SOLVENCY AND FINANCIAL CONDITION REPORT

BRITISH GAS INSURANCE LIMITED

Year Ended 31 December 2024

CONTENTS

SUMMARY

(Unaudited)

BUSINESS

British Gas Insurance Limited ("BGIL") underwrites general insurance risks in England, Scotland, and Wales within the Solvency II as amended by the PRA, assistance class of business. The HomeCare range includes coverage for the breakdown of domestic boilers and central heating systems, with additional options to cover plumbing, and drains, and home electrics. BGIL also provides standalone coverage for kitchen appliances, plumbing and drains, and home electrics. Customers have historically been able to arrange home insurance through British Gas, but we do not underwrite it. This offering is now closing. This report does not cover home insurance.

We are authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

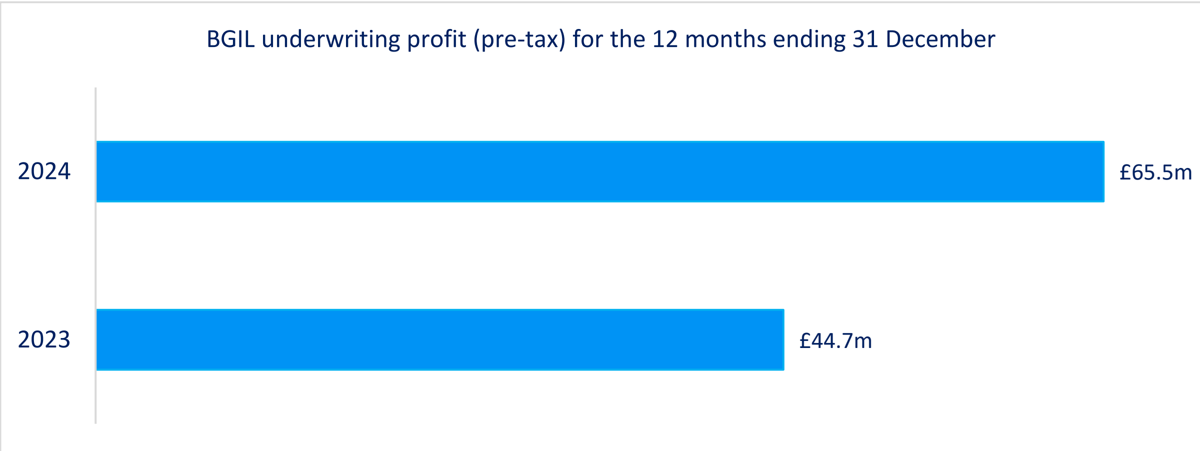
BGIL is part of the Centrica Group. Business is introduced to us by our sister company, British Gas Services Limited ("BGSL"), authorised and regulated by the Financial Conduct Authority. British Gas Services Limited undertake sales & marketing, product design and retail pricing. They also deal with claims handling & fulfilment, policy administration and complaints handling on our behalf.

The information presented in this report is up to 31 December 2024. Our financial and liquidity positions are regularly monitored and remain robust.

UNDERWRITING PERFORMANCE

Overall underwriting profitability increased in 2024 versus the prior year despite the reduction in the number of policies in force. The improvement can be attributed to a decrease in claims volumes relative to the previous year and decrease in contractually agreed internal commission pricing due to BGSL.

However, new customer acquisitions remain challenging in a difficult macro-economic environment with unstable inflation and interest rates impacting homeowners. However, sales results in Q4 2024 showed signs of a recovery supported by pricing and product developments.



SYSTEM OF GOVERNANCE

Governance is provided through the Board and its delegated authority, sub-committees, and Executive committees.

We have a robust risk management system to identify, measure, monitor, manage and report on the risks to our business strategy and delivery of our objectives. We operate a 'three lines of defence' governance model to ensure appropriate segregation of risk ownership, oversight, and assurance responsibilities.

- First line: ownership of risk-taking and risk management in respect of business-as-usual activities, change programmes and strategy.
- Second line: protecting and enabling the business to achieve its objectives by providing advice and oversight of risk taking and risk management while developing and delivering the relevant tools and methodologies to support business risk taking.
- Third line: independent and objective assurance of the effectiveness of risk management and internal controls through Internal Audit.

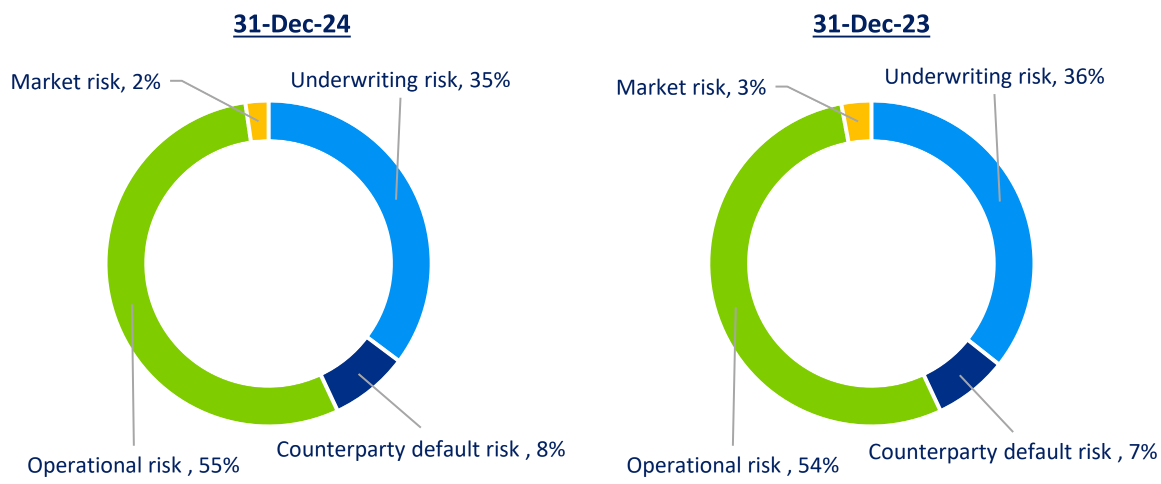
Section B has more information on our system of governance.

RISK PROFILE

Operational risk and underwriting risk remain our key risks. Cold weather risk is our most significant underwriting risk, and how BGSL deals with customers drives our operational risk.

Compared to many other insurers, our operational risks represent a bigger proportion of our total risk profile. This is a feature of our comparatively low underwriting risk due to the quick settlement of claims at a fixed unit cost per claim. We also have low market risk due to our low risk investment strategy.

Further information is included in Section C.



The charts above show our risk profile based on the amount of capital held for each risk, assessed on an 'extreme scenario' basis.

VALUATION FOR UK SOLVENCY PURPOSES

In 2024, assets decreased by £14.0m compared to 2023. This reduction was primarily due to the payment of dividends amounting to £74.0m in 2024, as opposed to £22.0m paid in 2023. However, this was partially offset by increased profitability year over year.

Liabilities in 2024 increased by £10.4m from 2023. This increase was mainly attributable to the payments owed to BGSL for profit commission, based on the profitability of business brought to the Company. In 2024, the profitability thresholds were met, resulting in a commission payable under the contract. In contrast, the thresholds were not met in 2023.

Consequently, Own Funds decreased by £24.4m.

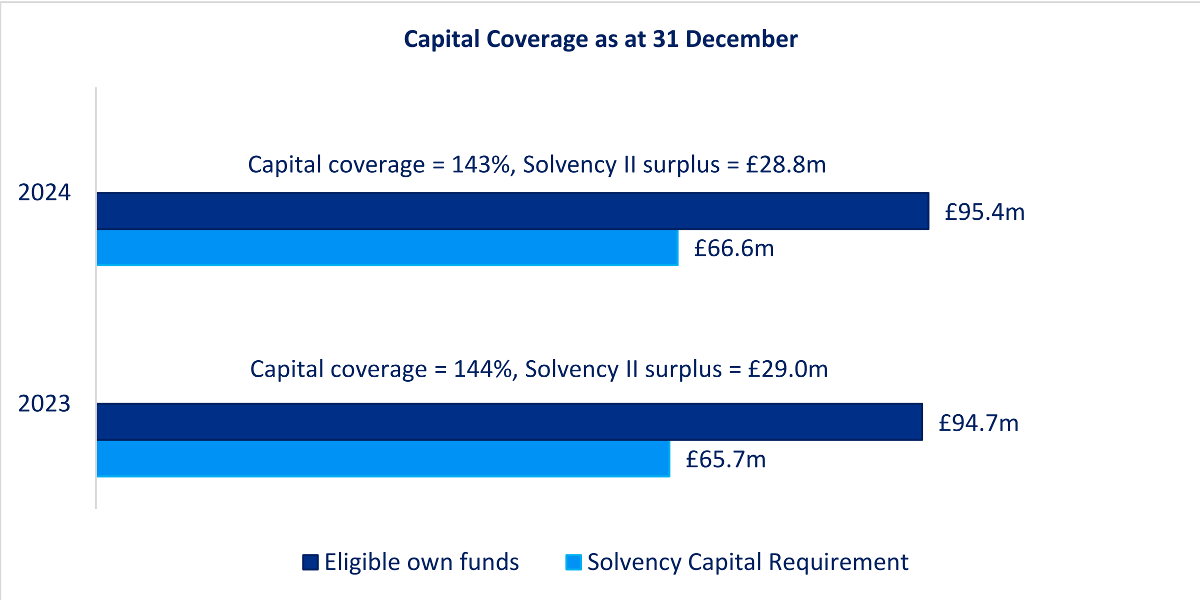
Further information on assets and liabilities is provided in Section D.

CAPITAL MANAGEMENT

Our aim is to maintain sufficient capital to meet claims as they fall due, protect the interests of customers, and meet operational needs and regulatory requirements. We hold capital resources above the regulatory capital required to ensure that the business is adequately capitalised to remain resilient in a range of stress scenarios. Subject to ongoing business performance being within risk appetite, specific requirements in the Dividend Policy and other relevant factors, our approach is to pay funds in excess of the risk appetite as a dividend to our parent company, GB Gas Holdings Limited. A final dividend payment of £50.0m was approved on 18 March 2024 and paid on 9 May 2024 (2023: £0.0). An interim dividend payment of £24.0m was approved on 20 September 2024 and paid on 17 October 2024 (2023: £22.0m).

A dividend of £25.0m was approved on 26 March 2025 for the Company's immediate parent undertaking, GB Gas Holdings Limited, this has been recognised as a foreseeable dividend and as such has reduced eligible own funds.

The Company is financially resilient.



The Minimum Capital Requirement ("MCR") that we must hold is £30.0m (£29.6m in 2023). We have maintained sufficient own funds to meet both our Solvency Capital Requirement and our MCR throughout the reporting period.

Section E contains further information on capital management.

MEANING OF TERMS

Term	Meaning with this report
Capital coverage	Insurers are required to hold enough eligible own funds to cover the SCR. The capital coverage ratio, defined as eligible own funds divided by the SCR, must be at least 100%.
Counterparty default risk (credit risk)	Credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which British Gas Insurance Limited is exposed.
Market risk	Market risk is the risk of loss resulting from fluctuations in the level and volatility of market prices of assets and liabilities.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events.
Own funds	Own funds represent the excess of assets over liabilities (on a Solvency II basis).
Eligible own funds	Eligible own funds are own funds after foreseeable dividends have been deducted.
Parent company	The parent company of British Gas Insurance Limited is GB Gas Holdings Limited, part of the Centrica Group.
Solvency II	Solvency II, as amended by the PRA, is the regulatory regime for UK insurers [effective from 31/12/2024].
Solvency Capital Requirement (SCR)	The SCR represents the level of eligible own funds required to provide assurance that the Company can absorb significant losses in remote (1-in-200) scenarios and still meet policyholders' claims costs and other obligations as they fall due.
Underwriting risk	Underwriting risk refers to fluctuations in the timing, frequency, and severity of insured events relative to the expectations of the insurer at the time of underwriting.

There is also a glossary of terms in Section G.

DIRECTORS' REPORT

(Unaudited)

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and Solvency II Regulations.

We are satisfied that:

- Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company and
- It is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the Company has continued to comply and will continue to comply in the future.

For and on behalf of the Board of British Gas Insurance Limited:

Mike Thomas

Chief Financial Officer

27 March 2025

INDEPENDENT AUDITOR'S REPORT

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF BRITISH GAS INSURANCE LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT PART OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2024:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2024, ('the Narrative Disclosures subject to audit'); and
- Company templates IR.02.01.02, IR.17.01.02, IR.23.01.01 and IR.28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on

- The Other Information which comprises:
  - information contained within the relevant elements of the SFCR set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
  - the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
  - Company templates IR.05.02.01, IR.05.04.02, IR.19.01.21, IR.25.04.21;

To the extent the information subject to audit in the relevant elements of the SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2024 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standards as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

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

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

- assessing the underlying business plans and forecasts that support the key assumptions such as pricing and claims rates;
- obtaining the latest intercompany agreements with other Centrica Plc subsidiaries to assess whether any price or cost assumptions have changed;
- assessing the Company's Own Risk and Solvency Assessment Report (ORSA) to support our understanding of the key risks faced by the company, its ability to continue as a going concern, and the longer-term viability of the company;
- considering the challenging macroeconomic environment with regard to significant cost inflation, particularly in labour markets;
- obtaining and inspecting correspondence between the company and its regulators, the Prudential Regulation Authority and Financial Conduct Authority, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the company; and
- assessing the appropriateness of the going concern disclosure in the financial statements.

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

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A and/or section 138BA of FSMA and the PRA Rulebook for Solvency II firms.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rulebook for Solvency II firms..

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

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

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

We discussed among the audit engagement team including relevant internal specialists such as IT, and analytics specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Estimation of the Bound But Not Incepted (BBNI) Solvency II adjustment requires significant management judgement, and therefore there is potential for management bias through manipulation. In response to the identified risk, our testing included: assessing the design and implementation of key controls that are related to the Solvency II reporting process; obtaining management's methodology and calculations related to technical provisions and assessing these for reasonableness; testing the accuracy and completeness of the BBNI volumes reported.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the PRA and FCA.

Other Matter - Partial Internal Model

The Company has authority to calculate its Solvency Capital Requirement using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of British Gas Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

This report is made solely to the Directors of British Gas Insurance Limited in accordance with Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Jamie Weisfeld
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 March 2025

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo partial internal model

The relevant elements of the SFCR that are not subject to audit comprise:

- The following elements of template IR.02.01.02:
  - Row 0552: Technical Provisions – risk margin - total
  - Row R0554: Technical provisions – risk margin – non-life
  - Row R0556: Technical provisions – risk margin - life
  - Row R0565 – Transitional (TMTP) - life
- The following elements of template IR.17.01.02
  - Row R0280: Risk margin
- The following elements of template IR.23.01.01
  - Row R0580: SCR
  - Row R0600: MCR
  - Row R0620: Ratio of Eligible own funds to SCR
  - Row R0640: Ratio of Eligible own funds to MCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template IR.28.01.01
  - Row R0310: SCR
  - Row R0320: MCR cap
  - Row R0330: MCR floor
  - Row R0340: Combined MCR
  - Row R0400: Minimum Capital Requirement
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

INTRODUCTION TO THE SFCR

The requirement to produce an annual Solvency and Financial Condition Report followed the introduction of the Solvency II regime on 1 January 2016 for the EU insurance industry and was upheld following the PRA review into Solvency II for UK insurance firms, taking effect on 31 December 2024. This includes standards for assessing capital requirements and governance over risk management, with the principal objectives of improved comparability of information across the insurance industry and increased policyholder protection. The summary is intended for policyholders, with the remaining sections for analysts.

This report for British Gas Insurance Limited ("BGIL" or "the Company") presents information on business and performance, the system of governance, risk profile, valuation of assets and liabilities, and capital management.

Information about the business and performance of the Company is also included in BGIL's Annual Report and Financial Statements for 2024.

Parts of the SFCR are subject to external audit, as indicated and explained in the Independent Auditor's report.

Figures are presented on a Solvency II basis unless indicated otherwise.

A BUSINESS AND PERFORMANCE (UNAUDITED)

A.1 BUSINESS

A.1.1 COMPANY INFORMATION

British Gas Insurance Limited (BGIL) is registered in England and Wales under the company registration number 06608316. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Financial Services Register number 490565.

Its registered office and details of its supervisors and auditor are as follows:

Registered Office
British Gas Insurance Limited
Millstream, Maidenhead Road
Windsor
Berkshire
SL4 5GD
+44 (0) 1753 494000

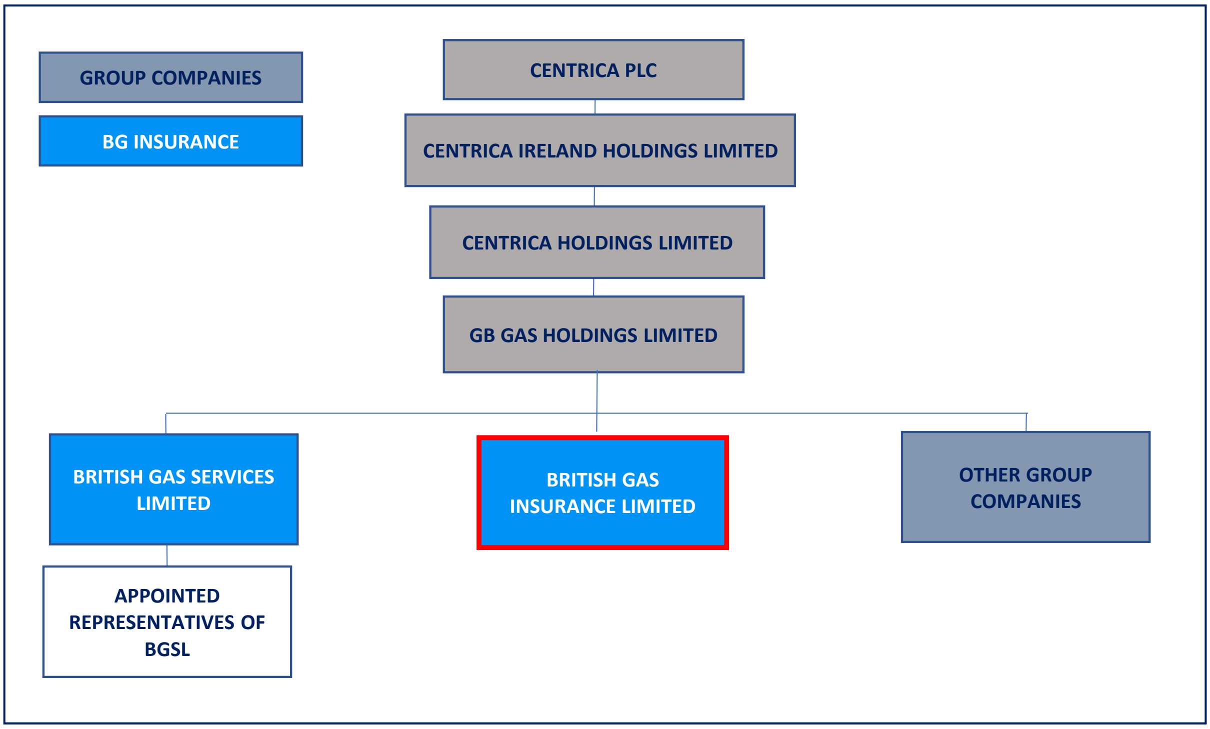
Supervisory Authority
Prudential Regulatory Authority
20 Moorgate
London
EC2R 6DA
+44 (0) 20 7601 4444

External Auditor
Deloitte LLP
Hill House
2 New Street Square
London
EC4A 3HQ
+44 (0) 20 7936 3000

Supervisory Authority
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
+44 (0) 20 7066 1000

A.1.2 GROUP STRUCTURE

BGIL is a private company limited by shares and is a wholly owned subsidiary of GB Gas Holdings Limited ("GBGH") within the Centrica Group ("the Group"). BGSL is authorised and regulated by the Financial Conduct Authority. BGSL introduces business to BGIL, and services such as policy administration and claims handling & fulfilment are outsourced to BGSL. Further information is in Section B.7. The following chart shows the group structure.



A.1.3 LINES OF BUSINESS

BGIL underwrites general insurance risks in England, Scotland, and Wales within the assistance class of business, covering the breakdown of domestic boilers and central heating systems, plumbing & drains, and electrical and gas appliances. The Company does not underwrite risks outside the UK.

A.2 UNDERWRITING PERFORMANCE

A.2.1 PERFORMANCE

Under UK Generally Accepted Accounting Practice (UK GAAP), the underwriting performance is as follows:

BGIL underwriting performance for the 12 months to 31 December (UK GAAP)	2024 £m	2023 £m
Gross written premium	800.8	793.0
Gross earned premium	801.3	812.5
Claims incurred	(351.2)	(368.2)
Expenses incurred	(384.6)	(399.6)
Underwriting profit (pre-tax)	**65.5**	**44.7**
Combined operating ratio (COR)	**91.8%**	**94.5%**

Overall underwriting profitability increased in 2024 versus the prior year despite the reduction in the number of policies in force. The improvement in profitability can be attributed to a decrease in claims volumes relative to the previous year and a decrease in contractually agreed internal commission pricing due to BGSL. Customer retention improved following significant management focus and investment in customer service. However, new customer acquisitions remain challenging in a difficult macro-economic environment with unstable inflation and interest rates impacting homeowners. However, sales results in Q4 2024 showed signs of a recovery supported by pricing and product developments.

The number of policies in force decreased to 5.5m at 31 December 2024 (2023: 5.7m).

No reinsurance contracts were entered into during the current or prior years.

BGIL underwriting performance for the 12 months to 31 December (UK GAAP)	2024 Actual £m	2024 Plan £m
Gross written premium	800.8	827.9
Gross earned premium	801.3	813.2
Claims incurred	(351.2)	(360.4)
Expenses incurred	(384.6)	(385.1)
Underwriting profit	**65.5**	**67.7**
Combined operating ratio (COR)	**91.8%**	**91.7%**

A.3 INVESTMENT PERFORMANCE

A.3.1 INVESTMENTS BY ASSET CLASS

Investments held by BGIL are shown below. BGIL invests in short-duration, high-quality securities and deposit-based investments.

Investments as at 31 December	2024 £m	2023 £m
Collective investment undertakings	151.5	165.5
Total investments	**151.5**	**165.5**

There has been no material change in investment holdings.

A.3.2 INVESTMENT INCOME AND EXPENSES

Investment income for 12 months to 31 December	2024 £m	2023 £m
Investment income	8.3	7.0
Investment expenses	(0.2)	(0.1)
Net investment income	**8.1**	**6.9**

All investment income and expenses relate to unit holdings in short-term money market funds and deposits with financial institutions. Expenses represent fees paid to investment managers. The investment income increase in 2024 compared to 2023 was caused by higher fund holdings in the year and increase in yields from deposits.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A final dividend payment of £50.0m was approved on 18 March 2024 and paid on 9 May 2024 (2023: £0.0). An interim dividend payment of £24.0m was approved on 20 September 2024 and paid on 17 October 2024 (2023: £22.0m). All dividends were paid to the Company's immediate parent undertaking, GB Gas Holdings Limited.

Further information is in Section E.1.

A.5 ANY OTHER INFORMATION

BGIL does not invest in equity or have any investments in securitisation.

There is no other information to report.

B SYSTEM OF GOVERNANCE

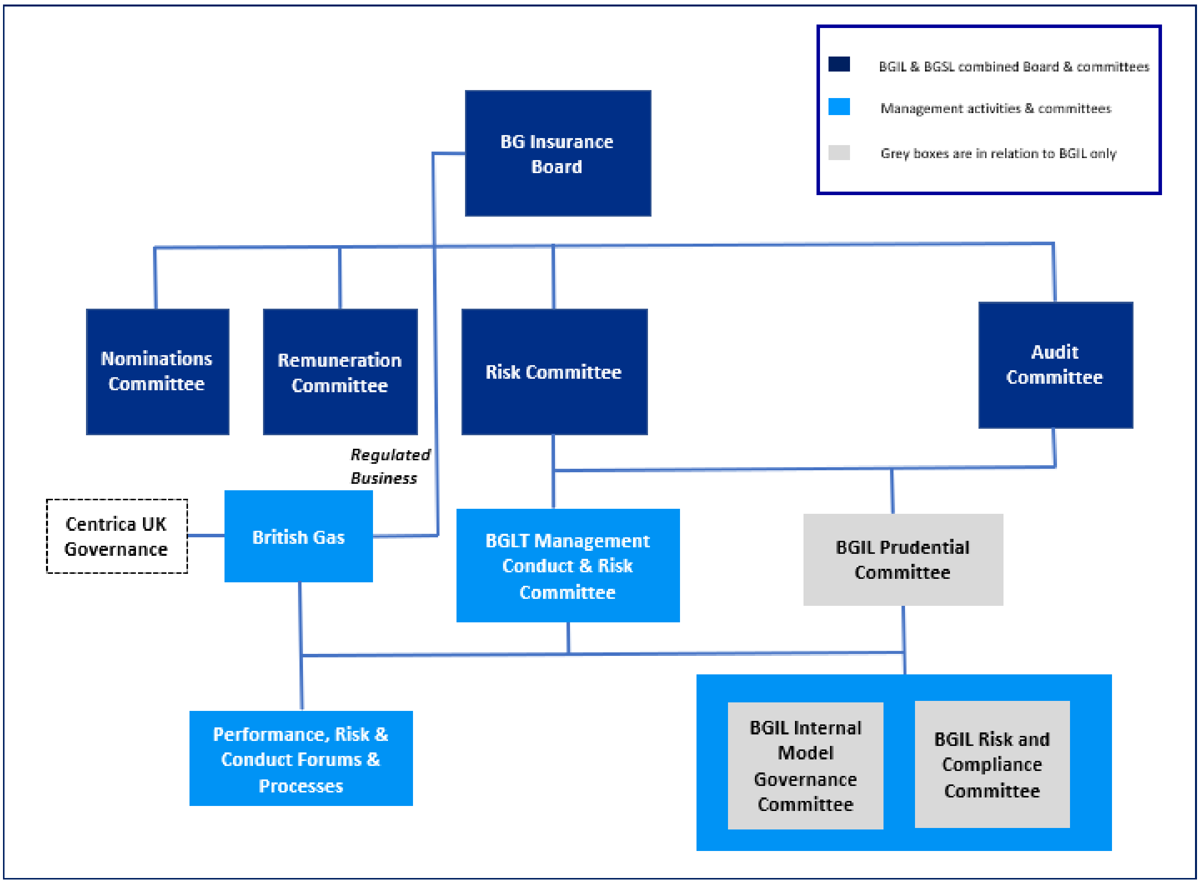
(Unaudited)

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The prudential governance framework for BGIL has been in place since January 2019. BGIL and BGSL are separate legal entities which are governed via a common Board, Risk Committee and Audit Committee. Common Nominations and Remuneration Committees are also in place.

B.1.1 GOVERNANCE STRUCTURE

The committee structure for BG Insurance (BGIL & BGSL) is shown below. The grey boxes relate to BGIL only.



B.1.2 ROLES AND RESPONSIBILITIES

Board

The Board has overall responsibility for the oversight of the management of BGIL. Its objectives include setting the strategic aims, monitoring management's performance against those aims, setting risk appetite and ensuring that effective controls are in place. Any major changes to the Company's business activities must be approved by the Board before implementation. The Board meets at least four times a year. Minutes of all Board meetings are recorded and reflect the substance of the discussions as well as the decisions made.

The Board comprises an independent non-executive chair, independent non-executive directors, and two executive directors.

Board Sub-Committees

All authority flows from the Board, but it delegates to sub-committees. Responsibilities are set out in the respective terms of reference.

The following sub-committees are in place for BG Insurance (BGIL & BGSL):

- The Risk Committee: responsibilities include monitoring and reviewing the activities of the Risk Function and the Compliance Function, monitoring and reviewing the risk management and controls system, monitoring and overseeing conduct risk, and monitoring and overseeing the development and use of BGIL's Partial Internal Model. The committee meets at least four times a year.
- The Audit Committee: the key objective of the committee is to monitor the integrity of the financial statements, including any financial judgements contained therein. The committee meets as required to fulfil its obligations, at least three times a year.
- The Nominations Committee: responsible for the nomination and approval of executive positions and senior management oversight, assurance and group influence positions and ensuring that the ongoing leadership needs of the organisation are met with particular emphasis on Board and Senior Management Functions ("SMF") succession.
- The Remuneration Committee: responsible for the effective operation of the Remuneration Policy and risk adjusted remuneration framework (Section B.1.4).

Executive Committees

The Board and its sub-committees are supported by the following Executive committees:

- The Management Conduct & Risk Committee: responsible for managing risks to BGIL (and the wider British Gas business) to within acceptable levels and for maintaining a sound enterprise risk management framework with appropriate internal controls. It specifically monitors conduct performance and ensures this is monitored and assessed against agreed risk appetite.
- The Prudential Committee: assists the Executive Directors, Board and Risk and Audit Committees on specific BGIL financial and Solvency II processes supporting capital calculations, Own Risk and Solvency Assessment ("ORSA") processes, internal model governance, Solvency II reporting and balance sheet assurance.

The British Gas leadership team manages the BG Insurance business and is responsible for developing and leading the delivery of the strategy.

Executive Sub-Committees

The Executive committees are supported by the following sub-committees:

- Risk & Compliance Committee: supports the Prudential Committee with respect to BGIL's risk management system and oversight activity.
- Internal Model Governance Committee: supports the effective governance of BGIL's internal model.

The Management Conduct & Risk Committee is also supported by several committees that support the operational needs of BGIL and BGSL.

Key Functions

BGIL has the following Solvency II key functions:

- Risk Function (Section B.3),
- Compliance Function (Section B.4),
- Internal Audit (Section B.5),
- Actuarial Function (Section B.6).

B.1.3 MATERIAL CHANGES TO THE SYSTEM OF GOVERNANCE OVER THE REPORTING PERIOD

No change.

B.1.4 REMUNERATION POLICY

The British Gas Remuneration Policy (Policy) sets out the remuneration policy that applies to senior employees in British Gas Insurance Ltd (BGIL) and British Gas Services Ltd (BGSL).

Our reward philosophy is to develop programmes that support the business needs to attract and retain key talent and motivate high performance, rewarding the right skills, behaviours, and outcomes necessary to meet the long-term business strategy and ensure fair treatment of customers.

There are regulatory requirements about the incentive arrangements that apply to those who run BGIL/BGSL and key employees whose professional activities have a material impact on the risk profile of the regulated entities (i.e., Solvency II staff) and BGIL and BGSL staff that are covered by the PRA and FCA Senior Management & Certification Regime (SMCR).

Where individuals who fulfil regulatory roles for BGIL or BGSL, as set out in the respective Management Responsibilities Maps, are employed by other group entities, the Remuneration Committee will provide input into their performance assessment.

This policy has been prepared in accordance with the relevant applicable regulations and guidance on remuneration.

The BGIL Remuneration Policy includes the following components:

- Base salary.
- Incentive Plan: The Annual Performance Incentive Plan (APIP) and the Conditional Share Incentive Plan (CSIP) are designed to incentivise and reward individual performance and the financial performance of Centrica.
- Pension: Centrica's policy is not to offer defined benefit pension arrangements to new employees unless this is specifically required by legislation or an existing contractual arrangement.
- Benefits: Centrica offers a range of benefits, including some or all of the following: a company-provided car or a cash allowance in lieu; life assurance and personal accident insurance; Group Income Protection; health and medical insurance for the employee and various benefits available via salary sacrifice.
- Share plans: UK-based employees may be eligible to participate in HMRC-approved share plans.

Non-Executive fees consider the need to attract high quality individuals, their responsibilities, time commitment and market practice and will be periodically subject to independent review at the request of the Board.

B.1.5 MATERIAL TRANSACTIONS

No material transactions have been identified during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body.

B.2 FIT AND PROPER REQUIREMENTS

BGIL implements policies and procedures to ensure persons who effectively run the Company, or have responsibility for key functions, have the required skills, knowledge, and expertise to carry out the role and are fit and proper to do so. Individuals holding Senior Manager Function positions are also required to receive prior approval from the PRA and/or FCA before they can perform their role.

BGIL undertakes fitness and propriety assessments in the following circumstances:

- Before an individual starts their role.
- Annually, to assess their 'continued fitness' to undertake their role.
- When an individual's role has significantly changed.
- Where there is a potential issue disclosed by an individual which might affect how their fitness and propriety is viewed.

BGIL's overall assessment of an individual's fitness and propriety includes:

- Financial soundness: assessed by conducting financial checks and asking specific questions as part of the fitness and propriety questionnaire.
- Honesty, integrity, and reputation assessed through:
    - Fitness and propriety questionnaire/attestation.
    - Regulatory references.
    - Standard criminal record check.
    - Directors/Companies House check (including disqualifications/dissolutions).
    - HR record checks for existing employees (disciplinary and/or breaches of conduct rules).
- Competence and capability: during recruitment, at a point where an individual is being considered for a key function or as part of an annual assessment, a competence and capability assessment is carried out. The assessment considers:
    - Qualifications (where relevant).
    - Experience.
    - Current level of competence and personal characteristics.
    - Skills and knowledge gap analysis which will inform a tailored business induction and development plan.

The key areas that are considered as part of the skills and knowledge analysis include:

- The markets in which they operate (i.e., insurance or financial services).
- Business strategy and business model.
- System of governance.
- Financial and, where relevant, actuarial analysis.
- Regulatory framework and requirements.
- Objectives linked to delivering regulatory obligations and evidence of performance (as part of the end of year review) confirmed by line manager.

BGIL has complied with the Senior Managers & Certification Regime over the year.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1 CHIEF RISK OFFICER

The Risk Function is led by the Chief Risk Officer ("CRO") whose role includes responsibility for:

- The design, development, embedding and overseeing of the risk management strategy and risk management processes.
- Coordination of the Own Risk and Solvency Assessment ("ORSA") processes and reporting.
- The compliance relationship with the PRA.
- Validation and performance of BGIL's capital model.

B.3.2 RISK MANAGEMENT FRAMEWORK

BGIL's risk management system starts with its Enterprise Risk Management Framework, the primary objective of which is to ensure that processes are in place for effective planning, organising, leading, and controlling of BGIL activities to manage the effect of risk on ability to deliver good customer outcomes whilst ensuring BGIL's capital and earnings as well as employee safety.

Governance is achieved through the implementation of a 'three lines of defence' model that ensures appropriate segregation of risk ownership, oversight, and assurance responsibilities.

- First line: ownership of risk taking and risk management in respect to business as usual activities, change and strategy.
- Second line: protecting and enabling the business to achieve its objectives by providing advice and oversight of risk taking and risk management, while developing and delivering the relevant tools and methodologies to support business risk taking.
- Third line: independent and objective assurance of the effectiveness of risk management and internal controls through Internal Audit.

Risk management is embedded in the business and members of the Risk team attend key meetings within the British Gas business. A CRO opinion is provided to the Board and its sub-committees in respect of key decisions.

B.3.3 RISK MANAGEMENT SYSTEM

Risk Policies

To support its objectives, BGIL's risk management framework includes a comprehensive set of risk policies which cover various key business processes including the partial internal model and all material risk categories to which BGIL is exposed. They are approved annually by the Board and/or appropriate sub-committees.

Risk Appetite Statements

Risk appetite is the amount of risk the Board is willing to take to meet its strategic objectives.

Risk appetite statements are reviewed annually and approved by the Board.

The Risk Function is responsible for monitoring and reporting against the risk appetite statements. If a risk appetite threshold has been (or is close to being) breached, action is taken to bring it back within the accepted tolerance. Out of appetite statements are reported to the Board and relevant sub-committees.

B.3.4 RISK PROCESSES

BGIL's risk management system includes the five processes below.

Identification

BGIL identifies current, emerging, and future risks through various means such as risk scanning, meetings, webinars, and workshops. Once a new or emerging risk has been identified, a risk owner is assigned, and the risk is added to the risk register.

Measurement

BGIL measures risk using output of its partial internal model (Section B.3.5). In addition, risks are quantified through a suite of stress and scenario tests. The prioritisation of the risks is measured using a likelihood and impact severity matrix approach.

Management

A comprehensive controls framework exists to ensure risk is managed within agreed appetite and threshold levels.

Monitoring

Monitoring to ensure that risks are accurately evaluated and adequately controlled is integral to the risk management process. Monitoring is achieved through the BGIL controls framework, stress and scenario testing, risk and control owner reviews, second line monitoring by the Risk and Compliance Functions, and third line of defence reviews providing independent and objective assurance.

Reporting

Risk reporting and communication forms a vital part of the process to ensure visibility and transparency of risks at both a BGIL and a Group level. Various risk reports are produced including risk dashboards and the ORSA report.

B.3.5 RISK MODELLING

BGIL uses a partial internal model for risk modelling. Further details are provided in Section E.2. First oversight of the partial internal model is provided by the Internal Model Governance Committee. The Prudential Committee is then responsible for reviewing and challenging the SCR. Further oversight is provided by the Risk Committee, which is responsible for the ongoing appropriateness of the design and operation of the partial internal model, as well as for reviewing model changes and validation reports.

Independent validation of the modelling underlying the SCR is undertaken by the Risk Function, supported by an external firm, currently Lane Clark & Peacock LLP. BGIL's capital model is subject to a cycle of validation using appropriate techniques for the part of the model or risk under review. The validation considers the appropriateness of the scope of the model and covers all parts of the model, adopting a proportionate approach and recognising the materiality of each model component.

The Board is required to approve BGIL's SCR, appropriate summaries of internal model results and validation reports on an annual basis.

B.3.6 OWN RISK AND SOLVENCY ASSESSMENT ("ORSA")

The ORSA enables senior management to make business decisions relating to medium-term capital management and business planning. The ORSA process is cyclical and incorporates several underlying business processes. The full cycle is performed at least annually or more frequently if required in response to material changes in the risk profile of the Company.

The ORSA:

- Considers risks, solvency, and capital management over a three-year forward-looking horizon.
- Considers the key risks the business faces.
- Considers the link between the resulting risk profile, the approved risk appetite, and the capital requirements.
- Includes stress and scenario testing and reverse stress testing.

The Board owns the ORSA process with the CRO being responsible for coordinating the underlying ORSA processes and for producing an ORSA report. The underlying processes are undertaken throughout the year and reports for each key process are produced for the Board and reviewed by the Prudential Committee. The ORSA report, which contains the key results and conclusions of the underlying processes, is reviewed and recommended for approval by the Risk Committee, and then reviewed and approved by the Board.

The underlying ORSA processes are undertaken alongside the relevant activity in the business. For example, the CRO provides an opinion on the business plan, working with Finance to assess the underlying risks. Similarly, the SCR allows for material changes in the business plan, and stress testing is performed considering the key risks to the business. The Board seeks to hold adequate capital resources above the regulatory capital requirements. BGIL's capital model is used to determine adequacy thresholds and capital resources are regularly monitored, with a plan in place should the capital fall below the specified thresholds.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 INTERNAL CONTROLS FRAMEWORK

BGIL has an internal controls framework designed to provide assurance that business objectives, including good customer outcomes and compliance with regulations, are met.

The three lines of the defence model (Section B.3.2) is used within the controls framework as follows:

- The first line develops controls and performs a control self-assessment. The Risk team also develops and attests to controls that relate specifically to its areas of responsibility.
- The Risk Function also provides a second line of defence by:
    - Coordinating control related activities and overseeing the controls framework.
    - Supporting the first line in developing their controls and providing oversight of first line control self-assessments.
    - Managing the second line review of controls and performing gap analyses of all controls against regulatory frameworks.
    - Performing targeted control effectiveness reviews in areas of deemed higher risk.
- Internal Audit are responsible for a third line review of controls.

- The Risk Function coordinate the development of the annual Integrated Assurance Plan working with the Internal Audit, Ethics and Compliance and Group HSE Assurance teams. The plan is signed off by the Board each year.

Governance over the internal control framework is achieved through:

- The Management Conduct & Risk Committee:
    - Responsible for ensuring that effective risk management processes are in place within the first line to manage and control the risks to which the business is exposed.
    - Responsible for reviewing controls reports and ensuring the completeness and effectiveness of the control environment.
- The Prudential Committee: responsible for monitoring and managing the performance of financial controls.
- The Risk & Compliance Committee: support the Prudential Committee with monitoring the output of BGIL controls.
- The Board Risk Committee:
    - Overarching responsibility for the design, maintenance and improvements to the internal control framework.
    - Responsible for oversight of the effectiveness of key controls across the business, including the operation of an integrated assurance plan.

B.4.2 COMPLIANCE FUNCTION

The CRO is responsible for leading the Solvency II Compliance Function. Activities of the Compliance Function include:

- Ensuring ongoing prudential compliance.
- Horizon scanning activity.
- Managing the relationship with the PRA.

BGIL outsources conduct-related compliance to the Group Ethics & Compliance Function, which is responsible for:

- Developing, implementing and communicating the ethics & compliance FCA strategy, structure and process.
- Escalating any FCA compliance matters to BGIL, reporting to the Board and other relevant stakeholders.
- FCA relations and notifications.
- FCA/PRA applications, amendments and withdrawals.

The Risk and Compliance Functions report to the Risk Committee. The effectiveness of the Risk and Compliance Functions is periodically audited by Internal Audit.

B.5 INTERNAL AUDIT FUNCTION

Internal Audit services for BGIL are performed by the Group Internal Audit Function with a BGIL dedicated internal audit lead. The scope of internal auditing encompasses but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance and internal control processes in relation to defined goals and objectives. Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee, including certain fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

To provide for the independence of Internal Audit, its employees report to the Group Head of Internal Audit, who reports functionally to the Chair of the Group Audit Committee and administratively to the Group Chief Financial Officer. The operating budget for Internal Audit is prepared according to standard Group guidelines as part of the Group's operating plan process. The Group Audit Committee has ultimate approval over the budget. Internal Audit follows all standard Group processes (e.g., delegation of authority) and adheres to all Group policies.

B.6 ACTUARIAL FUNCTION

The Actuarial Function undertakes those tasks required by Solvency II. An Actuarial Function report is produced annually for the Board, which describes the tasks undertaken by the Actuarial Function over the year, provides recommendations, and includes opinions on technical provisions, the underwriting policy and the reinsurance policy.

The Actuarial Function is led by the Chief Actuary (SMF20). Actuarial Function responsibilities are conducted independently of the revenue generating functions of BGIL. The Chief Actuary reports to the Chief Executive Officer with direct escalation routes to the Chair of the Risk Committee, Chair of the Audit Committee, and Chair of the Board. At all times, the Chief Actuary has unrestricted access to relevant information and is not constrained, controlled or unduly influenced in respect of relevant actuarial matters.

Resources in the Actuarial Function are continuously monitored to ensure that the work is carried out by persons who have knowledge of actuarial and financial mathematics commensurate with the nature, scale and complexity of the risks inherent in the business.

B.7 OUTSOURCING

BGIL has outsourcing arrangements for the provision of material services by third party service providers. Material services are those which are critical to the business model or are of such importance that weakness or failure of the services would cause detriment to customers and/or cast serious doubt upon an ability to meet regulatory requirements. BGIL will only outsource material services to group companies. Non-material services may be outsourced to external service providers if the services cannot be obtained in-house.

Centrica Procurement has a Financial Services Material Outsource Procedure which covers BGIL's and BGSL's outsourcing arrangements and has been designed to meet relevant regulations. Services agreements between BGIL and BGSL, and BGIL and Centrica, set out the activities undertaken by each entity. BGSL introduces business to BGIL and undertakes sales & marketing, product design and retail pricing. In addition, some material services are outsourced by BGIL to BGSL, including claims handling & fulfilment and policy administration. Under the terms of the services agreement, some complaints handling activity is undertaken directly by BGSL and some is outsourced to BGSL from BGIL. Services outsourced to Group include some compliance activity (Section B.4.2), Treasury, Internal Audit, Legal, and some HR and IT services.

In some circumstances, BGSL appoints external providers to fulfil services offshore. Examples include additional breakdown call handling support in winter which is provided by a company in South Africa. Some support services that are provided by Centrica, but are not critical to BGIL, are outsourced overseas.

The Risk Function, Board Risk Committee and Board (Section B.1) ensure that risks relating to outsourced services are actively monitored and managed.

B.8 ANY OTHER INFORMATION

B.8.1 ADEQUACY OF SYSTEM OF GOVERNANCE

The system of governance is considered appropriate having regard to the nature, scale and complexity of the risks inherent in the business.

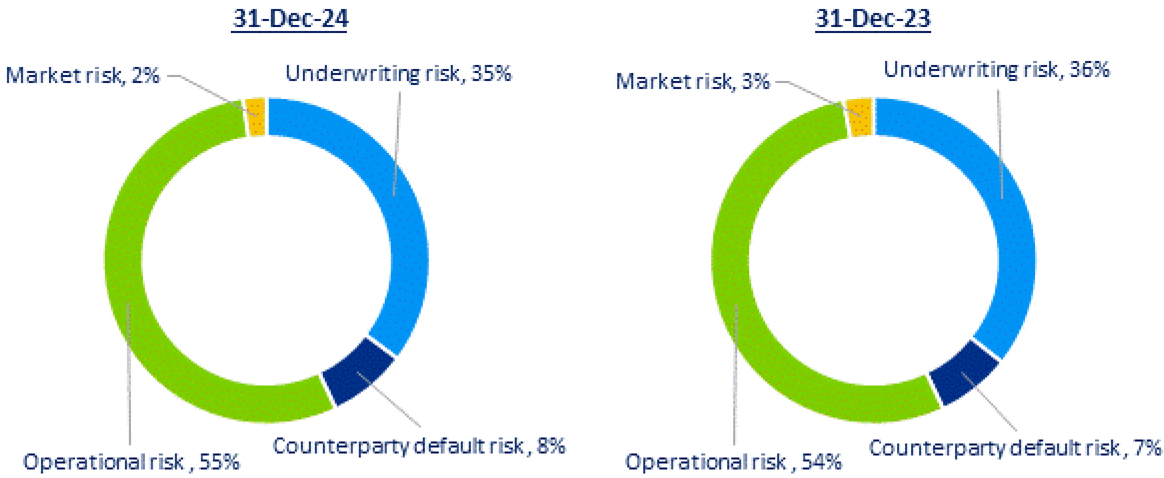
B.8.2 BOARD DIVERSITY POLICY

The Board ensures diversity in recruitment processes and actively promotes diversity at all levels in the business through its Diversity Policy. Throughout the appointment process of board members, due regard is given to ensuring fairness and diversity through consideration of skills, experiences, and competencies. The recruitment process complies with Group HR recruitment processes and the Centrica UK Diversity, Respect and Inclusion Policy.

C RISK PROFILE

(Unaudited)

BGIL's risk profile is a key driver of the SCR. The following chart shows the risk profile for year end 2024 and in the previous reporting period.



The assessments above are forward-looking and based on pre-diversification across risk-type figures and relate to BGIL's SCR. Note that liquidity risk (Section C.4) and other risks (Section C.6) are not part of the SCR calculation and so are excluded.

BGIL's operational risk (Section C.5) is comparatively large. This is mainly because BGIL's underwriting risk is relatively low due to the quick settlement of claims at a fixed unit cost per claim. BGIL also has very low market risk due to its conservative investment strategy (Section C.2).

BGIL is exposed to material risk concentrations as follows:

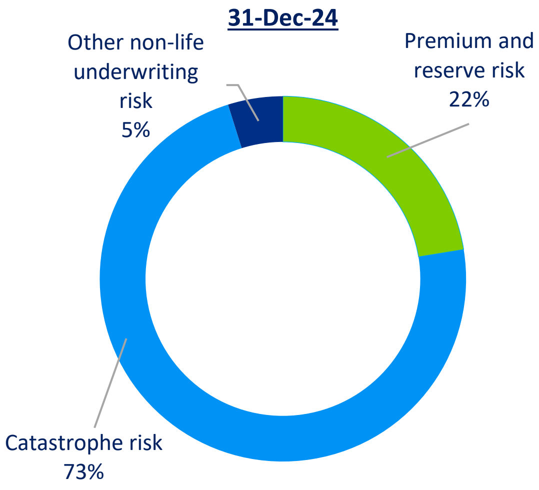
- Product concentration (underwriting risk Section C.1): BGIL is a mono-line insurer operating only in England, Scotland, and Wales with large exposure to cold weather risk.
- BGIL's outsourcing relationship with BGSL (Section B.7) creates risk concentrations in terms of counterparty default risk (Section C.3) and operational risk (Section C.5).

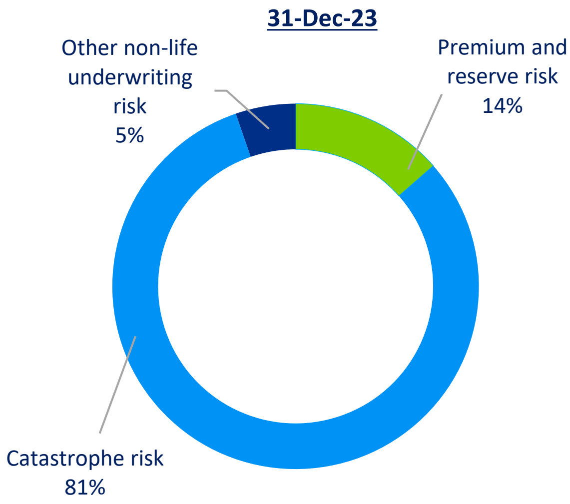
C.1 UNDERWRITING RISK

Underwriting risk refers to fluctuations in the timing, frequency and severity of insured events relative to the expectations of the undertaking at the time of underwriting as well as fluctuations in premium volumes relative to the business plan.

The composition of BGIL's underwriting risk profile is shown below. Underwriting risk is broadly stable compared to the previous reporting period. The impact of the decrease in average claims cost for gas products has been offset by our increasing exposure to excess products which attract a higher risk charge (capital per policy) and reduced projected profit for January 2025.

Underwriting risk is managed in accordance with BGIL's Insurance Risk Policy and is assessed using BGIL's internal model. Further details about the quantification of underwriting risk are included in Section E.2.3.





BGIL's underwriting risk consists of three main elements:

- Catastrophe risk: cold weather risk is BGIL's main driver of underwriting risk. In cold weather, there is an increased demand on central heating systems, leading to higher boiler breakdown rates and therefore, increased claims.
- Premium and reserve risk considers the volatility of actual claims and premiums compared to those forecast in the business plan. In BGIL, premium and reserve risk is low due to:
    - BGIL's very short claims development tail: claims are usually reported and settled within a few days.
    - The contractual unit claims cost relationship with BGSL: BGIL pay BGSL a fixed unit cost per claim varying by product.
    - The inherent nature of the insurable risks: in most cases an engineer attends the breakdown rather than the settlement of the claim in cash.
- Other non-life underwriting risks relate to component defect, policy wording and pricing of premiums.

BGIL has several processes and controls in place to manage underwriting risk, including:

- 12-month contract terms after which the Company is entitled to decline cover, or impose renewal terms by amending premiums, policy excess (where applicable), or other policy terms and conditions as appropriate.
- First visits: when a customer first purchases a central heating policy, an engineer visits their property to assess access, safety and insurability. If the findings are adverse, then BGSL works with the customer to address the issues, or the cover is declined. Claims cannot be made within 14 days of policy inception as a protection against fraudulent claims (exception for 'Repair and Cover' products where claims are allowed within 14 days).
- Annual Service Visits: primarily a health check, but the annual service visit also provides an opportunity for the early identification of claims and is believed to mitigate underwriting risk.

C.2 MARKET RISK

C.2.1 MARKET RISK PROFILE

Market risk is the risk of loss resulting from fluctuations in the level and volatility of market prices of assets and liabilities.

BGIL's investment strategy is guided by its Investment Risk Policy which aims to mitigate market risk by restricting investments to short duration, sterling-denominated high-quality securities and deposit-based investments. As a result, market risk (calculated using the Standard Formula (Section E.2.4)) is low and has been largely unaffected by the market volatility over 2024.

C.2.2 PRUDENT PERSON PRINCIPLE

The Prudent Person Principle, defined in Chapter 2 to Chapter 5 [Prudent Person Principle] in PRA Rulebook - Investments, includes provisions on how undertakings should invest their assets and is as much a behavioural standard as an assessment of judgements and investment decisions. BGIL's investment strategy and asset allocation are set within the board-approved risk parameters in the Investment Risk Policy. The Prudential Committee reviews and monitors the key risk indicators for the investments.

C.3 CREDIT RISK

Credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which BGIL is exposed.

C.3.1 COUNTERPARTY DEFAULT RISK

The exposure to counterparty default risk arises due to BGIL's relationship with BGSL. Since BGSL collects premiums from customers on behalf of BGIL, the insolvency of BGSL could result in premiums not being paid to BGIL.

A services agreement exists between BGIL and BGSL, which governs the relationship and sets out the business model interactions. Under this contract:

- BGSL pays premiums to BGIL.
- BGIL pays BGSL for each service visit or repair.
- BGIL pays BGSL commission for its role in selling and administering insurance policies on BGIL's behalf, including profit commission based on the profitability of the business introduced to the Company.
- The intercompany balance is the difference between the amount payable to BGIL from BGSL and that payable from BGIL to BGSL.

Several processes are in place to mitigate BGIL's exposure to counterparty default risk, including:

- The services agreement requires intercompany balance payments to be made monthly to limit exposure to a maximum of one month's debt.
- A trust arrangement has been set up, to which premiums must be diverted in the event of BGSL default.

The risk is managed in accordance with BGIL's Counterparty Default Risk Policy and is assessed using BGIL's partial internal model (Section E.2.5).

C.3.2 OTHER CREDIT RISK

The only material exposure to credit risk is from BGSL, as described above. Exposure to credit risk on assets and liabilities on the balance sheet is not material. BGIL does not have any outwards reinsurance and has not transferred any risk to special purpose vehicles.

C.4 LIQUIDITY RISK

Liquidity risk is being unable to realise investments and other assets to settle financial obligations when they fall due.

Liquidity risk for BGIL is low and is managed in accordance with BGIL's Liquidity Policy. Liquidity risk is mitigated through investment in highly liquid financial assets.

C.5 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. It also includes conduct risks and regulatory risks.

A consequence of BGIL's relationship with BGSL (Section B.7) is that many of BGIL's operational risks are derived from BGSL activities. Conduct risk is the main driver of BGIL's operational risk capital requirement. This relates to the risk that poor customer outcomes may lead to premium refunds, higher lapses, a reduction in new business and/or additional remediation costs.

BGIL continues to champion and improve customer outcomes in line with Consumer Duty and Fair Value Product Reviews. The ongoing investment in operational performance has led to improved year on year delivery in Field Delivery and Customer Fulfilment, resulting in better customer service levels overall and in particular during winter peak recovery periods. Oversight is via the common Board and sub-committees, as well as through the services agreement. The services agreement sets out the activities undertaken by each entity and limits BGIL's financial exposure in the event BGSL fails to adequately perform the activities for which it is responsible.

As with all companies that hold customer data, BGIL is exposed to cyber risk. There has continued to be an increase in the sophistication of external threats in general and with regards to the ransomware threat in particular. This has been mitigated by ongoing activities to improve operational resilience, the high level of investment in the cyber change plan and joint initiatives to enhance IT General Controls and levels of colleague cyber awareness and defence training. To date, there have not been any material losses due to cyber events. Cyber risk is closely monitored and managed, particularly with regards to the loss of key IT systems and data protection.

External assurance has been sought in the year with regards to assessing alignment to the FCA/PRA Operational Resilience requirements being implemented in the business up to the end of the FCA set transition phase end date of March 2025.

The level of risk associated with the major transformation programmes has remained high in the year. The new field planning and despatch platform has now been fully deployed across the business. There remains volatility and uncertainty around the delivery timescales and financial benefits phasing with the new Services platform and a supply chain transformation programme.

BGIL continues to monitor other upcoming regulatory developments. BGIL holds capital to fund potential losses arising from operational events. Operational risk is managed in accordance with the BG Insurance Operational Risk Policy and is assessed using BGIL's partial internal model (Section E.2.6).

C.6 OTHER MATERIAL RISKS

Group Risk

The British Gas brand has a high profile in the UK consumer markets and BGIL has potential exposure to brand damage contagion caused by other parts of the Group or the energy market in general. The principal direct impact of British Gas brand damage to BGIL would be a reduction in business volumes through a loss of existing business.

C.7 ANY OTHER INFORMATION

C.7.1 ENERGY PRICE VOLATILITY

The UK wholesale gas and electricity prices have remained volatile in 2024, leading to increased energy bills for customers. Centrica, British Gas' parent company, operates a robust risk management approach and energy price hedging programme to safeguard against such unforeseen price increases. Consequently, Centrica Group and British Gas have remained financially resilient. There has been no direct financial or operational impact on BGIL to date.

C.7.2 ONGOING COST OF LIVING PRESSURE

BGIL's exposure to unstable inflation pressure in 2024 was limited via a contractual agreement with BGSL under which costs are fixed for a period of time, typically one year. Customer retention levels on core products remain strong. BGIL is monitoring the impact of the ongoing cost of living crisis.

C.7.3 CLIMATE CHANGE RISK

The Bank of England has identified two key risks relating to climate change:

- Physical risks such as extreme weather events:
  - BGIL includes a 1-in-200 cold weather scenario in its SCR and considers more extreme weather events as part of its stress and scenario testing.
- Transition risks arising from a move to a greener economy which could lead to a large fall in asset values in some sectors, or a higher cost of doing business:
  - There is a risk to the market within which BGIL operates from a potential move from gas to other forms of energy, such as electrification.
  - BGIL invests in short-duration, high-quality fixed interest securities and deposit-based investments, so is less exposed to transition risks through its asset strategy.

BGIL has embedded the management of climate change risk into its risk management framework.

It has a Board-approved risk appetite statement for climate change and has undertaken some scenario testing in this area. Climate change is an area of management and regulatory focus, and as such, BGIL's work in this area continues to evolve.

C.7.4 SOLVENCY II REVIEW

Following the departure of the UK from the European Union, the PRA reviewed and adapted the Solvency II framework to the UK market. The adapted framework came into effect from 31 December 2024. The PRA also announced it will continue to evolve the regulatory framework. As a UK insurer, BGIL will adhere to the new framework and will continue monitoring any further developments.

C.7.5 SENSITIVITY ANALYSIS

The following table shows some sensitivities for the most material risks, assuming that each sensitivity occurs in isolation, with no other changes.

Risk Type	Sensitivity	Impact on SCR for risk type	Impact on overall SCR
Cold weather (catastrophe underwriting risk)	Increasing cold weather exposure by 10%	10%	3%
Operational risk	Increasing the number of premium refunds within product risk by 30%	3%	2%

A one-notch downgrade in the credit rating assumed for BGSL would not have a material impact on the SCR, and sensitivity analysis is not presented for market risk since it is a small proportion of BGIL's overall risk profile.

C.7.6 STRESS AND SCENARIO TESTING

Stress and scenario testing is part of BGIL's risk management process and is used to evaluate its financial position under severe but plausible events. Its value lies in enhancing management's understanding of the financial vulnerability and viability of BGIL.

Stress and scenario testing is conducted at various times throughout the year to assist with risk-based decision making. The analysis undertaken highlights that while there is profit exposure to several emerging themes, such as potential supply chain disruptions from heightened geopolitical tensions. BGIL continues to be profitable under these scenarios with a robust solvency coverage ratio. These risks are closely monitored.

BGIL has a financial recovery framework and plan which defines roles and responsibilities and sets out the management options that could be taken in times of stress to facilitate the recovery of BGIL's own funds.

C.7.7 REVERSE STRESS TESTING

BGIL also undertakes reverse stress testing which considers circumstances that would render BGIL's business model inviable, thereby identifying potential business vulnerabilities. Reverse stress testing starts from an outcome of business failure and identifies potential circumstances which might trigger this. This includes the extreme risks which are usually dismissed on the basis that they are very unlikely to happen and is different to general stress and scenario testing which assesses outcomes arising from changes in circumstances.

Reverse stress testing affirms the very low likelihood of BGIL becoming inviable. The potential causes of inviability were explored and such causes, while not impossible, are judged implausible given the nature of BGIL's business and risk profile. BGIL has a resolution plan in place. This outlines the steps that can be taken to unwind whilst protecting customer interests and restricting the spread of systemic risk (in the sector should the need arise.

D VALUATION FOR SOLVENCY PURPOSES

(Audited)

The Company's annual financial statements are prepared under UK GAAP. The balance sheet on a UK GAAP basis and the Solvency II basis is shown below.

Balance sheet as at 31 December	2024 UK GAAP value £m	2024 SII value £m	2024 Difference £m	2023 UK GAAP value £m	2023 SII value £m	2023 Difference £m
Assets						
Deferred acquisition costs	206.7	0.0	(206.7)	173.3	0.0	(173.3)
Investments						
Collective investment undertakings	151.5	151.5	0.0	165.5	165.5	(0.0)
Insurance &intermediaries receivables	420.2	0.0	(420.2)	417.3	0.0	(417.3)
Cash and cash equivalents	0.1	0.1	0.0	0.1	0.1	0.0
Any other assets, not elsewhere shown	0.6	0.0	(0.6)	1.2	0.0	(1.2)
Total assets	**779.1**	**151.6**	**(627.5)**	**757.3**	**165.6**	**(591.7)**
Liabilities						
Technical provisions	(435.4)	2.0	437.4	(435.8)	18.1	453.9
Deferred tax liabilities	0.0	(7.4)	(7.4)	0.0	(8.5)	(8.5)
Insurance &intermediaries payables	(219.6)	0.0	219.6	(174.1)	0.0	174.1
Any other liabilities, not elsewhere shown	(25.8)	(25.8)	(0.0)	(30.5)	(30.5)	0.0
Total liabilities	**(680.8)**	**(31.2)**	**649.6**	**(640.4)**	**(20.9)**	**619.4**
Excess of assets over liabilities	**98.3**	**120.4**	**22.1**	**116.9**	**144.7**	**27.7**

Units in collective investment undertakings are available for sale and are recorded on the balance sheet at fair value. The UK GAAP valuation is consistent with Solvency II requirements, so there is no difference between the two bases.

Under Solvency II, UK GAAP unearned premium provision, deferred acquisition costs and insurance debtors and creditors that are not past due are removed from the balance sheet and replaced with Solvency II provisions, such as premium provisions and risk margin. The difference between UK GAAP and Solvency II gives rise to a reconciliation reserve to which deferred tax is applied at the prevailing rate. Further details on the calculation of technical provisions are included in Section D.2.

D.1 ASSETS

D.1.1 VALUE OF ASSETS

Assets as at 31 December	2024 £m	2023 £m
Collective investment undertakings	151.5	165.5
Cash deposits	0.1	0.1
Total assets	**151.6**	**165.6**

There has been no material change in investment holdings.

D.1.2 BASIS OF VALUATION

Collective investment undertakings comprise units in short-term money market funds. They are classed as low volatility net asset value (LVNAV) funds working within a very narrow bid and offer spread. Units in the funds are valued at the quoted market price at 31 December.

The cash and cash equivalents balance represent fair value on demand balances with financial institutions. All investments are denominated in sterling.

D.2 TECHNICAL PROVISIONS

D.2.1 VALUE OF TECHNICAL PROVISIONS

Non-life technical provisions as at 31 December	2024 £m	2023 £m
Premium provisions	(18.8)	(23.7)
Claims provisions	14.0	2.9
Best estimate liabilities	**(4.8)**	**(20.8)**
Risk margin	2.8	2.7
Technical provisions	**(2.0)**	**(18.1)**

The technical provisions at 31 December 2024 were a negative liability of £2.0m (2023: Negative liability of £18.1m).

Claims provisions consist of outstanding claims, IBNR and the intercompany balance payable to BGSL at the year-end. Intercompany balance has increased from 2023 by £10.9m this is mainly attributable to the payments owed to BGSL for profit commission, based on the profitability of business brought to the Company. In 2024, the profitability thresholds were met, resulting in a commission payable under the contract. In contrast, the thresholds were not met in 2023.

Premium provisions are a negative liability, reflecting the expectation that bound business on 31 December 2024 will be profitable and that customers will pay the premium in instalments. Premium provisions have decreased over the year, primarily driven by a change in the cost's payable under the contractual services agreement with BGSL.

D.2.2 BASIS OF VALUATION

Technical provisions are defined as the discounted probability-weighted average of future cash flows. Discounting is based on PRA's risk free rate but has minimal impact for BGIL. Technical provisions consist of claims provisions, premiums provisions and a risk margin.

Claims Provisions

Claims provisions are the discounted best estimate of all future cashflows relating to claims events prior to the valuation date.

Claims provisions consist of outstanding claims, IBNR and the intercompany balance payable to BGSL at the year-end. Outstanding claims are based on claims volumes outstanding and contractual amounts due at the valuation date. IBNR relates to estimated claims that have occurred but have not yet been notified. Information on the intercompany balance is included in Section C.3.1. Given the short-tailed nature of claims, there is no allowance for 'Events Not In Data' ("ENID") within claims provisions.

Premium Provisions

Premium provisions are the discounted best estimate of all future cashflows relating to future exposure arising from policies for which BGIL has an obligation at the valuation date.

BGIL has used a simplified method to determine its premium provision, proportionate to underlying risks and taking account of Chapter 27 [Proportionality] in PRA Rulebook – Technical Provisions – Further Requirements.

Business plan loss ratios are used to calculate expected future cash flows regarding policies in force. Allowance is also made for BBNI policies which have not been incepted at the valuation date but for which BGIL has an obligation to provide insurance cover, such as issued renewals. A deduction is made for mid-term cancellations on in-force policies and renewal lapses on policies invited but not taken up.

The premium provisions include an allowance for ENID, which is based on a consideration of adverse scenarios.

Risk Margin

The risk margin increases the overall value of the technical provisions from the discounted best estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance undertaking.

The risk margin is estimated by applying a 4% (determined by PRA) cost of capital charge to the sum of the present value of the entire projected SCR in each future year of exposure. BGIL uses the full SCR method for risk margin calculation as this is more appropriate and proportionate.

Expenses

Solvency II requires all future expenses incurred in fulfilling existing insurance contracts to be taken into account. The table below illustrates the types of expenses included in claims and premium provisions.

Expense Type	Claims provisions	Premium provisions
Administration		✓
Claims management	✓	✓
Acquisition		✓

D.2.3 MATERIAL CHANGES TO ASSUMPTIONS

There have been no material changes to assumptions.

D.2.4 UNCERTAINTY

The short tail and stable nature of BGIL's insurance activities results in low levels of absolute technical provisions and uncertainty. The Actuarial Function independently review and provide opinion on the appropriateness of the technical provisions.

D.3 OTHER LIABILITIES

Other liabilities as at 31 December	2024 £m	2023 £m
Insurance premium tax (IPT)	24.5	24.7
Corporation tax	(0.9)	3.1
Sundry accruals	1.5	2.0
Other creditors	0.7	0.7
Any other liabilities, not elsewhere shown	**25.8**	**30.5**

D.4 ALTERNATIVE METHODS FOR VALUATION

Alternative methods of valuation for assets and liabilities permitted under PRA Rulebook - Valuation are not applied.

D.5 ANY OTHER INFORMATION

BGIL does not use the following adjustments:

- The matching adjustment, referred to in PRA Rulebook – Matching Adjustment
- The volatility adjustment, referred to in Chapter 8 [Volatility Adjustment] in PRA Rulebook – Technical Provisions.
- The transitional risk-free interest rate term structure, referred to in Chapter 10 [Risk-Free Interest Rates] in PRA Rulebook – Transitional Measures.

BGIL has no reinsurance contracts and does not use special purpose vehicles and has no recoverable from these arrangements.

E CAPITAL MANAGEMENT

(E1, E4, E5: audited, E2, E3: unaudited)

E.1 OWN FUNDS

BGIL's objective is to maintain appropriate levels of capital to meet claims as they fall due, protect the interests of customers and meet operating needs and regulatory requirements.

E.1.1 SUMMARY OF ELIGIBLE OWN FUNDS

Own funds at 31 December	**2024 £m**	**2023 £m**
Excess of assets over liabilities (section D)	120.4	144.7
Foreseeable dividends	(25.0)	(50.0)
Eligible own funds (tier 1)	**95.4**	**94.7**
Of which:		
Ordinary share capital (fully paid)	5.0	5.0
Reconciliation reserve	90.4	89.7

Eligible own funds represent Solvency II net assets less foreseeable dividends approved by the Board but not paid at 31 December. The Solvency II reconciliation reserve represents eligible own funds less share capital. Eligible own funds include deferred tax liability. BGIL recognises nil deferred tax under UK GAAP. All deferred tax liability is a result of applying the prevailing tax rate to differences between UK GAAP and Solvency II.

The analysis of the change of own funds over the year is as follows:

Analysis of change of own funds	**2024 £m**	**2023 £m**
Excess of assets over liabilities at start of year	144.7	107.8
Increase in own funds during the year	49.7	58.9
Dividend paid	(74.0)	(22.0)
Foreseeable dividend	(25.0)	(50.0)
Eligible own funds at end of year	**95.4**	**94.7**

BGIL paid dividends of £74.0m in 2024.

A dividend of £25.0m was approved on 26 March 2025 for the Company's immediate parent undertaking, GB Gas Holdings Limited. This has been recognised as a foreseeable dividend and as such has reduced eligible own funds.

The Company is financially resilient.

All own funds at 31 December 2024 and 31 December 2023 met the criteria to be classified as Tier 1 unrestricted basic own funds, as set out in Chapter 3B [Tier 1 – Features Determining Classification] in PRA Rulebook – Own Funds:

- The own funds are immediately available to absorb losses.
- They are undated so there is no obligation for repayment.
- Dividends are approved by the Board and can be cancelled at any time prior to payment.
- There are no mandatory servicing costs.

There are no significant restrictions affecting the availability and transferability of own funds within BGIL.

All eligible own funds are available to cover the SCR (Section E.2.7) and the MCR (Section E.2.8).

E.1.2 CAPITAL MANAGEMENT POLICY

A business plan is prepared at least annually. Monthly actual positions are reported against the plan. Forecast updates are prepared in the event of any significant deviation from the plan or material changes in business strategy.

Capital resources are managed in accordance with the Capital Management Policy, which is reviewed by the Board on an annual basis. The key objective is to maintain sufficient own funds to safeguard the Company's ability to continue as a going concern and to protect the interests of customers, investors and regulators while also efficiently deploying own funds and managing risk to sustain ongoing business development. Own funds are regularly monitored, and management intervention and actions are required at particular thresholds.

BGIL's approach at year-end is to distribute audited and approved own funds in excess of capital risk appetite to its parent company, subject to ongoing business performance being within risk appetite, specific requirements as detailed in BGIL's Dividend Policy, and other relevant factors. Funds in excess of BGIL's capital risk appetite may be distributed at other times throughout the year in accordance with BGIL's Dividend Policy and following Board approval.

E.1.3 DIFFERENCE BETWEEN EQUITY IN FINANCIAL STATEMENTS AND EXCESS OF ASSETS OVER LIABILITIES

The following table shows the differences between the equity in the financial statements, calculated on a UK GAAP basis, and the excess of assets over liabilities (own funds) calculated on a Solvency II basis.

UK GAAP to SII as at 31 December	2024 £m	2023 £m
Equity in the financial statements/shareholders funds	**98.3**	**116.9**
Remove UK GAAP insurance balances	27.4	18.2
Add Solvency II balances:		
Premium provisions	18.8	23.7
Claims provisions	(14.0)	(2.9)
Risk margin	(2.8)	(2.7)
Tax on reconciliation reserve	(7.4)	(8.5)
Excess of assets over liabilities/own funds	**120.4**	**144.7**
Foreseeable dividend	(25.0)	(50.0)
Eligible own funds (tier 1)	**95.4**	**94.7**

E.1.4 ANY OTHER INFORMATION

There are no basic own fund items subject to the transitional arrangements referred to in Chapter 4 [Basic Own Funds] in PRA Rulebook – Transitional Measures.

BGIL does not have any ancillary own funds.

There are no significant restrictions affecting the availability and transferability of own funds within the undertaking.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR represents the level of eligible own funds required to provide assurance that the Company can absorb significant losses in 1-in-200 year scenarios and still meet policyholders' claims costs and other obligations as they fall due.

E.2.1 PARTIAL INTERNAL MODEL

BGIL calculates its SCR using a partial internal model. The internal model is used for insurance risk, operational risk and counterparty default risk, with the Standard Formula used for market risk and aggregation across risk types.

Uses

The partial internal model is also used in the ongoing management of the business including:

- For capital management purposes including determining the level of dividends and defining an appropriate solvency capital margin.
- In the ORSA process and report.
- To assess reinsurance requirements (currently, no reinsurance is purchased).
- In stress and scenario testing and reverse stress testing.

Method

The separate risk modules of the model use different methods for the calculation of the probability distribution forecast as follows:

- Underwriting risk:
  - Catastrophe (cold weather) risk: Met Office temperature data and company-specific demand data, together with predictive modelling techniques, are used to create an empirical temperature-demand distribution from which a probability distribution is created.
  - Premium and reserve risk: attrition claims frequency is modelled stochastically.
- Operational risk: several scenarios at various return periods are considered and used to create a probability distribution.
- Counterparty default risk uses a stochastic model based on internal and external data.

Time Period

Solvency II requires firms to calculate the SCR over the following 12 months (Chapter 3.3 [General Provisions for the Calculation of the SCR] in PRA Rulebook – Solvency Capital Requirement – General Provisions). Alternative methods are possible under Chapter 12.1 [Calibration Standards] in PRA Rulebook – Solvency Capital Requirements – Internal Models. For BGIL, a bespoke model is used to provide sufficient protection to policy holders in accordance with Calibration Standards (as referenced above) and is approved by the PRA.

Data

The model uses data from various internal and external sources including:

- BGIL Business plan.
- Met Office temperature data.
- Event loss data.
- Debt default and recovery rates.

The data is handled in accordance with BGIL's Data Quality Policy which ensures that relevant data is accurate, complete, and appropriate, enabling BGIL to effectively manage its business and to meet regulatory and statutory obligations, including Solvency II data quality standards.

E.2.2 OVERALL SCR

The table below shows BGIL's SCR for each risk module.

Solvency Capital Requirement as at 31 December	2024 £m	2023 £m
Non-life underwriting risk	24.7	24.7
Market risk	1.6	2.1
Counterparty default risk	5.5	5.1
Operational risk	38.3	37.4
Diversification	(3.5)	(3.6)
Total SCR	**66.6**	**65.7**

The £0.9m increase in capital requirement since last year is primarily driven by the increase in Operational Risk. Operational risk profile has increased reflecting the risk associated with our growth strategy, the challenging external regulatory environment BGIL operates in as well as the increase in Supply Chain risk. This has been slightly offset by the continuous improvement in our Conduct Risk profile.

Further information is included in sections E.2.3 to E.2.6.

No capital add-on is applied to the SCR and there is no allowance for tax in the SCR.

E.2.3 UNDERWRITING RISK

Underwriting risk is driven by Cold Weather risk. Capital has broadly remained unchanged. The impact of the decrease in average claims cost for gas products has been offset by our increasing exposure to excess products which attract a higher risk charge (capital per policy) and reduced projected profit for January 2025.

Premium and reserve risk is net of a profit offset. Further information about underwriting risk is included in Section C.1.

Underwriting risk as at 31 December	2024 £m	2023 £m
Premium and reserve risk	7.9	4.6
Catastrophe risk	25.6	27.6
Other non-life underwriting risk	1.7	1.8
Diversification	(10.5)	(9.3)
Total underwriting risk	**24.7**	**24.7**

E.2.4 MARKET RISK

Market risk is calculated using the Standard Formula as it is considered to fairly reflect BGIL's risk profile and capital requirement. No material simplifications permitted in the Standard Formula have been used.

Market risk as at 31 December	2024 £m	2023 £m
Interest rate risk	0.5	0.7
Spread risk	1.3	0.1
Concentration risk	0.8	1.9
Diversification	(1.0)	(0.7)
Total market risk	**1.6**	**2.1**

Decrease in Concentration risk driven by the decrease in the total exposure across counterparties where BGIL has greater than 3% exposure in. BGIL's investments are all sterling-denominated and so there is no currency risk.

E.2.5 COUNTERPARTY DEFAULT RISK

The table below shows that counterparty default risk has slightly increased, primarily driven by the increased intercompany exposure over the year.

Further information about counterparty default risk is included in Section C.3.

Counterparty default risk (credit risk) as at 31 December	2024 £m	2023 £m
Total counterparty default risk	**5.5**	**5.1**

E.2.6 OPERATIONAL RISK

Operational risk capital has increased by £0.9m. Operational risk profile has increased reflecting the risk associated with our growth strategy, the challenging external regulatory environment BGIL operates in as well as the increase in Supply Chain risk. This has been slightly offset by the continuous improvement in our Conduct Risk profile.

Further information about operational risk is included in Section C.5.

Operational risk as at 31 December	2024 £m	2023 £m
Total operational risk	**38.3**	**37.4**

E.2.7 RATIO OF ELIGIBLE OWN FUNDS TO SCR

Solvency II surplus as at 31 December	2024 £m	2023 £m
Eligible own funds (tier 1)	95.4	94.7
Solvency Capital Requirement	66.6	65.7
Solvency II surplus	**28.8**	**29.0**
Ratio of eligible own funds to SCR	**143%**	**144%**

BGIL's own funds remain in appetite and above its target threshold.

E.2.8 MINIMUM CAPITAL REQUIREMENT

BGIL is required to report the MCR, which is a regulatory figure representing the absolute minimum level below which own funds should not fall. While the SCR is driven by a bespoke, PRA-approved model designed to reflect BGIL's risk profile, the MCR calculation is a linear formula based on GWP and technical provisions and is subject to a defined floor of 25% of SCR and a cap of 45% of SCR. As such, caution needs to be exercised when comparing with BGIL's SCR, or with the MCR of other companies. The MCR (capped at 45% of SCR) and capital coverage of the MCR is shown below. All of BGIL's own funds are classed as Tier 1 and are therefore available to meet the MCR.

Capital coverage of MCR as at 31 December	2024 £m	2023 £m
Eligible own funds (tier 1)	95.4	94.7
MCR	30.0	29.6
Ratio of eligible own funds to MCR	**318%**	**320%**

E.3 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The following table shows how BGIL's SCR calculated using the PRA-approved partial internal model compares with the calculation using the Standard Formula. Non-life underwriting risk calculated using the Standard Formula has increased due to increase in gross earned premium compared to the previous year.

Comparison with Standard Formula as at 31 December	2024 Standard Formula £m	2024 Partial Internal Model £m	2024 Difference £m	2023 Standard Formula £m	2023 Partial Internal Model £m	2023 Difference £m
Non-life underwriting risk	159.4	24.7	(134.8)	158.3	24.7	(133.6)
Market risk	1.6	1.6	0.0	2.1	2.1	0.0
Counterparty default risk	2.2	5.5	3.2	0.0	5.1	5.1
Diversification	(2.3)	(3.5)	(1.2)	(1.5)	(3.6)	(2.1)
Basic solvency capital requirement	**161.0**	**28.3**	**(132.7)**	**158.9**	**28.3**	**(130.6)**
Operational risk	24.0	38.3	14.3	24.4	37.4	13.0
Solvency Capital Requirement	**185.0**	**66.6**	**(118.4)**	**183.2**	**65.7**	**(117.6)**

The Standard Formula for underwriting risk produces a capital requirement higher than under BGIL's internal model due to material differences in the assumptions used by PRA in the Standard Formula and those used in BGIL's internal model. The internal model better reflects BGIL's low underwriting risk characterised by the short tail nature of the business and contractually fixed unit claims costs.

Counterparty default risk calculated using the Standard Formula now reflects BGIL's business relationship with BGSL. Under the Standard Formula calculation, operational risk capital is based on gross earned premium at the year-end and does not adequately reflect BGIL's risk profile. BGIL's partial internal model uses the Standard Formula to calculate market risk as this is considered to fairly reflect BGIL's risk profile. No material simplifications have been made, and BGIL does not use any undertaking-specific parameters within the Standard Formula calculation.

E.4 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

BGIL has maintained sufficient own funds to meet both the SCR and the MCR throughout the reporting period.

E.5 ANY OTHER INFORMATION

There is no other material information to report.

F GLOSSARY

Term	Meaning within document
BBNI	Bound But Not Incepted
BGIL or the Company	British Gas Insurance Limited
BGSL	British Gas Services Limited
COR	Combined Operating Ratio
CRO	Chief Risk Officer
ENID	Events Not in Data
EPIFP	Expected Profit in Future Premium
FCA	Financial Conduct Authority
GBGH	GB Gas Holdings Limited
GWP	Gross Written Premium
IBNR	Incurred But Not Reported
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
SCR	Solvency Capital Requirement
SMF	Senior Management Functions
Solvency II	Solvency II, as amended by the PRA, is the regulatory regime for UK insurers [effective from 31/12/2024]
UK GAAP	UK Generally Accepted Accounting Practice

G APPENDIX: PUBLIC QUANTITATIVE REPORTING TEMPLATES

British Gas Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	British Gas Insurance Limited
Entity identification code and type of code	LEI/213800QKXD83EEO79W25
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Partial internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02 - Balance sheet
IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
IR.05.04.02 - Non-life income and expenditure : reporting period
IR.17.01.02 - Non-Life Technical Provisions
IR.19.01.21 - Non-Life insurance claims
IR.23.01.01 - Own Funds
IR.25.04.21 - Solvency Capital Requirement
IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02

Balance sheet

£000		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contract	151,516
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	151,516
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	71
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	151,587

	£000	Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	-2,041
R0510	*Technical provisions - non-life*	-2,041
R0515	*Technical provisions - life*	
R0542	Best estimate - total	-4,818
R0544	*Best estimate - non-life*	-4,818
R0546	*Best estimate - life*	
R0552	Risk margin - total	2,777
R0554	*Risk margin - non-life*	2,777
R0556	*Risk margin - life*	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	7,383
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,342
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	24,499
R0900	**Total liabilities**	31,183
R1000	**Excess of assets over liabilities**	120,404

IR.05.02.01

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

£000

		C0010	C0070
R0010		Home Country	Total Top 5 and home country
		C0080	C0140
	Premiums written		
R0110	Gross - Direct Business	800,783	800,783
R0120	Gross - Proportional reinsurance accepted		0
R0130	Gross - Non-proportional reinsurance accepted		0
R0140	Reinsurers' share		0
R0200	Net	800,783	800,783
	Premiums earned		
R0210	Gross - Direct Business	801,329	801,329
R0220	Gross - Proportional reinsurance accepted		0
R0230	Gross - Non-proportional reinsurance accepted		0
R0240	Reinsurers' share		0
R0300	Net	801,329	801,329
	Claims incurred		
R0310	Gross - Direct Business	317,455	317,455
R0320	Gross - Proportional reinsurance accepted		0
R0330	Gross - Non-proportional reinsurance accepted		0
R0340	Reinsurers' share		0
R0400	Net	317,455	317,455
R0550	**Net expenses incurred**	418,355	418,355

IR.05.04.02

Non-life income and expenditure : reporting period

£000

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance
				Assistance
		C0010	C0015	C0250
	Income			
	Premiums written			
R0110	Gross written premiums		800,783	800,783
R0111	Gross written premiums - insurance (direct)		800,783	800,783
R0113	Gross written premiums - accepted reinsurance		0	0
R0160	Net written premiums		800,783	800,783
	Premiums earned and provision for unearned			
R0210	Gross earned premiums		801,329	801,329
R0220	Net earned premiums		801,329	801,329
	Expenditure			
	Claims incurred			
R0610	Gross (undiscounted) claims incurred		317,455	317,455
R0611	Gross (undiscounted) direct business		317,455	317,455
R0612	Gross (undiscounted) reinsurance accepted		0	0
R0690	Net (undiscounted) claims incurred		317,455	317,455
R0730	Net (discounted) claims incurred	317,455	317,455	
	Analysis of expenses incurred			
R0910	Technical expenses incurred net of reinsurance ceded	396,518		
R0985	Acquisition costs, commissions, claims management costs	390,385	390,385	390,385
	Other expenditure			
R1140	Other expenses	21,996		
R1310	**Total expenditure**	754,287		

IR.17.01.02

Non-Life Technical Provisions

£000

		Direct business and accepted proportional reinsurance — Assistance	Total Non-Life obligation
		C0120	C0180
	Best estimate		
	Premium provisions		
R0060	Gross	-18,772	-18,772
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0
R0150	**Net Best Estimate of Premium Provisions**	-18,772	-18,772
	Claims provisions		
R0160	Gross	13,954	13,954
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0
R0250	**Net Best Estimate of Claims Provisions**	13,954	13,954
R0260	**Total best estimate - gross**	-4,818	-4,818
R0270	**Total best estimate - net**	-4,818	-4,818
R0280	**Risk margin**	2,777	2,777
R0320	**Technical provisions - total**	-2,041	-2,041
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	-2,041	-2,041

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Non-Life insurance claims

Total Non-life business

£000

Z0020	Accident year / underwriting year	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year 0 (C0010)	1 (C0020)	2 (C0030)	3 (C0040)	4 (C0050)	5 (C0060)	6 (C0070)	7 (C0080)	8 (C0090)	9 (C0100)	10 & + (C0110)	In Current year (C0170)	Sum of years (cumulative) (C0180)
R0100	Prior											0	0	0
R0160	-9	487,965	4,357	0	0	0	0	0	0	0	0		0	492,322
R0170	-8	467,544	5,524	0	0	0	0	0	0	0			0	473,068
R0180	-7	455,335	7,040	0	0	0	0	0	0				0	462,375
R0190	-6	464,862	5,095	0	0	0	0	0					0	469,956
R0200	-5	402,021	5,447	0	0	0	0						0	407,468
R0210	-4	304,526	5,731	0	0	0							0	310,256
R0220	-3	316,365	2,448	0	0								0	318,814
R0230	-2	351,140	6,205	0									0	357,345
R0240	-1	339,156	2,032										2,032	341,188
R0250	0	315,295											315,295	315,295
R0260												Total	317,327	3,948,086

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0 (C0200)	1 (C0210)	2 (C0220)	3 (C0230)	4 (C0240)	5 (C0250)	6 (C0260)	7 (C0270)	8 (C0280)	9 (C0290)	10 & + (C0300)	Year end (discounted data) (C0360)
R0100	Prior											0	0
R0160	-9	12,741	0	0	0	0	0	0	0	0	0		0
R0170	-8	20,098	0	0	0	0	0	0	0	0			0
R0180	-7	29,512	0	0	0	0	0	0	0				0
R0190	-6	8,926	0	0	0	0	0	0					0
R0200	-5	18,878	0	0	0	0	0						0
R0210	-4	87,012	0	0	0	0							0
R0220	-3	-715	0	0	0								0
R0230	-2	8,341	0	0									0
R0240	-1	2,893	0										0
R0250	0	13,984											13,984
R0260												Total	13,984

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Gross premium

		Gross earned premium at reporting reference date (C0570)	Estimate of future gross earned premium (C0580)
R0160	N-9	1,019	0
R0170	N-8	1,009	0
R0180	N-7	1,031	0
R0190	N-6	1,023	0
R0200	N-5	1,012	0
R0210	N-4	986	0
R0220	N-3	906	0
R0230	N-2	854	0
R0240	N-1	812	0
R0250	N	801	0

IR.23.01.01
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	5,000	5,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	90,309	90,309			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0290	**Total basic own funds after deductions**	95,309	95,309	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees	0				
R0350	Letters of credit and guarantees other	0				
R0360	Supplementary members calls	0				
R0370	Supplementary members calls - other	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	95,309	95,309	0	0	0
R0510	Total available own funds to meet the MCR	95,309	95,309	0	0	
R0540	Total eligible own funds to meet the SCR	95,309	95,309	0	0	0
R0550	Total eligible own funds to meet the MCR	95,309	95,309	0	0	
R0580	**SCR**	66,644				
R0600	**MCR**	29,990				
R0620	**Ratio of Eligible own funds to SCR**	143.01%				
R0640	**Ratio of Eligible own funds to MCR**	317.80%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	120,309
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	25,000
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	5,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	90,309

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Solvency Capital Requirement

£000

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	530
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	1,298
R0110	Concentration risk	776
R0120	Currency risk	0
R0125	Other market risk	0
R0130	Diversification within market risk	-1,001
R0140	**Total Market risk**	1,602
	Counterparty default risk	
R0150	Type 1 exposures	5,474
R0160	Type 2 exposures	0
R0165	Other counterparty risk	0
R0170	Diversification within counterparty default risk	0
R0180	**Total Counterparty default risk**	5,474
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0
R0240	Lapse risk	0
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	0
R0260	Diversification within life underwriting risk	0
R0270	**Total Life underwriting risk**	0
	Health underwriting risk	
R0280	Health SLT risk	0
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	0
R0310	Diversification within health underwriting risk	0
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	7,887
R0340	Non-life catastrophe risk	25,570
R0350	Lapse risk	0
R0355	Other non-life underwriting risk	1,703
R0360	Diversification within non-life underwriting risk	-10,466
R0370	**Non-life underwriting risk**	24,694
R0400	**Intangible asset risk**	0
	Operational and other risks	
R0422	Operational risk	38,330
R0424	Other risks	0
R0430	**Total Operational and other risks**	38,330
R0432	**Total before all diversification**	81,568
R0434	Total before diversification between risk modules	70,101
R0436	Diversification between risk modules	-3,457
R0438	**Total after diversification**	66,644
R0440	Loss absorbing capacity of technical provisions	0
R0450	Loss absorbing capacity of deferred tax	0
R0455	Other adjustments	0
R0460	**Solvency capital requirement including undisclosed capital add-on**	66,644
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	66,644
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

£000

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
R0010	MCR_{NL} Result	67,819

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	797,868
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

		C0070
	Overall MCR calculation	
R0300	Linear MCR	67,819
R0310	SCR	66,644
R0320	MCR cap	29,990
R0330	MCR floor	16,661
R0340	Combined MCR	29,990
R0350	Absolute floor of the MCR	2,400
R0400	**Minimum Capital Requirement**	29,990