Grant Thornton

Supplementary Report by Simon Sheaf FIA, Independent Expert, on the Proposed Transfer of Portfolios of Policies from Liverpool Victoria Insurance Company Limited, Highway Insurance Company Limited, Fairmead Insurance Limited and Trafalgar Insurance Limited to Allianz Insurance Plc

11 September 2026

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1 Introduction

Introduction

1.1 Liverpool Victoria Insurance Company Limited ("LVIC"), Highway Insurance Company Limited ("HICO"), Fairmead Insurance Limited ("FIL") and Trafalgar Insurance Limited ("TIL") (together the "Transferors") and Allianz Insurance Plc ("AZI", the "Transferee"), together the "Companies", jointly nominated Simon Sheaf ("I", "me"), Partner and Head of Actuarial and Risk at Grant Thornton UK Advisory & Tax LLP ("Grant Thornton") to act as the Independent Expert for the proposed insurance business transfer of portfolios of insurance business from the Transferors to the Transferee.

1.2 This transfer will proceed as two parallel schemes (the "Main Scheme" and the "Jersey Scheme", collectively the "Schemes") under Part VII of the Financial Services and Markets Act 2000 and the Insurance Business (Jersey) Law 1996, respectively.

1.3 The proposed effective date for both Schemes is 1 January 2027 (the "Effective Date").

1.4 The Schemes consist of:

- The transfer of all insurance business from the Transferors to AZI, pursuant to Part VII of the Financial Services and Markets Act 2000 and subject to the approval of the Court (the Main Scheme)
- The Main Scheme also involves the transfer of certain ancillary assets and liabilities necessary for the Transferors' business from Liverpool Victoria General Insurance Group Limited ("LVGIG") to Allianz Management Services Limited ("AMSL") and the transfer of LV Repair Services Limited to become a subsidiary of AZI.
- The transfer of policies effected or carried out as part of insurance business carried on in or from within Jersey, including some policies written under Jersey law (the "Jersey Policies") from LVIC, HICO and FIL to AZI, pursuant to the Insurance Business (Jersey) Law 1996 and also subject to the approval of the Jersey Court (the Jersey Scheme).

1.5 Subject to the approval of the Jersey Scheme, the Jersey Policies are treated as being transferred under the Main Scheme and the Jersey Scheme, for reasons I discuss in paragraph 1.25 of my Main Report (defined in paragraph 1.6 below). The Schemes will run in parallel, subject to two separate court processes with the respective Courts.

Scope

1.6 I prepared a report for the High Court of Justice of England and Wales ("the Court") and the Royal Court of Jersey (the "Jersey Court", together the "Courts") dated 11 May 2026 and entitled "*Report by Simon Sheaf FIA, Independent Expert, on the Proposed Transfer of Portfolios of Policies from Liverpool Victoria Insurance Company Limited, Highway Insurance Company Limited, Fairmead Insurance Limited and Trafalgar Insurance Limited to Allianz Insurance Plc*" (the "Main Report").

1.7 In the Main Report I set out a summary of the proposed Schemes and my conclusions as to the likely effects of the proposed Schemes on policyholders and the Transferors' reinsurers which are transferring to AZI ("Transferring Reinsurers"), and in particular whether the Schemes will result in material detriment to any policyholders or Transferring Reinsurers relative to their current situation. The conclusions within the Main Report were based on financial information as at 30 September 2025 and other information available at the time of writing the Main Report.

1.8 The Companies petitioned the Courts in respect of the Schemes at the Directions Hearings in respect of the Main Scheme on 22 May 2026 and in respect of the Jersey Scheme on 27 May 2026. The Courts directed that the communications strategy set out in the petitions be carried out. The Companies have since then communicated with affected parties. The final hearings at the Courts, at which the Schemes are expected to be sanctioned, have been set for 2 October 2026 for the Main Scheme and 6 October 2026 for the Jersey Scheme.

1.9 This report (the "Supplementary Report") provides an update to the conclusions I set out in the Main Report following my consideration of the additional information that is available to me now, including information on the progress and response to the communications exercise implemented by the Companies. A full list of additional information is provided in Appendix A.

1.10 I am not aware of any matters not covered in the Supplementary Report that could impact my conclusions as set out in the Main Report.

Policyholder groups

1.11 This report considers the effect of the Schemes on the following groups of policyholders:

- Policyholders being transferred from LVIC to AZI ("the Transferring LVIC Policyholders")
- Policyholders being transferred from HICO to AZI ("the Transferring HICO Policyholders")
- Policyholders being transferred from FIL to AZI ("the Transferring FIL Policyholders")
- Policyholders being transferred from TIL to AZI ("the Transferring TIL Policyholders")

(together, the "Transferring Policyholders"), and

- Existing policyholders within AZI ("the Existing Policyholders").

1.12 The policyholders of Jersey Policies (the "Jersey Policyholders") are a subset of the Transferring LVIC, HICO and FIL Policyholders and therefore of the Transferring Policyholders.

1.13 The updated numbers of policyholders for each of the Transferors are shown in the table below.

Table 1.1: Number of policyholders of the Transferors

		Current policyholders	Past policyholders (since 1 May 2024) who are potential claimants	Open Claimants
LVIC				
	UK	4,146,873	1,164,761	144,133
	Jersey	4,557	753	64
	Guernsey	2,634	390	68
	Isle of Man	1,523	488	41
	Total	**4,155,587**	**1,166,392**	**144,306**
HICO				
	UK	898,584	490,793	20,445
	Jersey	325	172	3
	Guernsey	188	111	2
	Isle of Man	188	111	2
	Total	**899,771**	**491,414**	**20,453**
FIL	**Total**	-	-	**376**
TIL	**Total**	-	-	**3**

1.14 Note that the column of potential claimants in the table above relates only to policies issued from 1 May 2024 onwards, consistent with the Companies' communications strategy (see paragraph 13.10 of the Main Report). This approach was selected by the Companies as they believe 98% of claims relating to earlier policies have already been reported, and because information on potential claimants before 1 May 2024 is incomplete due to the age and nature of some of this business. FIL and TIL have written no policies since 1 May 2024 since they entered run-off in 2023 and 2006 respectively. It follows that the actual number of potential claimants may be slightly higher than shown above, but the Companies expect the figures above to represent the vast majority of potential claimants.

1.15 The figures in Table 1.1 represent the total number of policyholders and claimants, and I understand from the Companies that it contains some duplication for policyholders who have multiple policies with the Companies. For communication purposes, a deduplication exercise was undertaken to avoid communicating with the same policyholder multiple times for different policies, so the total number of communications issued (a little over 6.2 million) is lower than that the total number shown in the table. I understand from the Companies that it is not possible to provide an analogous analysis to that in Table 1.1 following the deduplication exercise because of policyholders who have policies in multiple entities and/or multiple regions.

Independence

1.16 There are no changes to my, Grant Thornton's or the Companies' circumstances that impact upon my suitability to act as the Independent Expert for the Schemes, as set out in the Main Report.

Use of this report

1.17 This Supplementary Report should be read in conjunction with the Main Report as reading this report in isolation may be misleading. This report has an analogous scope and is subject to the same reliances, limitations, and restrictions on distribution and use as the Main Report.

1.18 In preparing this report, I have had access to additional information provided by the Companies (listed in full in Appendix A) as well as access to and discussions with senior management of the Companies. I have relied on the accuracy of the information provided and the conclusions in this report are dependent on the substantial accuracy of this information.

1.19 All abbreviations and technical terms used in this Supplementary Report have the same meaning as in the Main Report unless otherwise stated.

1.20 The assumptions I made when assessing the impact of the Schemes in the Main Report continue to hold for the purposes of this Supplementary Report.

1.21 This report is provided for the use of the Courts, the policyholders of the Companies, the Transferring Reinsurers, the directors and senior management of the Companies, the FCA, the PRA and the JFSC, for the sole purpose of considering the impact of the Schemes on the affected policyholders and Transferring Reinsurers.

1.22 Copies of the final version of this report will be made available for inspection by policyholders and copies may be provided to any person requesting the same in accordance with legal requirements. The final version of this report may also be made available on websites hosted by or on behalf of AZI in connection with the Schemes.

1.23 Notwithstanding the above, Grant Thornton does not accept any liability to any party other than the Companies and the Courts, who chooses to act on the basis of any of the reports we have issued in connection with the Schemes.

1.24 Judgments about the conclusions drawn in this report should only be made after considering the report in its entirety as any part or parts read in isolation may be misleading.

1.25 The underlying figures in this report are calculated to many decimal places. In the presentation of the figures in the various tables, there may be reconciliation differences due to the effect of rounding.

Professional guidance

1.26 The statements in respect of Professional Guidance made in the Main Report apply equally to this report.

Statement of truth

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

2 Executive summary

Approach

2.1 In the Main Report, I set out my conclusions as to the expected impact of the proposed Schemes on the security of policyholder benefits and the reasonable benefit expectations of policyholders and the expected impact on Transferring Reinsurers.

2.2 To determine whether there has been any event or change in circumstance since I wrote the Main Report which would change my conclusions as set out in that report, I have sought information to enable me to understand:

- the financial and non-financial changes to the Companies since the Main Report
- the impact of changes in the external environment on the Companies.

2.3 The additional information, combined with my experience and knowledge of the relevant market and actuarial matters, enables me to consider how events or changes in circumstances since the Main Report might impact:

- the security of policyholder benefits
- the reasonable benefit expectations of policyholders, including in respect of service levels provided
- the Transferring Reinsurers.

2.4 The additional information I have received is listed in Appendix A and includes details of the Companies' relevant communications with policyholders in respect of the Schemes.

2.5 I have considered the Companies' correspondence with policyholders and third parties that has taken place in connection with the Schemes, including objections received up to 30 August 2026 and the Companies' responses to these objections up to 30 August 2026.

My definitions of materiality and likelihood

What constitutes a material adverse impact on policyholders?

2.6 An insurance business transfer can have both positive and negative impacts on policyholders. The existence of negative impacts should not automatically imply that the Courts should reject the Schemes as the positive impacts may outweigh the negative impacts, or the negative impacts may not be material.

2.7 For the purposes of my assessment, I consider a material adverse impact to be the possibility, as a consequence of the Schemes, of a real or significant risk to the security or level of policyholders' current or future benefits or to the levels of service provided to policyholders.

2.8 When considering policyholder security, this would be the case if the Schemes would result in a substantially greater probability of a policyholder's claim not being paid, relative to the probability of a policyholder's claim not being paid prior to the Schemes. This is ultimately a matter of expert judgement regarding the likelihood and impact of possible future events.

2.9 In terms of non-financial impacts, an assessment of materiality is more subjective but, as an example, a change in the claims handling process that added a few hours to the customer response time is probably not material. However, if it added a longer period of time then it could be, depending on the type of claim and the usual timelines involved. In assessing impacts between these severities, I would take into consideration the usual timelines a customer might experience for a particular type of policy or claim, and especially whether any customers impacted are in a vulnerable position.

Measures of likelihood

2.10 In this report, when I describe an event as “unlikely”, I mean that, in my judgement, it is foreseeable but towards the extremities of the range of what I would consider to be reasonably foreseeable. I describe an event as “severe” when, in my judgement, it is at the extremities of that range.

2.11 In this report, when I describe a scenario as “remote”, I mean that it lies significantly outside the range of outcomes that I consider reasonably foreseeable based on my professional judgement. A remote adverse scenario would require adverse developments that are materially more extreme than the upper end of a reasonably foreseeable range and/or would require multiple independent adverse events to occur simultaneously.

Summary of my analysis

2.12 In this section, I have summarised the key points from my analysis of each entity in this report. In so doing, I have only focussed on matters where there have been material updates since the Main Report. For any matters that are not discussed in this section, there have been no material changes since the Main Report.

2.13 Throughout my analysis, I have assumed that the two Major Model Changes described in paragraphs 3.67 to 3.70 will be granted full permission by the PRA, as I consider this a foreseeable outcome; however, this permission is not certain to be granted. Therefore, I have ensured that, while my analysis is primarily focused on this foreseeable outcome, my conclusions are not reliant on these permissions being granted, and I have included further analysis to support this.

2.14 In making my conclusions, I have given due consideration to the fact that direct comparison is not possible between the solvency ratios of the Companies, since the Transferors calculate their regulatory solvency requirements using the Standard Formula while AZI uses an Internal Model.

Analysis of LVIC and Transferring LVIC Policyholders

Business developments, new business and change projects

2.15 Since the Main Report, LVIC has launched the Slick MGA and the Britannia product and has progressed development of future partnership arrangements. However, business volumes written through these channels remain small and are not expected to become material before the Effective Date.

Reinsurance

2.16 The main change since the Main Report is the renewal of the catastrophe programme, which provides slightly less protection against multiple smaller events but greater protection in absolute terms against extreme events but the overall impact on solvency capital requirements is immaterial.

Reserves

2.17 Reserve methodologies remain unchanged, with the exception of a change to the presentation of Insurance Premium Tax (“IPT”), and I continue to regard LVIC’s reserves as reasonable. Reported Technical Provisions have increased since the Main Report, although a significant proportion of this movement is due to the presentational change relating to IPT rather than a change in underlying liabilities. The remaining movements are principally driven by injury claims experience, a cautious approach to subsidence reserving, geopolitical uncertainty and reinsurance-related changes, including the impact of reduced quota share commission rates. I believe that the Technical Provisions for LVIC remain adequate.

Balance sheet and solvency position

2.18 LVIC's balance sheet has remained broadly stable since the Main Report. Own Funds increased slightly while the SCR also increased, leading to a small reduction in the solvency coverage ratio from 141% to 139%. Despite this decrease, LVIC remains comfortably above its target solvency ratio and I have not identified any material deterioration in policyholder security. The expected post-Schemes solvency position remains stronger than LVIC's pre-Schemes position.

Solvent Exit Planning

2.19 Since my Main Report, the Companies have developed a Solvent Exit Analysis. This analysis indicates that LVIC's solvency and liquidity resources would remain above its target solvency ratio and liquidity ratio, respectively, under the base solvent exit scenario, and in all but one of the stressed solvent exit scenarios.

Impact of the Schemes

2.20 The expected solvency position of AZI post-Schemes remains significantly stronger in both absolute and relative terms than LVIC's pre-Schemes, with materially higher Own Funds, a larger surplus over regulatory capital requirements and greater diversification benefits. The updated stress testing continues to indicate that AZI post-Schemes would be more resilient than LVIC under a range of adverse scenarios. As a result, I continue to consider that the security of benefits for the Transferring LVIC Policyholders is expected to improve following the Schemes.

2.21 In addition, I have not identified any changes to the servicing arrangements, governance, operational readiness, reinsurance protection, liquidity position or business strategy of AZI post-Schemes that would materially adversely impact the Transferring LVIC Policyholders. Access to FSCS protection will remain unchanged, while the capital support arrangements pre- and post-Schemes remain unchanged. The developments since the Main Report, including new business initiatives and changes to reinsurance arrangements, have not materially altered LVIC's risk profile or my assessment of the impact of the Schemes. Taken together, the updated information reinforces my conclusion that the Transferring LVIC Policyholders are not expected to face any material adverse effect as a result of transferring to AZI and, in respect of policyholder security, are expected to benefit from being part of a larger, more strongly capitalised and more diversified insurer.

Analysis of HICO and Transferring HICO Policyholders

Business developments, new business and change projects

2.22 Since the Main Report, there have been no material changes to HICO's business strategy, operating model or change portfolio that would materially affect the Transferring HICO Policyholders.

Reinsurance

2.23 The main change since the Main Report is the renewal of the catastrophe programme, which provides slightly less protection against multiple smaller events but greater protection in absolute terms against extreme events but the overall impact on solvency capital requirements is immaterial.

Reserves

2.24 Reserve methodologies remain unchanged, with the exception of a change to the presentation of IPT, and I continue to regard HICO's reserves as reasonable. Reported Technical Provisions have increased since the Main Report, although part of this movement is due to the presentational change relating to IPT rather than a change in underlying liabilities. The remaining movements are principally driven by reserve development, geopolitical uncertainty and reinsurance-related changes. I believe that the Technical Provisions for HICO remain adequate.

Balance sheet and solvency position

2.25 HICO's balance sheet has remained broadly stable since the Main Report. Own Funds increased slightly while the SCR increased by more, leading to a small reduction in the solvency coverage ratio from 178% to 172%. Despite this decrease, HICO remains comfortably above its target solvency ratio and I have not identified any material deterioration in policyholder security. The expected post-Schemes solvency position remains stronger than HICO's pre-Schemes position.

Solvent Exit Planning

2.26 Since my Main Report, the Companies have developed a Solvent Exit Analysis. This analysis indicates that HICO's solvency and liquidity resources would remain above its target solvency and liquidity ratios under the base and stressed solvent exit scenarios.

Impact of the Schemes

2.27 While HICO's standalone solvency ratio is higher than the expected post-Schemes solvency ratio of AZI, this comparison is not meaningful in isolation given HICO's smaller size and the different capital frameworks involved. The expected solvency position of AZI post-Schemes remains significantly stronger in absolute terms, with materially higher Own Funds, a larger surplus over regulatory capital requirements and greater diversification benefits.

2.28 Updated stress testing continues to indicate that lower stresses in percentage terms would be required to deplete AZI's Own Funds post-Schemes than HICO's and, taken in isolation, this suggests the Transferring HICO Policyholders will be less secure after the Schemes. However, the absolute stresses required to deplete AZI's post-Schemes Own Funds would be much larger and therefore AZI post-Schemes would be more resilient than HICO under a range of adverse scenarios, and any such stresses for either entity remain remote. As a result, I continue to consider that the security of benefits for the Transferring HICO Policyholders is expected to improve following the Schemes.

2.29 In addition, I have not identified any changes to the servicing arrangements, governance, operational readiness, reinsurance protection, liquidity position or business strategy of AZI post-Schemes that would materially adversely impact the Transferring HICO Policyholders. Access to FSCS protection will remain unchanged, while the capital support arrangements pre- and post-Schemes remain unchanged. The developments since the Main Report have not materially altered HICO's risk profile or my assessment of the impact of the Schemes. Taken together, the updated information reinforces my conclusion that the Transferring HICO Policyholders are not expected to face any material adverse effect as a result of transferring to AZI and, in respect of policyholder security, are expected to benefit from being part of a larger, more strongly capitalised and more diversified insurer.

Analysis of FIL and Transferring FIL Policyholders

Reserves

2.30 The reduction in Technical Provisions since the Main Report is consistent with the expected run-off of FIL's liabilities. As FIL no longer writes new business, it is unaffected by the IPT presentation change that affects some of the other Companies. FIL's net reserves remain very small and negative because its liabilities are fully reinsured and because of a time lag.

Balance sheet and solvency position

2.31 FIL's assets and liabilities have reduced as its liabilities have continued to run off, while Eligible Own Funds have increased modestly. FIL's solvency coverage ratio increased from 387% to 460%, although this reflects the small size of the entity and the fact that its SCR remains constrained by the regulatory minimum capital requirement.

Solvent Exit Planning

2.32 Since my Main Report, the Companies have developed a Solvent Exit Analysis. Due to the timing of the relevant requirements coming into force, this analysis only covers the live entities and does not cover FIL, as a run-off entity. I have judged that the impact of including FIL in the analysis would have been immaterial.

2.33 Following the Scheme, Transferring FIL Policyholders will be policyholders of an insurer that is within scope of Solvent Exit Planning, which I consider to be a benefit of the Schemes from a regulatory planning perspective.

Investments and liquidity

2.34 FIL's investment portfolio has continued to reduce as assets mature and as it has paid out a dividend. Consistent with its run-off status, FIL has increasingly held the proceeds of maturing investments as cash rather than reinvesting them. I regard this as supportive of liquidity and policyholder security. Liquidity remains strong and appropriate for the nature of the remaining liabilities.

Impact of the Schemes

2.35 While FIL's standalone solvency ratio is much higher than the expected post-Schemes solvency ratio of AZI, this comparison is not meaningful in isolation given FIL's small size, its dependence on reinsurance and the differing capital frameworks involved. The expected solvency position of AZI post-Schemes remains significantly stronger in absolute terms, with materially higher Own Funds, a far larger surplus over regulatory capital requirements and greater diversification benefits.

2.36 Updated stress testing continues to indicate that lower stresses in percentage terms would be required to deplete AZI's Own Funds and taken in isolation this suggests the Transferring FIL Policyholders will be less secure after the Schemes, but the absolute stresses required to deplete AZI's post-Schemes Own Funds would be much larger and therefore AZI post-Schemes would be more resilient than FIL under a range of adverse scenarios. As a result, I continue to consider that the security of benefits for the Transferring FIL Policyholders is expected to improve following the Schemes.

2.37 In addition, I have not identified any changes to the servicing arrangements, governance, operational readiness, reinsurance protection, liquidity position or business strategy of AZI post-Schemes that would materially adversely impact the Transferring FIL Policyholders. Access to FSCS protection will remain unchanged, while the capital support arrangements pre- and post-Schemes remain unchanged. The developments since the Main Report have not materially altered FIL's risk profile or my assessment of the impact of the Schemes. Taken together, the updated information reinforces my conclusion that the Transferring FIL Policyholders are not expected to face any material adverse effect as a result of transferring to AZI and, in respect of policyholder security, are expected to benefit from being part of a much larger, more strongly capitalised and more diversified insurer.

Analysis of TIL and Transferring TIL Policyholders

Reserves

2.38 Technical Provisions have remained broadly stable since the Main Report, as would be expected given the long-tailed nature of TIL's remaining liabilities. As TIL no longer writes new business, it is unaffected by the IPT presentation change that affects some of the other Companies.

Balance sheet and solvency position

2.39 TIL's balance sheet has remained broadly stable since the Main Report. Own Funds have increased slightly while its SCR remains constrained by the regulatory minimum capital requirement, resulting in a small increase in the solvency coverage ratio from 255% to 257%.

Solvent Exit Planning

2.40 Since my Main Report, the Companies have developed a Solvent Exit Analysis. Due to the timing of the relevant requirements coming into force, this analysis only covers the live entities and does not cover TIL, as a run-off entity. I have judged that the impact of including TIL in the analysis would have been immaterial.

2.41 Following the Scheme, Transferring TIL Policyholders will be policyholders of an insurer that is within scope of Solvent Exit Planning, which I consider to be a benefit of the Schemes from a regulatory planning perspective.

Impact of the Schemes

2.42 While TIL's standalone solvency ratio is higher than the expected post-Schemes solvency ratio of AZI, this comparison is not meaningful in isolation given TIL's small size, its reliance on reinsurance protection and the different capital frameworks involved. The expected solvency position of AZI post-Schemes remains significantly stronger in absolute terms, with materially higher Own Funds, a far larger surplus over regulatory capital requirements and greater diversification benefits.

2.43 Updated stress testing continues to indicate that lower stresses in percentage terms would be required to deplete AZI's Own Funds and, taken in isolation this suggests the Transferring TIL Policyholders will be less secure after the Schemes, but the absolute stresses required to deplete AZI's post-Schemes Own Funds would be much larger and therefore AZI post-Schemes would be more resilient than TIL under a range of adverse scenarios. As a result, I continue to consider that the security of benefits for the Transferring TIL Policyholders is expected to improve following the Schemes.

2.44 In addition, I have not identified any changes to the servicing arrangements, governance, operational readiness, reinsurance protection, liquidity position or business strategy of AZI post-Schemes that would materially adversely impact the Transferring TIL Policyholders. Access to FSCS protection will remain unchanged, while the capital support arrangements pre- and post-Schemes remain unchanged. The developments since the Main Report have not materially altered TIL's risk profile or my assessment of the impact of the Schemes. Taken together, the updated information reinforces my conclusion that the Transferring TIL Policyholders are not expected to face any material adverse effect as a result of transferring to AZI and, in respect of policyholder security, are expected to benefit from being part of a larger, more strongly capitalised and more diversified insurer.

Analysis of AZI and Existing AZI Policyholders

Reinsurance

2.45 The principal change since the Main Report has been a reduction in protection under AZI's catastrophe programme through an increase in retention, resulting in AZI retaining more risk but the impact on reserves and solvency capital requirements is immaterial.

Reserves

2.46 Reserve methodologies remain unchanged, with the exception of a change to the presentation of IPT, and I continue to regard AZI's reserves as reasonable. Reported Technical Provisions have increased since the Main Report, although a significant proportion of this movement is due to the presentational change relating to IPT rather than a change in underlying liabilities. The remaining movements are principally driven by reserve development, increased provisions for geopolitical uncertainty and developments in certain casualty claim types. I believe that the Technical Provisions for AZI remain adequate.

Balance sheet and solvency position

2.47 AZI's balance sheet has remained broadly stable since the Main Report. Own Funds have increased and SCR has reduced, so that AZI's solvency coverage ratio has improved from 141% to 156%. I have not identified any deterioration in policyholder security. Furthermore, the expected post-Schemes solvency position remains stronger than that presented in the Main Report, reflecting both the improved underlying solvency position and the anticipated diversification benefits of the combined business.

Solvent Exit Planning

2.48 Since my Main Report, the Companies have developed a Solvent Exit Analysis. This analysis indicates that AZI's solvency and liquidity resources would remain above its target solvency and liquidity ratios under the base and stressed solvent exit scenarios.

Investments and liquidity

2.49 While there has been some movement from corporate bonds towards government bonds since the Main Report, this has reduced investment volatility and has not materially altered the risk profile of the portfolio.

Impact of the Schemes

2.50 The Schemes would result in AZI becoming a larger and more diversified insurer. Since the Main Report, the expected post-Schemes financial position has strengthened, with the projected AZI post-Schemes solvency ratio increasing and continued evidence of substantial excess capital over regulatory requirements.

2.51 Updated stress testing continues to indicate that slightly lower stresses in percentage terms would be required to deplete AZI's Own Funds post-Schemes than pre-Schemes and taken in isolation this suggests that the Existing Policyholders will be less secure after the Schemes. However, the absolute stresses required to deplete AZI's Own Funds post-Schemes would be much larger in absolute terms, and therefore AZI post-Schemes would be more resilient than AZI pre- Schemes under a range of adverse scenarios. I therefore continue to consider that the security of benefits for the Existing Policyholders would be maintained following the Schemes.

2.52 In addition, I have not identified any changes to servicing arrangements, governance, operational readiness, reinsurance protection, liquidity position or business strategy that would materially adversely affect the Existing Policyholders. Capital support arrangements remain unchanged and the developments since the Main Report have not altered my assessment of the impact of the Schemes. Taken together, the updated information reinforces my conclusion that the Existing Policyholders are not expected to suffer any material adverse impact as a result of the Schemes.

Analysis of Transferring Reinsurers

2.53 The Transferring Reinsurers will continue to cover the same risks on the same contractual terms following the Schemes, with no material change to their economic exposure arising as a result of the transfer. I have not identified any developments since the Main Report that alter this assessment. Accordingly, I do not expect the Transferring Reinsurers to be materially adversely affected by the Schemes and my conclusions in this respect remain unchanged.

Communications

2.54 The Companies have implemented the communications strategy described in the Main Report and, based on the information provided to me, have done so appropriately and in accordance with the directions of the Courts. Communications have been issued through multiple channels, including letters, emails, website publications and statutory advertisements. By 30 August 2026, over 6.2 million policyholders and claimants had been contacted, with fewer than 0.5% remaining untraced, and the required notices had been published in the relevant gazettes and newspapers. I am satisfied that the communications exercise achieved extensive coverage of affected parties.

2.55 I have reviewed the communications materials and the manner in which they were distributed. The information provided to policyholders was consistent with the purpose of the Schemes and, in my opinion, was presented in a manner that enabled affected parties to understand the proposed transfer and how they could raise questions or objections. I have also reviewed the Companies' arrangements for handling responses and enquiries and am satisfied that appropriate processes were in place to receive, record and respond to feedback.

2.56 As at the date of my review, a relatively small number of objections had been received when compared with the size of the affected population. In total, 106 objections had been received, comprising 97 from LVIC policyholders and 9 from HICO policyholders. No objections had been received from FIL or TIL policyholders. The themes raised included a preference for remaining with the current insurer, concerns regarding Allianz's service standards, future pricing or availability of insurance products, data sharing concerns and broader concerns regarding market concentration.

2.57 I have reviewed the Companies' responses to these objections and enquiries and consider them to be reasonable and appropriate. The various reasons for objections and my review are discussed in detail from paragraph 3.264 to 3.340. Having reviewed the objections received, I have not identified any new information that calls into question the analysis or conclusions set out in either the Main Report or this Supplementary Report.

2.58 Overall, I am satisfied that the communications strategy has been implemented successfully, that affected policyholders have been given a reasonable opportunity to understand the Schemes and raise any concerns, and that the feedback received does not alter my conclusions regarding the likely effects of the Schemes. Accordingly, the communications exercise does not cause me to change my conclusion that no group of policyholders or Transferring Reinsurers is expected to suffer material adverse effects as a result of the Schemes.

Conclusions

2.59 Based on new information provided to me by the Companies since the Main Report and my analysis in section 3, I have concluded the following:

- There will be no material adverse impact on the level of service provided to the Transferring LVIC Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Transferring LVIC Policyholders would be materially adversely affected by the Schemes
- There will be no material adverse impact on the level of service provided to the Transferring HICO Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Transferring HICO Policyholders would be materially adversely affected by the Schemes
- There will be no material adverse impact on the level of service provided to the Transferring FIL Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Transferring FIL Policyholders would be materially adversely affected by the Schemes
- There will be no material adverse impact on the level of service provided to the Transferring TIL Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Transferring TIL Policyholders would be materially adversely affected by the Schemes
- There will be no material adverse impact on the level of service provided to the Existing AZI Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Existing AZI Policyholders would be materially adversely affected by the Schemes
- If both Schemes proceed, the conclusions above will apply to the Jersey Policyholders. If the Main Scheme proceeds but the Jersey Scheme does not, the security and servicing provided to the Jersey Policyholders will be no better than before the Schemes and may in some cases be worse
- The Transferring Reinsurers will continue to cover exactly the same risks, under the same contractual terms. Therefore, I do not expect that the Transferring Reinsurers would be materially adversely affected by the Schemes.

2.60 Given the above, the risk of any group of policyholders or reinsurers being materially adversely affected by the Schemes is sufficiently remote that I see no reason why the Schemes should not proceed.

3 Analysis

Introduction

3.1 I sought and was provided with updated information on the circumstances of the Companies, in particular in respect of their:

- financial performance and status
- business strategies
- operating models
- risk profiles
- capital management policies, including capital support
- capital calculations (including model changes)
- reinsurance arrangements
- governance arrangements
- change projects
- policy servicing.

3.2 In addition, I sought and was provided with information on the communications issued to policyholders and reinsurers and the responses received.

3.3 In this section I set out my considerations in respect the Companies and how these led to my conclusions, as summarised in paragraphs 2.59 to 2.60.

Legal and regulatory context

3.4 There have been no changes to the legal or regulatory environment in which the Companies operate that would materially impact the Transferring Policyholders or the Existing Policyholders.

3.5 I am therefore satisfied that there are no changes to the legal or regulatory environment or to the legal and regulatory considerations in respect of the business of the Companies that change my conclusions in respect of the Schemes.

3.6 I have also confirmed with the Companies that there has been no change to the access of each group of policyholders to the Financial Services Compensation Scheme ("FSCS"), as described in paragraphs 9.25, 9.36, 9.49, 9.63 and 9.70 of the Main Report.

Business developments

3.7 Since my Main Report, AZI, LVIC and HICO have continued to write new business according to the strategy I described in my Main Report. These companies' Own Funds and Technical Provisions have increased, showing overall growth, but with no material change to their risk profiles, which I analyse further in the sections below (3.64 to 3.142).

3.8 The Slick Managing General Agent ("MGA") has gone live, writing business on behalf of LVIC. Additionally, since my Main Report, LVIC has launched a new insurance product under the 'Britannia' brand. The Slick and Britannia policyholders will transfer to AZI as part of the Schemes as Transferring LVIC Policyholders. I describe these developments further in paragraphs 3.213 to 3.218 but, in summary, the volumes of business which have currently been written through these channels are very small and the volumes expected to be written up to the Effective Date will not be material to the Companies or to the Schemes.

3.9 FIL and TIL have continued to manage the orderly run-off of their business and neither's Own Funds, Technical Provisions or risk profile has changed significantly relative to the significantly larger post-Schemes entity.

3.10 In addition, AZI has confirmed that there have been no changes to the potential level of the Part VII Driven Capital Release (namely, £130m) from AZI which may be paid following the Effective Date. This remains a potential dividend which has not yet been proposed, does not commit AZI, and is subject to appropriate analysis and stress testing and to AZI Board approval. I understand from the Companies that the PRA would also be asked to review the proposal to ensure any queries or concerns they may have are taken into account.

3.11 I understand from the Companies that there have been no changes which have significantly altered the business plans or background circumstances of the Companies, including the relevant structure of the Allianz UK Group which I presented in Chart 5.1 of my Main Report.

Reinsurance

3.12 In this section I provide some context on changes to the Companies' reinsurance arrangements since the Main Report, which I use in my analysis of policyholder security later in this report.

External reinsurance

3.13 There have been no material changes to the reinsurance programmes for the Companies since the Main Report. All retentions and limits have remained broadly unchanged, with two notable exceptions, relating to the multi risk (catastrophe) excess of loss cover.

- In 2025, AZI's retention on the catastrophe cover reflected a 1-in-7 year return period whereas, when renewed for 2026, this retention was changed to a 1-in-10 year return period (i.e. AZI retains more of the risk). This change aligns the reinsurance coverage between AZI and LVIC. The reinsurance coverage for AZI has reduced as a result and so it retains more of the risk, but the impact on AZI's reserves and SCR is immaterial.
- In 2025, LVIC and HICO's catastrophe reinsurance treaty had a retention of £20m, and coverage up to £590m, with an annual aggregate deductible of £38m. In 2026, the retention is unchanged, but the coverage is increased to £643m, and the annual aggregate deductible is also increased to £49m. The change is designed to target the same return period between the two years. The increased annual aggregate deductible means that LVIC and HICO are less protected against multiple smaller events, but more protected in absolute terms against extreme events. Overall, the impact of this change on SCR is immaterial, demonstrating that the change does not significantly alter the coverage of this treaty.

3.14 LVIC is also now receiving a lower commission rate from AZ Re on its Whole Account Quota Share cover, increasing ceded reserves and slightly reducing its Technical Provisions.

3.15 Despite the changes to the multi risk excess of loss cover as discussed in paragraph 3.13, there is no material difference in the impacts of reinsurance on the Technical Provisions, SCR or the balance sheets before and after the Schemes. Therefore, the results of my stress testing as described in paragraphs 3.134 to 3.141 of this report remain applicable.

3.16 The Companies have informed me that, following the Part VII MMC as described in paragraph 3.68, they are considering combining existing reinsurance covers, including the multi risk (catastrophe) covers and the Whole Account Quota Share arrangements. The combined covers are expected to simplify the programme overall and lead to a reduction in AZI post-Schemes' SCR. The simplified reinsurance structure would lead to administrative benefits and reduced reinsurance costs. This option is an ongoing discussion within the Companies and has not been formally proposed or approved yet. I understand from the Companies that the coverage that is being explored is in line with the current coverage levels, or stronger, so the combined covers are unlikely to materially reduce the recoveries received. I further understand from the Companies that these changes would not take place before the Effective Date.

3.17 The solvency analyses detailed in paragraphs 3.116 to 3.121 were performed based on the current reinsurance treaties. If the changes described in paragraph 3.16 are implemented, they would reduce the SCR and are expected to strengthen the solvency ratio of AZI post-Schemes. Therefore, the conclusions of the financial analyses would still apply after the change in reinsurance structures, should this change in reinsurance programme proceed.

3.18 As with any insurance company, there are regular discussions on reinsurance regarding future programmes to manage risks and P&L volatility. Future management actions on reinsurance beyond the Effective Date are subject to change and dependent on emerging circumstances, and therefore, with the exception of the change discussed above, I do not consider them within my remit as the Independent Expert.

3.19 As discussed in the Main Report, most of the reinsurance cover for the Companies is with AZ Re. The proportion of reinsurance coverage of the individual companies ceded with AZ Re is not materially changed from the Main Report. I discuss this further in paragraphs 3.22 to 3.28 of this report.

3.20 The credit ratings for the Companies' other external reinsurers have not changed materially since the Main Report.

3.21 Based on the above points, there is no matter arising from this consideration which would lead me to change the conclusions set out in the Main Report.

AZ Re

Extent of concentration risk

3.22 I have confirmed with AZI that there have been no material changes to the structural mitigants to counterparty exposure between the Companies and AZ Re since the Main Report. This includes the funds-withheld agreements and the Letter of Credit ("LOC") mechanisms.

3.23 A change has been requested by AZ Re in terms of the calculation of the funds-withheld agreement. Historically, these funds withheld are calculated on an undiscounted basis for non-PPO claims, but the request is to change the calculations to be based on a discounted basis for all claims. This is to address a deviation between the statutory results (reported on a discounted basis) and the cash results. The requested change is to be implemented on future contracts only and will not apply retrospectively on historic accident periods.

3.24 AZI has informed me that it is in the process of determining how the requested change will be calculated. Once this is done and all the relevant checks are carried out, including regulatory and tax checks, the requested change would apply to the Companies from the Effective Date, subject to sign off by Allianz UK's Chief Financial Officer. If approved, this change will reduce AZI post-Schemes' funds withheld.

3.25 As I discussed in my Main Report, the benefit of a funds-withheld agreement is that it materially mitigates counterparty risk for the Companies because, in the event of an AZ Re default, an appointed third party would continue to hold these funds and could provide these to the Companies to meet reinsurance recoveries due. Therefore, if the post-Schemes' funds withheld were reduced as a result of this requested change, AZI's post-Schemes' counterparty risk would increase. However, as described in paragraph 5.105 of the Main Report, the increased risk mainly relates to timing mismatches (for example due to the cedant and reinsurer updating balances on different internal timetables) and group-wide liquidity stress whereby in an extreme scenario of group-wide liquidity strain, settlement of amounts above the funds withheld balance could be delayed. The additional risks remain limited in scope.

3.26 I understand from AZI that, if approved, this requested change would go ahead whether or not the Schemes were effected. Based on this, and considering the fact that the increased counterparty risk is limited in scope, I do not consider this to materially change my conclusions in the Main Report.

Likelihood of AZ Re defaulting

3.27 Given the material proportion of risk ceded to AZ Re, its solvency is central to the analysis of policyholder security. I have reviewed updated information provided by AZ Re since the Main Report, and based on this I consider the likelihood of an AZ Re default to remain remote, for the following reasons:

- As at 31 March 2026, AZ Re's Own Funds, SCR and solvency coverage ratio are not materially different from those set out in the Main Report. The solvency coverage ratio remains significantly in excess of regulatory requirements and above its target capital ratio.
- AZ Re has produced an updated ORSA since the Main Report. The updated ORSA projections continue to show solvency ratios remaining above regulatory requirements over the projection horizon, including under stressed underwriting and market conditions, assuming appropriate management actions. The scenario tests carried out are broadly aligned to those in the previous ORSA considered in the Main Report, and the outcomes of the scenarios compared to the base case are not materially different from the previous ORSA. Although I cannot disclose the projected solvency ratios for reasons of commercial sensitivity, I note that AZ Re maintains a substantial capital buffer in all but the most extreme scenarios considered.
- The medium-term solvency ratios in AZ Re's latest ORSA are less favourable than those in AZ Re's ORSA considered in the Main Report following an updated plan. However, these ratios remain significantly above regulatory requirements and AZ Re's internal risk appetite. The scenario tests across the planning horizon are sufficiently extreme, and even under these stressed scenarios the solvency ratios remain above regulatory requirements, assuming appropriate management actions. Therefore, the reductions in the medium-term solvency ratios do not change my views on the strength of AZ Re's financial security or the remote likelihood of default.
- AZ Re's credit rating remains unchanged at AA, reflecting S&P's assessment of very strong capitalisation, strong operating performance, and a low-risk investment profile.
- AZ Re continues to benefit from a Whole-Account Stop-Loss arrangement and catastrophe excess-of-loss protections that provide significant protection against large man-made and natural catastrophe events.
- The stress and scenario testing disclosed within the updated ORSA indicates that only highly extreme, multi-year tail events would materially deplete its Own Funds. These scenarios sit far beyond the calibration of Solvency II capital requirements and I consider them to be remote.
- There has been no material change to AZ Re's capital management, internal model governance, or risk appetite framework since the Main Report.

3.28 Based on the above, I am satisfied that the likelihood of an AZ Re default remains remote.

Overall Conclusion

3.29 All other considerations that have not been mentioned above remain unchanged from the analysis I set out in the Main Report.

3.30 Based on the above, there is no matter arising from this consideration which would lead me to change my conclusions set out in the Main Report.

Claims reserves

3.31 In my Main Report, I considered the reserving strengths of each of the Companies as at 30 September 2025 and the post-Schemes reserving strength of AZI had the Schemes been effected at 30 September 2025. I concluded that the calculations for the undiscounted reserves, IFRS 17 reserves and Solvency UK Technical Provisions for the Companies pre-Schemes and for AZI post-Schemes were appropriate and the results appeared reasonable.

3.32 Below (paragraphs 3.39 to 3.62), I give an updated summary of the Solvency UK Technical Provisions only, as these are the most important to my analysis of policyholder security. Nevertheless, I have also reviewed the updated undiscounted and IFRS 17 results and there are no material or unexplained changes to the net reserves since the Main Report. I have reviewed these changes and find them to be reasonable.

3.33 I understand from the Companies that the Solvency UK Technical Provisions results have been calculated according to the same methodology as used for the Technical Provisions in my Main Report, with the exception of the change to treatment of Insurance Premium Tax which I discuss below (3.36 to 3.38).

3.34 I also note that there is an ongoing reserving transformation project to bring the reserving processes for each line of business onto a single system, and that the timelines for this project have been delayed so that the project may be enacted for Personal lines business ahead of the Effective Date, but not for Commercial and Specialty lines. I have re-confirmed with the Companies that the reserving transformation does not affect the methodologies applied, and that it is being carried out separately from the Schemes (and will proceed irrespective of the Schemes) so there is no interdependence, and that therefore the delay to these timelines will not have an effect on the Schemes.

3.35 There were no new findings related to reserves for any of the Companies in the most recent external audit. There have also been no findings from internal audits or ad hoc group reviews. There has been no change to the status of the 2024 audit finding for FIL around subsidence, which I covered in paragraph 7.19 of my Main Report, and for the same reasons discussed there, I am of the view that this will not impact the policyholders.

Insurance Premium Tax

3.36 Before presenting the Solvency UK Technical Provisions results, I will explain one major source of differences in the Technical Provisions since my Main Report.

3.37 As I discussed in my Main Report at paragraph 7.61, since December 2025, there has been an update to the presentation of IPT in the Companies' balance sheets and Technical Provisions, in order to comply with Solvency UK, following observations raised by the external auditors. Previously IPT was included as a separate balance sheet entry in the Companies' liabilities, but now it is included as part of the premium provisions component of the Technical Provisions. This change is presentational as it does not alter the overall level of the Companies' liabilities; the effect is to increase Net Technical Provisions as at 31 March 2026 by £67.7m (8%) for AZI, £52.7m for LVIC (5%) and £10.1m (3%) for HICO, and therefore explains a significant part of the movements in Technical Provisions since 30 September 2025, and there are corresponding reductions in those companies' other liabilities. Since FIL and TIL no longer write new business and have no premium income, their Technical Provisions are not affected by this change.

3.38 For clarity, this means that a significant part of the apparent movements in Technical Provisions of AZI, LVIC and HICO do not represent any change in those Companies' liabilities. I have demonstrated this in the final section of each table below, in which I have removed the value of the IPT payables (as at 31 March 2026) from the net premium provisions in order to approximate what the Technical Provisions would be at 31 March 2026 if the presentational IPT change had not taken place.

LVIC

3.39 In the table below I present the Solvency UK Technical Provisions of LVIC as at 30 September 2025 and 31 March 2026 and the changes over this period. These are the Technical Provisions for LVIC only, excluding the Technical Provisions of its subsidiary HICO,

Table 3.1: Solvency UK Technical Provisions for LVIC as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	LVIC Q325	LVIC Q126	Change	Change %
Gross				
Claims Provisions	1,541.2	1,621.1	79.9	5%
Premium Provisions	379.7	397.2	17.5	5%
Total Best Estimate	**1,920.9**	**2,018.3**	**97.4**	**5%**
Ceded				
Claims Provisions	716.6	731.5	14.9	2%
Premium Provisions	280.8	245.7	-35.1	-13%
Total Best Estimate	**997.4**	**977.2**	**-20.2**	**-2%**
Net				
Claims Provisions	824.6	889.6	65.0	8%
Premium Provisions	98.8	151.5	52.7	53%
Total Best Estimate	923.4	1,041.1	117.7	13%
Risk Margin	29.2	31.8	2.6	9%
Total Technical Provisions	**952.6**	**1,072.9**	**120.3**	**13%**
Net - as if IPT change had not taken place (approximate)				
Claims Provisions	824.6	889.6	65.0	0.1
Net Premium Provisions	98.8	99.8	1.0	1%
Net Best Estimate	923.4	989.4	66.0	7%
Risk Margin	29.2	31.8	2.6	0.1
Total Technical Provisions	**952.6**	**1,021.2**	**68.6**	**7%**

3.40 I have discussed the movements in claims provisions with employees of the Companies responsible for their calculation and reviewed relevant reports and presentations, and the key drivers I have identified for LVIC are:

- Injury losses exceeding expectations due to an uptick in the receipt of fraudulent claims (which has arisen due to a decision to reduce some fraud checks in order to improve the customer journey) and minor issues with the data system, the causes of which are being addressed, requiring claims provisions to be increased
- Fewer subsidence claims than expected since September, but without a corresponding release of reserves, as a cautious approach is being taken. This cautious approach assumes the pattern of subsidence claims has slowed down but that the overall number of subsidence claims has not reduced
- An increase in reserves across the Companies to cover increased geopolitical risk from conflict in the Middle East

3.41 Net premium provisions are stable apart from the IPT change, since growth in new business (increased gross) and allowance for geopolitical risk has been offset by a reduction in the commission rate LVIC receives on its whole account quota share cover (increased ceded), as I discussed in 3.14.

3.42 The risk margin has increased in line with net claims provisions.

HICO

3.43 In the table below I present the Solvency UK Technical Provisions of HICO as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.2: Solvency UK Technical Provisions for HICO as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	HICO Q325	HICO Q126	Change	Change %
Gross				
Claims Provisions	545.4	540.5	-4.9	-1%
Premium Provisions	59.5	68.8	9.4	16%
Total Best Estimate	**604.9**	**609.3**	**4.4**	**1%**
Ceded				
Claims Provisions	296.8	277.3	-19.6	-7%
Premium Provisions	33.6	30.2	-3.5	-10%
Total Best Estimate	**330.5**	**307.4**	**-23.0**	**-7%**
Net				
Claims Provisions	248.5	263.2	14.6	6%
Premium Provisions	25.9	38.7	12.8	50%
Total Best Estimate	274.4	301.9	27.5	10%
Risk Margin	8.7	9.0	0.3	4%
Total Technical Provisions	**283.1**	**310.9**	**27.8**	**10%**
Net - as if IPT change had not taken place (approximate)				
Claims Provisions	248.5	263.2	14.6	0.1
Net Premium Provisions	25.9	28.6	2.7	10%
Net Best Estimate	274.4	291.8	17.4	6%
Risk Margin	8.7	9.0	0.3	0.0
Total Technical Provisions	**283.1**	**300.8**	**17.7**	**6%**

3.44 The key drivers in claims provisions identified for HICO are:

- Benign large claims experience on motor business, reducing gross claims provisions
- Somewhat offset by an increase in reserves across the Companies to cover increased geopolitical risk from conflict in the Middle East

3.45 Net premium provisions have increased, on top of the impact from the IPT change, largely due to growth in new business and allowance for geopolitical risk (increased gross), somewhat offset by a reduction in the commission rate HICO receives on its whole account quota share cover, increasing the amount expected to be ceded to reinsurers.

3.46 The risk margin has increased in line with net claims provisions.

FIL

3.47 In the table below I present the Solvency UK Technical Provisions of FIL as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.3: Solvency UK Technical Provisions for FIL as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	FIL Q325	FIL Q126	Change	Change %
Gross				
Claims Provisions	45.4	40.2	-5.2	-11%
Premium Provisions	-	-	-	
Total Best Estimate	**45.4**	**40.2**	**-5.2**	**-11%**
Ceded				
Claims Provisions	47.6	40.9	-6.7	-14%
Premium Provisions	-	-	-	
Total Best Estimate	**47.6**	**40.9**	**-6.7**	**-14%**
Net				
Claims Provisions	-2.2	-0.7	1.5	-68%
Premium Provisions	-	-	-	
Total Best Estimate	-2.2	-0.7	1.5	-68%
Risk Margin	0.1	0.1	-	0%
Total Technical Provisions	**-2.1**	**-0.6**	**1.5**	**-71%**

3.48 FIL’s claims provisions have undergone natural run-off of gross and ceded claims provisions over the period since the Main Report, in line with FIL’s expectations. The extent of run-off is not out of line with my expectations as well given the short-tailed nature of the book. The effect on total Technical Provisions is more pronounced in percentage terms because net Technical Provisions are very small owing to FIL’s effectively 100% reinsured portfolio.

3.49 FIL’s net claims provisions remain negative because it is 100% reinsured, and because of a reporting lag of around a quarter for a large contract on a Funds Transferred Basis, as in paragraph 7.70 of my Main Report.

3.50 FIL has no premium provisions, so is not affected by the IPT change.

3.51 The risk margin has remained stable, despite a reduction in FIL’s pre-floor SCR over the period, and increases in the yield curve, which both act to reduce the risk margin, as these factors have been offset by the increase in counterparty default risk, caused by an increase in overdue receivables.

TIL

3.52 In the table below I present the Solvency UK Technical Provisions of TIL as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.4: Solvency UK Technical Provisions for TIL as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	TIL Q325	TIL Q126	Change	Change %
Gross				
Claims Provisions	4.36	4.31	-0.05	-1%
Premium Provisions	-	-	-	
Total Best Estimate	**4.36**	**4.31**	**-0.05**	**-1%**
Ceded				
Claims Provisions	3.75	3.68	-0.07	-2%
Premium Provisions	-	-	-	
Total Best Estimate	**3.75**	**3.68**	**-0.07**	**-2%**
Net				
Claims Provisions	0.61	0.63	0.02	3%
Premium Provisions	-	-	-	
Total Best Estimate	0.61	0.63	0.02	3%
Risk Margin	0.03	0.04	0.02	57%
Total Technical Provisions	**0.64**	**0.68**	**0.03**	**5%**

3.53 TIL's claims provisions have remained stable over the period, as expected given its remaining business is deep in the tail of its development.

3.54 TIL has no premium provisions, so is not affected by the IPT change.

3.55 The risk margin has increased by a significantly higher percentage than the net claims provisions; this is because TIL's reserves are driven by two settled PPOs which have a high associated reserve risk charge.

AZI pre-Schemes

3.56 In the table below I present the Solvency UK Technical Provisions of AZI as at 30 September 2025 and 31 March 2026 and the changes over this period. These are the Technical Provisions for AZI only, excluding the Technical Provisions of its subsidiary TIL.

Table 3.5: Solvency UK Technical Provisions for AZI as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	AZI Q325	AZI Q126	Change	Change %
Gross				
Claims Provisions	1,992.5	2,044.6	52.1	3%
Premium Provisions	5.1	17.0	11.9	234%
Total Best Estimate	**1,997.6**	**2,061.6**	**64.0**	**3%**
Ceded				
Claims Provisions	985.7	1,005.6	19.9	2%
Premium Provisions	256.7	227.5	-29.3	-11%
Total Best Estimate	**1,242.4**	**1,233.1**	**-9.4**	**-1%**
Net				
Claims Provisions	1,006.8	1,039.0	32.2	3%
Premium Provisions	-251.7	-210.4	41.2	-16%
Total Best Estimate	755.2	828.6	73.4	10%
Risk Margin	38.1	40.9	2.8	7%
Total Technical Provisions	**793.3**	**869.4**	**76.2**	**10%**
Net - as if IPT change had not taken place (approximate)				
Claims Provisions	1,006.8	1,039.0	32.2	3%
Premium Provisions	-251.7	-278.1	-26.5	11%
Total Best Estimate	755.2	760.9	5.7	1%
Risk Margin	38.1	40.9	2.8	0.1
Total Technical Provisions	**793.3**	801.7	8.5	1%

3.57 The key drivers in claims provisions that I have identified for AZI are:

- Overall favourable run-off on the Commercial and Specialty portfolios, including lighter-than-expected natural catastrophe experience and benign claims experience, relatively reducing claims provisions, although this movement has been more than offset by the factors below
- Recent trends in deafness and asbestos claims for AZI, with higher-than-expected numbers of claims, given the previously expected downward trends (based on AZI's data and IFoA working party benchmarks), although the magnitude of this is limited given these perils affect small lines of business in the context of the Existing Portfolio
- An increase in reserves across the Companies to cover increased geopolitical risk from conflict in the Middle East

3.58 I explained in my Main Report that the net premium provisions were negative due to high expected future premiums relative to claims and expenses, for some lines of business, and since AZI's quota share cover has no future reinsurance premium. These factors have strengthened, leading to the net premium provisions (excluding the IPT change) becoming more negative.

3.59 The risk margin has increased in line with net claims provisions.

AZI post-Schemes

3.60 In the table below I present the Solvency UK Technical Provisions of AZI post-Schemes as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.6: Solvency UK Technical Provisions for AZI post-Schemes as at 31 March 2026, including absolute and percentage movements since 30 September 2025

£m	AZI post-Schemes Q325	AZI post-Schemes Q126	Change	Change %
Gross				
Claims Provisions	4,128.9	4,250.7	121.8	3%
Premium Provisions	444.3	483.1	38.8	9%
Total Best Estimate	**4,573.1**	**4,733.8**	**160.7**	**4%**
Ceded				
Claims Provisions	2,050.5	2,059.0	8.5	0%
Premium Provisions	571.2	503.3	-67.9	-12%
Total Best Estimate	**2,621.7**	**2,562.3**	**-59.4**	**-2%**
Net				
Claims Provisions	2,078.4	2,191.7	113.4	5%
Premium Provisions	-126.9	-20.3	106.7	-84%
Total Best Estimate	1,951.4	2,171.5	220.0	11%
Risk Margin	59.5	59.9	0.4	1%
Total Technical Provisions	**2,010.9**	**2,231.4**	**220.4**	**11%**
Net - as if IPT change had not taken place (approximate)				
Claims Provisions	2,078.4	2,191.7	113.4	5%
Net Premium Provisions	-126.9	-149.8	-22.8	18%
Net Best Estimate	1,951.4	2,042.0	90.5	5%
Risk Margin	59.5	59.9	0.4	0.0
Total Technical Provisions	**2,010.9**	**2,101.9**	**90.9**	**5%**

3.61 The AZI post-Schemes Technical Provisions are calculated simply as the sum of the Companies' Technical Provisions, so its movements can be entirely explained by the movements described above.

3.62 The exception to this is the risk margin. The AZI post-Schemes risk margin hasn't changed materially since the Main Report because the increases due to overall higher net claims provisions have been almost entirely offset by increases in the yield curve.

Conclusion

3.63 The movements presented above have been explained to my satisfaction and I do not believe there are any features of the results which appear unreasonable, nor any significant changes to methodology, since my Main Report. Moreover, the movements in the total Technical Provisions, once the effect of the presentational IPT change are removed, are modest across the Companies. I am therefore satisfied that there has been no change to the Technical Provisions of the Companies which would affect the overall conclusion of the Main Report. And I am satisfied that the level of Technical Provisions held by the Companies before and after the Schemes remains reasonable.

Solvency and capital requirements

Capital management frameworks

3.64 I have been advised by the Companies that there have been no changes in the capital management frameworks of the Companies since the Main Report. This includes the target solvency ratios for each of the Companies, which remain 130% for AZI, LVIC and HICO and 200% for FIL, while TIL does not have a target solvency ratio. I have also confirmed there has been no change to the Companies' expectations for the target solvency ratio of AZI post-Schemes (at least 130%, the Assumed Target Ratio), which remains to be approved by the Board in the fourth quarter of 2026.

3.65 The Companies have confirmed that the policy requiring each of the Companies to receive a 'no further questions' response from the PRA prior to issuing dividends remains in place.

Capital requirements

3.66 I understand from the Companies that there have been no material changes to the way they calculate their solvency capital requirements since the Main Report.

Major Model Change

Overview of MMCs

3.67 As I described in my Main Report, there are currently two Major Model Changes ("MMCs") that Allianz UK is seeking to make to AZI's Internal Model which is used to calculate AZI's Solvency Capital Requirements ("SCR").

3.68 The first MMC ("Part VII MMC") will be to extend AZI's Internal Model to include the Transferring Portfolios. This MMC will not make changes to methodology but will have the effect of reducing the post-Schemes SCR compared to the current sum of the Companies' SCRs due to a more appropriate reflection of risk under the Internal Model compared to the Standard Formula and greater diversification benefits of combining the Existing Portfolio and Transferring Portfolios under one company.

3.69 The second MMC ("EFP MMC") is intended to update the approach AZI's Internal Model uses to account for Expected Future Profit to better align with the principles of SCR calculation, and UK general insurance market practice, by allowing for the statistical distribution of Own Funds growth over the next 12 months.

3.70 The magnitude of impact of each change, as at 31 March 2026, would be as follows:

- The pre-Schemes Total SCR (calculated by summing the SCRs of AZI, LVIC and FIL, and not their subsidiaries HICO and TIL) is £1,021.9m

- The AZI post-Schemes SCR, allowing for the Part VII MMC only, is £888.9m, which is a reduction of £133.0m (13%)
- The EFP MMC would reduce the AZI post-Schemes SCR by a further £58.8m (an additional 6% of the pre-Schemes Total) to £830.1m.

MMCs permission

3.71 As discussed in my Main Report, the Part VII MMC and EFP MMC were submitted to the PRA in March 2026. I understand from the Companies that the PRA confirmed in April 2026 that it considers the submission to be ‘complete’. This means the PRA is intending to provide a decision on each MMC by the end of September 2026.

3.72 Allianz UK informed me that it maintained regular touchpoints with the PRA following the draft submission of the Part VII MMC in September 2025 and the PRA provided feedback in December 2025 and February 2026 on several areas which AZI addressed in its formal submission in March 2026. I further understand from Allianz UK that it has continued to have touchpoints with the PRA since the formal submission to discuss points of clarification raised by the PRA on the submission. I understand that the clarifications raised have focused on the credibility of the business plan, sensitivity and scenario testing, and quantitative impacts of the MMC. I do not consider these points to be unusual areas of interest of the PRA, and Allianz UK’s response do not raise any concerns about the MMC.

3.73 Allianz UK has carried out internal validation which concluded that AZI’s Internal Model will be ‘fully appropriate’ for use by AZI post-Schemes following the Part VII MMC. Internal validation has also concluded that the EFP MMC will also be ‘fully appropriate’ for use within the AZI Internal Model. Allianz UK has provided me with reports detailing this validation work and, in my view, it appears to be thorough and reasonable.

3.74 I have reviewed Allianz UK’s updated MMC contingency plan, which I discussed in paragraph 8.32 of my Main Report and, while there have been several updates since the previous draft such as adding flexibility to the plan and considering more eventualities, the plan continues to appear reasonable. It remains the case that, in the event that the PRA does not fully permit either or both of the Part VII and EFP MMCs AZI’s post-Schemes SCR may be higher than currently projected, and this would represent a potential adverse impact of the Schemes. However, I concluded in my Main Report that the significant solvency buffer AZI post-Schemes will hold over its Assumed Target Ratio makes it unlikely such an eventuality would adversely impact the security of policyholders, and this remains the case. Additionally, in the event that PRA objections lead to a higher SCR for AZI post-Schemes than currently expected, it will still have the option to pay a lower level of Part VII Driven Capital Release after the Effective Date, which would reduce the impact on its solvency.

Allowance for MMCs in this report

3.75 In my Main Report, I did not allow for the EFP MMC impact on SCR as, at the time, I did not have the information to be able to do so. Therefore, only the Part VII MMC was reflected, and this impact as at 30 September 2025 was £125.3m, a 12% reduction from the pre-Schemes Total SCR of £1,018.3m to the AZI post-Schemes SCR of £893.0m. The absolute and percentage impacts of the Part VII MMC have remained broadly consistent since my Main Report. I note that the Part VII MMC is subject to PRA permission, meaning it is not guaranteed so that the Part VII MMC is not certain to be implemented.

3.76 Since it is now possible to reflect the EFP MMC in the AZI post-Schemes SCR, I have chosen to do so in the figures below, since the EFP MMC is a reasonably foreseeable change (a topic I discussed in paragraph 4.36 of my Main Report). I note that the EFP MMC is subject to PRA permission, meaning it is not guaranteed so that the EFP MMC is not certain to be implemented.

3.77 Since the Transferors calculate their SCRs using the Standard Formula (“SF”) anyway, their SCRs are not directly comparable with the Internal Model (“IM”) calculated SCR of AZI post-Schemes, so I have not broken down the steps in the SCR movement since the Main Report.

3.78 For AZI, the SCR is directly comparable, so there are merits to showing both bases for the SCR when comparing to AZI, which I have done below (Table 3.7 to 3.12). Showing the AZI post-Schemes SCR on a Part VII MMC basis more clearly demonstrates the financial movements since my Main Report, while presenting the SCR on a both-MMCs basis is useful for demonstrating the final post-Schemes position.

Balance sheets

3.79 I have reviewed the pre-Schemes and post-Schemes solvency positions of the Companies on a Solvency UK basis as at 31 March 2026, compared these to the positions as at 30 September 2025, and considered additional information provided by the Companies.

3.80 The tables below compare the balance sheets of each of the Companies as at 31 March 2026 and as at 30 September 2025.

3.81 Aside from the new as-at date, the basis for the 31 March 2026 figures below is the same as described in the Main Report with only the following updates:

- The dividends which AZI and FIL were due to pay at the end of 2025 have now been paid and are now reflected in the actual figures, so no adjustment is now required for the pre-Schemes figures to account for known future dividends. Note that I have left this adjustment in place for 30 September 2025 figures, for consistency with the Main Report
- The AZI post-Schemes SCR now reflects the impact of the EFP MMC as well as the Part VII MMC; note that permission for this MMC is not certain, see paragraphs 3.67 to 3.78 for further detail.

3.82 As with my Main Report, I have separated onto different rows of the tables the solvency ratios of companies which do or will calculate their capital requirements using an Internal Model (AZI, AZI post-Schemes) and using the Standard Formula (LVIC, HICO, FIL, TIL). This is because these results are not directly comparable, since, while both approaches target a 1-in-200 capital standard, the Internal Model is more risk-sensitive and captures the companies’ specific risk drivers and diversification effects.

LVIC

3.83 In the table below I present the Solvency UK balance sheets of LVIC as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.7: Movements in LVIC's Solvency UK balance sheet from 30 September 2025 to 31 March 2026

£m	LVIC Q3 2025	LVIC Q1 2026	Change	Change %
Assets:				
Investments	2,549.9	2,660.4	110.5	4%
Cash	23.1	16.7	-6.4	-28%
Reinsurers' share of technical provisions	997.4	977.2	-20.2	-2%
Insurance and other receivables	42.1	32.8	-9.3	-22%
Other assets	88.8	67.3	-21.5	-24%
Total assets	**3,701.4**	**3,754.4**	**53.0**	**1%**
Liabilities:				
Gross best estimate technical provisions	1,920.9	2,018.3	97.4	5%
Risk margin	29.2	31.8	2.6	9%
Other liabilities	989.7	936.0	-53.6	-5%
Total liabilities	**2,939.7**	**2,986.1**	**46.4**	**2%**
Own Funds:				
Net assets	761.6	768.2	6.6	1%
Ancillary Own Funds	-	-	-	0%
Total Eligible Own Funds	**761.6**	**768.2**	**6.6**	**1%**
Coverage Ratios:				
Solvency Capital Requirement (SCR)	**540.7**	**552.4**	**11.7**	**2%**
Solvency coverage	221.0	215.8	-5.1	-2%
Solvency coverage ratio	**141%**	**139%**	**-2%**	

3.84 The total assets and total liabilities of LVIC have remained stable since the Main Report, despite fluctuations in the individual items, and the minor reduction in its solvency ratio is driven by an increase in its SCR.

3.85 The main fluctuations within LVIC's liabilities are explained by the factors I discussed in the Claims Reserves section above.

3.86 I have also reviewed the mix of asset and liability items and have concluded that the broad characteristics of LVIC's balance sheet have remained consistent and therefore that my conclusions from the Main Report still apply.

3.87 The movement in LVIC's SCR is driven by:

- An increase in Market Risk due to increases in the value of LVIC's subsidiaries and a slight increase in average duration and decrease in average credit rating of LVIC's investments, neither of which I consider material, as I discuss further in paragraph 3.203

- An increase in Catastrophe Risk to allow for the new 2026 reinsurance treaty which has a higher aggregate catastrophe deductible

3.88 Although the table above does not show the breakdown of Own Funds, the quality of Own Funds for both LVIC and AZI post-Schemes remains very high. 97% of LVIC's Own Funds are classified as Tier 1, compared to 98% at 30 September 2025.

3.89 As a result of these movements in Own Funds and SCR, LVIC's solvency ratio has slightly reduced since 30 September 2025, but remains comfortably above its target solvency ratio of 130%. The reduction is small enough that it does not give me cause to believe that the security LVIC provides to its policyholders has materially reduced since the Main Report.

HICO

3.90 In the table below I present the Solvency UK balance sheets of HICO as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.8: Movements in HICO's Solvency UK balance sheet from 30 September 2025 to 31 March 2026

£m	HICO Q3 2025	HICO Q1 2026	Change	Change %
Assets:				
Investments	716.1	728.0	11.9	2%
Cash	2.1	2.6	0.4	20%
Reinsurers' share of technical provisions	330.5	307.4	-23.0	-7%
Insurance and other receivables	11.2	8.7	-2.5	-22%
Other assets	29.2	24.7	-4.5	-15%
Total assets	**1,089.1**	**1,071.4**	**-17.7**	**-2%**
Liabilities:				
Gross best estimate technical provisions	604.9	609.3	4.4	1%
Risk margin	8.7	9.0	0.3	4%
Other liabilities	243.5	219.7	-23.8	-10%
Total liabilities	**857.1**	**838.0**	**-19.1**	**-2%**
Own Funds:				
Net assets	232.0	233.4	1.4	1%
Ancillary Own Funds	-	-	-	0%
Total Eligible Own Funds	**232.0**	**233.4**	**1.4**	**1%**
Coverage Ratios:				
Solvency Capital Requirement (SCR)	**130.4**	**135.8**	**5.4**	**4%**
Solvency coverage	101.6	97.6	-4.0	-4%
Solvency coverage ratio	**178%**	**172%**	**-6%**	

3.91 The total assets and total liabilities of HICO have remained stable since the Main Report, despite fluctuations in the individual items, and the reduction in its solvency ratio is due to an increase in its SCR.

3.92 The fluctuations within HICO's liabilities are partly explained by the factors I discussed in the Claims Reserves section above and partly explained by a reduction in deposits from reinsurers (part of the 'Other Liabilities'). The reduction is driven by lower expected future claims from lower Future Loss Ratios due to seasonality between the Main Report and this report, and also by a change to the discounting used for interest on funds withheld for better consistency with the funds withheld.

3.93 I have also reviewed the mix of asset and liability items and have concluded that the broad characteristics of HICO's balance sheet have remained consistent and therefore that my conclusions from the Main Report still apply.

3.94 The movement in HICO's SCR is driven by:

- An increase in Interest Rate Risk due to a widening in HICO's asset-liability gap from one of HICO's PPO claimants passing away, altering the duration of HICO's liabilities but not its assets
- An increase in Reserve Risk matching the increase in HICO's claims provisions

3.95 Although the table above does not show the breakdown of Own Funds, the quality of Own Funds for both HICO and AZI post-Schemes remains very high. 96% of HICOs Own Funds are classified as Tier 1, virtually unchanged since my Main Report.

3.96 Resulting from these movements of Own Funds and SCR, HICO's solvency ratio has reduced since 30 September 2025, but remains substantially above its target solvency ratio of 130%. The reduction is small enough that it does not give me cause to believe that the security HICO provides to its policyholders has materially reduced since the Main Report.

FIL

3.97 In the table below I present the Solvency UK balance sheets of FIL as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.9: Movements in FIL's Solvency UK balance sheet from 30 September 2025 to 31 March 2026

£m	FIL Q3 2025	FIL Q1 2026	Change	Change %
Assets:				
Investments	15.2	12.5	-2.7	-18%
Cash	0.4	3.5	3.1	807%
Reinsurers' share of technical provisions	47.6	40.9	-6.7	-14%
Insurance and other receivables	7.9	5.2	-2.7	-34%
Other assets	7.9	10.2	2.3	29%
Total assets	**79.1**	**72.4**	**-6.7**	**-8%**
Liabilities:				
Gross best estimate technical provisions	45.4	40.2	-5.2	-11%
Risk margin	0.1	0.1	0.0	3%
Other liabilities	15.7	12.2	-3.5	-23%
Total liabilities	**61.2**	**52.4**	**-8.7**	**-14%**
Own Funds:				
Net assets	17.9	19.9	2.0	11%
Ancillary Own Funds	-4.4	-3.8	0.5	-12%
Total Eligible Own Funds	**13.5**	**16.1**	**2.6**	**19%**
Coverage Ratios:				
Solvency Capital Requirement (SCR)	**3.5**	**3.5**	-	**0%**
Solvency coverage	10.0	12.6	2.6	26%
Solvency coverage ratio	**387%**	**460%**	**74%**	

3.98 Note that the Q3 2025 figures for FIL here continue to reflect the year-end 2025 dividend, the adjustment which I made in my Main Report, and which I continue here for consistency and so the movements since the Main Report are clearer without the impact of the dividend confusing things.

3.99 The total assets and total liabilities of FIL have shrunk since the Main Report, but at different rates, with the result that Own Funds have increased. Since the SCR remains fixed at the AMCR-floor of £3.5m, the solvency coverage ratio has improved.

3.100 The drop in investments paired with a rise in cash is the result of FIL ceasing to reinvest the proceeds of its investments and instead continuing to hold them as cash, while not actively targeting a cash-only position as the current level of cash is considered adequate for FIL's liquidity needs, as I discussed in my Main Report.

3.101 The other main driver of FIL's reduction in assets and liabilities is its lower Technical Provisions, which I covered above in the Claims Reserves section.

3.102 I have also reviewed the mix of asset and liability items and compared across periods. The share of cash has significantly increased and the shares of investments, receivables and Technical Provisions (gross and ceded) have dropped. A greater change in mix than LVIC, HICO, and AZI is to be expected given FIL's smaller size making it relatively more prone to large percentage changes in assets and liabilities, however I do not believe any of the changes in mix suggest my conclusions about FIL from the Main Report should not continue to hold since FIL's solvency ratio has significantly improved and the move from investments to cash suggests greater security and liquidity, so the changes to the balance sheet suggest policyholders are at least as protected.

3.103 FIL's Own Funds continue to be of lower quality than the other Companies due to its relatively larger deferred tax asset. This is not material to my conclusions since, as I discussed in my Main Report, FIL's reinsurance arrangements are far more relevant to its financial strength.

TIL

3.104 In the table below I present the Solvency UK balance sheets of TIL as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.10: Movements in TIL's Solvency UK balance sheet from 30 September 2025 to 31 March 2026

£m	TIL Q3 2025	TIL Q1 2026	Change	Change %
Assets:				
Investments	-	-	-	0%
Cash	0.10	0.03	-0.07	-71%
Reinsurers' share of technical provisions	3.73	3.68	-0.05	-1%
Insurance and other receivables	0.13	0.35	0.22	165%
Other assets	9.66	9.59	-0.07	-1%
Total assets	**13.62**	**13.65**	**0.03**	**0%**
Liabilities:				
Gross best estimate technical provisions	4.36	4.31	-0.05	-1%
Risk margin	0.01	0.04	0.03	372%
Other liabilities	0.33	0.31	-0.02	-6%
Total liabilities	**4.70**	**4.66**	**-0.04**	**-2%**
Own Funds:				
Net assets	8.92	8.99	0.07	1%
Ancillary Own Funds	-	-	-	0%
Total Eligible Own Funds	**8.92**	**8.99**	**0.07**	**1%**
Coverage Ratios:				
Solvency Capital Requirement (SCR)	**3.50**	**3.50**	-	**0%**
Solvency coverage	5.42	5.49	0.07	2%
Solvency coverage ratio	**255%**	257%	**2%**	

3.105 The total assets and total liabilities of TIL have remained stable since the Main Report and, since the SCR remains fixed at the AMCR-floor of £3.5m, the solvency coverage ratio has remained stable. As I discussed in the Main Report, TIL's liabilities relate almost entirely to two PPO claims which are protected by unlimited excess of loss reinsurance, and so TIL's financial security depends much more on the strength of its reinsurers than on its Own Funds. There has not been a significant change to TIL's reinsurance panel and their credit ratings remain high.

3.106 I have also reviewed the mix of asset and liability items and have concluded that the characteristics of TIL's balance sheet have remained consistent and therefore that my conclusions from the Main Report still apply.

3.107 TIL's Own Funds continue to be 100% Tier 1, higher than the other Companies due to its fully cash investment position. This is not material to my conclusions since, as I discussed in my Main Report, TIL's reinsurance arrangements are far more relevant to its financial strength.

AZI pre-Schemes

3.108 In the table below I present the Solvency UK balance sheets of AZI as at 30 September 2025 and 31 March 2026 and the changes over this period.

Table 3.11: Movements in AZI's Solvency UK balance sheet from 30 September 2025 to 31 March 2026

£m	AZI Q3 2025	AZI Q1 2026	Change	Change %
Assets:				
Investments	2,771.6	2,791.0	19.5	1%
Cash	17.3	14.9	-2.4	-14%
Reinsurers' share of technical provisions	1,242.4	1,233.1	-9.4	-1%
Insurance and other receivables	119.8	149.5	29.7	25%
Other assets	48.1	53.7	5.6	12%
Total assets	**4,199.2**	**4,242.3**	**43.0**	**1%**
Liabilities:				
Gross best estimate technical provisions	1,997.6	2,061.6	64.0	3%
Risk margin	38.1	40.9	2.8	7%
Other liabilities	1,497.0	1,410.8	-86.2	-6%
Total liabilities	**3,532.7**	**3,513.3**	**-19.4**	**-1%**
Own Funds:				
Net assets	666.5	728.9	62.4	9%
Ancillary Own Funds	-	-	-	0%
Total Eligible Own Funds	**666.5**	**728.9**	**62.4**	**9%**
Coverage Ratios:				
Solvency Capital Requirement (SCR)	**474.1**	466.1	-8.0	**-2%**
Solvency coverage	192.5	262.8	70.4	37%
Solvency coverage ratio	**141%**	**156%**	**16%**	

3.109 Note that the Q3 2025 figures for AZI here continue to reflect the year-end 2025 dividend, which I adjusted for in my Main Report, and which I continue here for consistency and so the movements since the Main Report are clearer without the impact of the dividend confusing things.

3.110 The small (in percentage terms) increase in AZI's assets and small decrease in liabilities have led to a noticeable increase in Own Funds. Together with a small drop in SCR, this has significantly improved AZI's pre-Schemes solvency ratio.

3.111 The increase in AZI's assets is driven by an increase in investments and other receivables from taxes on income. AZI is the header of the group payment arrangement for UK corporate tax on behalf of Allianz UK Group entities, so it receives the tax payments from the other entities, which it subsequently pays out.

3.112 The small drop in AZI's liabilities is largely explained by the factors I discussed in the Claims Reserves section above. For the 31 March 2026 data, AZI's liabilities also now reflect an updated approach to accounting for 'deposits from reinsurers' which I discussed in paragraph 8.71 of my Main Report and which aligns with the other Companies' approaches which were judged reasonable by the auditor. This change has also contributed to the slight reduction in liabilities.

3.113 I have also reviewed the mix of asset and liability items and have concluded that the broad characteristics of AZI's balance sheet have remained consistent and therefore that my conclusions from the Main Report still apply.

3.114 The movement in AZI's SCR is driven by:

- A reduction in Credit Spread Risk due to the payment of the year-end 2025 dividend out of investments which were exposed to this risk
- A reduction in Credit Risk due to increases in the yield curve
- Offset by an increase in Underwriting Risk, driven by an increase in terrorism risk to reflect the increased excess for AZI's Pool Re cover

3.115 Although the table above does not show the breakdown of Own Funds, the quality of Own Funds for AZI both pre- and post-Schemes remains very high. 100% of AZI's pre-Schemes Own Funds are now classified as Tier 1, compared to 99% at 30 September 2025, which is not a material change. This split continues to be slightly better than AZI's post-Schemes 98%, which has not changed since 30 September 2025, but the difference is not material.

Pre-Schemes Total and AZI post-Schemes

3.116 I include the next table to compare the pre-Schemes Total of the Companies' balance sheets with the AZI post-Schemes balance sheet. Almost all of the changes to the AZI post-Schemes balance sheet can be explained by the movements in the Companies' pre-Schemes balance sheets.

3.117 Please note that the solvency figures for the pre-Schemes Total have been calculated using a mix of solvency capital calculation methods since the Transferors use the Standard Formula and AZI uses an Internal Model. These figures are indicative only, since they are not calculated on a consistent basis.

Table 3.12: Movements in pre-Scheme Total and AZI post-Schemes (including Part VII and EFP MMCs) Solvency UK balance sheet from 30 September 2025 to 31 March 2026, and changes in impact of the Schemes

£m	pre-Schemes Total Q3 2025	pre-Schemes Total Q1 2026	pre-Schemes Total % change	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	AZI post-Schemes % change	Schemes Impact Q3 2025	Schemes Impact Q1 2026
Assets:								
Investments	5,811.8	5,949.4	2%	5,681.8	5,819.4	2%	-130.0	-130.0
Cash	43.0	37.7	-12%	32.5	27.2	-16%	-10.5	-10.5
Reinsurers' share of technical provisions	2,621.7	2,562.4	-2%	2,621.7	2,562.4	-2%	-	-
Insurance and other receivables	181.2	196.6	9%	181.2	196.6	9%	-	-
Other assets	183.7	165.5	-10%	183.7	165.5	-10%	-	-
Total assets	**8,841.4**	**8,911.6**	**1%**	**8,700.9**	**8,771.1**	**1%**	**-140.5**	**-140.5**
Liabilities:								
Gross best estimate technical provisions	4,573.2	4,733.8	4%	4,573.2	4,733.8	4%	-	-
Risk margin	76.0	81.7	7%	59.5	59.9	1%	-16.5	-21.8
Other liabilities	2,746.2	2,579.0	-6%	2,750.3	2,584.4	-6%	4.1	5.4
Total liabilities	**7,395.4**	**7,394.5**	**0%**	**7,383.0**	**7,378.1**	**0%**	**-12.4**	**-16.4**
Own Funds:								
Net assets	1,446.1	1,517.1	5%	1,318.0	1,393.0	6%	-128.1	-124.1
Ancillary Own Funds	-4.4	-3.8	-12%	-	-	0%	4.4	3.8
Total Eligible Own Funds	**1,441.7**	**1,513.3**	**5%**	**1,318.0**	**1,393.0**	**6%**	**-123.7**	**-120.3**
Coverage Ratios:								
Solvency Capital Requirement (SCR)	**1,018.3**	1,021.9	**0%**	**893.0**	830.1	**-7%**	**-125.3**	-191.8
Solvency coverage	423.4	491.3	16%	425.0	562.9	32%	1.5	71.6
Solvency coverage ratio (Internal Model)				**148%**	**168%**			
Solvency coverage ratio (Mixed Standard Formula and Internal Model)	**142%**	**148%**						

* LVIC's, HICO's, FIL's and TIL's SCRs are calculated using the Standard Formula whereas AZI's is calculated using an Internal Model and therefore these solvency ratios are not directly comparable (as discussed in paragraph 8.71 of the Main Report)

3.118 The adjustments made to the pre-Schemes Total balance sheet items to derive the AZI post-Schemes position are the same as I described in the Main Report with the following updates:

- The investments for AZI post-Schemes are still adjusted down by the potential dividend following the Part VII Driven Capital Release, and the amount (£130m) is unchanged as described in paragraph 3.10
- AZI post-Schemes' cash is still adjusted down by £10.5m, as there is no change to the plans to retain £3.5m in each of LVIC, HICO and FIL following the Schemes
- The risk margin is still adjusted down, but the size of the reduction has grown due to the greater difference between the pre-Schemes Total and AZI post-Schemes SCRs
- Ancillary Own Funds are still adjusted up because FIL's deferred tax liability is not currently eligible to meet its SCR but, once part of AZI, it will be eligible; the magnitude of the adjustment has fallen because FIL's deferred tax asset has fallen
- Other Liabilities are still adjusted up, because of the tax impact of the benefit of the Schemes to risk adjustment, and this benefit has grown because the pre-Schemes Total risk adjustment is larger than at 30 September 2025, given AZI, LVIC and HICO have all grown

3.119 The AZI post-Schemes SCR has dropped by £63m (-7%) while the sum of the pre-Schemes SCRs has remained stable (+0.4%). Only £4m (-0.5% of SCR) of this post-Schemes movement since the Main Report is reflective of movements in AZI's post-Scheme risks (mostly Market Risk and Credit Risk, for the reasons described above for movements in AZI's and LVIC's SCRs). The remaining £59m of movement reflects the impact of the EFP MMC. The Part VII MMC was already reflected in my Main Report so does not contribute to this movement. Of the 20% growth in AZI's post-Schemes solvency ratio, 9% is due to financial movements in Own Funds and SCR, and the remaining 11% is due to the reflection of the EFP MMC.

3.120 There are currently no plans for further dividends from the EFP MMC, so I have not factored this into my base consideration, however I have carried out scenarios assuming that AZI post-Schemes could subsequently decide to release an additional dividend following the EFP MMC.

3.121 I note for the pre-Schemes and post-Schemes comparison above that the pre-Schemes SCR sum is a simplification since it combines the AZI Internal Model SCR, the LVIC Standard Formula SCR and the FIL AMCR-bounded SCR, so direct comparison is not valid. However, I present it since it is useful for demonstrating movements since 30 September 2025.

Capital Support

3.122 The Companies have confirmed that there have been no changes, since my Main Report, to the capital support arrangements in place to support the Companies when they are in financial distress. This includes:

- The willingness and ability of AZH or Allianz SE to make capital injections to any of the Companies pre-Schemes or to AZI post-Schemes (and I note that Allianz SE's solvency ratio increased between year-end 2024 and year-end 2025)
- The option of non-payment of planned dividends as a response to financial difficulty
- Various options to recover by adjusting reinsurance, investments, expenses or the business plan, or by issuing debt.

Solvent Exit Planning

3.123 In my Main Report, I explained that the Companies were creating a Solvent Exit Analysis ("SEA") document to meet the Solvency Exit Planning requirements that came into force for UK insurers from 30 June 2026. The purpose of a SEA is to assess, on a forward-looking basis, an insurer's ability to leave the market or enter run-off in an orderly and solvent manner. It forms part of the risk management framework and provides guidance for insurers in situations where a firm's financial viability may be under pressure.

3.124 The SEA is required for live insurers only, and run-off insurers are not in scope. Given the requirements come into force before the Sanctions Hearing, the Companies have developed an SEA for each of the individual companies, and not on a combined post-Schemes basis. As a result, it only covers the live entities AZI, LVIC, and HICO, and does not cover the run-off entities FIL or TIL. Following the Schemes, the Transferring FIL Policyholders and the Transferring TIL Policyholders will be policyholders of an insurer that is within scope of Solvent Exit Planning, and I consider this a benefit of the Schemes given the additional planning and safeguards it brings.

3.125 It follows that, although FIL and TIL will be part of the SEA following the Schemes, I have not had access to a SEA for either of these entities. However, given their relatively small size in the context of AZI, LVIC and HICO, I would not expect them to materially impact the Solvent Exit Planning for AZI after the Schemes. Consequently, I do not believe the absence of SEAs for FIL and TIL will have materially impacted my conclusions.

3.126 The SEA comprises of a single framework which is applicable for all the live entities, but the calculations around solvency and liquidity are carried out for each entity separately. I have reviewed the framework detailed in this document. In my view it has adequately considered the requirements set out by the PRA, and, in certain places, exceeded the minimum requirements.

3.127 I understand that the development of an SEA for the combined entity will be carried out after the Schemes. However, I have confirmed with the Companies that the framework detailed in the SEA will continue to be applicable after the Schemes.

3.128 I have reviewed the outcomes of the financial analysis of the individual entities' solvent exit plans, which demonstrate that the solvency ratio of each entity remains above its target ratio based on its own risk strategy and appetite, for the whole duration of the solvent exit. This is also the case for the all but one of the stressed scenarios, with only one exception whereby the solvency ratio of LVIC dips below the target ratio for the first year of a 15-year solvent exit horizon under one stressed scenario, but recovers to be above the target from the second year. The stressed scenarios considered in the SEA are aligned with their ORSA and are, in my view, sufficiently severe. The SEA also assesses liquidity risk, and demonstrates that liquidity for each entity remains adequate against its risk appetite for the whole duration of the solvent exit.

3.129 Despite the financial analysis for AZI post-Schemes not being available until after the Schemes, I consider it highly likely that the outcomes of the financial analysis for AZI post-Schemes would remain within risk appetite throughout the duration of the solvent exit, for the following reasons:

- Each of AZI, LVIC and HICO, assessed individually, is projected to maintain solvency ratios under the base scenario and liquidity metrics significantly above their respective target solvency and liquidity ratios throughout the duration of a solvent exit. LVIC has the lowest solvency ratios of the three entities under the solvent exit scenario, and throughout the majority of the duration of the solvent exit its solvency ratio is at least double the target solvency ratio. Given the margin by which each entity individually exceeds its target solvency and liquidity ratios, I consider it reasonable to conclude that the solvency ratio for AZI post-Schemes is highly likely to remain above its target solvency and liquidity ratios throughout the duration of a solvent exit.

- FIL and TIL are immaterial in size compared to AZI, LVIC and HICO, so I would not expect their inclusion to have a significant effect on the solvency ratios or liquidity metrics.

ORSA

3.130 In my Main Report, I reviewed the stress and scenario testing carried out for AZI, LVIC and HICO as part of the year-end 2024 Allianz UK ORSA. I concluded that the suite of stress testing was strong, but given that the basis used for the majority of testing used the unadjusted business plan Own Funds figures, which are more stretching (in terms of business growth than the best estimate basis), and given my conclusions would be based on assessment of when the Companies were unable to meet their obligations to policyholders (that is, when Own Funds are depleted), I chose to rely more heavily on my own stress testing when assessing the financial strengths of the Companies.

3.131 The same basis has been used for the year-end 2025 Allianz UK ORSA, and therefore the same limitations apply to the new ORSA results as they concern this report. Comparison of the 2024 and 2025 results is also of limited use, since the period does not line up with the time periods I am considering in this report, and since I did not rely heavily on the 2024 ORSA results in my Main Report. Therefore, I have reviewed the stress testing from the 2025 ORSA and, with these limitations in mind, I present its overall conclusions about the Companies' financial strengths:

- Of the suite of stress tests covering a range of events between 1-in-20 and 1-in-1000 year severity, there were no results where any of the Companies' assets dropped below the level of their liabilities
- Under two tests, AZI's and LVIC's solvency ratios dropped below 100%, both of which were more extreme than 1-in-75 year stresses, and in both cases the solvency ratios were restored above 100% after 12 months with management action
- The projected solvency ratios for each of the Companies up to December 2028 are comfortably above targets

3.132 Noting the limitations above, these results indicate that the Companies remain financially robust.

3.133 These results are overall similar to the results in the 2024 ORSA, with differences to the testing suite making a direct comparison impossible. Where tests were repeated, the results were broadly similar, with some slight weakening since 2024 due to slightly lower base solvency ratios.

My stress testing

3.134 In my Main Report, I also performed a number of stress tests in order to complement the ORSA testing. I relied on my stress testing more heavily than the ORSA results in my Main Report since the ORSA tests did not stress the Companies to the level where their assets fell below their liabilities, which is the situation in which they would be unable to meet their obligations to policyholders; my testing targeted this outcome.

3.135 I have reperformed each of the stress tests from my Main Report as at 31 March 2026, using the latest available financial data.

3.136 My analysis continues to demonstrate that most of the percentage stresses required to exhaust Own Funds are lower for AZI following the Schemes than for each of the Companies prior to the Schemes (this is not universal across all stress tests but is a general theme). If considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, this metric indicates that the Schemes have an adverse impact on policyholders. However, as I explained in my Main Report (8.114 to 8.116), and as remains the case, percentage stresses are not the most meaningful measure in this context because they do not reflect the significantly different sizes of the Companies' balance sheets or the Companies' respective risk profiles and diversification. AZI's significantly larger balance sheet following the Schemes means that Own Funds would only be exhausted following considerably larger absolute stresses, and I consider that the likelihood of experiencing stresses that are sufficiently large to exhaust Own Funds is lower for AZI post-Schemes than for each of the Companies prior to the Schemes. Accordingly, when considered in the round, I am satisfied that the level of security against financial stresses provided by AZI following the Schemes is not materially weaker than that provided by each of the Companies prior to the Schemes.

3.137 I have chosen not to present these results in full detail as I did in my Main Report, as the Companies' financial positions and the results of my tests have not changed materially. However I present a brief quantitative summary of the new results compared to those in the Main Report below.

3.138 In this table, I have included only the test reference and the absolute and percentage stress results (for the combination tests, only the secondary stress). Please refer to the Main Report (8.98 to 8.112) for explanations as to what each of these tests involves and to Table 8.11 in the Main Report for an example of what each row's values represent. I discuss the key results below the table.

Table 3.13: Comparison of absolute and percentage stress results between Main Report (2025 Q3) and Supplementary Report (2026 Q1)

	AZI	LVIC	HICO	FIL	TIL	AZI post-Schemes
RES Q325	666.5	538.6	232.0	13.5	8.9	1,318.0
	66%	65%	93%	-615%	1453%	63%
RES Q126	728.9	557.1	233.4	16.1	9.0	1,393.0
	70%	63%	89%	-2302%	1423%	64%
Change	62.4	18.5	1.4	2.6	0.1	75.0
	4%	-2%	-4%	-1687%	-30%	1%
TP Q325	666.5	587.1	232.0	13.5	8.9	1,318.0
	84%	62%	82%	-645%	1390%	66%
TP Q126	728.9	595.6	233.4	16.1	9.0	1,393.0
	84%	56%	75%	-2685%	1330%	62%
Change	62.4	8.5	1.4	2.6	0.1	75.0
	0%	-6%	-7%	-2040%	-60%	-4%
REIN Q325	666.5	572.1	232.0	13.5	8.9	1,318.0
	54%	57%	70%	28%	239%	50%
REIN Q126	728.9	584.4	233.4	16.1	9.0	1,393.0
	59%	60%	76%	39%	244%	54%
Change	62.4	12.3	1.4	2.6	0.1	75.0
	5%	3%	6%	11%	5%	4%
INV Q325	666.5	581.9	232.0	13.5	8.9	1,318.0
	24%	25%	32%	89%	92%	23%
INV Q126	728.9	603.2	233.4	16.1	9.0	1,393.0
	26%	23%	32%	129%	94%	24%
Change	62.4	21.3	1.4	2.6	0.1	75.0
	2%	-2%	0%	40%	2%	1%
COMB_1 Q325	469.4	388.3	142.9		7.4	948.9
	17%	17%	20%		77%	17%

	AZI	LVIC	HICO	FIL	TIL	AZI post-Schemes
COMB_1 Q126	527.8	516.0	150.2		7.5	1,022.4
	19%	16%	21%		78%	18%
Change	58.4	127.7	7.3		0.1	73.5
	2%	-1%	1%		1%	1%
COMB_2 Q325	420.8	341.2	128.7	9.6	7.4	861.8
	15%	15%	18%	63%	77%	15%
COMB_2 Q126	477.7	449.8	135.1	1.9	7.5	930.5
	17%	14%	19%	15%	78%	16%
Change	56.9	108.6	6.4	-7.7	0.1	68.7
	2%	-1%	1%	-48%	1%	1%
COMB_3 Q325	462.3	371.7	125.4		7.3	923.1
	17%	16%	18%		75%	16%
COMB_3 Q126	520.5	492.8	131.7		7.4	995.2
	19%	16%	18%		77%	17%
Change	58.2	121.1	6.3		0.1	72.1
	2%	0%	0%		2%	1%
COMB_4 Q325	899.1	835.3	334.1		7.6	1,795.7
	45%	54%	61%		174%	43%
COMB_4 Q126	1,028.0	879.6	355.6		7.7	1,974.7
	50%	54%	66%		179%	46%
Change	128.9	44.3	21.5		0.1	179.0
	5%	0%	5%		5%	3%

3.139 The overall pattern of the percentage stress results above is that for AZI, LVIC, HICO, and AZI post-Schemes there is little movement between the previous set of results and the updated set. The movements for FIL and TIL are larger as these are smaller and more volatile entities. I describe these results below, including why these movements do not change my conclusions from the Main Report.

3.140 Below I discuss my key conclusions from the updated stress testing for each of the Companies:

- AZI post-Schemes
    - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds were the same or slightly larger in percentage terms in most cases, reflecting AZI's post-Schemes higher base solvency ratio, but were uniformly larger in absolute terms for all stresses, reflecting AZI's post-Schemes larger balance sheet
    - The only test where a smaller percentage stress was required compared to the Main Report was for Technical Provisions; 66% (£1,318m) at Q3 2025, 62% (£1,393m) at Q1 2026; this is due to the higher growth of Technical Provisions compared to Own Funds. I consider that the level of stress remains remote, for the reasons I discussed in my Main Report, and therefore this result does not change my conclusions
    - All stresses remain remote for the reasons I set out in my Main Report
- LVIC

  - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds were the same or slightly smaller in percentage terms in most cases, reflecting LVIC's slightly lower base solvency ratio, but were uniformly larger in absolute terms, reflecting LVIC's larger balance sheet
  - As I discussed in paragraph 3.13, the impact on LVIC's SCR of the change in its reinsurance retention is not material, so I consider that this change has not materially affected LVIC's resilience to remote stress events
  - The largest change in percentage stress was for Technical Provisions; 62% (£587m) at Q3 2025, 56% (£596m) at Q1 2026; this is due to the higher growth of Technical Provisions compared to Own Funds. I consider that the level of stress remains remote, for the reasons I discussed in my Main Report, and therefore this result does not change my conclusions
- HICO
  - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds were similar in percentage and absolute terms in most cases, reflecting HICO's similar base solvency ratio and balance sheet
  - As I discussed in paragraph 3.13, the impact on HICO's SCR of the change in its reinsurance retention is not material, and so I consider that this change has not materially affected HICO's resilience to remote stress events
  - The largest change in percentage stress was for Technical Provisions; 82% (£232m) at Q3 2025, 75% (£233m) at Q1 2026; this is due to the higher growth of Technical Provisions compared to Own Funds. I consider that the level of stress remains remote, for the reasons I discussed in my Main Report, and therefore this result does not change my conclusions
- FIL
  - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds were significantly larger in percentage and absolute terms since FIL's balance sheet and solvency ratio have increased
  - However, since FIL remains a far smaller and more volatile entity than AZI post-Schemes, the arguments I presented in the Main Report for the security provided by AZI post-Schemes being no worse than FIL's, and in many respects being better, remain valid
- TIL
  - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds have stayed similar in percentage and absolute terms, in line with TIL's overall stability since Q3 2025
  - TIL remains a far smaller and more volatile entity than AZI post-Schemes, and therefore the arguments I presented in the Main Report for the security provided by AZI post-Schemes being no worse than TIL's, and in many respects being better, remain valid
- AZI
  - Compared to the stresses in my Main Report, the stresses required to deplete Own Funds were the same or slightly larger in percentage terms in all cases, reflecting AZI's higher base solvency ratio, and were uniformly larger in absolute terms, reflecting AZI's larger balance sheet
  - In percentage terms, AZI's post-Schemes stresses remain slightly lower than AZI's pre-Schemes as at Q1 2026, which in isolation represents an adverse impact of the Schemes on the AZI Policyholders. However, the level of adverse impact is still small in percentage terms and the absolute stresses required to deplete AZI's post-Schemes remain much greater than for

AZI pre-Schemes, and all stresses remain remote for both AZI pre-Schemes and AZI post-Schemes at Q1 2026

3.141 It follows from the above that my updated stress testing shows the Companies have a very similar level of resilience to financial stresses as they had as at 30 September 2025, still with any event which would cause the level of assets to fall below liabilities being remote, and the resilience of AZI post-Schemes has improved. Furthermore, the comparative resilience between the respective Companies and AZI post-Schemes (and therefore the impact of the Schemes on policyholder security) is similar to that previously described in the Main Report. Therefore, I see no reason to change my conclusions from the Main Report around my stress testing.

3.142 I have also considered the eventuality in which the EFP MMC is permitted and, due to the resulting reduction in the SCR, AZI post-Schemes chooses to distribute a dividend which would bring its solvency ratio down to 150%. I note that this is not a dividend that has been proposed by AZI and that I consider it here for the purpose of the stress testing. Although AZI post-Schemes could in theory reduce its solvency ratio to 130% without breaching the Assumed Target Ratio, I base my choice of 150% off AZI's historical solvency ratios. Naturally, under this scenario, lower percentage and absolute stresses were required to deplete AZI's post-Schemes Own Funds. The absolute stresses have reduced by £148m which is the assumed dividend amount, and percentage stressed have reduced by up to 7%. However, I still judge each of the stresses to be remote for the same reasons as given in my Main Report, and if a stress scenario were to occur the dividend could be withheld to manage it.

Policyholder security

3.143 In this section, I set out my assessment regarding the impact of the Schemes on the security of each group of policyholders based on the additional information available.

3.144 I have included tables demonstrating how the impact of the Schemes on the Companies' solvency positions has changed since 30 September 2025.

Transferring LVIC Policyholders

Solvency impact

3.145 In the table below, I present the solvency position of LVIC compared with AZI post-Schemes and the solvency impact of the Schemes on the Transferring LVIC Policyholders. I present this at 30 September 2025, as in my Main Report, and at 31 March 2026, in order to assess whether this impact has changed materially between the time periods and therefore whether the conclusions in my Main Report remain valid.

3.146 Please note that LVIC's SCR is calculated using the Standard Formula whereas AZI's is calculated using an Internal Model and therefore these solvency ratios are not directly comparable (as discussed in paragraph 8.73 of the Main Report).

Table 3.14: Impact of the Schemes on solvency for Transferring LVIC Policyholders as at 30 September 2025 and 31 March 2026 (AZI post-Schemes including Part VII and EFP MMCs)

£m	LVIC Q3 2025	LVIC Q1 2026	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	Schemes Impact Q3 2025	Schemes Impact Q1 2026
EOF	761.6	768.2	1,318.0	1,393.0	556.3	624.8
SCR	540.7	552.4	893.0	830.1	352.3	277.7
Solvency Coverage	221.0	215.8	425.0	562.9	204.0	347.0
Solvency Ratio (SF)	141%	139%				
Solvency Ratio (IM)			148%	168%		

3.147 Although the solvency ratios are not directly comparable, as I discuss in paragraph 3.82, I note that the expected AZI post-Schemes solvency ratio has increased significantly since my Main Report, whereas LVIC's has reduced. AZI's post-Schemes absolute solvency coverage is also substantially larger than at 30 September 2025 which is largely due to the EFP MMC impact, whereas LVIC's has slightly reduced.

Conclusions

3.148 Between 30 September 2025 and 31 March 2026, the solvency ratio of LVIC has reduced slightly from 141% to 139%, while the expected solvency ratio of AZI post-Schemes has significantly increased from 148% to 168%. Considered in isolation, this indicates that the increased security of the Transferring LVIC Policyholders arising from the Schemes will be greater than my assessment in the Main Report suggested, although as noted in the Main Report the solvency ratios of these entities are not directly comparable.

3.149 It remains the case that the Transferring LVIC Policyholders will be moving to a company with a much higher level of Own Funds (£768m to £1,393), and much higher surplus of Own Funds above SCR (£216m to £563m), and therefore to a larger, more diversified company with reduced volatility and greater operational resilience.

3.150 As in the Main Report, if considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, a comparison of certain of the percentage stresses required to deplete Own Funds would indicate that the Schemes have an adverse impact on the Transferring LVIC Policyholders. By comparison to the testing in my Main Report, however, many of the tests now show that AZI post-Schemes requires a larger percentage stress. And all absolute stresses would need to be more extreme to deplete AZI's post-Schemes Own Funds which is a far more meaningful basis for assessing the impact of the Schemes on policyholders. Furthermore, I previously concluded that the likelihood of either LVIC or AZI post-Schemes encountering any of the stresses I tested (which were calibrated as the minimum stress required to cause the company to fail to meet its financial obligations to policyholders) was remote, which remains the case. Therefore, I conclude that the overall results from my stress testing in the Main Report remain valid and are indeed strengthened by the higher number of stress tests which require higher percentage stresses to deplete AZI's post-Schemes Own Funds.

3.151 There have been no changes since the Main Report to the regulations, dividend rules or policies, or FSCS access affecting policyholders before and after the Schemes.

3.152 Therefore, when considering the benefits and adverse impacts of the Schemes in aggregate, it remains the case that I do not expect there to be a material adverse impact on the security of the Transferring LVIC Policyholders, including under insolvency, as a result of the Schemes.

3.153 My conclusions would be unchanged if the EFP MMC were not permitted making AZI's post-Schemes solvency ratio 157%, because this remains an improvement since 30 September 2025 and significantly higher than LVIC's solvency ratio.

3.154 My conclusions would also be unchanged if the EFP MMC were permitted and a higher dividend were paid which reduced AZI's post-Schemes solvency ratio to 150% (which is a typical level for AZI's solvency ratio based on historical data), since this would still represent an increase in solvency ratio since 30 September 2025 and remains higher than LVIC's solvency ratio, and the likelihood of AZI post-Schemes being unable to meet its obligations to policyholders remains remote, as discussed in paragraph 3.142.

Transferring HICO Policyholders

Solvency impact

3.155 In the table below, I present the solvency position of HICO compared with AZI post-Schemes and the solvency impact of the Schemes on the Transferring HICO Policyholders. I present this at 30 September 2025, as in my Main Report, and at 31 March 2026, in order to assess whether this impact has changed materially between the time periods and therefore whether the conclusions in my Main Report remain valid.

3.156 Please note HICO's SCR is calculated using the Standard Formula whereas AZI's is calculated using an Internal Model and therefore these solvency ratios are not directly comparable (as discussed in paragraph 8.73 of the Main Report).

Table 3.15: Impact of the Schemes on solvency for Transferring HICO Policyholders as at 30 September 2025 and 31 March 2026 (AZI post-Schemes including Part VII and EFP MMCs)

£m	HICO Q3 2025	HICO Q1 2026	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	Schemes Impact Q3 2025	Schemes Impact Q1 2026
EOF	232.0	233.4	1,318.0	1,393.0	1,086.0	1,159.6
SCR	130.4	135.8	893.0	830.1	762.6	694.4
Solvency Coverage	101.6	97.6	425.0	562.9	323.3	465.2
Solvency Ratio (SF)	178%	172%				
Solvency Ratio (IM)			148%	168%		

3.157 Although the solvency ratios are not directly comparable, as I discuss in paragraph 3.82, I note that the expected AZI post-Schemes solvency ratio has increased significantly since my Main Report, compared to HICO's reduction. AZI's post-Schemes absolute solvency coverage is also substantially larger than at 30 September 2025 which is largely due to the EFP MMC impact, whereas HICO's has slightly shrunk.

Conclusions

3.158 Between 30 September 2025 and 31 March 2026, the solvency ratio of HICO has reduced slightly from 178% to 172%, while the expected solvency ratio of AZI post-Schemes has significantly increased from 148% to 168%. Considered in isolation, this indicates the increased security of the Transferring HICO Policyholders arising from the Schemes will be greater than my assessment in the Main Report suggested, although as noted in the Main Report the solvency ratios of these entities are not directly comparable.

3.159 It remains the case that the Transferring HICO Policyholders will be moving to a company with a much higher level of Own Funds (£233m to £1,393m), and much higher surplus of Own Funds above SCR (£98m to £563m), and therefore to a larger, more diversified company with reduced volatility and greater operational resilience.

3.160 As in the Main Report, if considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, a comparison of certain of the percentage stresses required to deplete Own Funds would indicate that the Schemes have an adverse impact on the Transferring HICO Policyholders. However, all absolute stresses would need to be more extreme to deplete AZI's post-Schemes Own Funds, and this is a far more meaningful basis for assessing the impact of the Schemes on policyholders. Furthermore, I previously concluded that the likelihood of either HICO or AZI post-Schemes encountering any of the stresses I tested (which were calibrated as the minimum stress required to cause the company to fail to meet its financial obligations to policyholders) was remote and this remains the case. Therefore, I conclude that the overall results from my stress testing in the Main Report remain valid.

3.161 There have been no changes since the Main Report to the regulations, dividend rules or policies, or FSCS access affecting policyholders before and after the Schemes.

3.162 Therefore, when considering the benefits and adverse impacts of the Schemes in aggregate, it remains the case that I do not expect there to be a material adverse impact on the security of the Transferring HICO Policyholders, including under insolvency, as a result of the Schemes.

3.163 My conclusions would be unchanged if the EFP MMC were not permitted making AZI's post-Schemes solvency ratio 157%, because this remains an increase since 30 September 2025, and is closer to HICO's solvency ratio than before.

3.164 My conclusions would also be unchanged if the EFP MMC were permitted and a higher dividend were paid which reduced AZI's post-Schemes solvency ratio to 150% (which is a typical level for AZI's solvency ratio based on historical data), since this would still represent an increase in solvency ratio since 30 September 2025, and the likelihood of AZI post-Schemes being unable to meet its obligations to policyholders remains remote, as discussed in paragraph 3.142.

Transferring FIL Policyholders

Solvency impact

3.165 In the table below, I present the solvency position of FIL compared with AZI post-Schemes and the solvency impact of the Schemes on the Transferring FIL Policyholders. I present this at 30 September 2025, as in my Main Report, and at 31 March 2026, in order to assess whether this impact has changed materially between the time periods and therefore whether the conclusions in my Main Report remain valid.

3.166 Please note FIL's SCR is calculated using the Standard Formula and is subject to the AMCR whereas AZI's is calculated using an Internal Model and therefore these solvency ratios are not directly comparable (as discussed in paragraph 8.75 of the Main Report).

Table 3.16: Impact of the Schemes on solvency for Transferring FIL Policyholders as at 30 September 2025 and 31 March 2026 (AZI post-Schemes including Part VII and EFP MMCs)

£m	FIL Q3 2025	FIL Q1 2026	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	Schemes Impact Q3 2025	Schemes Impact Q1 2026
EOF	13.5	16.1	1,318.0	1,393.0	1,304.4	1,376.9
SCR	3.5	3.5	893.0	830.1	889.5	826.6
Solvency Coverage	10.0	12.6	425.0	562.9	414.9	550.2
Solvency Ratio (SF)	387%	460%				
Solvency Ratio (IM)			148%	168%		

3.167 Although the solvency ratios are not directly comparable, as I discuss in paragraph 3.82, I note that the expected AZI post-Schemes solvency ratio remains well below FIL's high level. However, AZI's post-Schemes absolute solvency coverage remains much larger than FIL's, despite the comparable levels of growth (in percentage terms) of both since the Main Report.

Conclusions

3.168 It remains the case that the Transferring FIL Policyholders will move to a company with a far lower expected solvency coverage ratio than FIL's (460% to 168%), but as before, this is to be expected since FIL is a run-off entity, and so would tend to target a higher solvency coverage ratio than an active insurer. AZI's solvency coverage ratio is however expected to remain comfortably in excess of the Assumed Target Ratio following the Schemes. Considered in isolation, the reduction in the headline solvency coverage ratio indicates an adverse movement for the Transferring FIL Policyholders. However, I do not consider this to be a material adverse impact for the reasons discussed below.

3.169 It remains the case that the Transferring FIL Policyholders will be moving to a company with a much higher level of Own Funds (£16m to £1,393m), and much higher surplus of Own Funds above SCR (£13m to £563m), and therefore to a larger, more diversified company with reduced volatility and greater operational resilience.

3.170 As in the Main Report, if considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, a comparison of the percentage stresses required to deplete Own Funds would indicate that the Schemes have an adverse impact on the Transferring FIL Policyholders. However, all absolute stresses would need to be much more extreme to deplete AZI's post-Schemes Own Funds, and this is a far more meaningful basis for assessing the impact of the Schemes on policyholders. Furthermore, I previously concluded that the likelihood of either FIL or AZI post-Schemes encountering any of the stresses I tested (which were calibrated as the minimum stress required to cause the company to fail to meet its financial obligations to policyholders) was remote, and this remains the case. Therefore, I conclude that the overall results from my stress testing in the Main Report remain valid.

3.171 It remains the case that as an active insurer, AZI post-Schemes has more scope to adjust its business plan to respond to adverse events.

3.172 The Transferring FIL Policyholders will be moving into an entity which has Solvent Exit Planning in place. After the Schemes, the Solvent Exit Planning will be reviewed for the combined entity, including the Transferring FIL policies, so the Transferring FIL Policyholders will benefit from a regulatory planning perspective.

3.173 It remains the case that I have no reason to expect that Allianz UK Group or Allianz SE Group would withhold support from FIL prior to the Schemes. However, FIL is a small run off entity and is not central to the strategic priorities of the wider Allianz Group. In my experience, parental support within large insurance groups is typically primarily focused on major live insurers that are integral to the group's ongoing strategy rather than on small run off companies. In respect of ongoing group support, I consider it a benefit of the Schemes that the Transferring FIL Policyholders will transfer to the predominant live insurer within the Allianz UK Group, which is integral to the Group's ongoing strategy.

3.174 There have been no changes since the Main Report to the regulations, dividend rules or policies, or FSCS access affecting policyholders before and after the Schemes.

3.175 Therefore, when considering the benefits and adverse impacts of the Schemes in aggregate, it remains the case that I do not expect there to be a material adverse impact on the security of the Transferring FIL Policyholders, including under insolvency, as a result of the Schemes.

3.176 My conclusions would be unchanged if the EFP MMC were not permitted making AZI's post-Schemes solvency ratio 157% or if the EFP MMC were permitted and a higher dividend were paid which reduced AZI's post-Schemes solvency ratio to 150%, because this remains an improvement since 30 September 2025 either way and the solvency ratio is not as important to my conclusions regarding FIL, and the likelihood of AZI post-Schemes being unable to meet its obligations to policyholders remains remote, as discussed in paragraph 3.142.

Transferring TIL Policyholders

Solvency impact

3.177 In the table below, I present the solvency position of TIL compared with AZI post-Schemes and the solvency impact of the Schemes on the Transferring TIL Policyholders. I present this at 30 September 2025, as in my Main Report, and at 31 March 2026, in order to assess whether this impact has changed materially between the time periods and therefore whether the conclusions in my Main Report remain valid.

3.178 Please note TIL's SCR is calculated using the Standard Formula and is subject to the AMCR whereas AZI's is calculated using an Internal Model and therefore these solvency ratios are not directly comparable (as discussed in paragraph 8.77 of the Main Report).

Table 3.17: Impact of the Schemes on solvency for Transferring TIL Policyholders as at 30 September 2025 and 31 March 2026 (AZI post-Schemes including Part VII and EFP MMCs)

£m	TIL Q3 2025	TIL Q1 2026	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	Schemes Impact Q3 2025	Schemes Impact Q1 2026
EOF	8.9	9.0	1,318.0	1,393.0	1,309.0	1,384.0
SCR	3.5	3.5	893.0	830.1	889.5	826.6
Solvency Coverage	5.4	5.5	425.0	562.9	419.5	557.4
Solvency Ratio (SF)	255%	257%				
Solvency Ratio (IM)			148%	168%		

3.179 Although the solvency ratios are not directly comparable, as I discuss in paragraph 3.82, I note that the expected AZI post-Schemes solvency ratio remains well below TIL's high level. However, AZI's post-

Schemes absolute solvency coverage remains much larger than TIL's, especially given the growth in AZI's post-Schemes solvency coverage since the Main Report.

Conclusions

3.180 It remains the case that the Transferring TIL Policyholders will move to a company with a far lower expected solvency coverage ratio than TIL's (257% to 168%), but as before, this is to be expected since TIL is a run-off entity, and so would tend to target a higher solvency coverage ratio than an active insurer. AZI's solvency coverage ratio is however expected to remain comfortably in excess of the Assumed Target Ratio following the Schemes. Considered in isolation, the reduction in the headline solvency coverage ratio indicates an adverse movement for the Transferring TIL Policyholders. However, I do not consider this to be a material adverse impact for the reasons discussed below.

3.181 It remains the case that the Transferring TIL Policyholders will be moving to a company with a much higher level of Own Funds (£9m to £1,393m), and much higher surplus of Own Funds above SCR (£6m to £563m), and therefore to a larger, more diversified company with reduced volatility and greater operational resilience.

3.182 As in the Main Report, if considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, a comparison of the percentage stresses required to deplete Own Funds would indicate that the Schemes have an adverse impact on the Transferring TIL Policyholders. However, all absolute stresses would need to be much more extreme to deplete AZI's post-Schemes Own Funds, and this is a far more meaningful basis for assessing the impact of the Schemes on policyholders. Furthermore, I previously concluded that the likelihood of either TIL or AZI post-Schemes encountering any of the stresses I tested (which were calibrated as the minimum stress required to cause the company to fail to meet its financial obligations to policyholders) was remote and this remains the case. Therefore, I conclude that the overall results from my stress testing in the Main Report remain valid.

3.183 It remains the case that as an active insurer, AZI post-Schemes has more scope to adjust its business plan to respond to adverse events.

3.184 The Transferring TIL Policyholders will be moving into an entity which has Solvent Exit Planning in place. After the Schemes, the Solvent Exit Planning will be reviewed for the combined entity, including the Transferring TIL policies, so the Transferring policies will benefit from a regulatory planning perspective.

3.185 It remains the case that I have no reason to expect that Allianz UK Group or Allianz SE Group would withhold support from TIL prior to the Schemes. However, TIL is a small run off entity and is not central to the strategic priorities of the wider Allianz Group. In my experience, parental support within large insurance groups is typically primarily focused on major live insurers that are integral to the group's ongoing strategy rather than on small run off companies. In respect of ongoing group support, I consider it a benefit of the Schemes that the Transferring TIL Policyholders will transfer to the predominant live insurer within the Allianz UK Group, which is integral to the Group's ongoing strategy.

3.186 Per the Main Report, it remains the case that the Transferring TIL Policyholders will be moving into an entity which has a defined target solvency ratio and a greater degree of liquidity monitoring, so they will benefit in terms of risk management and governance.

3.187 There have been no changes since the Main Report to the regulations, dividend rules or policies, or FSCS access affecting policyholders before and after the Schemes.

3.188 Therefore, when considering the benefits and adverse impacts of the Schemes in aggregate, it remains the case that I do not expect there to be a material adverse impact on the security of the Transferring TIL Policyholders, including under insolvency, as a result of the Schemes.

3.189 My conclusions would be unchanged if the EFP MMC were not permitted making AZI's post-Schemes solvency ratio 157% or if the EFP MMC were permitted and a higher dividend were paid which reduced AZI's post-Schemes solvency ratio to 150%, because this remains an improvement since 30 September 2025 either way and the solvency ratio is not as important to my conclusions regarding TIL, and the likelihood of AZI post-Schemes being unable to meet its obligations to policyholders remains remote, as discussed in paragraph 3.142.

Existing AZI Policyholders

Solvency impact

3.190 In the table below, I present the solvency position of AZI pre-Schemes compared with AZI post-Schemes and the solvency impact of the Schemes on the Existing AZI Policyholders. I present this at 30 September 2025, as in my Main Report, and at 31 March 2026, in order to assess whether this impact has changed materially between the time periods and therefore whether the conclusions in my Main Report remain valid.

Table 3.18: Impact of the Schemes on solvency for Existing AZI Policyholders as at 30 September 2025 and 31 March 2026, including Part VII MMC, with and without EFP MMC

£m	AZI Q3 2025	AZI Q1 2026	AZI post-Schemes Q3 2025	AZI post-Schemes Q1 2026	Schemes Impact Q3 2025	Schemes Impact Q1 2026
Part VII MMC only for post-Schemes						
EOF	666.5	728.9	1,318.0	1,393.0	651.4	664.1
SCR	474.1	466.1	893.0	888.9	418.9	422.9
Solvency Coverage	192.5	262.8	425.0	504.1	232.5	241.2
Solvency Ratio (IM)	141%	156%	148%	157%	7%	1%
Part VII MMC and EFP MMC for post-Schemes						
EOF	666.5	728.9	1,318.0	1,393.0	651.4	664.1
SCR	474.1	466.1	893.0	830.1	418.9	364.1
Solvency Coverage	192.5	262.8	425.0	562.9	232.5	300.0
Solvency Ratio (IM)	141%	156%	148%	168%	7%	11%

3.191 Resulting from the movements of Own Funds and SCR described in paragraphs 3.110 to 3.115, AZI's solvency ratio has significantly increased since the Main Report. On the Part VII MMC basis, which is most indicative of the financial movements since the Main Report, AZI's pre-Schemes solvency ratio has closed the gap with its post-Schemes ratio. This is partly due to AZI's growth, and partly to the drop in solvency ratios of LVIC and HICO, which, all else being equal, has reduced AZI's post-Schemes ratio.

3.192 Once the EFP MMC is allowed for, AZI's post-Schemes solvency ratio has grown by more than AZI's pre-Schemes solvency ratio. I have been informed by the Companies that there are currently no plans to pay higher dividends as a direct result of the EFP MMC, Nevertheless, in my scenario tests for this report I have considered a scenario whereby AZI post-Schemes may subsequently choose to release a higher dividend to reduce its solvency ratio to 150%. This analysis is described in paragraph 3.142.

3.193 The absolute solvency coverages of these entities are also substantially larger than at 30 September 2025, but AZI's post-Schemes coverage has seen greater absolute growth, on both bases.

Conclusions

3.194 Between 30 September 2025 and 31 March 2026, the solvency ratio of AZI pre-Schemes has significantly increased from 141% to 156%, while the expected solvency ratio of AZI post-Schemes has also increased from 148% to 168% (or still a significant increase to 157% if the impact of the EFP MMC is removed). Considered in isolation, this indicates a decreased benefit since 30 September 2025 to the security of the Existing AZI pre-Schemes Policyholders arising from the Schemes if the EFP MMC is not included (+1%), but an increased benefit if it is included (+12%). Either way, the Schemes would still represent an increase in solvency ratio for the Existing AZI Policyholders.

3.195 It remains the case that the Existing AZI pre-Schemes Policyholders will be moving to a company with a much higher level of Own Funds (£729m to £1,393m), and much higher surplus of Own Funds above SCR (£263m to £563m), and therefore to a larger, more diversified company with reduced volatility and greater operational resilience.

3.196 As in the Main Report, if considered in isolation, and without taking account of the absolute scale, risk profile and diversification of the respective companies, a comparison of the percentage stresses required to deplete Own Funds would indicate that the Schemes have an adverse impact on the Existing AZI Policyholders. However, all absolute stresses would need to be more extreme to deplete AZI's post-Schemes Own Funds, and this is a far more meaningful basis for assessing the impact of the Schemes on policyholders. Furthermore, I previously concluded that the likelihood of either AZI pre-Schemes or AZI post-Schemes encountering any of the stresses I tested (which were calibrated as the minimum stress required to cause the company to fail to meet its financial obligations to policyholders) was remote and this remains the case.

3.197 There have been no changes since the Main Report to the regulations, dividend rules or policies, or FSCS access affecting policyholders before and after the Schemes.

3.198 Therefore, when considering the benefits and adverse impacts of the Schemes in aggregate, it remains the case that I do not expect there to be a material adverse impact on the security of the Existing AZI pre-Schemes Policyholders, including under insolvency, as a result of the Schemes. Therefore I conclude that the overall results from my stress testing in the Main Report remain valid.

3.199 In the event that AZI post-Schemes chooses to pay a higher dividend and reduce its solvency ratio to 150% subject to permission being obtained for the EFP MMC, my conclusions would be unchanged since this would still represent an increase in solvency ratio since 30 September 2025, and the likelihood of AZI post-Schemes being unable to meet its obligations to policyholders would remain remote, as discussed in paragraph 3.142.

Other financial considerations

3.200 I considered all of the additional financial aspects in considered in the Main Report (section 10), and for the following topics, I have been provided with updated information since the Main Report and I set out below how these updates have affected my conclusions:

- Investment strategy
- Liquidity position
- Implications of the Schemes on ongoing expense levels
- Impact of new business strategy.

3.201 I have considered information provided by the Companies (as set out in Appendix A) and held discussions with senior management of the Companies. I reflect on changes since my Main Report in the sub-sections below (3.203 to 3.219).

3.202 For the remaining topics (Pension arrangements, Tax implications and Impact of other transfers), I have been informed by the Companies that there have been no significant changes since the Main Report meaning that there is no reason for me to change my conclusions from the Main Report. I do not discuss these matters in further detail below.

Investment strategy

3.203 The Companies have confirmed with me that their investment strategies have not changed since I wrote my Main Report.

3.204 Based on data provided to me by the Companies, the investment portfolios of AZI, LVIC and HICO have not changed materially since 30 June 2025 (which was the latest available data used for my Main Report), in terms of allocation to asset types, average asset duration, and asset credit ratings. The largest change in allocation for these companies is AZI reducing its holdings in corporate bonds and increasing its holdings in government bonds, which is a strategic shift in order to lock in government bond yields and to improve income and capital efficiency. This shift represents a reduction in asset volatility, all else being equal, and therefore a more secure portfolio. Therefore it does not give me reason to change my conclusions.

3.205 FIL's investment portfolio has reduced, as it continues to retain investment proceeds as cash, as I described in the Main Report. FIL's cash has also reduced since it paid out the year-end 2025 dividend from cash. In addition, a material securitised asset has matured. The net result is that FIL's mix of cash (including its Group Cash Pool asset) has moved from 60% of its portfolio to 45%. I do not believe this has significantly impacted the security of FIL's portfolio since it remains invested fully in fixed income assets and cash, and all of its investments remain rated A or above.

3.206 TIL continues to hold a 100% cash position.

3.207 It follows from the above that I have no reason to change my conclusions from the Main Report.

Liquidity position

3.208 The Companies have confirmed that there has been no change to the liquidity strategy pursued by the Companies since my Main Report. The liquidity ratios of AZI, LVIC and HICO have remained stable, within 1-2% of their levels in the Main Report.

3.209 FIL's liquidity ratio has increased by 8%, in line with its reduction in cash holdings (a higher ratio shows less of FIL's liquidity needs, defined as the most onerous scenario out of a set of liquidity stress scenarios, are met by its liquid resources), which has slightly reduced the ability of FIL to meet its cashflow needs under stress. However, FIL's new ratio remains far below the liquidity ratios of the other Companies and far below the threshold for intervention set in the strategy. Therefore, this small increase does not lead me to change my conclusions regarding FIL's liquidity.

3.210 TIL's liquidity remains as secure as possible, given its 100% cash position.

3.211 Since the liquidity of the Companies has stayed stable or risen but remained well within the target range, I have no reason to change my conclusions from the Main Report.

Implications of the Schemes on ongoing expense levels

3.212 I understand from the Companies that they are on track with the £17.7m budget assigned to cover the initial costs of the Schemes and subsequent costs of winding-up and deauthorising LVIC, HICO, FIL, and TIL, as well as any other expenses associated with the Schemes. I therefore conclude that there is no matter arising from ongoing expense levels which would lead me to change the conclusions set out in the Main Report.

Impact of new business strategy

3.213 The new Managing General Agent (Slick) which was incorporated in February 2026 as part of Project Delta has written c.82 policies on behalf of LVIC as of 10 July 2026, and is not expected to write significant volumes of business before the Effective Date. There is a plan to write more business in 2027, but it is not expected to exceed 3% of the combined 2025 GWP of the Companies.

3.214 LVIC has also launched a new product under its Britannia brand since my Main Report but this is also expected to write low volumes of business before the Effective Date. There is a plan to write more business in 2027, but it is not expected to exceed 5% of the combined 2025 GWP of the Companies.

3.215 I have been informed by the Companies that LVIC has procured a new partnership with Asda Home and Motor Insurance which will be available from July 2026. In Q4 2026 LVIC is scheduled to announce another similar sized deal to provide home and motor insurance with another major UK brand. The annual average GWP based on the 5-year plan for these partnerships combined is less than 3% of the combined 2025 GWP of the Companies.

3.216 The plan that these channels will, following the Schemes, switch to writing business on behalf of AZI, has not changed.

3.217 Otherwise, I understand from the Companies that the new business strategies of AZI, LVIC and HICO remain unchanged from my Main Report, and FIL and TIL continue to write no new business.

3.218 In totality, the various new channels are expected to lead to a notable amount of new business compared to the existing portfolio. Expanding into new channels is part of the decisions made during normal business operations, and these changes will occur regardless of the Schemes. The overall mix of the Companies would change following the growth of the Personal lines business, however this growth will take time to ramp up, and be controlled by the market size and strong competition. Given the low volumes of business expected to be written by the new channels immediately after the Effective Date and the lack of material change otherwise to the new business circumstances of the Companies, I do not see any reason to change my conclusions regarding new business from my Main Report.

Conclusion

3.219 It follows from the information above that I conclude there have been no material changes in respect of these considerations and therefore that there is no matter arising from these which would lead me to change the conclusions set out in the Main Report.

Other considerations

3.220 I considered all the additional factors considered in my Main Report (section 11), and for the following topics, I have been provided with updated information since the Main Report and I set out below how these updates have affected my conclusions:

- Policies subject to sanctions

- Ongoing change projects
- Operational Readiness
- Impact on Transferring Reinsurers
- Recognition of the Schemes.

3.221 I have considered information provided by the Companies (as set out in Appendix A). I reflect on changes since my Main Report in the sub-sections below (3.223 to 3.233).

3.222 For the remaining topics (Claims handling, Policy administration, Complaints handling, Consumer Duty, ELTO, Governance and management frameworks, and Impact on Existing Policyholders and policyholders transferring under the Main Scheme if one or both of the Schemes do not become effective), I have been informed by the Companies that there have been no changes since the Main Report meaning that there is no reason for me to change my conclusions from the Main Report. I do not discuss these matters in further detail below.

Policies subject to sanctions

3.223 I understand from the Companies that there has been no change to the sanctions compliance framework or sanctions governance as set out in the Main Report, nor to the process which would be followed in the event that a sanctioned policyholder was identified. I further understand from the Companies that, following the checks they have undertaken, it remains the case that they are not aware of insuring any sanctioned parties.

3.224 I understand from the Companies that Allianz UK is expected to move to the new sanctions screening tool in 2027, although the exact timing is yet to be agreed. All the Companies within Allianz UK will be moving onto the new tool, and this will go ahead regardless of the Schemes. Therefore, there is no matter arising from this consideration which would lead me to change the conclusions set out in the Main Report.

Ongoing change projects

3.225 I have discussed the ongoing change projects with senior members of the Companies' staff, including individuals involved with the Enterprise Transformation Management Office ("ETMO"), which I described in my Main Report. I understand from these discussions that there have been no significant changes to the goals or timelines of these projects since the writing of my Main Report. While the scale of this work means it continues to demand substantial resource from the Companies, this resource and potential disruptions and interdependencies have been planned for well in advance and so it remains highly unlikely that there would be an impact on the Schemes.

3.226 Below, I discuss updates since my Main Report to change projects, and I am satisfied that the statuses of the other projects discussed in my Main Report have not significantly changed. I discuss below why I believe each of the change projects does not impact my conclusions from the Main Report.

Human Resources system ("HRMS")

3.227 I noted this project briefly in my Main Report since its focus was of low relevance to the security and servicing of policies. ETMO has informed me that the timelines for this project have been pushed back and now a significant portion of the work will be completed in November. This brings the work closer in time to the Effective Date, and I have considered whether there is any risk of this work impacting the work on the Schemes.

3.228 From my discussion with ETMO, I understand that the reason for the pushback of timelines is to start the roll-out on smaller cohorts than planned and catch issues before wider roll out, and therefore this change makes it less likely that there will be significant issues which arise and might impact the delivery of the Schemes. Additionally, since the earlier roll-out is now smaller, there is less overlap in timelines between HRMS and the communications plan for the Schemes, and so there is less chance HRMS will create resourcing strain on the Schemes this way. Finally, since this project is fully independent of the Schemes, with no interdependency, I am confident that the risk of it impacting the Schemes is very low.

New Partnerships

3.229 As I noted in paragraph 3.215, LVIC has plans to underwrite new Home and Motor business through two new partnerships with major UK retailers, beginning in July and November. At the time of writing this report, this project has had developments which have reduced the contingencies in its timelines. The project is still projected to meet its deadlines but is currently a key focus item for ETMO. From discussion with ETMO, I understand that this situation is highly unlikely to affect the Schemes for the following reasons:

- The volumes of business expected to be written ahead of the Effective Date would be small in the context of the Schemes, as I previously noted in paragraph 3.215
- The plan is that this business will be underwritten by LVIC before the Effective Date, and it will be written by AZI following the Schemes, and so even if delivery is delayed past the Effective Date, it will simply be a case of AZI underwriting the business once it starts being written, which it will be prepared to do
- All of the policyholders for this potential business will learn about the Schemes through the sales process, so the new partnerships will not put any further strain on the policyholder communications plan
- This programme would be going ahead regardless of the Schemes, so any potential impacts on policyholders would not be as a result of the Schemes.

Project Delta

3.230 I discussed the developments and my conclusions regarding this programme in paragraph 3.213.

Operational Readiness

3.231 I have verified with the Companies that the implementation of the Schemes is tracking in line with the operational readiness plan described in paragraphs 11.49 to 11.52 of the Main Report. Therefore, I am satisfied that there are no material concerns for AZI to ensure that it is operationally ready for the changes that are required as a result of the Schemes.

Impact on Transferring Reinsurers

3.232 I have confirmed with the Companies that there have been no changes since the Main Report to the plans for transferring reinsurance cover from the Transferors to AZI, and therefore I am satisfied that my conclusions about the impact of the Schemes on Transferring Reinsurers remain valid.

Recognition of the Schemes

3.233 I have confirmed with the Companies that there has been no change to the expectations or circumstances regarding the recognition of the Schemes in non-UK jurisdictions, as I set them out in paragraphs 11.56 to 11.65 of the Main Report. This includes all considerations regarding the transfer of Guernsey Policies and IoM Policies (as defined in the Main Report), and also that there are no other policies transferring under the Main Scheme that fall under a non-UK jurisdiction. It also includes that no policies transferring under the Jersey Scheme are from legal jurisdictions other than Jersey. Therefore, I have not changed my conclusions from the Main Report regarding recognition of the Schemes.

Jersey Scheme

3.234 The low numbers of Jersey Policyholders within each of the Companies and the resultant low materiality of the Jersey Scheme has not changed since the Main Report. Therefore, the circumstances and arguments I laid out in my Main Report considering the situation in which the Main Scheme is approved but the Jersey Scheme is not approved still apply. It follows that it remains my opinion that the Jersey Policyholders would not be in a better position if the Main Scheme was approved while the Jersey Scheme was not approved and, in some respects, they may be in a worse position.

Communications strategy

3.235 I concluded in paragraph 13.36 of the Main Report that the planned communications strategy for the Schemes was proportionate and reasonable. In this section, I discuss the implementation of the communications strategy, and the objections that have been received following notification of the Schemes.

Notifications

3.236 In my Main Report, I set out in detail the policyholders, reinsurers, brokers and third-party administrators that were in scope to be notified under the Scheme.

3.237 The communications plan as detailed in paragraph 13.22 of the Main Report describes that the initial communications would be completed by 12 July 2026, which is 12 weeks before the Sanctions Hearing. I understand from the Companies that letters and emails had been sent to 99% of the groups in scope by 12 July 2026, including all existing policyholders of the Transferor companies, previous policyholders of the Transferor companies with policies written after 1 May 2024, and open claimants of the Transferor companies as at 1 April 2026. The remaining 1% of the groups in scope received notification by 29 July 2026, which is over 9 weeks before the Sanctions Hearings. This remains significantly more than 6-8 weeks ahead of the Sanctions Hearing (as per guidance issued by the FCA), I am therefore satisfied that these parties would have sufficient time to consider the Schemes and raise objections.

3.238 Communications were sent by letter or email according to prior customer preference in the first instance, and, when possible, by the alternative means where the first attempt was not successful. Only postal communications were used for broker policyholders. In total, 2,969,053 letters and 3,297,186 emails were sent to parties in scope of the communications plan, including 2,601 communications to reinsurers, brokers and third-party administrators. In total, 35,266 letters had been returned undelivered and 34,556 emails had bounced back by 30 August 2026. Of the email bounce backs, 74 have been re-attempted via email (33 successfully and 41 pending), 33,779 were re-sent by post (33,363 successfully, 416 pending), 11 were subsequently deemed out of scope of the communications plan, leaving 692 gone-away policyholders. 7,216 of the undelivered letters have been re-sent by email, (5,158 successfully, 2,058 pending), leaving 28,050 gone-away policyholders. In total, there are 28,742 gone-away policyholders.

3.239 I discussed in my Main Report (13.10) why I was satisfied with the Companies' approach to gone-aways, and I repeat that reasoning briefly here:

- Where the Companies held email and postal addresses for a policyholder or claimant, both means were tried before deeming that policyholder or claimant as a gone-away

- The Companies improved the success rate of communications with pre-communications validation and sanitisation checks, including the SMS exercise described below
- Where both email and postal communications were unsuccessful, or where the email or letter was unsuccessful and the Companies did not hold the details to be able to use the alternative means, the Companies estimated that the cost of taking further steps to contact policyholders would cost around £20 per policyholder, which I consider to be disproportionately high
- In total, out of the 6,263,638 policyholders and claimants, there were 28,742 gone-aways, which is less than 0.5% of the total communications
- Out of the 28,742 gone-aways, 25,935 were gone-aways from the brokered policyholder population. However, I understand from the Companies that where third party intermediaries bear responsibility to carry out the communications directly, this is by exception only, and dependent upon various factors, including the quality of data held by the third party intermediary and the nature of the relationship. The Companies have informed me that only one broker, one MGA and six delegated authorities have carried out communications directly. This was set out in the communications plan which I reviewed and discussed in the Main Report, and I do not believe that the Companies could have feasibly found alternative ways to trace other means of communications for the gone-away third party intermediary policyholders, given they do not have a direct relationship with them
- Information on the Schemes was published to the Companies' website and to several major publications, so gone-aways have had the opportunity to learn about the Schemes through these channels

Consequently, I remain of the opinion that the Companies' approach to gone-aways was proportionate and reasonable.

3.240 In my Main Report, I stated that SMS would be used as a third method to contact policyholders where both the email and postal methods were unsuccessful. This was incorrect. Allianz UK has clarified that SMS was instead used pre-emptively, as part of the postal process, to confirm addresses for policyholders whose postal address on file differed from those held on the National Change of Address ("NCOA") database.

3.241 Although this differs from my understanding in the Main Report, I remain satisfied that the communications approach is appropriate, and does not give rise to a material adverse impact on policyholders, for the following reasons:

- Where SMS was not used, or received no response, the policyholder's address on file was used. The same outcome would have applied had the SMS exercise not taken place at all. No policyholder lost an existing communication channel as a result of this exercise.
- I understand from the Companies that this exercise gave 510 additional policyholders the opportunity to verify their address before the main communications exercise began, rather than only as a last resort. I further understand from the Companies that 17 of them did so, improving on the position that would otherwise have applied.
- Compared with my understanding at the time of the Main Report, the SMS process will catch fewer policyholders, since I previously believed it would apply to all policyholders who could not be reached by email/post and a follow-up letter/email, but in fact the process applies to just policyholders whose address on file does not match their address on the NCOA. This means the direct communications may reach slightly fewer policyholders than I previously believed. However I do not believe this difference is material as I believe that the processes in place to follow-up with policyholders where postal or email communications were not possible are an adequate and proportionate attempt to maximise the number of policyholders who receive direct communications, and this is evident in the low rate of gone-away policyholders (less than 0.5% of the total communications)

- The number of policyholders for whom the address on file did not match their address on the NCOA and for whom an email address was not on file represents less than 0.1% of the total in scope population.

3.242 There was a pause on the delivery of communications via Mail Metrics whilst the communications were updated to include a freephone number. This pause on delivery lasted two business days, after less than 5% of communications had been sent. Subsequently, both phone lines from the original number and the new freephone number remained open throughout the communication period. Keeping the original phone line open ensured that the parties receiving the initial communications (c. 285,000 policyholders, under 5%) were still able to contact the Companies for queries. As a result, these initial policyholders would have incurred a minimal charge (between 3p and 65p per minute for calls from landlines) for contacting the Companies via this channel, however all policyholders had the option of contacting the Companies using free means such as email, and the freephone number was included in the published legal notices (from 13.13 of the Main Report). And additionally, the calls would have been free for the majority of mobile users. One policyholder complained about the charge and was compensated for the full amount. Therefore, no policyholders were prevented from objecting to the Schemes, and a low proportion would have been subjected to a minimal charge if they chose to use the paid phoneline instead of email or webform. I also consider the disruption due to the pause in delivery to be minimal and that it did not materially affect the communications process. Furthermore, the inclusion of a freephone number has made it easier for policyholders and claimants to contact the Companies for queries, complaints and objections, so I consider this a positive action that was taken by the Companies. Overall, I do not consider that this issue caused a material adverse impact on policyholders.

3.243 Based on my experience of similar communications exercises being undertaken on other transfers and the low proportion of in-scope policyholders and claimants that were not traceable, I consider that the efforts that the Companies have made to trace and contact policyholders are reasonable and proportionate.

Advertisements

3.244 All publications listed in paragraph 13.13 of my Main Report published the legal notice of the Schemes during June 2026. The timing of the advertisements was in line with the planned communication strategy, and I am satisfied that interested parties who saw the advertisements would have sufficient time to consider the Schemes and raise objections should they wish to.

Website

3.245 All relevant materials on the Schemes were published on a dedicated webpage hosted by AZI by 26 May 2026 as planned. I understand that there have been no major disruptions or issues with the website, email or telephone services during the relevant period.

New business and renewals

3.246 I understand from the Companies that the communications plan for new business written beyond 26 May 2026 was to notify policyholders about the Schemes at the quotation stage. This includes any policies written for the new partnerships described in paragraph 3.8. In addition, the Companies have told me that the communication plan for renewing policyholders is to inform them about the Schemes in their renewal notice, in addition to sending a separate communication via letter or email. The Companies have informed me that all new policyholders since 26 May 2026 have received the appropriate communication about the Schemes during the quote and buy journey, and all renewing policyholders have received communication about the Schemes in their renewal notices, and any new claimants after the Directions Hearing on 22 May 2026 have also been notified.

Deceased policyholders

3.247 I understand from the Companies that there was an issue with c.45k communications where the policyholders were deceased. These communications were mistakenly addressed to the deceased policyholders, rather than the executors of their estates. The Companies have since issued apologies to the recipients of these communications for the distress caused by this mistake.

3.248 I recognise how distressing this must have been for the recipients. However, while this error is extremely unfortunate, it does not have any bearing on the rights of the policyholders' estates with regards to these policies, and therefore no recipient will be materially adversely impacted in terms of the security of benefits or policy servicing.

Email address in Transfer Guide

3.249 I understand from the Companies that there was an issue with the incorrect email address being included in one instance of the FAQs section of the Transfer Guide which was sent out to policyholders: *transfer@allianztransfer.co.uk* instead of *transfer@allianz.co.uk*. I further understand from the Companies that this issue was resolved by setting up the erroneous email domain and address and then redirecting all incoming emails to the intended address. The solution was completed on 22 May 2026, prior to the first communications being delivered to policyholders on 26 May 2026, and therefore all responses sent to this incorrect email address were received by the correct email address and handled by the usual process. Therefore, I do not believe that this issue had any adverse impact on the information needs of policyholders and other stakeholders.

'Britannia Rescue' mailing issue

3.250 Following the communications exercise, the Companies discovered that there was a mistake in the mailing process for the 248,357 policyholders with policies using the brand name 'Britannia Rescue' (4% of communications), all of which were underwritten by LVIC. The letters sent to these policyholders (though not the Transfer Guide, Scheme Document, Main Report, or website) incorrectly referred to the policies as being underwritten by 'Britannia Rescue Insurance Company', which is not a legal entity, rather than 'Liverpool Victoria Insurance Company Limited' (LVIC). In response to this discovery, the Companies have issued a clarification communication (by email or letter, according to prior policyholder preference) to these policyholders which explains the mistake and a tailored clarification communication to each of the six objectors from this group. However, they have not sent these notes to policyholders who have requested not to be contacted or where the policyholder is deceased (as further communications may cause disproportionate distress to the recipients). I understand from the Companies that they engaged with the FCA and agreed on this approach. I have reviewed examples of the clarification communications and I believe they are clear and effective.

3.251 There exists the possibility that policyholders from this group will, because of this mistake in the initial communications, not consider that they have been informed of the Schemes when they received an initial communication, but rather when they received the clarification note. In this case, they would have been notified just over five weeks before the Sanctions Hearing, instead of the 9-12 weeks originally planned in the communications strategy, and below the 6-8 weeks included in guidance from the FCA. In this case, these policyholders, especially vulnerable policyholders, could be considered not to have received enough time to review the communications materials and raise any questions, complaints or objections in respect of the Scheme ahead of the Sanctions Hearing.

3.252 It is my view that when the affected policyholders received their initial, mislabelled communications, they are very likely to have understood which policy is subject to the Schemes because 'Britannia Rescue' is a familiar brand to them, through which they will have transacted all of their everyday policy dealings. In fact, I believe the vast majority of these policyholders would recognise the 'Britannia Rescue' brand as relating to their policy more readily than they would recognise LVIC (I included the name 'Britannia Rescue' in my Summary Report, alongside the name of LVIC, for this reason). My expectation is that most policyholders would have correctly identified which policy was the subject of the initial communication, and, since AZI was correctly named, they would have understood which legal entity their policy would be moving into, and therefore they would have understood the key implications of the Schemes as fully as if they had received a correctly labelled communication. For the vast majority of policyholders, I do not believe therefore that the clarification note will have provided significant additional information which could lead to their raising a new objection, even if they had six or more weeks in which to do so, and therefore I do not consider the late receipt of the clarification notes to have reduced the period of policyholder consideration below the target or guidance levels.

3.253 While I believe the above reasoning will hold true for the vast majority of affected policyholders, I consider potential exceptions below:

- Policyholders who were not aware that their policy is underwritten by LVIC and who wish to object on related grounds
  - Any objection relating to LVIC being the current underwriter would not relate to an impact of the Schemes, since it is already the case
- Policyholders aware that their policy is underwritten by LVIC, confused by the reference to a different entity which is not the underwriter
  - Such policyholders have had the opportunity to raise queries on this topic to gain clarity, and yet there have been no queries like this, suggesting there have not been such policyholders
  - Policyholders knowledgeable enough about their policy to be familiar with the underwriter, and who will certainly be aware of the brand since it is included on all policy correspondence, may well have noticed the labelling mistake and understood the intent of the communication without further clarification
- Policyholders who disregarded the initial communication upon seeing a legal entity name they did not recognise and assuming the communication did not apply to them
  - I consider it unlikely that a policyholder would see the incorrect legal name 'Britannia Rescue Insurance Company' and not connect this to the familiar brand name 'Britannia Rescue', or check further before disregarding, especially as the communication would have been addressed to them by name. In any case, I believe they are more likely to have disregarded a communication referencing the less familiar 'Liverpool Victoria Insurance Company' if so
- Policyholders (potentially vulnerable) who had digested the initial communication but may be confused or distressed by the receipt of the clarification note under six weeks from the Sanctions Hearing
  - I understand from the Companies that they have taken steps to avoid this, by not contacting policyholders who requested not to receive further communications, or those where the policyholder is deceased
  - I have previously concluded in the Main Report (2.87) that the initial communications materials are clear and straightforward and appropriate for policyholders in vulnerable circumstances, and in reviewing the clarification note, I have satisfied myself that the Companies have continued with this approach when creating the note, which further mitigates this risk

- Although these policyholders would have under six weeks to raise new queries, complaints or objections, the timeline is only just under six weeks, and if they have already digested the initial mislabelled communication, it should require less work to digest the implications of the clarification note, so five weeks should still be a reasonable timeframe for this

3.254 Overall, since this issue affected just 4% of policyholders communicated with, out of which I believe the vast majority would understand the intended message and possible exceptions are either unlikely to exist or are unlikely to be disadvantaged for the reasons given above, and since the other communications in the packs included the correct name, including my Summary Report which explained the connection between 'Britannia Rescue' and LVIC, I do not believe any group of policyholders has been materially disadvantaged as a result of this communications mistake.

Conclusion on communications strategy

3.255 I am satisfied that the communications strategy, as I now understand it (including my updated understanding of the SMS process), is appropriate and has been implemented successfully (including considering the Britannia Rescue issue). From my review of the communication strategy and its execution, I have no reason to change my conclusions set out in the Main Report with respect to it.

Objections received

3.256 As at 30 August 2026, the Companies have received 14,103 comments and questions on the Schemes from policyholders via email, letter, telephone, and webform (not including objections). As the Independent Expert, I have also directly received 16 comments and questions from policyholders on the Schemes which I have passed on to the Companies. In my experience, the number of comments and questions received overall is not unexpected given the number of policyholders that have been contacted and the fact that a large number of policyholders are retail policyholders. The total comments and queries received by the Companies and me are from 0.2% of the policyholders to whom communications were sent.

3.257 As at 30 August 2026, the Companies had received 111 objections to the Scheme. 102 of the objections were received from Transferring LVIC policyholders and 9 objections were received from Transferring HICO policyholders. No objections had been received by that date from Transferring FIL policyholders or Transferring TIL policyholders. The objections received from the Transferring LVIC policyholders formed 0.002% of LVIC policyholders and claimants in scope for communications, while the objections received from Transferring HICO policyholders formed 0.001% of HICO policyholders and claimants in scope for communications.

3.258 I have been provided with details of all submissions that have been classed by the Companies as objections to the Schemes on or prior to 30 August 2026 as well as the responses provided by the Companies up to 30 August 2026. I understand that copies of all objections and associated responses will be provided to the Court, the PRA, and the FCA.

3.259 I have reviewed all the objections I have received in full and considered whether any of them caused me to change my conclusions about the Schemes set out in the Main Report. I have also reviewed the correspondence between the Companies and the objecting policyholders. Having reviewed a sample of complaints which were not classed as objections, and considered the objections correspondence, I am satisfied that the criteria used to determine whether a submission should be classified as an objection are reasonable.

3.260 Whilst I have considered all of the objections, I have not sought to address each objection individually within this report. Rather I have grouped the objections by issue and have considered these below. Some of the individual objections received covered more than one issue, and for clarity I have dealt with each distinct issue separately, where appropriate. In 5 of the objections received, the reasoning for the objections were not given, and I have therefore not been able to categorise them or give comment on them.

3.261 I have set out my comments on the reasons given in the objections in the following paragraphs.

3.262 The categorisation I have used is set out in the table below:

Table 3.19: Objections arising from an apparent misunderstanding of the Schemes and its effects

Description	No. of objections	Paragraph(s)
Policyholders who object because they are concerned that the transfer of LVIC to AZI would lead to AZI or the Allianz Group having an even larger market share	9	3.264 to 3.267
Policyholders concerned about the loss of mutual status or policyholder influence	8	3.268 to 3.271
Policyholders concerned that the Schemes would affect policies outside the scope of the transfer	1	3.272 to 3.273

Table 3.20: Objections relating to the process

Description	No. of objections	Paragraph(s)
Policyholders with concerns regarding the communication of the Schemes	11	3.274 to 3.281
Policyholders who are concerned that the objections were sent to AZI instead of an independent third party	1	3.282 to 3.285
Policyholders who are concerned about the independence of the Independent Expert	4	3.286 to 3.291

Table 3.21: Objections relating to the reasonableness of the proposals

Description	No. of objections	Paragraph(s)
Loss of Choice and Confidence in the Transferee		
Policyholders who want their policy to remain with Transferring Companies	21	3.292 to 3.295
Policyholders who are concerned that their policy is moving to a company from which they would not have chosen to buy a policy	32	3.296 to 3.299
Policyholders who do not want their policies to be transferred due to previous or perceived customer service experiences	21	3.300 to 3.306
Policyholder Security and Policy Outcomes		
Policyholders who are concerned that the level of capital protection will not be as robust as before the Schemes	3	3.307 to 3.310
Policyholders who are concerned about the cost or availability of future policies	27	3.314 to 3.321
Policyholders who are concerned that the Schemes would adversely impact existing claims	2	3.322 to 3.323
Policyholders who are concerned that the Schemes would adversely impact their policies	1	3.324 to 3.327
Individual Rights and Personal Circumstances		
Policyholders who do not wish their personal details to be shared with AZI	10	3.328 to 3.331
Fairness of the Transaction		
Policyholders who believe that the Schemes would only benefit shareholders	11	3.332 to 3.336

3.263 I have set out my comments on each of these matters in the following paragraphs.

Assessment of Objections

Policyholders who object because they are concerned that the transfer of LVIC to AZI would lead to AZI or the Allianz Group having an even larger market share (9 objections)

3.264 LVIC is a wholly owned subsidiary of AZH, having been fully acquired by Allianz UK Group in December 2019. Within the Allianz UK Group, LVIC and HICO write Personal lines products, while AZI does not currently write Personal lines products, aside from Pet insurance.

3.265 Following the Schemes, Personal lines business that would otherwise have been underwritten by LVIC would instead be underwritten by AZI. The products would continue to be marketed under the 'LV=' brand. Accordingly, the Schemes would not be expected to materially affect customers' access to Personal lines products.

3.266 Although AZI's market share would increase following the Schemes, LVIC is already a member of Allianz UK Group. Therefore, the Schemes would not increase the market share of Allianz UK Group, nor would they combine previously independent competitors. In substance, the Schemes represent an internal reorganisation of business already under common ownership.

3.267 As a result, I do not consider that the Schemes would alter competitive conditions in the relevant insurance markets. I have therefore concluded that the Schemes would not be expected to have a material adverse effect on policyholders through any reduction in product availability, service options or competitive pricing.

Policyholders concerned about the loss of mutual status or policyholder influence (8 objections)

3.268 Objections have been received from eight Transferring LVIC policyholders expressing concern that the Schemes would result in a change from a mutual business model to a public limited company structure, and a consequent loss of policyholder influence over company decision-making.

3.269 Prior to January 2020, LVIC was partly owned by the Liverpool Victoria Financial Services ("LVFS") group, which is a mutual organisation. I understand that some policyholders may associate the LV= brand with LVFS, which remains a mutual organisation, entirely separate from Allianz UK group, and continues to own the LV= brand.

3.270 However, LVIC is already a wholly owned subsidiary of AZH, having been acquired by Allianz UK Group in December 2019. Since that acquisition, LVIC has not formed part of a mutual group and its policyholders have not possessed ownership, membership or voting rights in relation to LVIC.

3.271 The Schemes would not lead to a loss of mutual status (since such a status does not exist pre-Schemes) and would therefore not alter the rights attaching to LVIC policyholders' policies or remove any ownership, membership or governance rights currently held by those policyholders. Accordingly, I have concluded that the Schemes would not result in any loss of mutual status or policyholder influence over company decision-making. Therefore, this objection does not indicate any adverse effect arising from the Schemes.

Policyholders concerned that the Schemes would affect policies outside the scope of the transfer (1 objection)

3.272 One Transferring LVIC Policyholder objected to the Schemes on the basis that they believed that the Schemes might affect the payout of an annuity policy. I have been informed by the Companies that the objector holds both a motor insurance policy with LVIC and an annuity policy with LVFS. The policyholder received Scheme communications as a result of their LVIC policy and appears to have interpreted the communications such that the Schemes would apply to both policies.

3.273 LVIC is a wholly owned subsidiary of AZH and writes Personal lines insurance business. LVFS is a separate entity which provides life, protection, pension and investment products and is not part of Allianz UK group or a party to the Schemes. Accordingly, the annuity policy referenced by the objector would not be affected by Schemes. As the objector's concern relates to a policy that is not issued by any of the Transferors and is outside the scope of the Schemes, I have concluded that this objection does not indicate any adverse effect arising from the Schemes.

Policyholders with concerns regarding the communication of the Schemes (11 objections)

3.274 One Transferring LVIC policyholder objected on the basis that he renewed his policy on 24 May 2026, before policyholder communications commenced on 26 May 2026, and was not notified of the Schemes at renewal. He received notification two days later, on 26 May 2026.

3.275 I do not consider that this objection undermines the fairness of the Scheme or the communications strategy. The transferor remained the risk carrier at the point of renewal with cover, security and terms unaffected by the proposed transfer. It follows that there was no misrepresentation. The short interval before communications commenced reflects a reasonable period to implement the directions given on 22 May 2026. The policyholder received notice in good time to consider and object ahead of the sanction hearing and has exercised that right. Other policyholders who renewed or incepted cover in the same period were subject to the same notification timing but have not objected, which I consider supports the view that this is not considered a material issue by the vast majority of affected policyholders and is not, in my view, a wider fairness issue.

3.276 Six other Transferring LVIC Policyholders objected to the Schemes as they received communications about the Schemes shortly after taking out or renewing a policy with LVIC. As part of the communications plan, I have been informed by the Companies that policyholders purchasing new policies from 26 May 2026 onwards would have received communications about the Schemes during the quote and buy journey, and renewing policyholders would have received communications as part of the renewal notice. I have confirmed with the Companies that the objectors in question received such communications during the sales process. Accordingly, I am satisfied that these policyholders were provided with information regarding the Schemes when purchasing their policies.

3.277 One Transferring LVIC Policyholder expressed concern that the communications were unclear as to which of their policies were affected by the Schemes. I understand the policyholder held both a home insurance policy with LVIC and a life insurance policy with LVFS. As the policies were issued by different legal entities under the LV= brand, it would not have been apparent to the Companies that the policyholder also held a non-transferring policy (this would be the case with any policyholders who hold general insurance policies with LVIC or HICO and also have a long-term policy with LVFS under the LV= brand). I have confirmed that the Companies subsequently provided clarification to the policyholder regarding which policy is impacted by the Schemes.

3.278 One Transferring LVIC Policyholder expressed dissatisfaction with the volume of information provided regarding the Schemes. The communication materials have been prepared at varying levels of detail, enabling policyholders to access information appropriate to their needs. Some of the communication materials, such as the Main Report, are necessarily detailed given the complexity of the Schemes and the requirement to consider all matters which could potentially affect Existing and Transferring Policyholders. Shorter communication materials such as the Summary Report, as well as the Scheme website and FAQs, have also been made available.

3.279 One Transferring LVIC Policyholder received communication which was addressed to them as executor of their late spouse's estate, but the salutation in the letter itself was their deceased spouse. I understand from the Companies that this was an error and that they have since contacted those people affected with a full apology. I recognise how distressing this must have been during an already difficult time. However, while this error is extremely unfortunate, it does not have any bearing on the rights of the policyholders' estate in with regards to the policy.

3.280 One Transferring LVIC Policyholder expressed concern that the links contained in the communication email were not secure. I have been informed by the Companies that "https" links are used for their webpages, which use encryption for a secure connection to their website. While I am unable to determine the precise cause of the issue encountered by the policyholder, I have not identified any evidence that policyholders are generally unable to access Scheme information securely.

3.281 Having considered these concerns, I am satisfied that the Companies have implemented the communications plan approved by the Court and have taken appropriate steps to provide policyholders with information regarding the Schemes. While some policyholders have expressed dissatisfaction with aspects of the communications process, I have not identified any issues which suggest that policyholders have been materially prejudiced or which cause me to alter my conclusions regarding the impact of the Schemes on policyholders.

Policyholders who are not happy that the objections were sent to AZI instead of an independent third party (1 objection)

3.282 One Transferring LVIC Policyholder objected to the Schemes as they are concerned that objections submitted through the Companies might not be presented to the Court impartially, given they are being submitted to the Companies rather than being collected by an independent third party.

3.283 I understand that objections submitted by policyholders are collected centrally by the Companies and are provided to me as Independent Expert, and to the PRA and FCA, as part of the Part VII process. I have reviewed the objections received in their original forms.

3.284 I understand that the objections will be provided to the Court in their original form. In addition, policyholders have the opportunity to raise their concerns directly with the Court and may appear at the Sanction Hearing should they wish to do so.

3.285 Having considered the process followed by the Companies and the oversight provided by the regulatory authorities, myself and the Court, I am satisfied that appropriate mechanisms are in place to ensure that policyholder objections are identified and considered in an unbiased way as part of the Court's assessment of the Schemes. As discussed in paragraph 3.259, I am also satisfied that the criteria used to determine whether a submission should be classified as an objection are reasonable, and should reasonably capture all objections received by the Companies. Accordingly, this objection does not affect my conclusions regarding the Schemes.

Policyholders who are concerned about the independence of the Independent Expert (4 objections)

3.286 Four Transferring LVIC Policyholders expressed concern that I may not be independent because my fees as Independent Expert are paid by AZI.

3.287 As noted in paragraph 1.5 of the Main Report, my appointment as Independent Expert was approved by the PRA, in consultation with the FCA, following consideration of my independence, qualifications and experience. The PRA and FCA have an established process for assessing whether a proposed Independent Expert is sufficiently independent to undertake the role.

3.288 It is standard practice in Part VII transfers and similar portfolio transfers that the Independent Expert’s fees are paid by the transferor and/or transferee companies. However, the Independent Expert's duty is to the Court rather than to the companies involved in the transfer. My role and my professional responsibility is to provide an objective assessment of the likely effects of the Schemes on policyholders, including identifying any material adverse effects where they exist.

3.289 Furthermore, my conclusions are subject to scrutiny by the PRA, the FCA, policyholders and ultimately the Court. The Part VII process therefore includes a number of safeguards designed to ensure that my assessment is objective and that it can be challenged where appropriate.

3.290 Furthermore, my fees from the Companies are not dependent in any way on the outcome of my analysis of the contents of my report. As a result I have not been incentivised to include any specific conclusions in my report by virtue of the remuneration structure. This approach my remuneration is in line with the approach taken to remuneration of the Independent Experts on all Part VII transfers.

3.291 Having considered these safeguards, I am satisfied that there is no reason to conclude that my assessment has been influenced by the funding arrangements for my appointment. Accordingly, this objection does not affect my conclusions regarding the Schemes.

Policyholders who want their policy to remain with Transferring Companies (21 objections)

3.292 One of these objections was received from a Transferring HICO Policyholder, who had misunderstood the Scheme communications and its impact on them. AZI has responded with a clarification, after which this objection was withdrawn.

3.293 Another objection was received from a Transferring LVIC Policyholder regarding the previous transfer of their policy into LVIC from Sainsbury’s Bank, and subsequent proposed transfer into AZI. The fact that the policyholder was subject to a previous transfer has no impact on the Schemes and will not adversely affect either the security or the service standards experienced by the policyholder. It follows that all of my conclusions are as applicable to this policyholder than to the other Transferring LVIC Policyholders.

3.294 The remainder of the objections received in this category were received from Transferring LVIC Policyholders who objected to the Schemes on the grounds that they specifically chose LVIC as their insurer, either due to their attachment to the LV= brand, a preference for LVIC as a company, or positive past experiences with LVIC.

3.295 While I recognise that some policyholders may draw comfort from their association with LVIC as a particular legal entity, I do not consider that this fact, in itself, indicates a material adverse effect arising from the Schemes. My assessment has focused on factors that may affect policyholder outcomes, including policy security and customer experience. I have considered these factors in paragraphs3.134 to 3.199 of this report and paragraphs 11.2 to 11.19 of the Main Report respectively, and based on these findings, I do not consider that Transferring LVIC Policyholders are likely to experience a materially inferior service following the Schemes. Accordingly, I have concluded that the Schemes would not have a material adverse effect on such policyholders.

Policyholders who are concerned that their policy is moving to a company from which they would not have chosen to buy a policy (32 objections)

3.296 Some Transferring policyholders objected to the Schemes on the grounds that they would not have chosen AZI as their insurer. In some cases (2), no specific reason was provided; where reasons were specified, these included concerns relating to AZI's ownership (12) and broader geopolitical matters (18). While I recognise that policyholders may have personal preferences regarding the identity of their insurer, my role as an Independent Expert is to assess the likely effects of the Schemes on policyholder security and customer service. Accordingly, my assessment focuses on whether such concerns give rise to any material adverse effect on policyholders in those respects.

3.297 In reaching my conclusions, I have considered the financial security of policyholders and the expected impact of the Schemes on customer servicing, as discussed elsewhere in this report. I have not identified any evidence that the Schemes would result in a material deterioration in either policyholder security or customer service as a consequence of the transfer of policies to AZI.

3.298 Three of these objections were on the grounds that they did not want their insurer to be part of the Allianz Group. Since all of the Transferring Policyholders already hold policies with an insurer which is a member of the Allianz UK Group, and by extension the Allianz Group, the Schemes have no impact in this regard.

3.299 Accordingly, whilst I acknowledge that some policyholders would prefer their policies not to transfer to AZI, I do not consider these preferences, in themselves, indicate a material adverse effect arising from the Schemes. Therefore, these objections give me no reason to change my conclusion that the Schemes will not have a material adverse effect on policyholders.

Policyholders who do not want their policies to be transferred due to previous or perceived customer service experiences (21 objections)

3.300 Twenty one policyholders objected to the Schemes due to actual or perceived poor service standards experienced in relation to AZI policies. I note that, aside from providing pet insurance products, AZI is a commercial insurer and as such has not directly insured many of the objectors, who are individuals. Although I have had full access to the Companies, I have not had direct access to the objectors other than through the written materials provided. Accordingly, I am not in a position to independently verify the circumstances of individual complaints or service experiences. My assessment is therefore focused on whether the Schemes are expected to materially affect claims handling, policy administration, and complaints handling arrangements more generally.

3.301 As described in paragraphs 11.2 to 11.10 of the Main Report, claims handling for Allianz UK Group retail and commercial business is operated by a centralised function, with all employees employed by AMSL. The claims teams supporting the Companies have operated within a combined function since January 2025. Accordingly, claims handling arrangements are already substantially aligned across the relevant Allianz UK Group entities and I would not expect the Schemes themselves to result in a material change to policyholders' claims experience. I have reviewed the target service standards for the Companies and I consider these standards to be reasonable.

3.302 Additionally, the policy administration and complaints handling arrangements will not change materially as a result of the Schemes, as described in paragraphs 11.11 to 11.19 of the Main Report.

3.303 I understand from the Companies that, over the last six months, LVIC has averaged 0.33 complaints per 1000 policies, and AZI has averaged 0.54 complaints per 1000 policies. Whilst the overall complaints percentage is higher for AZI compared to LVIC, I consider both figures to be low. I also do not consider this difference to be significant as AZI and LVIC policies are serviced by the same team and are subject to the same service standards. I note that the policies sold by AZI and LVIC are different in terms of the product types, service models, and whether they are Personal or Commercial lines business all of which contributes to the different rates of complaint.

3.304 I recognise that some policyholders have experienced, or perceive they have experienced, poor service in relation to AZI policies. However, in my experience of the market and of previous Part VII transfers, isolated instances of customer dissatisfaction are not unusual within large insurance portfolios. The relevant question for my assessment is whether the Schemes are expected to result in a material deterioration in the service standards applicable to Transferring Policyholders.

3.305 Having considered the claims handling, policy administration and complaints handling arrangements described above, and as discussed in paragraphs 11.2 to 11.19 of the Main Report, I am satisfied that the Schemes are not expected to have a material adverse impact on the service standards applicable to the Transferring Policies. Accordingly, these objections do not alter my conclusions regarding the Schemes.

3.306 In addition, one policyholder objected to the Schemes on the grounds of poor service standards in relation to their LVIC policy. As I have explained in paragraphs 3.300 to 3.305, the claims handling, policy administration and complaints handling standards to which Transferring Policyholders will be subject will not change materially as a result of the Schemes, including, in this case as a result of transferring out of LVIC. I am therefore satisfied that the Schemes are not expected to have a material adverse impact on the service standards applicable to the Transferring Policies. Accordingly, this objection does not alter my conclusions regarding the Schemes.

Policyholders who are concerned that the level of capital protection will not be as robust as before the Schemes (3 objection)

3.307 One Transferring LVIC Policyholder expressed concern that the level of capital protection available to policyholders following the Schemes would be less robust than it would be if the Schemes do not proceed. In support of this concern, the policyholder referred to aspects of my analysis of the Companies' capital positions. Another Transferring LVIC Policyholder expressed concern about the possibility of higher dividends being paid out following the Schemes.

3.308 In reaching my conclusions, I have carried out a range of financial analyses, including reviews of claims reserves (from paragraph 3.31), solvency and capital requirements (from paragraph 3.64), stress testing (from paragraph 3.134), and policyholder security (from paragraph 3.143). I have also considered the protection provided by the Companies' reinsurance arrangements (paragraph 3.12).

3.309 I recognise that certain measures of capital strength may differ following the Schemes when compared with the position that would have existed in their absence. However, the relevant question for my assessment is not whether all measures of capital strength remain identical, but whether the Schemes would result in a material adverse effect on policyholder security.

3.310 For Transferring LVIC policyholders specifically, the solvency coverage ratio increases from 139% to 168% as a result of the Schemes, which indicates a higher level of capital protection. Additionally, Transferring LVIC Policyholders will be moving to a company with a much higher level of Own Funds (£768m to £1,393m) and much higher surplus of Own Funds above SCR (£216m to £563m). My conclusions are unchanged if AZI post-Schemes does release higher dividends, as I discussed in paragraph 3.154.

3.311 Another LVIC policyholder was concerned that AZI's use of an internal model may result in 'biased' capital results or that AZI required the Transferors to be 'bolstered'. In my Main Report (8.17 to 8.54), I reviewed the Companies' capital calculations processes and judged that they appeared appropriate and were subject to appropriate oversight and validation. In forming that view, I took account of the fact that AZI's internal model is subject to an established regulatory approval and oversight framework. AZI will continue to use its internal model following the Schemes and the Part VII MMC required for the Transferring Portfolios to be subject to that model is under review by the PRA. Accordingly, I do not consider there to be any evidence that the capital calculations are biased before or after the Schemes.

3.312 As for the suggestion that AZI is reliant on the Transferors for financial support, in the event that AZI pre-Schemes required capital support, this would be from its parent companies rather than from the Transferors. And AZI post-Schemes will be a financially strong entity, as I discussed in paragraphs 3.145 to 3.199, which is less likely to require capital support, however this benefit will apply to the Transferring Portfolios as well as to the Existing Portfolio. Therefore I do not believe that AZI is being or will be bolstered by the Transferors.

3.313 Therefore, I am satisfied that the Schemes are not expected to have a material adverse effect on the level of capital protection for the Transferring Policyholders, including the Transferring LVIC Policyholders.

Policyholders who are concerned about the cost or availability of future policies (27 objections)

3.314 Twenty five LVIC policyholders objected to the Schemes as they are concerned that the premiums for future policies may increase, or that cover may be less readily available, following the Schemes. A small number of policyholders referred to previous difficulties obtaining cover due to particular underwriting characteristics. As these objections relate to LVIC Personal lines business, my response focuses on those product classes.

3.315 In my experience, the availability and pricing of Personal lines products are influenced by a range of factors, including claims inflation, the wider macroeconomic environment, legislation changes and other market conditions. These factors would be unaffected by the Schemes.

3.316 The pricing and availability of products are also influenced by insurers' underwriting and business strategies. As described in paragraphs 10.35 to 10.38 of the Main Report, I am not aware of any material changes to the underwriting footprint, new business strategy or product strategy of AZI or the existing strategies of LVIC and HICO that are expected to arise as a result of the Schemes. I also do not believe the costs of the Schemes will materially adversely impact the Transferring Policyholders, as I argued in the Main Report 10.24 to 10.28.

3.317 Accordingly, I have not identified any mechanism by which the Schemes themselves would be expected to result in materially higher premiums or a material reduction in the availability of Personal lines products for policyholders.

3.318 Additionally, the Personal lines market is very competitive. This means that insurers whose prices are significantly higher than the rest of market would not be sustainable. Furthermore, most policyholders will continue to have access to a wide range of alternative providers within the broader insurance market.

3.319 One Transferring LVIC Policyholder was concerned that their Civil Service Motoring Association (CSMA) membership advantages would be affected. I understand from the companies that the Schemes will not have any impact on the various discounts and offers available to CSMA members, so this policyholder will not be adversely affected by the Schemes in relation to this.

3.320 One Transferring LVIC Policyholder was concerned that AZI's age restrictions on certain insurance products are more stringent than LVIC's and therefore they would be excluded from cover following the Schemes. I understand from the Companies that age restrictions for the Transferring LVIC Portfolio will not change as a result of the Schemes and therefore there will not be a change in the availability of policies based on age as a result of the Schemes.

3.321 Having considered these factors, I have concluded that the Schemes would not be expected to have a material adverse effect on the cost or availability of future policies for affected policyholders.

Policyholders who are concerned that the Schemes would adversely impact existing claims (2 objections)

3.322 Two Transferring LVIC policyholders have objected to the Schemes as they are concerned that the Schemes could affect their existing claims, due to ongoing issues with the ombudsman.

3.323 Following the Schemes, there are no changes to the claims handling process or personnel as described in the Main Report (11.2 to 11.19). For proceedings with the ombudsman, the Schemes would transfer LVIC's rights and obligations in respect of the policy, including in relation to these claims, to AZI. AZI would become bound by the outcome of the proceedings in the same way that LVIC currently is, and the proceedings themselves are not otherwise affected by the Schemes. Any award or settlement reached would remain enforceable against AZI following the Schemes, on the same basis as it would currently be enforceable against LVIC. The policyholders' rights to receive payment of their claim, and the Companies' obligation to pay valid claims, would not be affected by the Schemes. As a result, I consider that it is highly unlikely that these policyholders' claims will be materially impacted by the Schemes.

Policyholders who are concerned that the Schemes would adversely impact their policies (1 objection)

3.324 One Transferring LVIC Policyholder objected to the Schemes as they are not satisfied that the Schemes would not adversely affect their position and rights as a policyholder.

3.325 In assessing the impact of the Schemes on Transferring Policyholders, I have considered the effect of the Schemes on policyholder security, including the Companies' technical provisions, balance sheet strength, solvency positions and projected capital requirements. Having regard to the analyses set out in this report, I do not consider that the Schemes would have a material adverse effect on the security of Transferring Policyholders.

3.326 I have also considered the impact of the Schemes on customer servicing arrangements. As discussed in the Main Report (11.2 to 11.19), I do not expect the Schemes to result in a material adverse impact on the service standards and governance applicable to the Transferring Policies.

3.327 Accordingly, I have concluded that the Schemes would not be expected to have a material adverse effect on the position or rights of Transferring Policyholders.

Policyholders who do not wish their personal details to be shared with AZI (10 objections)

3.328 Ten of the objections relating to data sharing were raised by policyholders who no longer have policies with the Companies. However, they were notified of the Schemes due to the possibility of future claims arising on older policies, as detailed in Section 13 of the Main Report.

3.329 In order for the Transferee to administer the Transferring Policies and meet obligations arising from current or future claims, it is necessary for the relevant policyholder data to transfer with those policies. The Schemes provides that, on the Effective Date, AZI will assume responsibility as data controller for personal data relating to the Transferring Policies. I understand from the companies that the transfer of such data will be carried out in accordance with applicable data protection requirements and the Companies' existing data retention and governance policies.

3.330 Since the Companies are all part of the Allianz UK Group, any data transfer would be a transfer within the same group. I understand from the Companies that the same core IT systems will continue to be used following the Schemes and will remain subject to the same risk management framework, security controls and data protection policies. Accordingly, I have not identified any reason to expect the Schemes to result in a material deterioration in the protection of personal data relating to the Transferring policyholders.

3.331 I recognise that some policyholders may object to their personal data being transferred to AZI as a matter of personal preference. However, having considered the points described above, I have not identified any reason to expect the Schemes to result in a material adverse effect on policyholders arising from the transfer of their personal data.

Policyholders who believe that the Schemes would only benefit shareholders (11 objections)

3.332 Eleven policyholders objected to the Schemes because they believed that any benefits arising from the proposed transfers would accrue primarily to Allianz UK Group and its shareholders, rather than to policyholders.

3.333 As described in paragraph 2.10 of the Main Report, the Schemes are intended to simplify the Allianz UK Group legal entity structure, improve operational and capital efficiency, and streamline legal, regulatory, accounting and governance arrangements. I understand that these changes are expected to generate benefits for Allianz UK Group.

3.334 It is also the case that, following implementation of the Schemes and subject to appropriate analysis and stress testing, as well as approval by the AZI Board, a dividend of approximately £130 million may be paid. I understand from the Companies that the PRA would also be requested to review the proposal to ensure any queries or concerns they may have are taken into account. I further understand from the Companies that this dividend would not be expected to be paid if the Schemes did not proceed, and in any case no decision has been made in relation to dividends at this stage.

3.335 My role is to consider whether policyholders would be materially adversely affected by the Scheme. While the Schemes may generate benefits for Allianz UK Group and its shareholders, this does not in itself indicate any detriment to policyholders. The fact that a scheme may produce benefits for shareholders does not mean that it must also produce direct benefits for policyholders, provided policyholders are not materially adversely affected.

3.336 Having carried out those assessments, I have concluded that the Schemes are not expected to have a material adverse effect on policyholders. Accordingly, while the Schemes may generate benefits for Allianz UK Group and its shareholders, this does not alter my conclusions regarding the effect of the Schemes on policyholders.

My assessment of the Companies' responses to objections and my conclusions in respect of the objections

3.337 Along with the individual objections, the Companies have sent me their responses to the objections. The objections and responses have also been shared with the PRA and the FCA, and will, in due course, be shared with the Court.

3.338 On the basis of this review, I am satisfied that the Companies' responses to the objections were appropriate in tone, language, and content and, in particular, adequately addressed the substance of the policyholders' objections. I therefore do not have any concerns around the way in which objections to the proposed transfer have been handled by the Companies.

3.339 I do not consider that any of the policyholder communications received that have been categorised as objections raise any concerns that cause me to undertake any additional analysis or revisit any of my previous conclusions in relation to the proposed Schemes. I am therefore satisfied that my conclusions in Section 13 of my Main Report remain valid.

3.340 In all cases, policyholders have the right to attend the Sanctions Hearings for the Schemes and raise their objections in person. The Sanctions Hearing for the Main Scheme is scheduled to take place on 2 October 2026, and the Sanctions Hearing for the Jersey Scheme is scheduled to take place on 6 October 2026, and policyholders have been notified of these dates.

4 Conclusions

4.1 I have considered the effect of the proposed Schemes on the policyholders of the Transferors and Transferee in light of the developments and changes in circumstance since the Main Report. I confirm that there are no changes to my overall opinion or to the conclusions I set out in that report.

4.2 I conclude:

- There will be no material adverse impact on the level of service provided to Transferring Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Transferring Policyholders would be materially adversely affected by the Schemes.
- There will be no material adverse impact on the level of service provided to Existing Policyholders nor any material adverse impact on the security of their benefits. Therefore, I do not expect that the Existing Policyholders would be materially adversely affect by the Schemes.
- I identify no reinsurers that will be materially adversely affected by the Schemes.

4.3 Given the above, I conclude that the risk of any group of policyholders or reinsurers being materially adversely affected by the Schemes is sufficiently remote that there is no reason why the Schemes should not proceed.

Simon Sheaf

Simon Sheaf FIA, FSAI

Partner and Head of Actuarial & Risk

Grant Thornton UK Advisory & Tax LLP

A Additional information received

Documents received covering all of the Companies

- 26Q1 Post Cotton Balance sheet v3.xlsm
- Post Cotton IFRS 17- 26Q1.pptx
- Post Cotton MVBS- all assets transfer 26Q1 Please use this file.xlsx
- Post Cotton MVBS- all assets transfer 26Q1.xlsx
- Solvency II Own Funds Forum 2025 Q4 FINAL.pdf
- Solvency II Own Funds Forum 2026 Q1.pdf
- Q1 2026 FRF_v2.pdf
- 2. Major Model Change Report.pdf
- 3. Major Model Change Validation Report.pdf
- 6. Major Model Change Contingency Plan.pdf
- Cotton - EFP Results and Validation Tests Report - 2025 v1.0.pdf
- Independent Validation of the EFP Model Change_v1.0.pdf
- Allianz Responses to PRA Expected Future Profits Question Log.pdf
- Allianz Responses to PRA Market Risk Question Log.pdf
- IE Supplementary Report Q1 Investment - Ref 55.xlsx
- Allianz UK Annual ORSA Report YE 2025 v2.pdf
- Appendix A Recovery Actions v8.0.docx
- 04_2026 Reinsurance Forum v3 (1).pdf
- 11_2025 Reinsurance Forum v1.pdf
- RE Project Cotton queries for AZ Re security.msg
- 2026 ORSA Report Extract.pdf
- Q1 2026 Risk Profile.pdf
- 2026 Allianz UK & LV Accident XSL all layers - Signed.pdf
- 4.1 Audit Committee - 2026 Q1 IFRS Solvency II Technical Provisions 1.0.pdf
- Allianz Holdings Reserving Committee 2026 Q1 IFRS17 - Post ResCom.pdf
- AZH - Actuarial Function Report YE 2025 v1.0 Draft.pdf
- AZH TP Sign Off 2026 Q1 v1.0.pdf
- FW_ IPT _ TPs.msg
- Post Cotton MVBS- all assets transfer 26Q1 - Shortcut.lnk
- Project Cotton - AZH Risk Margin 2026 Q1.pdf
- Allianz Holdings Reserving Presentation 2026Q1-Final.pdf
- 2026 Q1 AZI Post-Transfer Solvency Results Summary.pptx

- AZI Post-Transfer 2025 Q4 Solvency Results Summary.pptx
- AZUK 2025 Q4 Solvency Position.pptx
- AZUK_Q1 2026 Solvency Position Pre-Transfer for IE.pptx
- Combined_Claims_Reserving_Philosophy_ LVIC_HICOSOJune26.doc
- Cotton Ops Readiness Plan and Working Group Tracker (version 0.1).xlsx
- Cotton Ops Readiness Plan and Working Group Tracker (version 1.0) (received from AZ 2026-07-07).xlsx
- Allianz UK Recovery, Solvent Exit, & Resolution Plan v2.3.docx
- Appendix A Recovery Actions v8.0 - Shortcut.lnk
- Complaints Handling Guide - Version 3.7 July2026 (003).pdf

Documents received regarding AZI

- allianz-insurance-plc-report-and-financial-statements-2025.pdf
- AZI_QTRLY - AZI Q1 26 Final.xlsx
- 2026 Renewal Summary - LVGIG and AZI.xlsx
- AZI AZ Re share.xlsx
- 2026 AZ UK Clash XL - Signed.pdf
- 2026 AZ UK Multi Risk XL - Signed.pdf
- 2026 AZ UK Risk and Eng Combined XL - Signed.pdf
- AZ UK Net QS 2026.pdf
- allianz-insurance-plc-solvency-and-financial-condition-report-2025.pdf

Documents received regarding LVIC

- FW Cotton Updates to the IE on Plans to Transfer .msg
- lvic-report-and-financial-statements-2025.pdf
- LVGI_QTRLY - LVIC Q1 26 Final.xlsx
- 2026 Renewal Summary - LVGIG and AZI.xlsx
- LVIC HICO FIL exposure to reinsurers Q1 2026.xlsx
- 2026 AZ UK Clash XL - Signed.pdf
- 2026 LVGIG Multi Risk XL - Signed.pdf
- LVGIG Net QS 2026.pdf
- liverpool-victoria-insurance-company-limited-solvency-and-financial-condition-report-2025.pdf

Documents received regarding HICO

- hico-report-and-financial-statements-2025.pdf

- LVGI_QTRLY - HICO Q1 26 Final.xlsx
- LVIC HICO FIL exposure to reinsurers Q1 2026.xlsx
- highway-insurance-company-limited-solvency-and-financial-condition-report-2025.pdf

Documents received regarding FIL

- fairmead-insurance-limited-annual-report-and-financial-statements-2025.pdf
- LVIC HICO FIL exposure to reinsurers Q1 2026.xlsx
- fairmead-insurance-limited-solvency-and-financial-condition-report-2025.pdf

Documents received regarding TIL

- til-report-and-financial-statements-2025.pdf
- trafalgar-insurance-limited-solvency-and-financial-condition-report-2025.pdf

Documents received regarding Communications

- Emails and telephone transcripts of correspondence between policyholders or claimants and the Companies in relation to objections
- Allianz Part VII Communications Reporting & Analysis_20260604.xlsx
- Allianz Part VII Reporting & Analysis_20260608_v02.xlsx
- Allianz Part VII Reporting & Analysis_20260618.xlsx
- Allianz Part VII Reporting & Analysis_20260622 (1).xlsx
- Allianz Part VII Reporting & Analysis_20260629.xlsx
- Allianz Part VII Reporting & Analysis_20260709.xlsx
- Allianz Part VII Reporting & Analysis_20260713.xlsx
- Allianz Part VII Reporting & Analysis_20260719.xlsx
- Allianz Part VII Reporting & Analysis_20260727.xlsx
- Allianz Part VII Reporting & Analysis_20260803.xlsx
- ObjectionsLog_09-07.xlsx
- ObjectionsLog 18.07.26_v01.xlsx
- Objections Log 29-07.xlsx
- Objections Full List.xlsx
- Daily Mail (SCO) - Project Cotton - 2026-06-02.pdf
- Freshfields - Project Cotton - tracker - Dashboard - 04.pdf
- Freshfields - Project Cotton - tracker - Publication summary - 04.pdf
- The Sun - Project Cotton - 2026-06-02.pdf
- The Times - Project Cotton - 2026-06-02.pdf

- La Gazette Officielle - Project Cotton - 2026-06-04.pdf
- PartVII_Comms_Fulfilment_Log_Master.xlsx

Legal documents received

- Jersey Court Application.pdf
- sealed Cotton - Order for Directions - CR-2025-007514.pdf
- Project Cotton - Draft Sanctions Order (06_08_26)(321426140.3).pdf

Other documents received

- IE Deliverable Tracker - 2026-06-22.xlsx
- IE Deliverable Tracker - 2026-07-14.xlsx
- Cotton POAP - Court_Gov_DH to SH_ (002).pptm

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