loss) before tax		53,174	(5,460)
Adjusted for:			
Amortisation of intangible assets	9	4,069	3,311
Investment income and net fair value gains on assets held at fair value through profit or loss	5	(34,864)	(30,324)
Net decrease/(increase) in operating assets and liabilities	19	17,574	(11,301)
Taxation (paid) / received		(6,358)	15,001
Net cash flows generated / (used in) operating activities		33,595	(28,773)
Cash flows from investing activities			
Net increase of investments at fair value through profit or loss		(23,089)	(16,684)
Investment in subsidiary		(150,000)	—
Interest received	5	34,573	28,755
Net cash flows (used in) / generated from investing activities		(138,516)	12,071
Cash flows from financing activities			
Dividends paid	20	(50,000)	(30,000)
Issue of share capital	14	150,000	—
Net cash flows used in from financing activities		100,000	(30,000)
Net decrease in cash and cash equivalents		(4,921)	(46,702)
Cash and cash equivalents at the beginning of the year		240,099	286,801
Net cash and cash equivalents at the end of the year	13	235,178	240,099

The notes set out on pages 27 to 70 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital £'000	Retained profits £'000	Total equity £'000
Balance as at 1 January 2023		186,700	198,655	385,355
Loss for the year		—	(4,988)	(4,988)
Dividend paid		—	(30,000)	(30,000)
Balance as at 31 December 2023		186,700	163,667	350,367
Profit for the year		—	38,795	38,795
Issue of Share Capital		150,000	—	150,000
Dividend paid	20	—	(50,000)	(50,000)
Balance as at 31 December 2024		336,700	152,462	489,162

Not all of the above amounts can be distributed to the equity holder since the Company is required to meet regulatory capital requirements. Further details are given in note 22.

The notes set out on pages 27 to 70 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies

The accounting policies adopted in the preparation of the financial statements, which have been consistently applied to all periods presented in these financial statements unless stated otherwise, are set out below.

(a) Basis of preparation

The financial statements of the Company have been prepared:

(1) in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006

(2) under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

In accordance with IAS 1 'Presentation of Financial Statements', assets and liabilities in the balance sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The Company forms part of Lloyds Banking Group, which prepares a group set of consolidated financial statements under IFRS® which includes the Company.

Standards and interpretations effective in 2024

The IASB has issued a number of minor amendments to IFRS Accounting Standards effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non-current liabilities with covenants, and IAS 1 Classification of liabilities as current or non-current. These amendments do not have a significant impact on the Company.

As at the date of authorisation of these financial statements, the Company has not early adopted any issued amendments or standards. Details of standards and interpretations in issue but which have not been adopted early are set out at note 25.

(b) Financial assets and financial liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Management's policies for the recognition of specific financial assets and financial liabilities, as identified on the balance sheet, are set out under the relevant accounting policies.

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. The Company reclassifies financial assets when and only when its business model for managing those assets changes. A reclassification will only take place when the change is significant to the Company's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Transaction costs incidental to the acquisition of a financial asset classified as measured at fair value through profit or loss are expensed through the statement of comprehensive income, within net gains and losses on assets and liabilities at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(c) Fair value methodology

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a 'fair value hierarchy' as follows:

(i) Level 1

Valued using quoted prices in active markets for identical assets and liabilities to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an on-going basis. Examples include listed equities, listed debt securities, Open Ended Investment Companies (OEICs) and unit trusts traded in active markets, and exchange traded derivatives such as futures.

(ii) Level 2

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar (but not identical) instruments in active markets
- Quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers
- Inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates)
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

Examples of these are securities measured using discounted cash flow models based on market observable swap yields such as Over the Counter interest rate swaps, listed debt and restricted equity securities.

(iii) Level 3

Valuations are based on mathematical models, market prices/data (where available) and subjective assumptions, including unobservable inputs. Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability, for example private equity investments held by the Company. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Examples of Level 3 assets include unlisted debt securities.

Further analysis of the Company's instruments held at fair value is set out at note 22. The Company's management, through a Fair Value Pricing Committee, review information on the fair value of the Group's financial assets and the sensitivities to these values on a regular basis.

Transfers between different levels of the fair value hierarchy are deemed to have occurred at the next reporting date after the change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(d) Revenue recognition

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. For the periods presented, all revenue has been recognised on the basis of the passage of time.

Insurance revenue includes adjustments for any differences between premiums recorded in prior years and amounts ultimately received.

Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in insurance revenue.

Investment income

Interest income for all interest-bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within investment income.

Dividends receivable in respect of listed shares and collective investment vehicles are recognised on the date that these are quoted ex-dividend; other dividend income is recognised when the right to receive the dividend is established. All dividends received are recognised through the statement of comprehensive income, within investment income.

Net gains and losses on assets and liabilities at fair value through profit or loss

Net gains and losses on assets and liabilities at fair value through profit or loss includes both realised and unrealised gains and losses. Movements are recognised in the statement of comprehensive income in the period in which they arise.

(e) Expense recognition

Insurance service expense

Claims and loss adjustment costs, including claims handling expenses, are charged to the Statement of Comprehensive Income as incurred based on the estimated liability for compensation owed to policyholders or third parties where the policyholders are liable. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company.

Claims and loss adjustment costs are recognised in the statement of comprehensive income within insurance service expenses.

Commissions and other acquisition costs are recognised through the statement of comprehensive income, within insurance service expenses. Commission and other acquisition costs that vary with and are directly related to securing new contracts and renewing existing contracts are deferred as set out in policy (p).

Other operating expenses

Other operating expenses are recognised in the statement of comprehensive income as incurred, within insurance service expense if directly attributable to the fulfilment of insurance contracts or within other operating expenses if non-attributable.

(f) Investment in subsidiaries

The Company owns a number of subsidiaries, as set out in Note 11. These subsidiaries are initially held at cost, being the fair value of the consideration given to acquire the holding, then subsequently at cost subject to impairment. Further information on the Company's impairment policy is set out in policy (l).

(g) Intangible assets

Customer lists

The Customer list acquired from St Andrew's Insurance Plc was initially measured at cost at the time of the acquisition. It has a finite useful life (5 years) and is carried at cost less accumulated amortisation and impairment. The useful economic life of the customer list reflects the duration that the Company is expected to substantially use the economic benefits of the asset.

The asset is amortised over the useful economic life in a pattern that reflects how the Company expects to use the benefits of the customer list. The amortisation charge for the year is recognised through the statement of comprehensive income, within other operating expenses. The carrying value of the asset is tested for impairment at each reporting date. Further information on the Company’s impairment policy is set out in policy (l).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(h) Reinsurance contract balances

The Company cedes reinsurance in the normal course of business. Where the reinsurance contract transfers significant insurance risk to the reinsurer, the assets arising from reinsurance contracts held are classified as reinsurance contract assets.

The contract boundary for all reinsurance contracts is one year and therefore qualifies for the Premium Allocation Approach (PAA).

Reinsurance assets (classified as insurance contracts)

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying contracts and in accordance with the terms of each reinsurance contract. These balances are subject to an annual impairment review. Further information on the Company’s impairment policy is set out at policy (l).

Allocation of reinsurance premiums and amounts recoverable/(payable) from reinsurers for incurred claims are recognised when corresponding insurance premiums are assumed and claims incurred. These items are disclosed separately on the face of the statement of comprehensive income.

(i) Loans and receivables at amortised cost

Loans and receivables at amortised cost are financial assets, other than cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest, a basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

Loans and receivables at amortised cost are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment. Further information on the Company’s impairment policy is set out at policy (l).

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the Liability for Remaining Coverage (LRC) with a separate financial asset recognised for the amounts due from intermediaries.

(j) Investments at fair value through profit or loss

Investments at fair value through profit or loss comprise debt and equity securities.

Classification

Financial assets are classified at fair value through profit or loss where they are within a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis or they do not otherwise meet the criteria to be measured at amortised cost. All derivatives and equity instruments are carried at fair value through profit or loss.

Recognition

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty. Investments are initially recognised at their fair value and are subsequently remeasured at fair value.

Measurement

The fair values of investments are based on current bid prices and therefore price in market expectations of the expected effects of potential changes to laws and regulations, risks associated with climate, credit and general market change and other factors. If the market for a financial asset is not active, and also for unlisted securities, the Company establishes fair value by using valuation techniques. These include the use of similar arm’s length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Refer to note 1(c) Fair value methodology and note 22 Risk management for details of valuation techniques and significant inputs to valuation models.

Structured entities

The Company holds investments in structured entities arising from investments in collective investment vehicles. Unconsolidated collective investment vehicles are carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents includes cash at bank, short-term highly liquid investments with original maturities of three months or less (excluding such investments as otherwise meet this definition but which are held for investment purposes rather than for the purposes of meeting short-term cash commitments) and bank overdrafts where a legal right of set off exists.

Cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Cash and cash equivalents that are within a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis or do not meet the criteria to be measured at amortised cost are classified and measured as investments at fair value through profit or loss, as set out in policy (j).

Holdings in liquidity funds are measured at fair value through profit or loss, with income received recognised in investment income.

(l) Impairment

Financial assets

An impairment charge in the statement of comprehensive income would include the change in expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated by using an appropriate probability of default and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings and other indicators of historic delinquency. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective. Typically financial instruments with an external credit rating of investment grade are considered to have low credit risk.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop.

The loss allowance for trade receivables without a significant financing component is measured at an amount equal to lifetime expected credit losses, in accordance with the simplified approach in IFRS 9.

A loan or receivable is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(l) Impairment (continued)

Non-financial assets

Assets that have an indefinite useful life, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is charged to the relevant line in the statement of comprehensive income in the period in which it occurs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in The Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside The Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 *Income Taxes.*

(n) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(o) Dividends payable

Dividends payable on ordinary shares are recognised in equity in the period in which they are approved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts

The Company issues insurance contracts, which transfer significant insurance risk. The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event which are significantly more than the benefits payable if the insured event were not to occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly over time.

The Company cedes reinsurance in the normal course of business. Where the reinsurance contract transfers significant insurance risk to the reinsurer, the assets arising from reinsurance contracts held are classified as reinsurance contract assets.

Recognition and measurement

All insurance contracts issued by the Company are short-term contracts categorised as home and other which includes creditor, accident and health, and pet.

Home insurance contracts mainly compensate the Company's customers for damage suffered to their properties and their contents.

Creditor contracts mainly compensate the Company's customers against the cost to the insured of sustaining injury, suffering sickness or infirmity, suffering loss of income where the benefits payable under the contract relate to loans, credit card balances or other debts.

The Company does not issue any contracts with direct participating features.

The provision for outstanding claims represents the ultimate cost of settling all claims, including direct and indirect claims settlement costs, arising from events that have occurred up to the Balance Sheet date. This provision comprises an amount for the cost of claims reported but not settled and for claims incurred but not yet reported on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

The provision for claims incurred but not reported at the date of the Balance Sheet and the related claims settlement expenses together with the anticipated reinsurance and other recoveries, is made on the basis of the best information currently available, having regard, in particular, to past claims experience. Subsequent information and events may result in the ultimate liabilities being more than, or less than, the amount provided for the estimated net liabilities at a particular Balance Sheet date. The estimates made are regularly reviewed in the light of subsequent information and any resulting adjustments are reflected in the earnings of the year in which the adjustments are made.

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. Currently, the Company's products do not include any distinct components that require separation, therefore, IFRS 17 is applied to all components of the insurance contract.

None of the reinsurance contracts held contain profit commission arrangements.

Recognition

The Company recognised groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognised a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognised an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

Measurement – Premium Allocation Approach

The table below shows the accounting policy choices available to the Company under the PAA and outlines the approach adopted by the Company and reasons for selection:

	IFRS 17 Options	*Adopted Approach*
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	The coverage period for home insurance and health insurance is one year and therefore automatically qualifies for the PAA. Creditor Insurance contracts are multi-year contracts but with an annual re-pricing option so therefore are treated as annual contracts. Pet insurance contracts are multi-year contracts with a coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore as allowed by PAA criteria, these qualify for PAA. The contract boundary for all reinsurance contracts is one year and therefore qualifies for the PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For all business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the expected average retention period of the policyholders related to the group. Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the balance sheet, a separate asset for insurance acquisition cash flows is recognised for each related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	For all business, there is no allowance for the time value of money as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is permitted but not required to adjust these amounts for the time value of money.	For all business, the Company adjusts the future cash flows for the time value of money for incurred claims.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	For all business, the change in LIC as a result of changes in discount rates will be captured within profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

Insurance contracts – initial measurement

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Liability for remaining coverage

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised

The liability for remaining coverage is not discounted to reflect the time value of money or the effect of financial risk as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

Insurance contracts – subsequent measurement

(i) Liability for remaining coverage

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Minus the amount recognised as insurance revenue for the services provided in the period

Any subsequent change in the loss component established by the Company is recognised within insurance service expense.

(ii) Liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). For all business, the Company adjusts the future cash flows for the time value of money for incurred claims. The Sterling overnight index average (SONIA) risk free yield curve is used. No illiquidity premium adjustment has been made to the risk free rate, given the short duration of the underlying insurance contracts underwritten.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant probability of becoming onerous, and the remainder.

IFRS17 requires insurers to group their contracts for the purposes of reporting into portfolios consisting of:

- Contracts with similar risk characteristics and where similar risks managed together
- Contracts written no more than one year apart

The Company has elected to aggregate into home and other. Other includes historic creditor, health and pet insurance policies where only renewal contracts are written and the books are not material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by models that take into consideration existing and new business. As permitted under the PAA, the Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g. a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
    - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
    - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

i. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
    - to that group; and
    - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

ii. Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

The time bands when the Company expects to derecognise the above asset for insurance acquisition cash flows are disclosed in Note 15.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between the insurance service result and insurance income or expenses and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting Policies (continued)

(p) Insurance and reinsurance contracts (continued)

Loss-recovery components

As described in paragraphs relating to “Reinsurance Contracts – Subsequent Measurement” above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The impact of changes in market interest rates on the value of the insurance assets and liabilities is reflected in the statement of comprehensive income.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

(q) Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that the obligation will result in an outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of possible obligations arising is remote.

Where the provision is in relation to the fulfillment of an insurance contract they are reported within insurance contract liabilities as a liability for incurred claims.

(r) Other financial liabilities

Other financial liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within other financial liabilities.

Where liabilities are in relation to the fulfillment of an insurance contract they are reported within insurance contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2. Critical accounting judgements and key sources of estimation uncertainty

The Company's management makes estimates and judgements that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

a. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

In particular, home insurance policies are exposed to claims for a wide variety of perils with the most material being escape of water, fire and subsidence. In relation to subsidence claims, the Company subscribes to the Association of British Insurers (ABI) Subsidence 'Change of Insurer' Claims Agreement which places an obligation upon it to deal with subsidence claims. Hence the estimation of the ultimate cost of subsidence claims is complex. The Company also writes creditor, health and pet policies. These lines of businesses are closed books and in run-off therefore are much smaller than the home insurance policies.

Where there is insufficient information to determine the required provision, statistical techniques are used which take into account the cost of claims that have recently been settled and make assumptions about the future development of the outstanding cases. Similar statistical techniques are used to determine a provision for claims incurred but not reported at the Balance Sheet date.

Further information on the Company's assumptions, change in assumptions and sensitivities are set out in note 21.

Impairment of investments

The Company uses estimates in the assessment of investment in subsidiaries for possible impairment. These include estimates used for value in use calculations relating to discount factors and growth assumptions. Further details of estimates used are given in note 11.

b. Critical accounting judgements

Impairment of investments

The recoverable amount of investments in subsidiaries requires judgement with regard to future cash flows and risks associated with those cash flows, together with the discount rate applied. The Company has developed a tool to allow the Directors to assess impairment in line with IAS36.

3. Insurance revenue

	2024 £'000	2023 £'000
Insurance revenue	645,683	503,574
Total	645,683	503,574

4. Insurance service expense

	2024 £'000	2023 £'000
Incurred claims and other directly attributable expenses	510,369	435,118
Adjustments to liabilities for incurred claims	8,773	5,227
Losses and (reversals) of losses on onerous contracts	(9)	(799)
Amortisation of insurance acquisition cash flows	36,870	32,977
Total	556,003	472,523

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

5. Total investment income and net insurance finance income/expenses

The table below presents an analysis of net investment income and net insurance finance income/expenses recognised in profit or loss in the period:

	2024 £'000	2023 £'000
Investment income		
Net gains on financial instruments designated as at FVTPL	291	1,569
Interest revenue on financial assets not measured at FVTPL	34,573	28,755
Total investment income	34,864	30,324
Net Insurance finance expenses from insurance contracts		
Interest accreted	(6,402)	(8,405)
Total net insurance finance expenses from insurance contracts	(6,402)	(8,405)
Net finance income from reinsurance contracts		
Interest accreted	134	2
Net finance income from reinsurance contracts	134	2
Total	28,596	21,921

6. Other operating expense

	2024 £'000	2023 £'000
Other operating expenses	24,370	29,019
Total	24,370	29,019

The administration of the Company is undertaken by another group company. A recharge is levied from this undertaking to the Company in respect of those costs incurred on behalf of the Company, although there are some operating expenses which are incurred directly by the Company.

In 2024 expenses recharged to the Company were £173.6 million (2023: £169.1 million) of which £148.4 million (2023: £143.0 million) of costs were allocated to insurance service expense. In addition further claims handling expenses of £26.0m (2023: £25.1m) were recharged to the company and allocated to insurance service expense.

Other operating expenses also includes amortisation of £4.1 million in respect of intangible assets disclosed in note 9 (2023: £3.3 million).

The Company had no direct employees during the year (2023: nil). Employee costs, including pension costs and share-based payment costs, are included in the recharge noted above.

7. Auditors' remuneration

	2024 £'000	2023 £'000
Audit fees		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	406	424
Total fees payable	406	424

Audit fees are settled by another company within Lloyds Banking Group and recharged to the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

8. Taxation charge/(credit)

(a) Current year tax (credit)/charge

	2024 £'000	2023 £'000
Current tax:		
Current tax on taxable profit for the year	14,333	6,312
Adjustment in respect of prior years	46	5
Total current tax	14,379	6,317
Deferred tax:		
Origination and reversal of timing differences	—	(6,817)
Impact of deferred tax rate change	—	28
Total deferred tax	—	(6,789)
Total income tax charge/(credit)	14,379	(472)

(b) Reconciliation of tax charge/(credit)

	2024 £'000	2023 £'000
Profit/(Loss) before tax	53,174	(5,460)
Tax charge/(credit) thereon at UK corporation tax rate of 25.0% (2023: 23.5%)	13,294	(1,283)
Effects of:		
Disallowable expenses	1,039	778
Adjustment in respect of prior years	46	5
Remeasurement of deferred tax due to rate change	—	28
Taxation charge/(credit)	14,379	(472)

The effective tax rate for the year is 27 per cent (2023: 8.7 per cent).

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

9. Intangible assets

Customer lists

	2024 £'000	2023 £'000
Cost		
At 1 January	25,000	25,000
Additions	—	—
At 31 December	**25,000**	**25,000**
Accumulated amortisation		
At 1 January	(13,727)	(10,416)
Amortisation during the year	(4,069)	(3,311)
At 31 December	**(17,796)**	**(13,727)**
Carrying amount		
At 31 December	**7,204**	**11,273**

The intangible assets above includes £25 million in relation to the acquisition of the household customer list from St Andrew's Insurance Plc. Amortisation commenced from 1 January 2022 in line with the expected benefits.

Of the above total, an estimated £3.0 million (2023: £7.2 million) is expected to be amortised more than one year after the reporting date. The remaining amortisation period is 2 years.

10. Loans and receivables at amortised cost

	2024 £'000	2023 £'000
Due from related parties	57,739	44,548
Investment income receivable	2,636	2,624
Total	60,375	47,172

All of the above loans and receivables at amortised cost are expected to be received within one year of the reporting date. The amount due from related parties is in respect of premiums receivable from Lloyds Bank Insurance Services Limited (LBIS).

11. Investment in subsidiaries

	1 January 2024 £000s	Additions £000s	Impairment £000s	31 December 2024 £000s
Lloyds Bank Insurance Services Limited	—	125,000	—	125,000
St Andrew's Insurance plc	—	25,000	—	25,000
Net book value	—	150,000	—	150,000

As outlined in the Strategic Report, a legal entity reorganisation took place on 10th July, whereby LBIS was acquired for a cash consideration of £125 million, and StAI for £25 million.

There were no impairments during the year. A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

11. Investment in subsidiaries (continued)

The Company owned the whole of the issued ordinary share capital of the following subsidiaries during the reporting period:

Name	Class of Share	Percentage held	Country of registration or Incorporation	Nature of Business
Lloyds Bank Insurance Services Limited (i)	Ordinary	100	England	General insurance broker
St Andrew's Insurance plc. (ii)	Ordinary	100	England	General insurance underwriter

The year-end of all subsidiaries is 31 December and their country of incorporation and principal operations (where relevant) is the UK.

Principal Place of Business:

(i) 25 Gresham Street, London, EC2V 7HN

(ii) 33 Old Broad Street, London, EC2N 1HZ

The ability of the regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by regulatory solvency requirements as well as Companies Act distributable reserve requirements. The ability of non-regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by Companies Act distributable reserve requirements.

12. Investments at fair value through profit or loss

	2024 £'000	2023 £'000
Collective Investment Schemes - unlisted	433,711	410,331
Total	433,711	410,331

Interests in unconsolidated structured entities

Included within investments at fair value through profit or loss and cash and cash equivalents (note 13) are investments in unconsolidated structured entities of £667.3 million (2023: £648.1 million) arising from investments in collective investment schemes and liquidity funds.

The collective investment schemes and liquidity funds are primarily financed by investments from investors in the vehicles. The investments are carried at fair value and the Company's maximum exposure to loss is equal to the carrying value of the investment.

13. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and in hand	1,542	2,359
Investments held through liquidity funds	233,636	237,740
Total	235,178	240,099

14. Share capital

	2024 £'000	2023 £'000
Issued and fully paid share capital:		
336,700,000 (2023: 186,700,000) ordinary shares of £1 each	336,700	186,700
Total	336,700	186,700

On 10 July 2024, the Company issued ordinary share capital of £150 million to its parent, Lloyds Bank General Insurance Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts

1. Summary of insurance and reinsurance contract assets and liabilities

The table below sets out the carrying amounts of portfolios of insurance and reinsurance contract assets and liabilities at the end of reporting date:

	2024			2023		
	£'000	£'000	£'000	£'000	£'000	£'000
	Home	*Other*	*Total*	*Home*	*Other*	*Total*
Insurance contracts						
Insurance contract liabilities:						
- Insurance contract balances	414,042	350	414,392	372,475	889	373,364
- Assets for insurance acquisition cash flows	(23,304)	—	(23,304)	(16,401)	—	(16,401)
Total	390,738	350	391,088	356,074	889	356,963
Reinsurance contracts						
Reinsurance contract assets	10,286	—	10,286	7,959	—	7,959
Reinsurance contract liabilities	(515)	—	(515)	(1,570)	—	(1,570)
Total	9,771	—	9,771	6,389	—	6,389

The reconciliation of insurance contract balances is disclosed within note 15.2, the assets for insurance acquisition cash flows are disclosed within note 15.3 and the reinsurance contract assets and liabilities are disclosed within note 16.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims

(a) Total insurance contract liabilities

The roll-forward of the gross asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for total insurance contract liabilities is disclosed in the table below:

	2024				
£'000	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		**Total**
	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 1 January 2024	43,451	48	313,343	16,522	373,364
Insurance revenue	(645,683)	—	—	—	(645,683)
Insurance service expense	36,870	(9)	517,899	1,243	556,003
Incurred claims and other expenses	—	—	500,890	9,479	510,369
Changes to liabilities for incurred claims	—	—	17,009	(8,236)	8,773
Amortisation of insurance acquisition cash flows	36,870	—	—	—	36,870
Losses on onerous contracts and (reversals) of losses	—	(9)	—	—	(9)
Insurance service result	(608,813)	(9)	517,899	1,243	(89,680)
Insurance finance expense	—	—	6,402	—	6,402
Total changes in the statement of comprehensive income	(608,813)	(9)	524,301	1,243	(83,278)
Cashflows					
Premiums received	652,191	—	—	—	652,191
Claims and other expenses paid	—	—	(493,011)	—	(493,011)
Insurance acquisition cash flows	(24,540)	—	—	—	(24,540)
Total cashflows	627,651	—	(493,011)	—	134,640
Other movements					
Allocation from assets for insurance acquisition cashflows	(10,334)	—	—	—	(10,334)
Gross insurance contract liabilities as at 31 December 2024	51,955	39	344,633	17,765	414,392

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims (continued)

(a) Total insurance contract liabilities (continued)

	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
£'000	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	**Total**
Insurance contract liabilities as at 1 January 2023	35,735	847	315,101	19,517	371,200
Insurance revenue	(503,574)	—	—	—	(503,574)
Insurance service expense	32,977	(799)	443,340	(2,995)	472,523
Incurred claims and other expenses	—	—	426,561	8,557	435,118
Changes to liabilities for incurred claims	—	—	16,779	(11,552)	5,227
Amortisation of insurance acquisition cash flows	32,977	—	—	—	32,977
Losses on onerous contracts and (reversals) of losses	—	(799)	—	—	(799)
Insurance service result	(470,597)	(799)	443,340	(2,995)	(31,051)
Insurance finance expense	—	—	8,405	—	8,405
Total changes in the statement of comprehensive income	(470,597)	(799)	451,745	(2,995)	(22,646)
Cashflows					
Premiums received	518,790	—	—	—	518,790
Claims and other expenses paid	—	—	(453,503)	—	(453,503)
Insurance acquisition cash flows	(28,733)	—	—	—	(28,733)
Total cashflows	490,057	—	(453,503)	—	36,554
Other movements					
Allocation from assets for insurance acquisition cashflows	(11,744)	—	—	—	(11,744)
Gross insurance contract liabilities as at 31 December 2023	43,451	48	313,343	16,522	373,364

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims (continued)

(b) Home insurance

The roll-forward of the gross asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for home insurance product line is disclosed in the table below:

	2024				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
£'000	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	**Total**
Insurance contract liabilities as at 1 January 2024	43,758	—	312,224	16,493	372,475
Insurance revenue	(642,353)	—	—	—	(642,353)
Insurance service expense	36,936	—	516,677	1,239	554,852
Incurred claims and other expenses	—	—	499,141	9,449	508,590
Changes to liabilities for incurred claims	—	—	17,536	(8,210)	9,326
Amortisation of insurance acquisition cash flows	36,936	—	—	—	36,936
Losses on onerous contracts and (reversals) of losses	—	—	—	—	—
Insurance service result	(605,417)	—	516,677	1,239	(87,501)
Insurance finance expense	—	—	6,389	—	6,389
Total changes in the statement of comprehensive income	(605,417)	—	523,066	1,239	(81,112)
Cashflows					
Premiums received	648,948	—	—	—	648,948
Claims and other expenses paid	—	—	(491,332)	—	(491,332)
Insurance acquisition cash flows	(24,603)	—	—	—	(24,603)
Total cashflows	624,345	—	(491,332)	—	133,013
Other movements					
Allocation from assets for insurance acquisition cashflows	(10,334)				(10,334)
Gross insurance contract liabilities as at 31 December 2024	52,352	—	343,958	17,732	414,042

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims (continued)

(b) Home insurance (continued)

	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
£'000	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	**Total**
Insurance contract liabilities as at 1 January 2023	35,990	—	313,165	19,435	368,590
Insurance revenue	(499,576)	—	—	—	(499,576)
Insurance service expense	32,452	—	441,531	(2,942)	471,041
Incurred claims and other expenses	—	—	424,160	8,533	432,693
Changes to liabilities for incurred claims	—	—	17,371	(11,475)	5,896
Amortisation of insurance acquisition cash flows	32,452	—	—	—	32,452
Losses on onerous contracts and (reversals) of losses	—	—	—	—	—
Insurance service result	(467,124)	—	441,531	(2,942)	(28,535)
Insurance finance expense	—	—	8,388	—	8,388
Total changes in the statement of comprehensive income	(467,124)	—	449,919	(2,942)	(20,147)
Cashflows					
Premiums received	514,875	—	—	—	514,875
Claims and other expenses paid	—	—	(450,860)	—	(450,860)
Insurance acquisition cash flows	(28,239)	—	—	—	(28,239)
Total cashflows	486,636	—	(450,860)	—	35,776
Other movements					
Allocation from assets for insurance acquisition cashflows	(11,744)	—	—	—	(11,744)
Gross insurance contract liabilities as at 31 December 2023	43,758	—	312,224	16,493	372,475

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims (continued)

(c) Other insurance contract liabilities

The roll-forward of the gross asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for other insurance contract liabilities is disclosed in the table below:

	2024				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
£'000	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	**Total**
Insurance contract liabilities as at 1 January 2024	(307)	48	1,119	29	889
Insurance revenue	(3,330)	—	—	—	(3,330)
Insurance service expense	(66)	(9)	1,222	4	1,151
Incurred claims and other expenses	—	—	1,749	30	1,779
Changes to liabilities for incurred claims	—	—	(527)	(26)	(553)
Amortisation of insurance acquisition cash flows	(66)	—	—	—	(66)
Losses on onerous contracts and (reversals) of losses	—	(9)	—	—	(9)
Insurance service result	(3,396)	(9)	1,222	4	(2,179)
Insurance finance expense	—	—	13	—	13
Total changes in the statement of comprehensive income	(3,396)	(9)	1,235	4	(2,166)
Cashflows					
Premiums received	3,243	—	—	—	3,243
Claims and other expenses paid	—	—	(1,679)	—	(1,679)
Insurance acquisition cash flows	63	—	—	—	63
Total cashflows	3,306	—	(1,679)	—	1,627
Other movements					
Allocation from assets for insurance acquisition cashflows	—	—	—	—	—
Gross insurance contract liabilities as at 31 December 2024	(397)	39	675	33	350

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

2. Reconciliation of insurance balances for liability for remaining coverage and liability for incurred claims (continued)

(c) Other insurance contract liabilities (continued)

2023					
	Liabilities for remaining coverage		**Liabilities for incurred claims**		**Total**
£'000	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 1 January 2023	(255)	847	1,936	82	2,610
Insurance revenue	(3,998)	—	—	—	(3,998)
Insurance service expense	525	(799)	1,809	(53)	1,482
Incurred claims and other expenses	—	—	2,401	24	2,425
Changes to liabilities for incurred claims	—	—	(592)	(77)	(669)
Amortisation of insurance acquisition cash flows	525	—	—	—	525
Losses on onerous contracts and (reversals) of losses	—	(799)	—	—	(799)
Insurance service result	(3,473)	(799)	1,809	(53)	(2,516)
Insurance finance expense	—	—	17	—	17
Total changes in the statement of comprehensive income	(3,473)	(799)	1,826	(53)	(2,499)
Cashflows					
Premiums received	3,915	—	—	—	3,915
Claims and other expenses paid	—	—	(2,643)	—	(2,643)
Insurance acquisition cash flows	(494)	—	—	—	(494)
Total cashflows	3,421	—	(2,643)	—	778
Other movements					
Allocation from assets for insurance acquisition cashflows	—	—	—	—	—
Gross insurance contract liabilities as at 31 December 2023	(307)	48	1,119	29	889

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Insurance contracts (continued)

3. Assets for insurance acquisition cash flows

The following table shows the reconciliation from the opening to the closing balance for assets for insurance acquisition cash flows:

	2024			2023		
	£'000	£'000	£'000	£'000	£'000	£'000
	Home	*Other*	*Total*	*Home*	*Other*	*Total*
Balance at 1 January	16,401	—	16,401	14,342	—	14,342
Amounts incurred during the year	17,237	—	17,237	13,803	—	13,803
Amounts derecognised and included in the measurement of insurance contracts	(10,334)	—	(10,334)	(11,744)	—	(11,744)
Impairment losses and reversals	—	—	—	—	—	—
Balance at 31 December	23,304	—	23,304	16,401	—	16,401

The expected timing for when assets for insurance acquisition cash flows will be derecognised and included in the measurement group of insurance contracts to which they relate is disclosed in the table below:

2024

£'000	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 Years	Total
Expected timing of derecognition of assets balance as at 31/12	12,035	6,326	4,943	—	—	—	23,304

2023

£'000	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 Years	Total
Expected timing of derecognition of assets balance as at 31/12	10,204	5,997	200	—	—	—	16,401

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

16. Reinsurance contract assets and liabilities

The following table shows the reconciliation from the opening to the closing balances of the net asset for the remaining coverage and the assets for incurred claims recoverable from reinsurance:

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£'000	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Opening assets	—	—	7,518	441	7,959
Opening liabilities	(1,570)	—	—	—	(1,570)
Net opening balance	(1,570)	—	7,518	441	6,389
Changes in the statement of profit or loss					
Net expenses from reinsurance contracts	(46,424)	—	5,529	163	(40,732)
Net finance income from reinsurance contracts	—	—	134	—	134
Total changes in the statement of profit or loss	(46,424)	—	5,663	163	(40,598)
Cash flows					
Premiums paid	47,479	—	—	—	47,479
Amounts received	—	—	(3,499)	—	(3,499)
Total cash flows	47,479	—	(3,499)	—	43,980
Net closing balance	**(515)**	**—**	**9,682**	**604**	**9,771**
Closing assets	—	—	9,682	604	10,286
Closing liabilities	(515)	—	—	—	(515)
Net closing balance	**(515)**	**—**	**9,682**	**604**	**9,771**

	Restated * 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£'000	Excluding loss component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Opening assets	—	—	1,391	104	1,495
Opening liabilities	(786)	—	—	—	(786)
Net opening balance	(786)	—	1,391	104	709
Changes in the statement of profit or loss					
Net expenses from reinsurance contracts	(37,194)	—	7,445	336	(29,413)
Net finance income from reinsurance contracts	2	—	—	—	2
Total changes in the statement of profit or loss	(37,192)	—	7,445	336	(29,411)
Cash flows					
Premiums paid	36,408	—	—	1	36,409
Amounts received	—	—	(1,318)	—	(1,318)
Total cash flows	36,408	—	(1,318)	1	35,091
Net closing balance	**(1,570)**	**—**	**7,518**	**441**	**6,389**
Closing assets	—	—	7,518	441	7,959
Closing liabilities	(1,570)	—	—	—	(1,570)
Net closing balance	**(1,570)**	**—**	**7,518**	**441**	**6,389**

*Prior year comparatives for changes in the statement in profit or loss and cash flows have been restated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. Tax assets and liabilities

	2024 £'000	2023 £'000
Current tax recoverable	—	—
Total tax assets	—	—
Current tax liabilities	14,334	6,313
Total tax liabilities	14,334	6,313

Recognised deferred tax

The movement in the deferred tax liability is as follows:

	2024 £'000	2023 £'000
Balance at 1 January	—	(6,789)
Credit for the year	—	6,789
Balance at 31 December	—	—

The deferred tax credit/(charge) in the period comprises the following temporary differences:

	2024 £'000	2023 £'000
Transitional adjustment on introduction of IFRS17	—	6,789
Total deferred tax credit	—	6,789

18. Other financial liabilities

	2024 £'000	2023 £'000
Due to related parties	1,655	1,621
Total	1,655	1,621

All other financial liabilities are current liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

19. Net decrease / (increase) in operating assets and liabilities

	2024 £'000	2023 £'000
Net increase in operating assets		
Financial assets:		
Loans and receivables at amortised cost	(13,203)	(5,346)
Net increase in operating assets	(13,203)	(5,346)
Net increase / (decrease) in operating liabilities		
Insurance contract liabilities (net)	30,743	(5,575)
Financial liabilities:		
Other financial liabilities	34	(380)
Net increase / (decrease) in operating liabilities	30,777	(5,955)
Net decrease / (increase) in operating assets and liabilities	17,574	(11,301)

20. Dividends paid

	2024 £'000	2023 £'000
Total dividends paid on equity shares	50,000	30,000
Total	50,000	30,000

Dividends of £50 million (14.9 pence per share) were paid during the year in respect of 2024 (2023: £30 million, 16.1 pence per share).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

21. Short-term insurance contracts - assumptions, change in assumptions and sensitivities

(1) Processes used to determine key assumptions in respect of insurance contracts

The methodology and assumptions used in relation to determining the bases of the earned premium levels are derived for each individual underwritten product and contained within the appropriate software programmes of the in-house policy underwriting system. Assumptions are intended to be neutral estimates of the most likely or expected outcome (best estimates).

The levels, adequacies and assumptions used to determine claims reserves are set out in the Claims and Reserving Committee (CRC) Report.

This report from the GI Chief Actuary is formally reviewed by the Claims and Reserving Committee on a regular basis.

An analysis of methodology and assumptions in calculating technical reserves is shown below for each significant product class.

(2) Key assumptions

(a) Home

Significant perils and loss factors include storm, flood, escape of water, freeze, fire and subsidence. The reserving methodology and associated assumptions are set out below:

Outstanding claims reserve (OCR)

The OCR represents the case estimate reserves held in respect of claims which have been reported before the accounting date.

Claims incurred but not reported reserve (IBNR)

The IBNR reflects the difference between the total reserves (set using standard actuarial techniques), and the OCR (which reflects reported reserves only).

The IBNR covers both:

- Incurred but not enough reported (IBNER) – a reserve to provide for changes in the case estimates of those claims which have been reported before the accounting date; and
- Pure IBNR – a reserve to provide for those claims which have occurred before the accounting date, but have yet to be reported to the insurer.

The IBNR is determined for each peril separately using various actuarial techniques, such as the application of a chain ladder statistical projection method to reported case estimates, paid amounts and volumes. Major events such as storms or floods are considered separately, using projection patterns appropriate to the specific event in question.

The methodology for the calculation of the risk adjustment for liabilities for incurred claims is based on the reserve risk distribution from the Internal Capital model and is therefore consistent with the Internal Model used within the business. Management takes the view that this policy provides reliable and relevant information because it provides a documented approach for considering reserving uncertainty, and so reflects the compensation an entity requires for bearing this cashflow.

The risk adjustment selected is based on a range of risk factors such as the economic environment and uncertainty in relation to actuarial assumptions and methodology. This is held in addition to the OCR and IBNR. The risk adjustment is also considered as a percentage of best estimate reserves when selecting the amount to hold. The confidence level corresponding to the risk adjustment is 76 percent (2023: 76 percent).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

21. Short-term insurance contracts - assumptions, change in assumptions and sensitivities (continued)

(2) Key assumptions (continued)

(a) Home (continued)

The Company adjusts the future cash flows for the time value of money for incurred claims. The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Yield Curve 2024	4.46 %	4.26 %	4.15 %	4.08 %	4.04 %
Yield Curve 2023	4.73 %	4.02 %	3.67 %	3.47 %	3.35 %

(b) Creditor

Significant perils and loss factors include unemployment, morbidity, interest rates and the UK economic outlook generally. The vast majority of financial loss business underwritten by the Company consists of loan protection covering accident, sickness and unemployment. The reserving methodology and associated assumptions for loan protection are set out below:

Claims in course of payment reserve (ICOP Reserve)

ICOP reflects the total reserves set using standard actuarial techniques for claims which have been reported before the accounting date.

Claims Incurred but not Reported reserve (IBNR)

IBNR reflects the difference between the total reserves and ICOP and is the reserve for claims reported after the accounting date, that have occurred before the accounting date.

The risk adjustment is calculated based using the same methodology as for home.

(3) Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. The impact is shown in one direction but can be assumed to be reasonably symmetrical.

	2024				
	Change in assumptions	Impact on PBT gross of reinsurance	Impact on PBT net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000	£'000
Weighted average term to settlement	+ 10%	(816)	(800)	(714)	(668)
Expected loss	+ 10%	(17,922)	(17,558)	(15,666)	(14,953)
Inflation rate	+ 1%	(1,792)	(1,756)	(1,567)	(1,495)

	2023				
	Change in assumptions	Impact on PBT gross of reinsurance	Impact on PBT net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000	£'000
Weighted average term to settlement	+ 10%	(637)	(608)	(593)	(562)
Expected loss	+ 10%	(16,030)	(15,273)	(14,898)	(14,827)
Inflation rate	+ 1%	(1,603)	(1,527)	(1,490)	(1,483)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

21. Short-term insurance contracts - assumptions, change in assumptions and sensitivities (continued)

(4) Claims development tables

The development of insurance liabilities is a measure of the Company's ability to estimate the ultimate value of claims.

The top half of each of the following tables below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the liability amount appearing in the Balance Sheet. The accident year basis is considered the most appropriate for the business written by the Company.

Home - gross

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of ultimate claims costs:											
- at end of accident year	205.2	223.9	194.1	245.2	224.8	253.8	257.7	336.4	262.8	317.7	
- one year later	198.5	217.6	180.2	221.6	201.4	220.0	254.7	351.6	287.1	—	
- two years later	202.4	205.8	176.0	216.5	194.5	221.6	249.9	354.9	—	—	
- three years later	197.9	202.9	172.8	215.9	200.1	223.5	247.4	—	—	—	
- four years later	196.4	202.0	173.3	217.8	201.3	225.3	—	—	—	—	
- five years later	195.4	201.7	174.1	219.4	202.2	—	—	—	—	—	
- six years later	195.7	202.2	174.7	220.2	—	—	—	—	—	—	
- seven years later	195.7	202.5	174.3	—	—	—	—	—	—	—	
- eight years later	195.8	202.5	—	—	—	—	—	—	—	—	
- nine years later	195.8	—	—	—	—	—	—	—	—	—	
Current estimate of cumulative claims	195.8	202.5	174.3	220.2	202.2	225.3	247.4	354.9	287.1	317.7	2,427.4
Cumulative payments to date	(195.2)	(201.4)	(172.7)	(214.9)	(195.0)	(214.7)	(235.0)	(303.8)	(229.8)	(148.5)	(2,111.0)
Liability recognised in the Balance Sheet	0.6	1.1	1.6	5.3	7.2	10.6	12.4	51.1	57.3	169.2	316.4
Liability in respect of prior years											1.1
Effect of discounting											(15.3)
Effect of the risk adjustment for non-financial risk											17.7
Discounted unallocated claims handling expenses											10.2
Other gross assets and liabilities for incurred claims for which there is no significant uncertainty over the amount and timing of the claim cost extending over 12 months											31.6
Total gross liability included in the Balance Sheet											361.7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

21. Short-term insurance contracts - assumptions, change in assumptions and sensitivities (continued)

(4) Claims development tables (continued)

Home - net

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of ultimate claims costs:											
- at end of accident year	205.2	223.8	193.9	244.7	224.2	251.2	257.0	336.1	255.5	313.6	
- one year later	198.5	217.6	179.9	221.0	200.8	216.8	253.6	351.2	278.1	—	
- two years later	202.4	205.8	175.6	216.0	193.6	218.4	248.8	354.4	—	—	
- three years later	197.9	202.9	172.5	215.3	199.2	220.0	246.4	—	—	—	
- four years later	196.4	202.0	173.0	217.2	200.3	221.8	—	—	—	—	
- five years later	195.4	201.7	173.8	218.8	201.2	—	—	—	—	—	
- six years later	195.7	202.2	174.4	219.6	—	—	—	—	—	—	
- seven years later	195.7	202.5	174.0	—	—	—	—	—	—	—	
- eight years later	195.8	202.5	—	—	—	—	—	—	—	—	
- nine years later	195.8	—	—	—	—	—	—	—	—	—	
Current estimate of cumulative claims	195.8	202.5	174.0	219.6	201.2	221.8	246.4	354.4	278.1	313.6	2,407.4
Cumulative payments to date	(195.2)	(201.4)	(172.4)	(214.3)	(194.0)	(211.3)	(234.2)	(303.5)	(227.1)	(147.8)	(2,101.2)
Liability recognised in the Balance Sheet	0.6	1.1	1.6	5.3	7.2	10.5	12.2	50.9	51.0	165.8	306.2
Liability in respect of prior years											1.1
Effect of discounting											(15.8)
Effect of the risk adjustment for non-financial risk											17.1
Discounted unallocated claims handling expenses											10.2
Other gross assets and liabilities for incurred claims for which there is no significant uncertainty over the amount and timing of the claim cost extending over 12 months											31.6
Total net liability included in the Balance Sheet											350.4

As at the year ended 31 December 2024 the Company limited its exposure to loss within insurance operations through participation in reinsurance arrangements. The home portfolio is protected through a catastrophe excess of loss arrangement. The reinsurance programme was renewed on 1 July 2024. Amounts recoverable from reinsurers were estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits. The purpose of a home excess of loss catastrophe reinsurance programme is to protect against the adverse effects of large weather related events. The Company also purchases reinsurance for individual flood risks from Flood Re. Additionally, the Company purchases risk excess of loss reinsurance above £2.5m. The properties are ceded individually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

21. Short-term insurance contracts - assumptions, change in assumptions and sensitivities (continued)

(4) Claims development tables (continued)

Creditor - gross and net

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of ultimate claims costs:											
- at end of accident year	5.6	4.9	5.3	4.7	2.7	3.3	2.7	1.6	1.1	1.0	
- one year later	4.2	3.6	3.1	3.1	2.0	2.4	1.3	0.9	0.8	—	
- two years later	3.4	3.3	2.8	2.7	1.9	2.1	1.3	0.9	—	—	
- three years later	3.3	3.3	2.7	2.6	1.9	2.1	1.3	—	—	—	
- four years later	3.3	3.2	2.7	2.6	1.9	2.1	—	—	—	—	
- five years later	3.3	3.2	2.7	2.6	1.9	—	—	—	—	—	
- six years later	3.3	3.2	2.7	2.6	—	—	—	—	—	—	
- seven years later	3.3	3.2	2.7	—	—	—	—	—	—	—	
- eight years later	3.3	3.2	—	—	—	—	—	—	—	—	
- nine years later	3.3	—	—	—	—	—	—	—	—	—	
Current estimate of cumulative claims	3.3	3.2	2.7	2.6	1.9	2.1	1.3	0.9	0.8	1.0	19.8
Cumulative payments to date	(3.3)	(3.2)	(2.7)	(2.6)	(1.9)	(2.1)	(1.3)	(0.9)	(0.7)	(0.5)	(19.2)
Liability recognised in the Balance Sheet	—	—	—	—	—	—	—	—	0.1	0.5	0.6
Liability in respect of prior years											—
Effect of discounting											—
Effect of the risk adjustment for non-financial risk											—
Discounted unallocated claims handling expenses											—
Other gross assets and liabilities for incurred claims for which there is no significant uncertainty over the amount and timing of the claim cost extending over 12 months											—
Total gross liability included in the Balance Sheet											0.6

The Company has not had any reinsurance cover in place for the current and preceding five years in respect of creditor insurance. The creditor liability of £0.6 million shown in the above table excludes £0.0 million (2023: £0.2 million) of unallocated claims handling expenses.

While management believes that the total insurance liability for all products in the portfolio carried at year end is adequate, the application of statistical techniques requires significant judgement. An increase of 10 per cent in the cost of total claims would result in the recognition of an additional cost of £33.6 million gross and £32.5 million net of reinsurance (2023: £30.9 million gross, £30.1 million net). Similarly, an increase of 10 per cent in the number of all claims outstanding would result in the recognition of an additional cost of £34.7 million gross and £33.6 million net of reinsurance (2023: £32.1 million gross, £31.3 million net). A 5 per cent increase in the inflation rate of claims would result in the recognition of an additional cost of £16.8 million gross and £16.3 million net of reinsurance (2023: £15.5 million gross, £15.1 million net).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management

The Company is a part of Lloyds Banking Group. The principal activity of the Company is the undertaking of general insurance business in the UK. The Company underwrites a range of general insurance products such as home insurance, creditor insurance, pet insurance and accident and health insurance. Products are marketed primarily under the Lloyds Bank, Bank of Scotland and Halifax brands and sold predominantly through the Lloyds Banking Group network and corporate partnerships. The Company also reinsures business with insurance entities external to the Company.

This note summarises the financial risks and the way in which they are managed.

The Company is exposed to financial risk through its financial assets, financial liabilities, assets arising from reinsurance contracts and liabilities arising from insurance contracts. In particular, the key financial risk is that investment proceeds are not sufficient to fund the obligations arising from its insurance contracts.

The Company manages these risks in a number of ways, including risk appetite assessment and monitoring of capital resource requirements. The Company has a defined investment policy which sets out limits on the Company’s exposure to its investments. Investment management meetings are held regularly where the Company’s investments are reviewed. Exposure to investments are monitored by the finance function in order to ensure compliance with internal and relevant external regulatory limits for solvency purposes and to allow additional measures to be taken if limits are breached.

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The summary of significant accounting policies (note 1) describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The sensitivity analyses given throughout this note are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated, for example changes in interest rates and changes in market values. The sensitivity analysis presented also represents management’s assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

(a) Market risk

Market risk is defined as the risk that our capital or earnings profile is affected by adverse market movements, in particular equity, credit default spreads, interest rates and inflation in Insurance business.

The Company’s objective in managing market risk is to maximise returns from investments whilst ensuring regulatory requirements are met and adequate financial security is maintained on an ongoing basis.

The Company is exposed to market risk through its portfolio of investments, the majority of which are short term in nature. The Company categorises its financial assets at fair value through profit or loss as follows:

- Collective investment schemes: unlisted investments which are authorised and regulated by the FCA and fall under the EU directive on Undertakings for Collective Investment in Transferable Securities;
- Listed debt securities: includes sterling denominated floating rate notes.

Below is an analysis of assets and liabilities at fair value through profit or loss and assets and liabilities for which a fair value is required to be disclosed, according to their fair value hierarchy (as defined in note 1 (c)).

As at 31 December 2024

	Fair value hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Collective Investment Schemes - unlisted	433,711	—	—	433,711
Schroder Sterling Liquidity Fund	233,636	—	—	233,636
Total assets	667,347	—	—	667,347

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(a) Market risk (continued)

As at 31 December 2023

	Fair value hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Collective Investment Schemes - unlisted	410,331	—	—	410,331
Schroder Sterling Liquidity Fund	237,740	—	—	237,740
Total assets	648,071	—	—	648,071

An additional source of market risk is the mismatch between payout patterns of liabilities and the assets backing those liabilities. However, this component is a minor source of risk for the Company because the majority of assets as well as liabilities are of a short term nature.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. Interest rate risk in respect of the Company's insurance contracts arises when there is a mismatch in duration or yield between liabilities and the assets backing those liabilities.

For all business, the Company discounts and adjusts the future cash flows for the time value of money for incurred claims and is therefore directly sensitive to the level of market interest rates.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have an impact in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis.

		2024		2023	
	Change in Interest rate £'000	Impact on profit before tax £'000	Impact on equity £'000	Impact on profit before tax £'000	Impact on equity £'000
Insurance and reinsurance contracts	+1%	1,738	1,704	1,437	1,337

(b) Insurance underwriting risk

Insurance underwriting risk is defined as the risk of adverse developments in liabilities due to: timing, frequency and severity of claims for insured/underwritten events; customer behaviour; and expense costs.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number of claims will vary from year to year from the estimate established using statistical techniques. When submitting a claim, proof will be needed. The Company follows any principles set up by the ABI and PRA in respect of handling claims. Claims information is retained to help with the estimation of future claim payments and risk pricing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(b) Insurance underwriting risk (continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to ensure that within each of its risk categories sufficiently large populations of risks are achieved to reduce the variability of the expected outcome.

(i) Home

Frequency and severity of claims

For home insurance contracts, climatic changes appear to be giving rise to more frequent and severe extreme weather events and their consequences. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company can charge a premium appropriate to the risk presented, decline to underwrite certain applications at sale, impose policy terms and conditions or higher excesses and, in the majority of cases, has the right not to renew individual policies. The Company also has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e. subrogation).

The Company has the right to re-price the risk on renewal and also has the ability to impose excesses. These contracts are underwritten by reference to the replacement value of the properties and contents insured. Claim payment limits are always included for contents insurance to cap the amount payable on occurrence of the insured event. Costs of rebuilding properties or replacement of, or indemnity for, contents, are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm, flood, escape of water, freeze, fire and subsidence. The Company has reinsurance cover for natural and man-made catastrophes to limit losses in any one year from both large single events and a number of events occurring over the year. The maximum loss for a single event of up to £1,050.0 million from ground up, with an excess of £117.9 million (2023 £691.2 million and £87.7 million respectively). Aggregate protection of 70% of £101.1 million responds when the total cost for events up to £117.9 million over the year, exceeds £194.2 million. Subject to an excess of £2 million per event, making the maximum contribution per event £117.9 million. (2023: £116.8 million, £148.3 million, maximum contribution £87.7 million).

The Company also purchases reinsurance for individual flood risks from Flood Re. Additionally, the Company purchases risk excess of loss reinsurance above £2.5m. The properties are ceded individually.

The insurance underwriting risk arising from these contracts is not concentrated in any of the regions in the UK in which the Company operates, and there is a balance between buildings and contents in the overall portfolio.

Sources of uncertainty in the estimation of future claim payments

Home claims are analysed separately for each peril. The development of accumulations of weather claims in a single catastrophic event is analysed separately. The shorter settlement period for non-subsidence/liability claims allows the Company to achieve a higher degree of certainty about the estimated cost of these claims, and relatively small Incurred but not Reported (IBNR) reserve is held at year-end. However, the longer time needed to assess the emergence of a subsidence or liability claim makes the estimation process more uncertain for these claims.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(b) Insurance underwriting risk (continued)

(ii) Creditor

Frequency and severity of claims

Significant perils and risk factors include unemployment, morbidity, interest rates and the UK economic outlook generally. The majority of financial loss business underwritten by the Company is payment protection, which has accident, sickness and unemployment as its main perils.

The claim amount paid is fixed at the level of repayment and is capped for a maximum duration for most contracts. There are waiting and exclusion periods during which no claim will be accepted. In addition, in the case of sickness, any pre-existing health conditions will not be covered.

The insurance underwriting risk arising from these contracts is not concentrated in any of the regions in the UK in which the Company operates. A credit scoring system and procedures were in place to approve loans on which insurance will be offered.

Sources of uncertainty in the estimation of future claim payments

The Company estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims would normally allow the Company to achieve a higher degree of certainty about the estimated cost of claims however there is still an IBNR held at year-end.

The Company ceased writing new creditor business in 2010, consequently the book is now in run-off which in itself establishes an additional source of uncertainty in analysing the behaviours of a diminishing book against a historically stable portfolio. Future claims payments are driven by economic factors such as unemployment rate and interest rates and as such there is significant uncertainty given the current economic climate.

(c) Credit risk

Credit Risk is defined as the risk that parties with whom the Company has contracted with fail to meet their financial obligations (both on or off balance sheet).

Investment counterparty default risk arises primarily from holding invested assets to meet liabilities, and reinsurer default credit risk primarily arises from exposure to reinsurers.

Management considers that the Company’s only significant potential credit risk exposures are from reinsurance and financial assets held at fair value through profit or loss. Adequate and effective procedures are in place to mitigate these exposures and all the other sources of credit risk identified by the business. Credit risk exposure from insurance receivables is not considered to be significant, as the risk is diversified across a large volume of policyholders for all products and the amount of unpaid premiums at the Balance Sheet date is not significant. A provision for doubtful debt is recognised when payments due from policyholders have not been received for at least a month.

The Company’s risk transfer policy addresses the management of reinsurance credit risk and is authorised by the Insurance, Pensions and Investments Asset and Liability Committee (IP&IALCO). Only reinsurers with a minimum credit rating of 'A-' will be accepted. The Company also requires a 'special termination clause' in all contracts allowing a reinsurer to be replaced mid-term, in the event their security rating is downgraded below an acceptable level during the period of the reinsurance contract.

Reinsurance claims recoveries management information is supplied to the actuarial function by the reinsurance broker. The Company’s actuarial function monitors the status of claims made on reinsurance policies. Reinsurance is primarily used to reduce insurance risk. However, it is also sought for other reasons such as improving profitability, reducing capital requirements and obtaining technical support.

The Company’s investment policy sets rules limiting exposure to concentrations of risk as a result of aggregation of exposure to any single counterparty. Setting limits mitigates such credit risk exposure and also ensures compliance with regulatory requirements. Credit default risk is the most significant financial risk, but this is mitigated by a cautious approach to counterparty risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(c) Credit risk (continued)

The tables below analyse financial assets and reinsurance assets subject to credit risk exposure using S&P Global Ratings' rating or equivalent.

As at 31 December 2024

	Total	AAA	AA	A	BBB or lower	Not rated
	£'000	£'000	£'000	£'000	£'000	£'000
Stage 1 assets						
Cash and cash equivalents	235,178	—	—	235,178	—	—
Loans and receivables at amortised cost	57,739	—	—	—	—	57,739
Exposure to credit risk	292,917	—	—	235,178	—	57,739
Simplified approach assets						
Loans and receivables at amortised cost	2,636	—	—	2,636	—	—
Exposure to credit risk	2,636	—	—	2,636	—	—
Assets at FVTPL						
Collective investment schemes - unlisted	433,711	—	—	433,711	—	—
Other						
Net reinsurance assets	9,771	—	—	9,771	—	—
Total	739,035	—	—	681,296	—	57,739

As at 31 December 2023

	Total	AAA	AA	A	BBB or lower	Not rated
	£'000	£'000	£'000	£'000	£'000	£'000
Stage 1 assets						
Cash and cash equivalents	240,099	—	—	240,099	—	—
Loans and receivables at amortised cost	44,548	—	—	—	—	44,548
Exposure to credit risk	284,647	—	—	240,099	—	44,548
Simplified approach assets						
Loans and receivables at amortised cost	2,624	—	—	2,624	—	—
Exposure to credit risk	2,624	—	—	2,624	—	—
Assets at FVTPL						
Collective investment schemes - unlisted	410,331	—	—	410,331	—	—
Other						
Net reinsurance assets	6,389	—	—	6,389	—	—
Total	703,991	—	—	659,443	—	44,548

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(d) Capital Risk

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Company.

The Company is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The PRA rules, which incorporate all Solvency II requirements, specify the minimum amount of capital that must be held by the regulated Company in addition to their insurance liabilities. Under the Solvency II rules, the Company must hold assets in excess of this minimum amount, which is derived from an economic capital assessment undertaken by each regulated company and the quality of capital held must also satisfy Solvency II tiering rules. This is reviewed on a quarterly basis by the PRA.

The Solvency II minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met.

The Company's objectives when managing capital are:

- to have sufficient capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- to comply with the insurance capital requirements set out by the PRA in the UK;
- when capital is needed, to require an adequate return to the shareholder by pricing insurance contracts according to the level of risk associated with the business written.

The capital management strategy is such that the integrated insurance business (comprising SWG and its subsidiaries, including the Company) will hold capital in line with the stated risk appetite for the business, which is to be able to withstand a one in ten year stress event without breaching the capital requirements. At SWG level it is intended that all surplus capital above that required to absorb a one in ten year stress event will be distributed to Lloyds Banking Group.

The Company's capital comprises all components of equity, movements in which are set out in the Statement of Changes in Equity.

The table below sets out the regulatory capital held at 31 December in each year for the Company on a Solvency II basis.

	2024 £'000	2023 £'000
Regulatory Capital held (unaudited)	367,562	341,523
Regulatory Capital required (unaudited)	(237,444)	(232,018)
Regulatory Surplus (unaudited)	130,118	109,505
Solvency II Ratio (unaudited)	163 %	147 %

All minimum regulatory requirements were met during the year.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its financial commitments as they fall due, or can secure them only at an excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from an insurance liability falling due for payment earlier than expected; or from the inability to generate cash inflows as anticipated.

The main objective of the Company's liquidity risk policy is to ensure that all funds within the Company that serve to fulfil liabilities are available in sufficiently liquid form to settle liabilities as and when they fall due. Liquidity risk is considered to be small, as the Company primarily holds financial assets for which there is a liquid market and that are readily saleable to meet liquidity needs together with short term cash deposits which are viewed as readily available at short notice. The Company routinely reviews its capital and liquidity position and only invests excess liquidity (where balances exceed a level required to settle insurance claims and other creditors including an internal buffer) in longer term assets. As such the assets do not carry any significant liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

22. Risk management (continued)

(e) Liquidity risk (continued)

In order to measure liquidity risk exposure the Company's liquidity is assessed in a stress scenario. Liquidity risk appetite considers two time periods; three month stressed outflows are required to be covered by primary liquid assets; and one year stressed outflows are required to be covered by primary and secondary liquid assets, after taking account of management actions. Primary liquid assets are gilts or cash, and secondary liquid assets are tradable non-primary assets.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider Lloyds Banking Group Funding and Liquidity Policy.

The following table analyses the Company's insurance and financial liabilities into relevant maturity groupings. The analysis of insurance contract liabilities is an estimated maturity analysis of the amount recognised in the Balance Sheet. For financial liabilities, the groupings are based on the period remaining at the Balance Sheet to the contractual maturity date. The amounts disclosed in the table are undiscounted and do not include those relating to LRC of contracts measured under the PAA.

As at 31 December 2024

	Total	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities for incurred claims	360,450	230,398	52,064	25,487	15,997	10,234	26,270
Other financial liabilities	1,655	1,655	—	—	—	—	—
Total	362,105	232,053	52,064	25,487	15,997	10,234	26,270

As at 31 December 2023

	Total	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities for incurred claims	326,124	212,079	58,375	26,520	12,812	7,015	9,323
Other financial liabilities	1,621	1,621	—	—	—	—	—
Total	327,745	213,700	58,375	26,520	12,812	7,015	9,323

(f) Concentration risk

Credit concentration risk

Credit concentration risk relates to the inadequate diversification of credit risk.

Credit risk is managed through the setting and regular review of counterparty credit and concentration limits on asset types which are considered more likely to lead to a concentration of credit risk. However, for other assets, such as investments in funds falling under the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive (which are almost all the Company's assets) no limits are prescribed as the risk of credit concentration is deemed to be immaterial. This policy supports the approach mandated by the PRA for regulatory reporting.

At 31 December 2024 and 31 December 2023, the Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties where limits applied.

Liquidity concentration risk

Liquidity concentration risk arises where the Company is unable to meet its obligations as they fall due or do so only at excess cost, due to over-concentration of investments in particular financial assets or classes of financial asset.

Almost all of the Company's assets are invested in liquidity funds which are designed to give ready access to liquidity.

This is supplemented by active liquidity management in the Company, to ensure that even under stress conditions the Company has sufficient liquidity as required to meet its obligations. This is delegated by the Board to and monitored through the IP&IALCO, the Insurance, Pensions & Investments Risk Committee (IP&IRC), the Insurance Shareholder Investment Management Committee (ISIM) and Banking and Liquidity Operating Committee (BLOC).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

23. Contingencies and commitments

Tax authorities

Lloyds Banking Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2020, HMRC concluded its enquiry into the matter and issued a closure notice denying the group relief claim. The Group appealed to the First Tier Tax Tribunal. The hearing took place in May 2023. In January 2025, the First Tier Tribunal concluded in favour of HMRC. The Group believes it has applied the rules correctly and that the claim for group relief is correct. Having reviewed the Tribunal's conclusions and having taken appropriate advice the Group intends to appeal the decision and does not consider this to be a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in the Group's current tax liabilities of approximately £26.6 million (including interest).

It is unlikely that any appeal hearing will be held before 2026, and final conclusion of the judicial process may not be for several years.

Other legal actions and regulatory matters

In addition, in the course of its business the Company is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers (including their appointed representatives), investors or other third parties, as well as legal and regulatory reviews, enquiries and examinations, requests for information, audits, challenges, investigations and enforcement actions, which could relate to a number of issues. This includes matters in relation to compliance with applicable laws and regulations, such as those relating to prudential regulation, consumer protection, investment advice, business conduct, systems and controls, environmental, competition/anti-trust, tax, anti-bribery, anti-money laundering and sanctions, some of which may be beyond the Company's control, both in the UK and overseas. Where material, such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

24. Related party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent undertaking is Lloyds Bank General Insurance Holdings Limited, a company registered in the United Kingdom. Lloyds Bank General Insurance Holdings Limited has taken advantage of the provisions of the Companies Act 2006 and has not produced consolidated financial statements.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these financial statements. Copies of the consolidated Annual Report and Accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 33 Old Broad Street, London EC2N 1HZ or downloaded via www.lloydsbankinggroup.com.

(b) Transactions and balances with related parties

Transactions with other Lloyds Banking Group companies

The Company has entered into transactions with related parties in the normal course of business during the year.

	2024			
	Income during period £'000	Expenses during period £'000	Payable at period end £'000	Receivable at period end £'000
Relationship				
Parent	—	50,000	—	—
Subsidiary	—	—	19	57,762
Other related parties	39	205,030	25,664	1,881

	Restated* 2023			
	Income during period £'000	Expenses during period* £'000	Payable at period end £'000	Receivable at period end £'000
Relationship				
Parent	—	30,000	—	—
Subsidiary	—	—	—	—
Other related parties*	62	199,676	15,663	46,647

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

24. Related party transactions (continued)

*The prior year comparative has been restated to fully reflect all internal claims handling costs recharged to the company.

In addition to the balances disclosed in the table, balances of £667.3 million (2023: £648.1 million) and income of £34.9 million (2023: £30.3 million) in respect of funds controlled by Lloyds Banking Group meet the definition of related parties. The above balances are unsecured in nature and are expected to be settled in cash.

As outlined in the Strategic Report, and referenced in Note 11, a legal entity reorganisation took place on 10th July, whereby LBIS was acquired for a cash consideration of £125 million, and StAI for £25 million. In anticipation of the acquisitions, LBGIH increased its investment in the Company in cash via a share subscription for £150 million.

Parent undertaking transactions relate to dividends paid to the Company's immediate parent.

(b) Transactions and balances with related parties (continued)

Transactions with other Lloyds Banking Group companies (continued)

Parent undertaking transactions relate to all transactions and balances with parent companies, such transactions include cash and cash equivalent balances and Group relief for income tax.

Transactions with other related parties (which include Subsidiaries and other Insurance Intermediaries) are primarily in relation to Intra-Group trading and operating and employee expenses.

Transactions with key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and IP&IExCo members. Key management personnel, as defined by IAS 24, are employed by a management entity, transactions with this entity are as follows:

Key management compensation:

	2024 £'000	2023 £'000
Short-term employee benefits	1,046	622
Post-employment benefits	12	4
Share-based payments	406	103
Total	1,464	729

Included in short term employee benefits is the aggregate amount of emoluments paid to or receivable by Directors in respect of qualifying services of £472,451 (2023: £337,373).

There were no retirement benefits accruing to Directors (2023: nil) under defined benefit pension schemes. Two Directors (2023: no Directors) are paying into a defined contribution scheme. There were contributions of £3,511 paid to a pension scheme for qualifying services (2023: nil).

Certain members of key management in the Company, including the highest paid Director, provide services to other companies within Lloyds Banking Group. In such cases, for the purposes of this note, figures have been included based on an apportionment to the Company of the total compensation earned.

The aggregate amount of money receivable and the net value of assets received/receivable under share based incentive schemes in respect of Directors qualifying services was £188,873 (2023: £62,450). During the year, no Directors exercised share options (2023: no Director) and two Directors received qualifying service shares under long term incentive schemes (2023: no Directors).

Movements in share options are as follows:

	2024 Options	2023 Options
Outstanding at 1 January	1,270,307	1,530,395
Outstanding balance of directors newly appointed in the period	162,513	211,126
Granted	2,039,426	885,911
Exercised	(970,056)	(437,688)
Forfeited	(21,912)	(528,322)
Outstanding balance of directors resigned in the period	(144,760)	(391,115)
Outstanding at 31 December	2,335,518	1,270,307

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

24. Related party transactions (continued)

Detail regarding the highest paid Director is as follows:

	2024 £'000	2023 £'000
Apportioned aggregate emoluments	137	106
Apportioned share-based payments	154	24
Total	291	130

25. Future accounting developments

The following pronouncements are not applicable for the year ending 31 December 2024 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company, and reliable estimates cannot be made at this stage.

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards are being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure. These improvement and amendments are not expected to have a significant impact on the Company.

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group or Company.

26. Post balance sheet events

An interim dividend of £20 million was declared on 6 February 2025 and paid to Lloyds Bank General Insurance Holdings Limited on 17 February 2025.